

GUL AHMED TEXTILE MILLS LIMITED

ANNUAL REPORT 1997

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COMPANY INFORMATION

BOARD OF DIRECTORS

IQBAL ALLMOHAMMED - Chief Executive
RAZI-UR-RAHMAN KHAN - (NIT)
BASHIR H. ALLMOHAMMED
A. LATIF VALIMOHAMMED
GHULAM HAJI ALLMOHAMMED
JAVAID IQBAL
ZAIN BASHIR

COMPANY SECRETARY

MOHAMMED HUSSAIN, FCA

BANKERS

ABN AMRO BANK NV
AMERICAN EXPRESS BANK LIMITED
BANK AL-HABIB LIMITED
BANK OF AMERICA NT & SA
CITIBANK, N.A.
DEUTSCHE BANK AG
HABIB BANK AG ZURICH
HABIB BANK LIMITED
SOCIETE GENERALE THE FIB
STANDARD CHARTERED BANK

AUDITORS

HYDER BHIMJI & CO.
Chartered Accountants

REGISTERED OFFICE

PLOT NO. 82,
MAIN NATIONAL HIGHWAY,

LANDHI, KARACHI-75120

SHARES DEPARTMENT

PLOT NO. HT/3A,
LANDHI INDUSTRIAL AREA,
KARACHI-75120

MILLS

PLOT NO. HT/4,
LANDHI INDUSTRIAL AREA,
KARACHI-75120

NOTICE OF MEETING

NOTICE is hereby given that the 45th Annual General Meeting of the Shareholders of Gul Ahmed Textile Mills Limited will be held at Avari Towers, 242, Fatima Jinnah Road, Karachi, on Monday March 30, 1998 at 10:00 A.M. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended September 30, 1997 and Auditors' Report thereon.
2. To approve the payment of cash dividend @ 12.5% as recommended by the Board.
3. To appoint Auditors and fix their remuneration.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chairman.

NOTES:

1. Share Transfer Books of the Company will remain closed from March 21,1998 to March 30, 1998 (both days inclusive).
2. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. A proxy must be a member of the Company.
4. Shareholders are requested to immediately notify the change of address, if any.

DIRECTORS' REPORT

Your Directors are pleased to present the 45th Annual Report and the audited accounts for the year ended September 30, 1997.

OPERATING RESULTS

Rs. 000s

Operating results of the Company are noted below:

Net profit after providing depreciation	
of Rs. 119.783 million amounts to	81,423
Less: Provision for taxation the year	15,900

Profit for the year after tax	65,523
Less: Provision for taxation for prior years	29,221
Add: Unappropriated profit brought forward	2,185

Amount available for appropriation	38,487
	=====
Appropriations	
Proposed dividend	35,782
Amount carried forward	2,705

	38,487
	=====

Sales have increased by 23.76% and profit before tax has increased from Rs. 70.873 million to Rs. 81.423 million.

Net earning per share before the issue of right shares works out to Rs. 2.69. After issue of right shares, earning per share works out to Rs. 2.29.

DIVIDEND

Your Directors are pleased to recommend cash dividend @ 12.5% that is Rs. 1.25 per share.

FUTURE PROSPECTS

The current balancing, modernisation and replacement programme is in progress and about 50% work has been completed. The Company is confident that the programme would be completed during the current fiscal year.

The benefits of this programme in the shape of manufacturing efficiency and increase in sales have already started showing and will further improve as the programme is fully implemented.

Depreciation during the fiscal year under report, in the value of major West European currencies has eroded the margins to some extent. Recent turmoil in currency values of East Asian countries have further dampened the prospects of improvement in export selling prices.

It is however expected that the balancing, modernisation and replacement programme under implementation, will help in absorbing to the some extent the adverse effects of currency fluctuations.

BOARD OF DIRECTORS

During the course of the year Hajiani Zubeda Haji Alimohammed and Mrs. Zeenat H. Anwar resigned from the Board and were replaced by Mr. Javaid Iqbal and Mr. Zain Bashir.

The Board while welcoming Mr. Javaid Iqbal and Mr. Zain Bashir wishes to place on record its thanks to Hajiani Zubeda Haji Alimohammed and Mrs. Zeenat H. Artwar for their valuable contribution over the years.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company as at September 30, 1997 is included in this report.

AUDITORS

The present auditors Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for re-appointment.

EMPLOYEES' RELATIONS

The Board is pleased to report that the workers and staff management relations remained cordial and wishes to express its deep appreciation for the commitment and hard work put in by the employees at all levels.

