

DEWAN MUSHTAQ TEXTILE MILLS LIMITED

Annual Report 1997

Mission Statement

The mission of Dewan Mushtaq Textile Mills Limited is to be the finest Organisation, and to conduct business responsibly in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfil our commitments to the society. Our hallmark is honesty, initiative and teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognises and rewards achievements at all levels of the Organisation because

IN ALLAH WE TRUST & IN PEOPLE WE BELIEVE.

We will always conduct ourselves with integrity and strive to be the best.

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COMPANY INFORMATION

BOARD OF DIRECTORS

DEWAN M. ZIA-UR-REHMAN FAROOQUI
Chairman

DEWAN GHULAM MUSTAFA KHALID
Vice Chairman

DEWAN MUHAMMAD AYUB KHALID
Managing Director/Chief Executive

DEWAN MOHAMMAD YOUSUF FAROOQUI
Deputy Managing Director

DEWAN ABDUL REHMAN FAROOQUI

DEWAN ASIM MUSHFIQ FAROOQUI

MR. AZHAR KHAWAJA (NIT)

AUDITORS

MESSRS. FARUQ ALI & CO.
Chartered Accountants
Habib Square,
M. A. Jinnah Road,
Karachi, Pakistan.

BANKERS

HABIB BANK LIMITED

REGISTERED OFFICE

DEWAN CENTRE
3-A, Lalazar,
Beach Hotel Road,
Karachi - 74000,
Pakistan.

MILLS

A-30, S. I. T. E.,
Hyderabad (Sindh).

NOTICE OF THIRTY SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Sixth Annual General Meeting of Dewan Mushtaq Textile Mills Limited will be held on Wednesday, 28th March 1998 at 5.00 p.m. at Dewan Centre, 3-A Lalazar Beach Hotel Road, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. Recitation from HOLY QURAN.
2. To read and confirm the minutes of the Thirty Fifth Annual General Meeting held on 28th June 1997.
3. To receive, consider and adopt the annual audited accounts for the year ended 30th September 1997, together with the Directors' and Auditors' Report thereon.
4. To approve the declaration of 15% Cash Dividend.
5. To elect Seven Directors of the Company for a period of three years in accordance with the provisions of the Companies Ordinance, 1984. The retiring directors are:

- (i) Dewan M. Zia-ur-Rehman Farooqui
- (ii) Dewan Ghulam Mustafa Khalid
- (iii) Dewan Mohammad Ayub Khalid
- (iv) Dewan Mohammad Yousuf Farooqui
- (v) Dewan Asim Mushfiq Farooqui
- (vi) Dewan Abdul Rehman Farooqui
- (vii) Mr. A.D. Azhar Khawaja (NIT)

6. To appoint Auditors of the Company for the year ending 30 September 1998 and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and approve short-term loans and advances out of surplus funds available with the Company to Dewan Sugar Mills Limited in compliance with the provisions of Section 208 of the Companies Ordinance, 1984.
8. To transact any other business with the permission of the Chairman.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 21st March, 1998 to 31st March, 1998 (Both days inclusive).
2. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be member of the company.
3. An instrument of proxy and a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
4. Members are requested to notify the Company any change in their addresses immediately.

"Statement under Section 160 of the Companies Ordinance, 1984 attached with the Annual Report circulated to the members of the company."

**STATEMENT UNDER SECTION 160
OF THE COMPANIES ORDINANCE, 1984**

This statement is annexed to the Notice of the Thirty Sixth Annual General Meeting of Dewan Mushtaq Textile Mills Limited (hereinafter referred to as DMTML) to be held on 25th March 1998

and sets out material facts concerning the Special Business to be transacted at the meeting.

1. Investments in Associated Companies

The Board of Directors considers to advance temporary short term financing to the associated company out of surplus funds available with the Company. Details of such financing are given below:

- (i) Name of borrower Company and associated undertaking together with the amount of loan and advance. -- Dewan Sugar Mills Limited Rupees Fifty Million only
- (ii) Rate of interest to be charged on each loan and advance together with the particulars of collateral security to be obtained from borrower. -- 1% above the rate on which the lending Company has obtained its own borrowing -- No security is considered necessary as all the companies are under common management control.
- (iii) Period for which these loans and advances will be made -- Twelve Months
- (iv) The terms of repayment or any other term of loans and advances -- The loans and advances are adjustable within a period of twelve months or as and when required by the lending Company
- (v) Purpose of loans and advances -- The purpose of loans and advances is to provide any immediate requirement of working capital of the borrowing Companies
- (vi) Benefits likely to accrue to the Company and its shareholders from loans and advances -- The investing Company and its shareholders will be benefited in a manner that their investment will fetch a return of one percent over and above the mark up rate at which the investing Company has borrowed. Further, the surplus funds will not remain idle and will be invested in the most efficient manner whereby the investing Company not getting good return but the funds will also remain at the disposal of the investing Company as such loans and advances are repayable on demand.

