

## **Dawood Cotton Mills Limited**

**Annual Report 1997**

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### **Company Information**

#### **Board of Directors**

Ahmed Dawood                      Chief Executive/Chairman  
M. Hussain Dawood  
Shahzada Dawood  
Shahid Ghaffar  
Abdul Aziz Moon  
Haroon Mehanti  
Yousuf A. Deshi

#### **Secretary & Finance Manager**

Yousuf A. Deshi

#### **Auditors**

Gangat & Company  
(Chartered Accountants)

#### **Bankers**

Habib Bank Limited

#### **Registered Office**

Dawood Centre,  
Karachi-75530

#### **Mills**

Landhi Industrial Area,  
Karachi-75120

### **Notice of Meeting**

Notice is hereby given that the 47th Annual General Meeting of the Shareholders of Dawood Cotton Mills Limited will be held on Thursday, the 26th March 1998 at 4.00 p.m at the Registered Office of the Company at Dawood Centre, Moulvi Tamizuddin Khan Road, Karachi, to transact the following business after recitation from the Holy Quran.

**ORDINARY BUSINESS:**

1. To confirm the minutes of the Annual General Meeting held on 31st March 1997.
2. To receive and adopt the Audited Accounts for the year ended September 30, 1997 and reports of Directors' and Auditors' thereon.
3. To approve Dividend.
4. To appoint auditors for the year 1997-98 and to fix their remuneration. The present auditors, M/s. Gangat & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

**NOTES**

1. The Share transfer books of the Company will remain closed from 17-03 98 to 26-03 98 (both days inclusive).
2. Transfers received in order at the registered office of the Company Dawood Centre Moulvi Tamizuddin Khan Road, Karachi. by March 16, 1998 will qualify for the payment of dividend to the transferees.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting.
4. Members are requested to communicate to the Company of any change in their addresses.

**DIRECTORS' REPORT**

Dear Shareholders  
Assalam-u-Alaikum

Your directors hereby present their 47th Annual Report together with the Audited Accounts and Auditor's Report for the year ended 30th September, 1997.

As reported in the half yearly report, the plant remained Closed until December, 1997. The Management re-started the plant by the grace of Almighty Allah, by the end of December 1997, However due to continued rise in costs of production such as electricity, gas, water and labour and other input costs, combined with substantial decline in sales by Rs. 102.77 million as compared with the previous year, affected company's operating results. Management's continued efforts to improve the results of the Company brought about reduction in costs which enabled the Company to achieve nominal operating profit of Rs. 2,91.756 as against loss of Rs. 146,846/= in previous year.

Strict financial management yielded a non operating income of Rs. 52,08 Million as against Rs. 40.97 million in previous year.

After charging all administrative and selling expenses including depreciation of Rs.15,261,451/= and after providing Rs.16,500,000/= for taxation your Company has earned a net profit after tax of Rs.35,084,288/= and taking into account unappropriated profit of Rs. 78.743,284/= brought forward from last year a sum of Rs.113,827,572 was available for appropriation. The earnings per share during the year is Rs. 4.73 per share.

Your Directors have recommended to appropriate the profits as follows:-

Dividend @ Rs.4.50(450/%) Per Share of		
Rs. 10/= each on paid up Capital of Rs. 74,236,020/= Rs.		33,406,209
Balance to be carried forward	Rs.	80,421,363
	-----	-----
	Rs.	113,827,572
	-----	-----

M/s. Gangat & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment as auditors of the Company for the year 1997-98.

Directors wish to place on record, their appreciation and gratitude at the devotion shown by the employees of the Company.

We invite you to join us in seeking guidance & blessings of the Almighty in accelerating the operational growth, profitability and efficiency of the Mills in the coming year.