AUDITORS' REPORT

TO THE MEMBERS

We have audited the annexed Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED as at September 30, 1997 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 information 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;

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account 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 September 30, 1997 and of the profit and changes in cash position for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

HYDER BHIMJI & CO.

Karachi: February 24, 1998

Chartered Accountants

BALANCE SHEET AS AT SEPTEMBER 30, 1997

Note	1997 Rs. 000s	1996
SHARE CAPITAL AND RESERVES		
Authorised capital	500,000	300,000
(50,000,000 ordinary shares of Rs.10 each)	=====	=====
(1996:30,000,000 ordinary shares)		

Issued, subscribed and paid-up capital		286,260	212,044
Reserves		426,086	383,677
Reserve for bonus shares		-	31,807
Unappropriated profit		2,705	2,185
		-----	-----
		715,051	629,713
REDEEMABLE CAPITAL	5	90,881	115,213
DEBENTURES AND LONG TERM LOANS			
- For operations	6	487,767	244,431
- For hedging	7	272,774	-
		-----	-----
		760,541	244,431
DEFERRED LIABILITIES			
Taxation		46,470	46,470
Gratuity	8	12,937	11,331
		-----	-----
		59,407	57,801
CURRENT LIABILITIES AND PROVISIONS			
Shod term running finance	9	1,271,285	888,907
Current maturity of redeemable capital, debentures and long term loans	10	149,658	117,463
Creditors and accrued liabilities	11	268,976	193,135
Other liabilities	12	1,078	574
Provision for taxation		36,263	9,186
Proposed dividend		35,782	15,903
		-----	-----
		1,763,042	1,225,168
CONTINGENT LIABILITIES AND COMMITMENTS	13		
		-----	-----
		3,388,922	2,272,326
		=====	=====
TANGIBLE FIXED ASSETS			
Operating assets	14	1,125,225	1,031,954
Capital work-in-progress	15	142,782	59,139
		-----	-----
		1,268,007	1,091,093
LONG TERM INVESTMENT	16	50	50
LONG TERM DEPOSITS	17	312,504	2,296
CURRENT ASSETS			
Stores and spares	18	75,080	58,426
Stock-in-trade	19	1,160,498	720,526
Trade debts	20	436,721	261,361
Advances, prepayments and other receivables	21	128,397	136,818
Cash and bank balances	22	7,665	1,756
		-----	-----

1,808,361	1,178,887
-----	-----
3,388,922	2,272,326
=====	=====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

	Note	1997 Rs. 000s	1996
Sales	23	3,091,856	2,498,345
Cost of sales	24	2,548,596	2,048,185
		-----	-----
GROSS PROFIT		543,260	450,160
Administrative expenses	25	107,687	86,352
Selling expenses	26	55,325	46,457
		-----	-----
		163,012	132,809
OPERATING PROFIT		380,248	317,351
Other income	27	3,820	3,192
		-----	-----
		384,068	320,543
Financial charges	28	297,747	245,690
Workers' profit participation fund		4,316	374.30
Workers' welfare fund		582	237
		-----	-----
		302,645	249,670
Net profit for the year before taxation		81,423	70,873
Provision for taxation for the year	29	15,900	10,341
		-----	-----
Net profit for the year after taxation		65,523	60,532
Provision for taxation - prior years		(29,221)	(9,210)
Unappropriated profit brought forward		2,185	4,766
		-----	-----
Net profit available for appropriation		38,487	56,088
APPROPRIATIONS			
Proposed dividend		35,782	15,903
General reserve		-	38,000
		-----	-----
		35,782	53,903
		-----	-----

Unappropriated profit carried forward	2,705	2,185
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=====	=====
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The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 1997

	1997	1996
	'Rs. 000s	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	81,423	70,873
Adjustments for:		
Depreciation	119,783	112,810
Staff gratuity	2,810	2,636
Financial charges	298,261	245,690
Profit on sale of operating assets	(1,705)	(1,492)
Interest income	(514)	-
	-----	-----
	500,058	430,517
Changes in working capital:		
(Increase)/Decrease in current assets		
Stores and spares	(16,654)	4,836
Stock-in-trade	(439,972)	152,804
Trade debts	(175,360)	(2,607)
Advances, prepayments and other receivables	12,192	(48,678)
	-----	-----
	(619,794)	106,355
Increase in current liabilities		
Creditors, accrued and other liabilities	63,614	10,310
	-----	-----
	(556,180)	116,665
	-----	-----
Cash (used in)/generated from operations	(56,122)	547,182
Payments for:		
Staff gratuity	(1,204)	(600)
Financial charges	(285,530)	(270,409)
Income tax	(21,301)	(19,342)
	-----	-----
Net cash (used in)/generated from operating activities	(364,157)	256,831
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(298,628)	(147,972)
Sale proceeds of operating assets	3,636	3,775
Long term loans, deposits & deferred cost	(310,208)	36
	-----	-----
Net cash used in investing activities	(605,200)	(144,161)
CASH FLOW FROM FINANCING ACTIVITIES		