None of the Directors or their spouse has any vested or non-vested interest whether directly or indirectly in the proposed business.

In this regard following resolution is proposed to be passed, with or without modification, as a 'SPECIAL RESOLUTION'

"Resolved that the Board of the Directors of the Company be and is hereby authorised to make temporary short term loans / advances to Dewan Sugar Mills Limited up to a maximum limit of Rs.50 million at a mark up rate of 1% above the rate on which the Company has obtained the borrowing.

These temporary loans / advances shall be adjusted as and when required by the Company and shall not exceed 12 months period."

DIRECTORS' REPORT

Your Directors take pleasure in presenting to you the 36th Annual Report of the Company together with the audited accounts for the year ended on September 30, 1997.

Alhamdulillah, the results for the year under review are satisfactory despite many adverse factors such as increase in cotton prices as compared with last year, instability in yarn prices and immense increase in power charges.

By the grace of Almighty Allah, your Company has earned a Net Profit of Rs.9.4 million as compared with Net Profit of Rs. 26.9 million of last year. Current year's Profit includes Cash Dividend Income of Rs. 7.4 million from Dewan Salman Fibre Ltd. This dividend income has once again provided a sign of relief to your Company's cash flow. The highlights of the Accounts are as follows:

	1997 (Rupees)	1996 (Rupees)
Gross Sales	257,811,088	372,013,335
Fuel, Power and Water	49,583,115	41,768,288

Gross Profit	19,227,917	22,422,056
Cash Dividend income from DSFL	7,359,998	25,600,019
Taxation	2,400,000	4,300,000
Net Profit After Tax	9,417,080	26,934,483

We humbly gratefully bow our heads before Almighty Allah, the Most Gracious and Merciful, who has rewarded and blessed Your Company with His countless bounties in difficult times.

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

Your Directors are pleased to propose appropriation of profit in the following manner:

Profit for the year 1996-97	Rs.	9,417,080
Un appropriated Profit brought forward	Rs.	28,516,365

Profit available for appropriation	Rs.	37,933,445
<i>Appropriation</i>		=====
Cash dividend	Rs.	2,643,300
Un-appropriated profit carried forward	Rs.	35,290,145

Total	Rs.	37,933,445
		=====

DIRECTORS' REPORT

The Board of Directors took decision for appropriation of the profit keeping in view the expectations of the shareholders from Dewan Mushtaq Group, cash position of the Company, future profitability and present scenario of Textile Industry.

The Board also decided to apprise its valued shareholders current status and future of local Textile industry and other prevalent situation in detail through this report.

SALIENT FEATURES OF THE ACCOUNTS:

1. Total gross sales of your Company amounted to Rs. 257 million as compared to Rs.372 million last year.
2. Earning Per Share of your Company works out to Rs. 5.34 as compared with last year's EPS which was Rs. 15.28.
3. During the reviewing year, Textile Industry continued to remain under grave crisis. Cotton crop once again failed miserably and cotton prices remained at high level. Average price of cotton remained around Rs. 2,200/- per maund, excluding 12.5% sales tax. The yarn prices remained under pressure whereas other cost like power charges increased significantly. The sales of your company has been decreased considerably due to the fact that your Company manufactured some seasonal products towards the year end which were scheduled to be lifted by the customers in the month of September, but the same could not be lifted on schedule due to reasons beyond control of the Management. However, the majority of stocks of yarn reported in the Balance Sheet have been lifted after completion of the financial year and the sale proceeds have also been realised.
4. The Board would like to apprise the shareholders that our plants are based on old technology and with the passage of time, they are less efficient than the new technology plant and machinery. Since the plant and machinery are almost fully depreciated, therefore, your Company has been able to maintain profitability and paid dividend every year regularly.
5. Alhamdulillah, your company has been able to meet all its financial obligations on time and from its own resources.

FUTURE PROSPECTS

The outlook of local Textile Industry appears encouraging for the year 1998. An improvement in raw material position, supported with cheap export-refinance facility and depreciated Rupee value, is expected to attain a good performance during the year. The 1998 cotton crop is expected to be 8.8N9.0 million bales (3-5% lower than 1997). The crop size is little lower this time, it still compares well with total requirement of the local Textile Industry which stood at 8.5 million bales in 1997, down from 8.9 million bales in 1996. As per the estimates, after accounting the usage by the informal sector to the tune of 0.5 million bales the output of 8.8 million bales puts the Textile industry in an accommodative position. The fact that adequate quantity of cotton will be available for the domestic industry during the current season is also reflected in the spot prices of cotton at Karachi Cotton

Exchange which are on average reduced by 5% as compared with last year.