**Date : February, 20,1998**

**Pattern of holding of the shares held by the shareholders as at September 30, 1997**

NUMBER OF SHAREHOLDERS	TYPE OF SHAREHOLDINGS		TOTAL SHARES HELD
630	1	to	100 22,344
469	101	to	500 106,256
100	105	to	1000 73,935
94	1001	to	5000 188,269
12	5001	to	10000 86,222
1	20001	to	25000 21,398
6	25001	to	30000 159,160
3	30001	to	35000 98,636
2	35001	to	40000 76,681
1	40001	to	45000 40,387
1	45001	to	50000 45,500
2	50001	to	55000 101,774
1	90001	to	95000 93,078
1	110001	to	115000 114,639

1	125001	to	130000	129,176
1	135001	to	140000	137,014
1	145001	to	150000	150,000
1	150001	to	155000	153,663
1	190001	to	195000	192,632
1	245001	to	250000	247,123
1	340001	to	345000	342,587
1	350001	to	355000	354,507
1	770001	to	775000	774,446
1	895001	to	900000	899,149
1	1150001	to	1155000	1,151,013
1	1660001	to	1665000	1,664,013
-----				
1335				7,423,602
=====	=====	=====	=====	=====

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Individuals	1291	1,738,573	23.42%
Investment Companies	5	10,416	0.14%
Insurance Companies	5	479,336	6.46%
Joint Stock Companies	15	2,864,126	38.58%
Financial Institutions	10	1,868,770	25.17%
Modaraba Companies	2	38,300	0.52%
Others (See below)	7	424,081	5.71%
	-----	-----	-----
	1335	7,423,602	100.00%
OTHERS	=====	=====	=====
Trusts (Charitable Organisations)	2	394,894	5.32%
Co-Operative, Societies	2	3,481	0.05%
Administrative, Abandoned	1	25,415	0.34%
Properties Organisation			
Administrator General of Sindh	1	285	0.00%
Kukab Agencies (Pakistan)	1	6	0.00%
	-----	-----	-----
	7	424,081	5.71%
	=====	=====	=====

### Auditors' Report to the Members

We have audited the annexed Balance Sheet of DAWOOD COTTON 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.

Profit Participation Fund as required has not been provided in accounts.

Subject to the foregoing reservation, 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 the 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 thereto 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 incurred during the year were for purpose of the Company's business;

(iii) the business conducted, investments made and the expenditures 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 the Cash Flow Statement 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 the ordinance.

**GANGAT & COMPANY**

Karachi: February 20,1998,

Chartered Accountants

**Balance Sheet as at September 30, 1997**

<b>CAPITAL &amp; LIABILITIES</b>	Note No.	1997 Rupees	1996 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorised:			
1,00,00,000 Ordinary Shares of Rs. 10/- each		100,000,000 10	00,00,000
		=====	=====
Issued, Subscribed & Paid Up:	2	74,236,020	74,236,020
<b>RESERVES &amp; SURPLUS:</b>			
Revenue Reserves	3	1420,00 000	14,20,00,000
Capital Reserve -- Share Premium	4	32,705,746	32,705.75
Unappropriated Profit		8,04 21,363	7,87 43,284
		-----	-----
		25,51.27,109	253,449,030

CAPITAL & RESERVES		32,93,63,129	327,685,050
DEFERRED LIABILITIES	5		
Gratuity		25,864,634	3,44,65,225
Deferred Taxation		34,950,000	3,49,50,000
		6,08,14,634	6,94 15,225
CURRENT LIABILITIES AND PROVISION			
Creditors, Accrued and Other Liabilities		11,87,84,167	11,71,72,282
Profit Participation Fund		1,726.68	1,726,683
Unclaimed Dividend		7,931,868	7,398,269
Proposed Dividend		3 34,06,209	1,85,59,005
		161,848,927	14,48,56,239
CONTINGENT LIABILITIES AND COMMITMENTS	8	--	--
		552,026,690	54,19,56,514
		=====	=====

The annexed notes form an integral part of this Balance Sheet.

Karachi: February 20.1998.