Proceeds from issue of right shares with premium	84,818	1,691
Long term borrowings	641,437	50,000
Long term borrowings-repayment	(96,049)	(185,002)
Redemption of redeemable capital	(21,415)	(20,913)
Increase in shod terms borrowings	382,378	50,707
Dividends paid	(15,903)	(14,767)
	-----	-----
Net cash generated from/(used in) financing activities	975,268	(118,284)
Net increase/(decrease)in cash and cash equivalentents	5,909	(5,614)
Cash and cash equivalentents at October 1	1,756	7,370
	-----	-----
Cash and cash equivalentents at September 30	7,665	1,756
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

1. THE COMPANY AND ITS OPERATIONS

Gul Ahmed Textile Mills Limited is a public limited company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of textile products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

Accounts of the Company have been prepared on historical cost convention.

2.2 Foreign currency translation

Assets and liabilities in foreign currencies are translated in Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements.

Exchange differences on loans and deposits created to hedge these loans are adjusted to assets acquired under the loans. Other exchange differences are charged to current year's income.

2.3 Retirement gratuity

The Company provides for the liability of gratuity payable to its employees under the law.

2.4 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any. Deferred taxation is accounted for on all material timing differences using the liability method.

2.5 Fixed assets

Fixed assets are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost. Depreciation is charged on reducing balance method at rates specified in the note on operating assets. Full year's depreciation is charged on additions except major additions or extentions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of its disposal.

2.6 Investments

Investments in shares are stated at cost. No adjustment for market value as on the balance sheet date is made in the accounts.

2.7 Stores and spares

Stores, chemicals and spares are valued at average cost and goods-in-transit are stated at actuals.

2.8 Stock-in-trade

Raw materials are valued at average cost. Finished goods are valued at lower of average cost and net realisable value. Stock-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at contract rates.

2.9 Trade debts

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

2.10 Revenue recognition

Sales are recorded on despatch of goods to buyers. Income on investment is recorded when received.

	1997	1996
	Rs. 000s	
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
17,484,722 ordinary shares of Rs. 10 each fully paid issued for cash (1996:13,243,837 shares)	174,847	132,438
11,141,249 ordinary shares of Rs.10 each fully paid issued as bonus shares (1996:7,960,586 shares)	111,413	79,606
	-----	-----
	286,260	212,044
	=====	=====
4. RESERVES		
Revenue reserve		
General reserve	295,000	257,000
Add: Transfer from profit and loss account	-	38,000
	-----	-----
	295,000	295,000
Capital reserve		
Share premium	88,677	119,419
Add: Premium on right shares issued during the year	42,409	1,065
	-----	-----
	131,086	120,484
Less: Reserve for bonus shares	-	31,807
	-----	-----
	131,086	88,677
	-----	-----
	426,086	383,677
	=====	=====

5. REDEEMABLE CAPITAL - SECURED

5.1 Habib Bank Limited - Long term finance	10,655	14,540
5.2 National Investment Trust Limited -TFCs	104,557	122,087
	-----	-----
	115,212	136,627
Less: Current maturity shown under current liabilities	24,331	21,414
	-----	-----
	90,881	115,213
	=====	=====

	Amount (Rs. 000s)	Rate of Mark-up Paisa/Rs. 1000 Per Day	Total Mark-up (Rs. 000s)	Re-payment Period	Amount of Installment (Rs. 000s)
5.1(a)	10,000	33	10,028	Mar,1990 to Sep,1999	1,001 half yearly
(b)	28,850	36	31,560	Jan,1991 to Jul ,2000	3,020 half yearly
5.20	150,000	44	152,724	Dec,1992 to Jun,2001	12,000 upto Jun, 1994 18,195 from Dec,1994 both half yearly

Finances from Habib Bank Limited are secured by first equitable mortgage over machinery purchased through this facility and additional equitable mortgage over the then existing fixed assets of the Company.

TFCs issued to National Investment Trust Limited are secured by first pari passu charge by way of equitable mortgage over the fixed assets of the Company.