The Management has decided to implement a major Balancing, Modernising and Replacement (BMR) program in order to remain competitive in its field of operation. Some of the capital expenditure incurred in this relation has been reflected in the current accounts and further investment is underway. The Board feels that it has now become inevitable to undertake BMR so as to maintain promising future prospects of your Company.

NOTE OF THANKS:

The Board puts on record its gratitude to its valued shareholders, federal and provincial government functionaries, banks, development financial institutions and customers whose co-operation, constant support and patronage have enabled of your Company to achieve the desired results.

The Board also expresses its thanks for the valuable teamwork, loyalty and laudable efforts rendered by the executives, staff members and workers of your Company, during the year under review, and wish to place on record its appreciation for the same.

AUDITORS:

The Auditors of your Company, Messrs M/S Faruq All & Company, Chartered accountants, retire and offer their services for re-appointment for the ensuing year on the same remuneration.

CONCLUSION:

In conclusion, we bow, beg and pray to Almighty Allah, Rehman-o-Rahim, in the name of our beloved prophet, Muhammad, peace be upon him, for continued showering of His Blessings, Guidance, Strength, Health and Prosperity to us, our Company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, Ameen, Summa-Ameen.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Dewan Mushtaq Textile Mills Limited, as at 30 September, 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 30 September 1997 and of the profit and the Cash Flow 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.

Faruq Ali & Company

Karachi: 02 March, 1998

Chartered Accountants

BALANCE SHEET

AS ON 30 SEPTEMBER, 1997

CAPITAL AND LIABILITIES		1997	1996
SHARE HOLDERS EQUITY		(Rupees)	
	Notes		
Share Capital			
Authorised			
10,000,000 Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
		=====	=====
Issued, Subscribed and Paid-up	3	17,622,000	17,622,000
Reserves and surplus	4	80,290,145	73,516,365
		-----	-----
		97,912,145	91,138,365
DEFERRED LIABILITY FOR STAFF GRATUITY		11,970,231	8,530,853
CURRENT LIABILITIES			
Short-term running finances - Secured	5	161,462,292	106,407,558
Creditors, accrued expenses and other liabilities	6	108,766,546	50,164,895
Dividends	7	4,896,625	3,681,083
Provision for taxation		15,650,641	13,250,641
		-----	-----
		290,776,104	173,504,177
CONTINGENCIES		8	
		-----	-----
		400,658,480	273,173,395
		=====	=====
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
Operating fixed assets - at cost less accumulated depreciation	9	26,379,196	22,948,265
LONG TERM INVESTMENT		10	
		40,003,000	40,003,000
LONG TERM DEPOSITS		11	
		55,736	55,736
CURRENT ASSETS			
Stores and spares	12	9,257,548	11,088,437
Stock -in - trade	13	280,748,239	133,912,182
Trade debts - (Unsecured, considered good)		19,778,126	51,077,549
Advances, deposits, prepayments and other receivables	14	22,301,730	12,848,613
Cash and bank balances	15	2,134,905	1,239,613
		-----	-----
		334,220,548	210,166,394
		-----	-----
		400,658,480	273,173,395
		=====	=====

The annexed notes form an integral part of these accounts.

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

	Notes	1997	1996
		(Rupees)	
SALES - Net	16	255,742,629	368,893,002
Less: Excise Duty & Sale Tax		--	7,368,677
		-----	-----
		255,742,629	361,524,325
COST OF SALES	17	236,514,712	339,102,269
		-----	-----
GROSS PROFIT		19,227,917	22,422,056
OPERATING EXPENSES			
Administrative & General expenses	18	3,892,661	3,959,448
Selling & Distribution expenses	19	3,654,329	4,520,449
		-----	-----
		7,546,990	8,479,897
		-----	-----
OPERATING PROFIT		11,680,927	13,942,159
OTHER CHARGES			
Financial Charges	20	7,187,802	7,817,457