<b>PROPERTY &amp; ASSETS</b>	Note No.	1997 Rupees	1996 Rupees
FIXED ASSETS			
Operating Assets	9	137,142,427	152,921,117
LONG TERM INVESTMENTS	10	9,681,394	9,681,394
LONG TERM DEPOSITS		1,430,622	1,430,622
CURRENT ASSETS			
Stores and Spares	11	3,635,708	4,022,485
Stock-in-trade	12	22,682,000	7,276,478
Trade Debtors	13	9,358,075	15,643,398
Loans, Advances, Deposits			
Prepayments and Other Receivables (Unsecured)	14	2,995,661	493,821
Short Term Investments	15	7,890,000	89,110,000
Cash and Bank Balances	16	357,210,803	261,377,199
		403,772,247	377,923,381
		552,026,690	54,19,56,514
		=====	=====

**Profit and Loss Accounts  
for the year ended September 30, 1997**

<b>PARTICULARS</b>	Note No.	1997 Rupees	1996 Rupees
--------------------	----------	-------------	-------------

Net Sales and Operating Revenue	17	70,378,206	173,148,890
Cost of Sales	18	(5,86,02,214)	(15,87,10,940)
		-----	-----
GROSS PROFIT		11,775,992	14,437,950
		=====	=====
OPERATING EXPENSES			
Administrative	19	11,021,294	13,042,148
Selling	20	343,056	1,084,904
Financial	21	119,886	457,744
		-----	-----
		(1,14,84,236)	(1,45,84,796)
		-----	-----
OPERATING PROFIT / (LOSS)		291,756	(1,46,846)
Non-Operating Income	22	5,20,80,347	40,965,802
Zakat		--	(75,382)
Profit on sale of Fixed Assets	9.10	1,42,185	5,122,206
		-----	-----
PROFIT FOR THE YEAR		52,514,288	45,865,780
Other Charges	23	(10,80,000)	(10,09,411)
		-----	-----
PROFIT BEFORE TAX		51,434,288	44,856,369
		=====	=====

The annexed notes form an integral part of this Profit and Loss Account.

Karachi: February 20, 1998.

PARTICULARS	Note No.	1997	1996
		Rupees	Rupees
PROFIT BEFORE TAX		51,434,288	44,856,369
TAXATION	24		
Current		(1,65,00,000)	(1,66,50,000)
Deferred		--	16,650,000
		-----	-----
PROFIT AFTER TAX		34,934,288	4,48,56~369
Capital Gain	25	150,000	--
		-----	-----
Unappropriated Profit from the previous year		35,084,288	44,856,369
		78,743,284	52,445,920
		-----	-----
TOTAL AMOUNT AVAILABLE FOR APPROPRIATION		11,38,27,572	97,302,289
		=====	=====
APPROPRIATION:			
Proposed Dividend		33,406,209	18,559,005
Balance Carried Forward		80,421,363	78,743,284
		-----	-----
		38,27,572	97,302,289
		=====	=====

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

P A R T I C U L A R S	For the Year Ended 30-09-1997	For the Year Ended 30-09-1996
<b>Cash Flow From Operating Activities</b>		
Profit/(loss) before taxation	5,14,34,288	44,856,369
<b>Adjustments for :</b>		
Depreciation	1,52,61,451	16,988,674
Profit on sale of fixed assets	(142,185)	(51,22,206)
Provision for gratuity	534,226	4,550,568
Income from investments	(5,18,92,756)	(4,08,87,804)
Sundry sales & receipts	(187,591)	(77,998)
Financial charges	119,886	457,744
	-----	-----
Operating profit before working capital changes	1,51,27,319	20,765,347
Net (increase)/decrease in working capital	69,853,821	129,289,077
	-----	-----
Cash generated from operations	84,981,140	15,00,54,424
<b>Payments for:</b>		
Gratuity	(91,34,817)	(94,57,504)
Tax	(1,47,57,198)	(1,06,74,246)
Financial charges	(1,19,886)	(4,57,744)
	-----	-----
Net Cash from Operating Activities (A)	6,09,69,239	129,464,930
	=====	=====
<b>Cash Flow from Investment Activities</b>		
Sales of fixed assets	874,424	6,097,000
Income from investments	5,18,92,756	4,08,87,804
Sundry Sales & Receipts	187,591	77,998
Acquisition of Fixed Assets	(2,15,000)	--
Capital Gain	1,50,000	--
	-----	-----
Net cash from / (used in) investing activities (B)	5,28,89771	47,062,802
	=====	=====
<b>Cash Flow from Financing Activities</b>		
Dividend Paid	(1,80,25,406)	(33,817)
Long term Investment (Shares)	--	(6,98,313)
	-----	-----
Net cash from / (used in) financing activities (C)	(1,80,25,406)	(7,32,130)
	=====	=====
Net (increase) / decrease in cash and cash equivalents (A+B+C)	9,58,33,604	175,795,602
Cash and cash equivalents at the beginning of the year	26,13,77,199	8,55,81,597
Cash and cash equivalents at the end of the year	35,72,10,803	26,13,77,199
	=====	=====