1997 1996
'Rs. 000s

6. DEBENTURES AND LONG TERM LOANS FOR OPERATIONS

6.1 Customs debentures - Unsecured	1,394	5,096
6.2 Long-term loans - Secured		
(a) Suppliers Credit 2	30,014	42,020
(b) Suppliers Credit 3	42,999	64,498
(c) Citibank Loan 1	-	5,500
(d) Suppliers Credit 4	41,402	55,203
(e) Suppliers Credit 5	58,622	78,163
(f) Habib Co-operative Bank	10,000	20,000
(g) Habib Bank AG Zurich Loan 1	10,000	20,000
(h) Citibank Loan 3	50,000	50,000
(i) Habib Bank AG Zurich Loan 2	40,000	-
(j) Orix Investment Bank	40,000	-
(k) Suppliers Credit 7	66,612	-
(l) Suppliers Credit 8	66,325	-
(m) Bank AL-Habib	100,000	-
(n) Standard Chartered Bank	50,000	-
	-----	-----
	607,368	340,480
Less: Current maturity shown under current liabilities	119,601	96,049

-----	-----
487,767	244,431
=====	=====

6.2 (a&b) Suppliers Credit 2 & 3 are repayable in 14 half yearly installments commencing from June, 1993 and January, 1993 respectively and carry interest @ 9.25% per annum payable half yearly. Principal and interest are guaranteed by Habib Bank Limited. The guarantees are secured by equitable mortgage over the fixed assets of the Company.

(c) Citibank Loan 1 was repaid during the year.

(d&e) Suppliers Credit 4 & 5 are repayable in 10 half yearly installments, commencing from November, 1995 and February, 1996 respectively. Interest is payable half yearly @ 1.5% above 6 months USD LIBOR. These loans are secured against the machinery acquired through these facilities.

(f) Habib Co-operative Bank loan is repayable in three annual equal installments commencing from December, 1995. Mark-up is payable half yearly @ 15%. The loan is secured by hypothecation charge over specified machinery.

(g) Habib Bank AG Zurich Loan 1 is repayable in three annual equal installments commencing from December, 1995. Mark-up is payable quarterly @ 15.70%. The loan is secured by hypothecation charge over specified machinery.

(h) Citibank Loan 3 is repayable in four annual equal installments commencing from October, 1997. Mark-up is payable half yearly @ 1.5% above the average State Bank's repurchase rate of Shod Term Federal Bonds during the previous installment period with a minimum rate of 16.5% per annum. The loan is secured by hypothecation charge over specified machinery.

(i) Habib Bank AG Zurich Loan 2 is repayable in three annual installments commencing from June, 1998. The first installment is of Rs. 5 million and remaining two are of Rs.17.5 million each. Mark-up is payable quarterly @ 49.32 paisas per Rs.1,000 per day. The loan is secured by hypothecation charge over specified machinery.

(j) Orix Investment Bank loan is repayable in eight equal installments, payable half yearly, commencing from October, 1998. Mark-up is payable half yearly @ 5% over the 6 months Short Term Federal Bonds weighted average cut-off rate of the last 6 months with a minimum rate of 20% per annum. The loan is secured by hypothecation charge over specified machinery.

(k) Suppliers Credit 7 (equivalent to DEM 8.734 million including undrawn amount of DEM 5.860 million) is repayable in twelve half yearly equal installments commencing 18 months after the last major shipment is effected. Interest is payable half yearly @ 1.5% above 6 months DEM LIBOR. The loan is guaranteed by Habib Bank Limited and the guarantee is secured by hypothecation charge over the fixed assets of the Company.

(l) Suppliers Credit 8 (equivalent to DEM 2.861 million) is repayable in twelve half yearly equal installments commencing from August, 1998. Interest is payable half yearly @ 1.5% above 6 months DEM LIBOR. The loan is guaranteed by Habib Bank AG Zurich and the guarantee is secured by hypothecation charge over specified fixed assets.

(m) Bank AL-Habib Loan is repayable in 12 quarterly equal installments commencing from

September, 1998. Mark-up is payable quarterly @ 19%. The loan is secured by hypothecation charge over specified machinery.

(n) Standard Chartered Bank Loan is repayable in 5 equal semi-annual installments commencing from September, 1999. Mark-up is payable @ 2.5% above the last 6 months weighted average Short Term Federal Bonds cut-off rate, with a minimum floor of 49.30 paisas per Rs.1,000 per day. The loan is secured by hypothecation charge over specified machinery.