Workers' Profit Participation Fund		224,656	306,235
Workers' Welfare Fund		146,153	184,003
		-----	-----
		7,558,611	8,307,695
		-----	-----
		4,122,316	5,634,464
OTHER INCOME	21	7,694,764	25,600,019
		-----	-----
PROFIT BEFORE TAXATION		11,817,080	31,234,483
TAXATION - Current		2,400,000	4,300,000
		-----	-----
PROFIT AFTER TAXATION		9,417,080	26,934,483
UNAPPROPRIATED PROFIT BROUGHT FORWARD		28,516,365	5,106,282
		-----	-----
		37,933,445	32,040,765
Appropriation			
Transferred to General Reserve		--	--
Proposed Cash Dividend: @ 15% (1996: 20%)		2,643,300	3,524,400
		-----	-----
		2,643,300	3,524,400
UNAPPROPRIATED PROFIT CARRIED FORWARD		35,290,145	28,516,365
		=====	=====

The annexed notes form an integral part of these accounts

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1997

	1997	1996
	RUPEES	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,817,080	31,234,483
Adjustment for non-cash and other items		
Depreciation	3,019,901	2,708,734
Financial charges accrued	7,187,802	7,817,457
Provision for gratuity	6,419,292	4,087,241
(Gain) on sale of fixed assets	(334,766)	--
	-----	-----
	28,109,309	45,847,915
Changes in operating assets and liabilities		
Decrease / (Increase in Stores and Spares	1,830,889	(1,171,105)
(Increase) / Decrease in Stock in Trade	(146,836,057)	65,731,044
Decrease / (Increase) in Trade Debts	31,299,423	(16,025,232)
(Increase) / Decrease in advances, deposits, Prepayments & other receivables	(3,335,129)	1,022,326
Increase / (Decrease) in short-term running finance	55,054,734	106,711,587
Increase in creditors, accrued expenses & other liabilities	59,415,754	26,911,098
	-----	-----
	(2,570,386)	30,243,456
	-----	-----
Taxes paid	(6,117,988)	(967,770)
Gratuity paid	(2,979,914)	(1,532,366)
	-----	-----
	(9,097,902)	(2,500,136)
	-----	-----
Net cash flow from operating activities	16,441,021	13,104,323
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(6,586,066)	(569,225)
Increase in long term deposits	--	(8,000)
Sale proceeds of fixed assets	470,000	--
	-----	-----

Net cash flow from investing activities	(6,116,066)	(577,225)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(1,427,758)	(3,517,908)
Financial charges paid	(8,001,905)	(9,497,582)
	-----	-----
Net cash flow from financing activities	(9,429,663)	(13,015,490)
	-----	-----
Net increase / (decrease) in cash & bank balances	895,292	(488,392)
Cash & bank balances at beginning of the year	1,239,613	1,728,005
	-----	-----
Cash & bank balances at the end of the year	2,134,905	1,239,613
	=====	=====

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

1. STATUS AND NATURE OF BUSINESS

Dewan Mushtaq Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is listed on Karachi Stock Exchange. The Principal activity of the Company is manufacturing and sale of yarn.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the 'historical cost' convention.

2.2 Staff retirement benefits

The Company operates an un-funded gratuity scheme. Annual provisions are made in the financial statements to cover obligations under this scheme.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation 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 if it can be established with reasonable probability that these timing differences will not crystallize in the foreseeable future.

2.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation except lease hold which is stated at cost.

Depreciation is charged to income using the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged in the year of acquisition, while no depreciation is charged on assets deleted during the year.

Major repairs and renewals are capitalised. Gains or losses on disposal of fixed assets are included in the income currently.

2.5 Stores and Spares

These are valued at average cost except for those in transit, which are valued at cost.

2.6 Stock-in-Trade

These are valued as follows:

Raw Material	At average cost
Finished Goods	At lower of Cost or Net Realizable Value
Waste	At selling price
Work-in-Process	At average cost
Stock in Transit	At cost
Stock at Fair Price Shop	At cost calculated on the basis of First-in-first-out method of valuation.
Packing Material	At average cost.

Cost of finished goods comprise of prime cost and appropriate portion of production overheads.

Net Realizable Value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

2.7 Foreign currencies

Transactions in Foreign currencies are, if any, recorded using the rates of exchange ruling at the date of transaction.

Assets and liabilities in foreign currencies, if any, are translated into rupees at the Exchange rates prevailing on the balance sheet date except where forward exchange contracts have been entered into in which case the rates contracted for are used. Exchange gain and losses, if any, are included in income currently.

2.8 Investments

The company follows the 'cost method' of accounting for long-term investment. The carrying amount is reduced to recognise a decline, other than temporary, in the value of investment.