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

P A R T I C U L A R S	For the Year Ended 30-09-1997	For the Year Ended 30-09-1996
<b>Movement in Working Capital</b>		
<b>(Increase) / Decrease in Current Assets</b>		
Stores and Spares	3,86,777	(5,03,142)
Stock-in-trade	(1,54,05,522)	62,78,344
Trade Debts	62,85,323	(93,51,987)
Loans, Advances. Deposits. Prepayments and Other Receivables (including advance payment of income tax )	(25,01,840)	249,823
Short Term Investments	8,12,20,000	13,00,00,000
	-----	-----
	6,99,84,738	12,66,73,038
<b>Increase/(Decrease) in Current Liabilities</b>		
Creditors, Accrued and Other Liabilities (excluding Provision for Government Levies)	(1,30,917)	39,31,145
Profit Participation Fu --	--	(13,15,106)
	(1,30,917)	26,16,039
	-----	-----
<b>Net Increase / (Decrease) in Working Capital</b>	<b>6,98,53,821</b>	<b>12,92,89,077</b>
	=====	=====
<b>Cash and Cash Equivalents</b>		
Cash and cash equivalent included in the cash flow statement comprise of the following balance sheet amounts		
Cash in hand and balance with banks	22,10,803	63,77,199
Short term deposits with bank	35,50,00,000	25,50,00,000
	-----	-----
<b>Cash and cash equivalents</b>	<b>357,210,803</b>	<b>26,13,77,199</b>
	=====	=====

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

**1. Principle Accounting Policies:**

**1.1 Overall valuation policy**

As in previous years, the accounts are prepared in accordance with the historical cost convention without any adjustments for the effect of inflation or current values. The following is a summary of important accounting policies used by the Company.

## 1.2 Fixed assets

COST

These are stated at historical cost.

PROVISION FOR DEPRECIATION

Except for Capital work-in-progress on which no depreciation is provided and leasehold land which is amortised on straight line basis at 1 per cent of the original cost, depreciation is provided on the diminishing balance method at the following rates:

Buildings on leasehold land	10%
Plant and Machinery	10%
Furniture & Fixtures	10%
Office Equipments	15%
Vehicles	25%

Acquisitions during the year are depreciated for the full year irrespective of the date of purchase and no depreciation is charged on assets in the year of their disposal.

Minor renewals or replacements and maintenance and repairs are expensed, Major renewals and betterments are capitalised. Gains and losses on deleted assets are reflected in current income.

## 1.3 Long term investments

Except for the investment in Karnaphuli Paper Mills Limited which is stated at nominal value, all other investments are stated at cost.

Income from these investments and those on deposits with banks and in PICIC is credited to revenue in the year in which it is received.

## 1.4 Stores and spares

These are valued at average cost.

## 1.5 Stock in trade

Stock of raw materials and work in process are valued at average cost. Inventories of finished goods are stated at the lower of average cost and net realisable value.

## 1.6 Taxation

Taxation is provided at current rates on the basis of Profits reflected in the Profit and Loss Account adjusted for fiscal purposes.

The Company has fully accounted for deferred tax in respect of timing differences arising from depreciation allowances on fixed assets using the liability method.

**1.7 Gratuity**

Full provision is made for liability for gratuity payable to employees as per agreement with the Collective Bargaining Agent.

**1.8 Commitments and Contingencies**

Capital commitments and contingencies will be recognised only when they become due.

**1.9 Revenue recognition**

Sales are recorded on despatch of goods to customers.