	1997	1996
7. LONG TERM LOANS FOR HEDGING - SECURED	'Rs.000s	
From banking companies	278,500	-
Less: Current maturity shown under current liabilities	5,726	-
	-----	-----
	272,774	-
	=====	=====

These loans have been obtained for the purchase of foreign currencies to hedge the liability of Suppliers Credits 7 and 8 (Note 6.2 (k) and (I)). The repayment of these loans will be in accordance with the repayment of the above referred Suppliers Credits. Mark-up is payable quarterly at rates ranging from 38 to 41 paisas per Rs.1,000 per day. These loans are secured against long term deposits referred to in notes 17.1 and 22.1 and fixed assets of the Company.

8. TAXATION

Liability for deferred taxation as on the balance sheet date has been provided in full.

9. SHORT TERM RUNNING FINANCE - SECURED

Secured:

Under mark-up arrangements		
from banking companies	1,271,285	888,907
	=====	=====

These are secured by pari passu charge by way of hypothecation of stores and spares, stock-in-trade, trade debts and other receivables. These carry various mark-up rates. The unavailed credit facility at the year end was Rs. 1,774 million (1996: Rs. 1,102 million).

10. CURRENT MATURITY OF REDEEMABLE CAPITAL, DEBENTURES AND LONG TERM LOANS

Redeemable capital	24,331	21,414
Debentures and long term loans	125,327	96,049
	-----	-----
	149,658	117,463
	=====	=====

11. CREDITORS AND ACCRUED LIABILITIES

Creditors	143,452	101,836
Accrued expenses	54,730	33,836
Workers' profit participation fund	4,690	4,090
Mark-up on redeemable capital (secured)	11,842	15,239
Interest accrued on unsecured loans	33	845

Interest accrued on secured loans	20,614	8,816
Mark-up on running finance (secured)	33,615	28,473
	-----	-----
	268,976	193,135
	=====	=====

12. OTHER LIABILITIES

Unclaimed dividend	286	235
Others	792	339
	-----	-----
	1,078	574
	=====	=====

13. CONTINGENT LIABILITIES AND COMMITMENTS

13.1 The Company is continentally liable for Rs. 38 million (1996: Rs. 38 million) against guarantees issued by Banks and Insurance Companies and Rs. 6 million (1996: Rs. 5 million) for post dated cheques issued to Customs Authorities.

13.2 Aggregate commitments for capital expenditure as at September 30,1997 is Rs. 138 million (1996: Rs. 22 million).

14. OPERATING ASSETS

	COST				Accumulated	Net Book	Rate	Rs. 000s
	As at	Additions	Disposals	As	Depreciation	Value as at	%	Charge for
	Oct, 1,			at Sep, 30,	up to Sep,	Sep, 30,		the year
	1996			1997	301,997	1997		
Leasehold lands	14,426	22	-	14,448	-	14,448	-	-
Buildings on leasehold lands	130,049	13,738	-	143,787	53,799	89,988	5 to 10	9,105
Plant and machinery	1,470,321	174,867	-	1,645,188	677,067	968,121	10	99,481
Office equipment, furniture and fixture	36,347	12,261	-	48,608	21,489	27,119	10 to 20	4,810
Transport equipment	39,498	14,097	4,825	48,770	23,221	25,549	20	6,387
	-----	-----	-----	-----	-----	-----	-----	-----
Total 1997	1,690,641	214,985	4,825	1,900,801	775,576	1,125,225		119,783
	=====	=====	=====	=====	=====	=====	=====	=====
Total 1996	1,559,571	134,711	3,641	1,690,641	658,687	1,031,954		112,810
	=====	=====	=====	=====	=====	=====	=====	=====

14.1 Additions to plant and machinery include net financial charges and exchange differences amounting to Rs. 5 million (1996: Rs. 10 million).

14.2 Depreciation charged for the year has been allocated as follows:

1997	1996
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Cost of goods manufactured - note 24.1	114,973	109,316
Administrative expenses - note 25	4,810	3,494
	-----	-----
	119,783	112,810
	=====	=====