	1997 Rupees	1996 Rupees
<b>Issued, Subscribed &amp; Paid-up Capital</b>		
18,05,602 (1996 : 18,05,602) Ordinary Shares of Rs. 10/- each fully paid in Cash	18,056,020	18,056,020
3,98,400 Ordinary Shares of Rs. 10/- each issued to PICIC as per Loan Agreement	3,984,000	3,984,000
52,19,600 Ordinary Shares of Rs. 10/- each issued as fully paid Bonus Shares	52,196,000	52,196,000
	-----	-----
	74,236,020	74,236,020
<b>3. Revenue Reserves:</b>		
General Reserve		
At beginning of the year	142,000,000	137,500,000
Transferred From Gratuity	--	4,500,000
	-----	-----
Total Revenue Reserves	142,000,000	142,000,000
	=====	=====

	1997 Rupees	1996 Rupees
<b>4. Capital Reserve - Share Premium:</b>		
At beginning of the year	32,705,746	3,27,05,746
	=====	=====

**5. Deferred Liabilities****(i) Gratuity**

Opening Balance	34,465,225	43,872,161
Provided during the year	534,226	45,50,568
	-----	-----
	34,999,451	4,84,22,729
Paid during the year	(91,34,817)	(94,57,504)
	-----	-----
Balance	25,864,634	38,965,225

Transferred to General Reserve	--	(45,00,000)
	-----	-----
Closing Balance	25,864,634	3,44,65,225
	=====	=====
<b>Deferred Taxation</b>		
Opening balance	34,950,000	5,16,00,000
Transferred to Profit & Loss A/c.	--	(1,66,50,000)
	-----	-----
Closing balance	34,950,000	3,49,50,000
	=====	=====
	1997	1996
	Rupees	Rupees

**6. Creditors, Accrued and Other Liabilities**

Deposits (Note 6.1)	531,524	538,340
Creditors	11,569,197	13,800,122
Provision for Government Levies	30,247,041	28,504,239
Accrued Wages, Salaries & Bonus	20,189,989	2,43,63,471
Accrued Expenses	53,041,545	47,371,412
Advances from Customers	48,391	199,402
Provision for Workers' Welfare Fund	2,553,347	1,670,387
Others	603,133	724,909
	-----	-----
	118,784,167	117,172,282
	=====	=====

6.1 All deposits are re-payable on demand and no interest is payable thereon.

1997	1996
Rupees	Rupees

**7. Profit Participation Fund**

At beginning of the year	17,26,683	3,041,789
Allocation for the year	--	--
	-----	-----
	1,726,683	3,041,789
Paid during the year	--	(13,15,106)
	-----	-----
	1,726,683	1,726,683
	=====	=====
	1997	1996
	Rs. in Lacs	Rs. in Lacs

**8. Contingent Liabilities and Commitments**

Contingent Liabilities outstanding in respect of:  
Guarantees and Counter-Guarantees

72.53	63.24
-------	-------

**9. Fixed Assets -- Operating Assets**

COST

Particulars	As at September 30, 1996	Additions during the Year	Sold during the year	As at September 30,1997
Land (Lease Hold)	673,150	--	--	6,73,150
Building on Lease Hold Land	2,87 58,713	--	--	28,758,713
Plant & Machinery	38,53,21,464	--	(27,58,238)	382,563,226
Furniture & Fixtures	1,097.51	--	--	1,097,514
Office Equipments	1,136,296	--	--	11,36,296
Vehicles	17,83,176	215,000	(1,33,000)	1,865,176
Total Rupees:	418,770,313	215,000	(28,91,238)	41,60,94,075
1996 Rupees	435,617,009	--	(1,68,46,696)	418,770,313

**Details of the fixed assets deleted**

**9.1 DURING THE YEAR ENDED SEPTEMBER 30, 1997**

Particular	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds
Machinery (Doublers and Twist)	2,139,597	1,535,310	604,287	7,10,000
Scrape Auto Cone	618,641	504,004	114,637	1,32,424
Winding Machinery				
Motorcar	133,000	1,19,685	13,315	32,000
TOTAL	2,891,238	2,158,999	732,239	874,424

**D E P R E C I A T I O N**

As at September 30, 1996	Provided during the Year	On Sale	Accumulated Depreciation upto September 30, 1997	Book Value As at September 30,1997
282,589	6,732	--	289,321	383,829
21,720,061	703,865	--	22,423,926	6,334,787
240,090,039	14,451,250	(20,39,314)	25,25,01,975	13,00,61,251
1,004,314	9,320	--	1,013,634	83,880