14.3 Details of operating assets sold (by negotiation)**Rs. 000s**

Particulars	Cost	Book Value	Sale Proceeds	Name of Purchasers
Transport equipment	123	63	119	Abdul Khaliq A-Street, 22-C, Saba Commercial Area, Defence 5 Extension, Karachi.
	317	162	350	Shahnaz Basit (Employee) B-47 Ali's Apartments, D.H.A., Society, Phase-1, Karachi.
	188	49	110	Sana-ur-Rehman Khan Lodhi Flat No.J-14,Gallant Summit, Block No.11, Main University Road, Gulshan-e-lqbal, Karachi.
	886	663	775	Gul Ahmed Energy Limited (Associated undertaking) 35-B, Block 6, P.E.C.H.S., Karachi.
	645	235	320	Grand Industries (Pvt) Ltd. P.E.C.H.S., Karachi.
	326	85	155	Bina Nasar Shaikh 167-A, Block-3, Sir Syed Road, P.E.C.H.S., Karachi-75400.
	204	43	97	Syed Khurram Rizvi (Employee) A-16, Mehran Apartments, Block No.16, Gulshan-e-lqbal, Karachi.
	117	31	40	Riaz Khan Kashmiri Mohalla, Adamjee Road, Landhi, Karachi.
	111	57	80	Saif-ur-Rehman 280 Staff Quarters, Bilal Colony, Adamjee Road, Landhi, Karachi.

	89	12	55	Khurshid Begum 89 Area, 36-E, Landhi No.6, Karachi.
	185	76	80	Mohammed Jawed (Employee) H.No.C-17, Apsra Apartment No.1 Block No.14, Gulshan-e-Iqbal, Karachi.
Transport equipment (continued)	19	6	100	Mohammed Ilyas Khan A/24, Block-6.A, Junaid Plaza, Gulshan-e-Iqbal, Karachi.
	62	5	50	Syed Shahbaz Hussain A-217, B-36, Zamanabad, Landhi Colony, Karachi.
	142	15	80	Suleman H.No.1/15, T.O., Bombay Bazar, Old Town, Karachi.
	185	31	115	Rashid Ahmed Khan House No. G-4648, Lajpat Nagar, Daryabad, Gawalmandi, Rawalpindi.
	328	135	150	Ejaz Ali H.No. 03, Siddique Wahab Road, Karachi.
	298	26	115	Arshad Iqbal 36-E, No.89, Landhi Karachi.
	18	7	190	Syed Rehan Ali Rizvi H.No.644, Main Service Road, Sector G-10/1, Islamabad.
	206	68	115	Adnan Anwer H.No.497, Block No.15, Federal 'B' Area, Karachi.
	201	155	345	Insurance claim
Written down value below Rs. 5,000 each	175	7	195	Various
Total 1997	4,825	1,931	3,636	

Total 1996	3,641	2,283	3,775
	=====	=====	=====

1997 **1996**
Rs. 000s

15. CAPITAL WORK-IN-PROGRESS

Machinery under installation	142,782	59,139
	=====	=====

15.1 Cost of machinery under installation includes net financial charges and exchange differences amounting to Rs. 16 million (1996: Rs. NIL).

16. LONG TERM INVESTMENT

Un-listed

Economist Publications (Private) Limited

50 Ordinary shares of Rs.100 each and

45 preference shares of Rs.1,000 each

(10% cumulative non redeemable)

	50	50
	=====	=====

Mr. Baqar Gokal is the Chief Executive of Economist Publications (Private) Limited. Break-up value of the shares could not be determined in the absence of the audited accounts of this Company.

17. LONG TERM DEPOSITS

Long term deposits for hedging (17.1)	310,165	-
Others	2,339	2,296
	-----	-----
	312,504	2,296
	=====	=====

17.1 These deposits of USD 7.514 million placed with banking companies are under lien for the loans referred to in note 7.

18. STORES AND SPARES

Stores and chemicals	33,744	30,249
Spare parts	41,336	28,177
	-----	-----
	75,080	58,426
	=====	=====

19. STOCK-IN-TRADE

Raw materials	236,757	253,663
Stock-in-process	31,758	33,740
Finished goods	891,983	433,123
	-----	-----
	1,160,498	720,526
	=====	=====

20. TRADE DEBTS- UNSECURED

Trade debts are considered good	436,721	261,361
	=====	=====

21. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances	51,430	42,603
Advance income tax	33,804	30,547
Income tax refund receivable	490	490
Duty drawback receivable	33,968	53,578
Short term loans to employees (interest free)	3,607	2,929
Prepayments and other receivables	5,098	6,671
	-----	-----
	128,397	136,818
	=====	=====

Loans and advances are unsecured.

Maximum balance due at any time
during the year from:

Directors	-	-
Executives	-	-
	1997	1996
	Rs. 000s	

22. CASH AND BANK BALANCES

Cash in hand	1,610	165
With banks in current accounts	146	989
With banks in deposit accounts (22.1)	-	6,511
	-----	-----
	7,665	1,756
	=====	=====

22.1 These deposits of USD 0.158 million are under lien for loans referred to in note 7.

23. SALES

Local	1,224,148	1,008,284
Export	1,868,012	1,514,365
	-----	-----
	3,092,160	2,522,649
Less: Excise duty and sales tax	-	24,120
Commission and brokerage	304	184
	-----	-----
	3,091,856	2,498,345
	=====	=====

24. COST OF SALES

Opening stock of finished goods	433,123	698,641
Add: Cost of goods manufactured (24.1)	2,725,246	1,672,074
Purchases and processing charges	282,210	110,593
	-----	-----
	3,440,579	2,481,308
Less: Closing stock of finished goods	891,983	433,123
	-----	-----
	2,548,596	2,048,185

24.1 Cost of goods manufactured

Raw materials consumed (24.2)	1,671,696	818,232
Stores consumed	399,104	325,522
Salaries, wages and benefits	268,443	208,769
Fuel, power and water	195,617	151,111
Insurance	16,338	14,144
Repairs and maintenance	50,760	40,357
Other manufacturing expenses	8,315	4,623
Depreciation	114,973	109,316
	-----	-----
	2,725,246	1,672,074
	=====	=====

1997 **1996**
Rs. 000s

24.2 Raw materials consumed

Opening stock	253,663	140,310
Purchases during the year	1,652,808	930,946
Closing stock	(236,757)	(253,663)
	1,669,714	817,593
Stock-in-process		
Opening stock	33,740	
Closing stock	(31,758)	
	1,982	639
	-----	-----
	1,671,696	818,232
	=====	=====

25. ADMINISTRATIVE EXPENSES

Salaries and benefits	42,382	35,078
Rent, rates and taxes	6,435	5,644
Repairs and maintenance	5,392	7,835
Vehicle up keep	10,189	8,816
Conveyance and travelling	16,299	9,878
Printing and stationery	6,525	5,137
Postage and telecommunication	8,619	6,890
Legal and consultancy fees	2,653	2,160
Miscellaneous	3,012	1,037
Depreciation	4,810	3,494
Auditors' remuneration (25.1)	64	76
Donations (25.2)	1,307	307
	-----	-----
	107,687	86,352
	=====	=====

25.1 Audit fee and excise duty	60	66
Audit of workers' profit participation fund and other services	4	10

-----	-----
64	76
=====	=====

25.2 Donations include Rs. 250,000 (1996: Rs. 250,000) paid to Haji Alimohammed Foundation. Mr. Iqbal Alimohammed, Chief Executive, Mr. Bashir H. Alimohammed, Director, Mr. A. Latif Valimohammed, Director and Mr. Ghulam Haji Alimohammed, Director are amongst the Trustees of the Foundation.

26. SELLING EXPENSES

Freight and shipment expenses	39,066	35,503
Insurance and bank charges	395	338
Advertisement and publicity	10,385	8,169
Other expenses	5,479	2,447
	-----	-----
	55,325	46,457
	=====	=====

27. OTHER INCOME

Profit on sale of operating assets	1,705	1,492
Scrap sales	1,900	1,700
Provisions and unclaimed balances written back	130	-
Others	85	-
	-----	-----
	3,820	3,192
	=====	=====

28. FINANCIAL CHARGES

Mark-up on redeemable capital and interest on long term loans	79,943	74,713
Mark-up on running finance	207,336	162,216
Interest on debentures	1,032	675
Interest on workers' profit participation fund	374	347
Bank charges	9,576	7,739
	298,261	245,690
Less: Interest income on foreign currency deposits	514	-
	-----	-----
	297,747	245,690
	=====	=====

29. PROVISION FOR TAXATION FOR THE YEAR

Deferred	-	2,670
Current	15,900	7,671
	-----	-----
	15,900	10,341
	=====	=====

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

----- 1997 -----				----- 1996 -----			
Chief	Directors	Executives	Total	Chief	Directors	Executives	Total

	Executive				Executive			
Meeting fees	-	3	-	3	-	4	-	4
Managerial remuneration	550	390	18,449	19,389	320	-	11,200	11,520
House rent allowance	235	171	6,688	7,094	128	-	4,487	4,615
Utility allowance	55	39	1,671	1,765	32	-	1,119	1,151
Other allowance	-	-	183	183	-	-	139	139
Bonus	-	-	909	909	-	-	554	554
	840	603	27,900	29,343	480	4	17,499	17,983
Number of persons	1	4	107	112	1	4	79	84

30.1 The Chief Executive and certain Executives are provided with free use of Company cars.

31. ASSOCIATED UNDERTAKINGS

The Company purchased from and sold to associated undertakings goods, materials and services in the aggregate sum of Rs. 9.5 million and Rs. 94 million respectively (1996: Rs. NIL and Rs. 25 million respectively). The basis of transactions is prevailing market rates.