1,116,722	2,936	--	1,119,658	16,638
1,635,471	87,348	(1,19,685)	1,603,134	262,042
-----	-----	-----	-----	-----
265,849,196	15,261,451	(21,58,999)	278,951,648	137,142,427
-----	-----	-----	-----	-----
264,732,424	16,988,674	15,871,902	265,849,196	152,921,117
=====	=====	=====	=====	=====

Profit/ (Loss)	Sold To	Mode of Sale
105,713	Burewala Textile Mills Ltd, AI-Falah Shahrah-e-Quaid-e-Azam Lahore	
17,787	Mr. Muhammad Yousuf Landhi Karachi.	
		By Negotiation
18,685	Mr. Wazir Muhammad, 316/7, Sector 'H', Manzoor Colony, Karachi.	
-----	-----	-----
142,185		
=====	=====	=====

1997	1996
Rupees	Rupees

**10. Long Term Investments:**

**Quoted**

Dawood Hercules Chemicals Ltd. (Associated Undertaking) 10,77,280 (1996 : 10,77,280) Ordinary Shares of Rs. 10/- each (Market-value Rs. (20,79,15,040)	8,979,080	8,979,080
Sui Southern Gas Company Ltd. 33,062 (1996 28,750) Ordinary Shares of Rs. 10/=each (Market Value Rs. 9,05,899/=)	698,313	698,313

**Unquoted**

Karnaphuli Paper Mills Ltd. (4,88,000 Ordinary Shares of Rs. 10/- each)	1	1
Asian Co-operative Society Ltd. (Associated Undertaking) (400 fully paid Ordinary Shares of Rs. 10/- each	4,000	4,000

	-----	-----
	96,81,394	96,81,394
	=====	=====

**11. Stores & Spares:**

Stores	791,346	960,612
Spares	2,844,362	3,061,873
	-----	-----
	36,35,708	40,22,485
	=====	=====

**12. Stock in trade:**

Raw materials in hand	5,238,622	--
Work in Process	231,638	330,338
Finished Goods	17,211,740	6,946,140
	-----	-----
	2,26,82,000	72,76,478
	=====	=====

**13. Trade Debtors:**

Trade Debtors (unsecured)	11,552,488	17,837,811
Less: Provision for Doubtful Debts	(21,94,413)	(21,94,413)
	-----	-----
Considered Good	9,358,075	15,643,398
	=====	=====

Trade Debtors (Considered Good) include amounts due from associated undertakings of Rs. 59,180 (1996: Rs. 1,77,760). The maximum aggregate amount due from them at the end of any month during the year was Rs. 4,83.094 (1996: Rs. 78,00,421).

1997	1996
Rupees	Rupees

**14. Loans, Advances, Deposits  
Prepayments, and Other Receivables  
(Unsecured):**

Loans and Advances due from employees (considered good)	33,705	59,455
Advances to Suppliers (considered good)	238,556	250,652
Advances to others (considered good)	39,058	79,198
Security Deposits and Prepayments	377,829	54,144
Excise Duty / Sales and Deposits	2,306,513	--
Claims receivable from Government Custom Duty Rebate etc.	--	50,372
	-----	-----
	2,995,661	493,821
	=====	=====

**14.1** The Maximum amount due from associated undertaking at the end of any month during the year was Rs. Nil (1996 Rs. Nil)

**15. Short Term Investments (at cost)**

PICIC Registered Certificate of Deposit (associated undertaking)	--	80,000,000
2,00,000 Units of National Investment Trust (Units) Ltd. (1996: 3,00,000)	2,440,000	3,660,000
Foreign Exchange Bearer Certificates	5,450,000	5,450,000
	-----	-----
	7,890,000	89,110,000
	=====	=====

**16. Cash and Bank Balances:**

h', Hand	60,889	246,158
Cash in Transit	489,924	43,201
At Bank in Current Accounts	1,659,990	6,087,840
At Bank in Deposit Accounts	355,000,000	255,000,000
	-----	-----
	357,210,803	26,13,77,199
	=====	=====