The maximum aggregate amount due to and due from associated undertakings at the end of any month during the year was Rs. NIL and Rs. 21 million respectively (1996: Rs. NIL and Rs. 12 million respectively). There was Rs. NIL due to and Rs. NIL due from associated undertakings as at the end of the year (1996: Rs. NIL and Rs. NIL respectively).

32. CAPACITY AND ACTUAL PRODUCTION

	Unit	(000s)		Working	(000s)	
		Capacity	Actual		Capacity	Actual
Cloth	Sq. metres (50 Picks converted)	31,360	28,922	3 shifts	31,360	30,864
Yarn	Kgs. (20 Counts converted)	24,017	18,504	3 shifts	20,245	16,339

Note: a) Cloth production is lower as compared to capacity due to changes in the production mix of the quality of cloth and closure due to maintenance.

b) Yarn production is lower as compared to capacity due to production of fine counts of yarn and capacity of new spindles is shown for the full year whereas the spindles were put into commercial operation gradually.

33. GENERAL

33.1 Previous year's figures have been rearranged where necessary for comparison purposes.

33.2 Figures have been rounded off to the nearest thousand rupees.

PATTERN OF SHAREHOLDING

As AT SEPTEMBER 30, 1997

No. of Shareholders		Shareholding		Shares Held	
595	From	1	to	100	18,881
715	From	101	to	500	150,890
120	From	501	to	1,000	82,728
2,268	From	1,001	to	5,000	6,002,891
28	From	5,001	to	10,000	184,257
9	From	10,001	to	15,000	116,175
3	From	15,001	to	20,000	53,159
5	From	20,001	to	25,000	114,351
3	From	25,001	to	30,000	82,414
3	From	30,001	to	35,000	97,140
5	From	40,001	to	45,000	212,528
3	From	45,001	to	50,000	144,821
4	From	50,001	to	55,000	211,906
1	From	55,001	to	60,000	55,944
5	From	60,001	to	65,000	305,025
2	From	65,001	to	70,000	137,589
5	From	70,001	to	75,000	362,595
5	From	75,001	to	80,000	392,813
2	From	80,001	to	85,000	163,850
2	From	85,001	to	90,000	173,192
2	From	105,001	to	110,000	215,161
1	From	110,001	to	115,000	110,844
1	From	115,001	to	120,000	118,855
1	From	125,001	to	130,000	129,009
1	From	135,001	to	140,000	138,983
3	From	140,001	to	145,000	427,469
2	From	150,001	to	155,000	306,253
1	From	155,001	to	160,000	156,681
1	From	160,001	to	165,000	163,185
1	From	190,001	to	195,000	190,027
1	From	225,001	to	230,000	228,523
1	From	270,001	to	275,000	272 461
1	From	295,001	to	300,000	299 980
1	From	320,001	to	325,000	324 810
1	From	355,001	to	360,000	355,295
1	From	370,001	to	375,000	370,696
1	From	395,001	to	400,000	396 960
1	From	405,001	to	410,000	405 645
1	From	415,001	to	420,000	419 404
2	From	420,001	to	425,000	845212
1	From	430,001	to	435,000	432 832
1	From	480,001	to	485,000	483 874
2	From	530,001	to	535,000	1,066,308
1	From	595,001	to	600,000	595,960
1	From	1,185,001	to	1,190,000	1,186,359
1	From	1,255,001	to	1,260,000	1,257,414

1	From	1,300,001	to	1,305,000	1,303,573
1	From	1,320,001	to	1,325,000	1,323,618
1	From	1,735,001	to	1,740,000	1,738,609
1	From	2,120,001	to	2,125,000	2,124,235
1	From	2,170,001	to	2,175,000	2,174,587

 3,820
 =====

 28,625,971
 =====

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	3,789	20,743,802	72.46
Investment Companies	6	2,277,498	7.96
Insurance Companies	6	1,480,197	5.17
Joint Stock Companies	6	14,775	0.05
Modaraba Companies	4	151,572	0.53
Financial Institutions	3	457,731	1.60
Foreign Investors	2	3,478,160	12.15
Charitable Institutions	2	17,478	0.06
Government Departments	2	4,758	0.02
	-----	-----	-----
	3,820	28,625,971	100.00
	=====	=====	=====