**17. Net Sales and Operating Revenue:**

GOODS		
Local	77,735,130	17,99,91,451
Excise Duty	--	23,94,198
Sales Tax	7,185,746	4,065,377
Brokerage and Discount	171,178	382,986
	-----	-----
	(73,56,924)	(68,42,561)
	-----	-----
NET SALES	70,378,206	173,148,890
	=====	=====

	1997	1996
	Rupees	Rupees

**18. Cost of Goods Sold:**

RAW MATERIALS:		
Opening Inventory	--	14,20,401
Purchases	5,238,622	5,23,35,681
	-----	-----
TOTAL	5,238,622	5,37,56,082
Less: Claim received against lost in transit	--	(3,41,039)
Less: Closing Inventory	(52,38,622)	--
	-----	-----
Raw Materials Consumed	--	5 34,15,043
Cloth / Yarn Purchased	28,471,684	77,35,934
OTHER COSTS:		
Wages, Salaries etc.	6,192,879	28,104,928
Stores & Spares Consumed	2,203,402	3,408,824
Electricity, Gas & Water Consumed	11,028,686	36,497,389
Processing Charges on Cloth	501,603	499,283
Yarn Conversion Cost	402	217,113
Depreciation	15,261,451	1,69 88,674
Insurance	1,951,879	2,143,754
Repairs & Maintenance	430,027	1,000.13
Rent, Rates & Taxes	1,775,283	1,917,597
Workers' Welfare	198,901	1,365,993
Other Expenses	752,917	558,331
	-----	-----
	68,769,114	15.38,52,997



Add: Opening Inventory in Process	330,338	867,471
Less: Closing Inventory in Process	(2,31,638)	(3,30,338)
	-----	-----
<b>COST OF PRODUCTION</b>	<b>6,88,67,814</b>	<b>15,43,90,130</b>
Add: Opening Inventory of Finished Goods	6,946,140	1,12,66,950
Less: Closing Inventory of Finished Goods	(1,72,11,740)	(69,46,140)
	-----	-----
	58,602,214	158,710,940
	=====	=====

**OPERATING EXPENSES**

	1997	1996
	Rupees	Rupees

**19. Administrative Expenses:**

Salaries, Bonus etc.	8,859,731	11,249,476
Printing & Stationary	182,968	194,695
Rent	321,109	321,109
Electricity	90,767	81,716
Conveyance and Travelling	145,432	65,920
Communications	578,085	431,338
Legal & Professional Charges (Note 19.1)	227,600	92,900
Fees & Subscription	407,463	407,534
Other Miscellaneous Expenses	208,139	197,460
	-----	-----
	11,021,294	13,042,148
	=====	=====

19.1 Legal & Professional Charges includes, interalia, Auditors' Remuneration in respect of the auditors' services for: Statutory Audit

	66,000	60,000
	=====	=====

**20. Selling Expenses:**

Freight & Insurance	-	467
Storage and Forwarding Charges	6,393	17,488
Terminal Tax and Transportation Cost	329,235	1,052,481
Advertisement	928	3,608
Others	6,500	108,60
	-----	-----
	343,056	1,084,904
	=====	=====

**21. Financial Expenses:**

Interest/Mark-up on Short Term Bank Borrowings	-	307,756
Bank Charges	119,886	149,988
	-----	-----
	119,886	457,744
	=====	=====

	1997 Rupees	1996 Rupees
<b>22. Non Operating Income</b>		
<b>Dividend Income</b>		
Dawood Hercules Chemical Ltd. (Quote (Associated undertaking)	8,618,240	54,61~400
Dividend on NIT Units	-	375,000
	8,618,240	5,836,400
<b>Profit/Interest Income:</b>		
Profit/Interest on Call/Time/Security Deposits	36,447,117	11,514,171
Profit on deposit with PICIC- (Associated undertaking)	6,735,109	23,537,233
Interest on Deposits with KESC/GAS Co	92,290	-
	43,274,516	35,051,404
Sundry Sales and Receipts	187,591	77,998
	-----	-----
	52,080,347	40,965,802
	=====	=====
<b>23. Other Charges:</b>		
Workers' Welfare Fund	1,080,000	1,009,411
	-----	-----
	1,080,000	1,009,411
	=====	=====
<b>24. Taxation:</b>		
Current	16,500,000	1,66,50,000
Deferred	--	(1,66,50,000)
	-----	-----
	1,65,00,00	--
	=====	=====

**Capital Gain :**

Represents gain on sale of 1,00,000 Units of National Investments Trust Ltd

**26. Directors, Chief Executive's and Executives' Remuneration:**

The aggregate amount charged in the accounts for the year for payments to the Directors, Chief Executive and Executives of the Company were as follows:-

Particulars	1996			1996		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
Remuneration	--	12,00,000	6,27,600	--	6,38,710	2,46,771
House Rent	--	5,40,000	2,58,845	--	2,87,419	1,11,046
Utilities (Water, Gas and Electricity Charges)	--	1,20,000	53,145	--	63,871	30,617
Conveyance Allowance	--	1,20,000	63,353	--	63,871	24,677

Others	--	--	37,657	--	--	11,892
Bonus	--	--	1,19,446	--	--	22710.00
Fees	--	--	--	6,000	--	--
-----						
Total:	--	19,80,000	11,60,046	6,000	10,53,871	14,47,713
-----						
Number of persons	--	1	6	4	1	2

27. The Company purchases and sold to associated undertakings goods, materials and services in the aggregate of Rs. 3,11,89,183 (1996 : Rs. 1,02,97,923) and Rs. 3,07,784 (1996: Rs. 10.12.077) respectively.

#### 28. Capacity and Actual Production:

	UNIT		1997		1996	
	Sq.	Mtr.	CAPACITY	ACTUAL	CAPACITY	ACTUAL
Cloth	Sq.	Mtr.	76,49,000	--	76,49,000	--
Yarn Converted in 20s		Kgs.	1,09,21,000	11,206	1,09,21,000	19,78,083
No. of Spindles installed/worked			83964.00	420	83,964	17,660
No. of Shifts worked per day						

The capacity figures are based on capacity assessed by the government under Excise Duty Capacity Rule 1968 and adjusted on the basis of 300 working days and number of actual spindles & looms installed. The reduction in production was due to reduced operation of company's spindles and looms on account of recessionary condition in the textile industry.

#### 29. General:

29.1 Figures of the previous year have been re-casted and re-arranged to conform with the revised presentation of accounts.

29.2 Figures have been rounded off to the nearest rupee.

#### Ten Years at a glance

(Rupees in thousand)

PARTICULARS	1997	1996	1995	1994	1993	1992	1991	1989	1990	1988
Paid up Capital	7,42,36	7,42,36	7,42,36	7,42,36	7,42,36	7,41,01	4,97,44	4,97,45	4,97,46	4,97,47
Reserves & Surplus <sup>2</sup>	25,51,27	25,51,28	22,26,52	20,25,39	19,42,52	17,58,90	14,89,66	11,93,39	9,97,87	9,04,65
Share Holders Equity	32,93,63	32,76,85	29,68,88	27,67,75	26,84,88	24,99,91	19,87,10	16,90,83	14,95,31	14,02,09
Break up value of Shares of Rs. 10/- each	44.37	44.14	39.99	37.28	36.17	33.74	39.95	33.99	30.06	28.19
SALES (NET)										
Export	--	--	--	20,22	15,79	1,41,137	6,81,51	5,17,22	7,37,74	6,81,02
Local	7,03,78	17,31,49	28,26,24	32,98,34	41,07,07	53,10,79	52,69,48	41,48,49	39,34,82	32,44,10

Profit before taxation	5,14,34	4,48,56	3,19,13	2,49,10	4,61,84	7,46,99	5,84,63	5,43,99	5,76,55	5,21,85
Profit after taxation	3,50,84	4,48,56	2,01,13	1,57,10	3,65,84	5,40,99	4,20,63	4,93,99	4,16,55	3,36,85
<b>Dividend</b>										
Amount	3,34,06	1,85,59	--	74,24	1,85,59	4,45,42	1,24,36	2,98,46	3,23,34	1,98,98
Percentage	45	25	--	10	25	60	25	60	65	40
BONUS SHARES (%)	--	--	--	--	--	--	25	--	--	--
RIGHT SHARES (%)	--	--	--	--	--	--	25	--	--	--