2.9 Revenue Recognition

2.9.1 Revenue from sales is recognized on despatch of goods to customers.

2.9.2 Dividend income is recognised on receipt basis.

2.10 Trade Debts

Debts considered bad, if any, by the management are written off and provision is made against those considered doubtful. No general provision is made for bad and doubtful debts.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

1997	1996		1997 (RUPEES)	1996
690,000	690,000	Ordinary shares of Rs.10 each fully paid in cash	6,900,000	6,900,000
1,072,200	1,072,200	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	10,722,000	10,722,000
-----	-----		-----	-----
1,762,200	1,762,200		17,622,000	17,622,000
			=====	=====

4. RESERVES AND SURPLUS

General Reserve	45,000,000	45,000,000
Unappropriated profit carried forward	35,290,145	28,516,365
	-----	-----
	80,290,145	73,516,365
	=====	=====

5. SHORT TERM RUNNING FINANCES

This represents short term finances obtained from Commercial Banks against available facilities of Rs. 150 million (1996: Rs. 200 million) at a mark-up rate ranging between 41 paisas to 48 paisa per Rs. 1000 per day. These facilities are secured against hypothecation of stock and stores and are generally for a period of twelve months renewable at the end of the period.

6. CREDITORS, ACCRUED EXPENSES & OTHER LIABILITIES

	Note	1997 (Rupees)	1996
Creditors for goods		55,547,388	21,944,281
Accrued expenses		52,123,892	27,189,922
Worker's profit participation fund	6.1	224,656	306,235
Worker's welfare fund		870,610	724,457
		-----	-----
		108,766,546	50,164,895

	1997	1996
	RUPEES	
=====		
	1997	1996
	RUPEES	
=====		

6.1 Workers' profit participation fund

Opening balance as on 01 October	306,235	310,617
Add: Provision for the year	224,656	306,235
	-----	-----
	530,891	616,852
Less: Paid during the year	306,235	310,617
	-----	-----
	224,656	306,235
	=====	=====

7. DIVIDENDS

Unclaimed Dividend	2,253,325	156,683
Proposed Cash Dividend	2,643,300	3,524,400
	-----	-----
	4,896,625	3,681,083
CONTINGENCIES		
	-----	-----
	--	158,993
	=====	=====

9. FIXED ASSETS-at cost less accumulated depreciation

Particulars	C O S T				D E P R E C I A T I O N			
	As at 01 October 1996	Additions (Deletions) during the year	As at 30 September 1997	Rate Percent	As at 01 October 1996	For the year (On disposals)	As at 30 September 1997	Written Down Value as at 30 September
Lease hold Land	730,000	--	730,000				730,000	
Factory Building	6,658,902	--	6,658,902	10%	5,250,704	140,820	5,391,524	
Non Factory Building	1,219,053	--	1,219,053	5%	871,300	17,388	888,688	
Labour Quarters	6,823,847	--	6,823,847	25%	6,467,120	89,182	6,556,302	
Plant and Machinery	75,948,370	6,472,816	82,421,186	10%	58,072,013	2,434,918	60,506,931	
Factory Equipment	1,448,365		1,448,365	10%	1,008,783	43,958	1,052,741	
Vehicles	4,053,061	(470,000)	3,583,061	20%	2,749,142	233,737	2,648,113	
						(334,766)		
Furniture & Fixtures	1,399,259	113,250	1,512,509	10%	913,530	59,898	973,428	
	-----	-----	-----		-----	-----	-----	
1997	98,280,857	6,586,066	104,396,923		75,332,592	3,019,901	78,017,727	
		(470,000)				(334,766)		
	=====	=====	=====		=====	=====	=====	
1996		97,711,633	56,982,857		72,623,858	2,708,734	75,332,592	
	=====	=====	=====		=====	=====	=====	

9.1 Depreciation has been allocated as follows

Cost of Sales	2,726,266	2,328,784
Administrative	293,635	379,950
	-----	-----
	3,019,901	2,708,734
	=====	=====

9.2 Disposal of Fixed Assets

Serial No.	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	(Gain) / Loss	Mode of Disposal	Disposed To
1. Suzuki Khyber	183,500	123,370	60,130	170,000	(109,870)	Sold	Century Auto Trade
2. Mitsubishi Van	286,500	211,396	75,104	300,000	(224,896)	Sold	Rana Noor Hussain
	-----	-----	-----	-----	-----		
1997	470,000	334,766	135,234	470,000	(334,776)		
	=====	=====	=====	=====	=====		
1996	--	--	--	--	--		

1997
1996
(RUPEES)

10. LONG TERM INVESTMENT**In listed securities**

Shares in Dewan Salman Fibre Ltd.
(An associated company)

7,359,998 (1996: 7,359,998) Fully paid
Ordinary Shares of Rs. 10/- each

40,000,000 40,000,000

Others 3,000 3,000

40,003,000 40,003,000

Aggregate Market Value as at 30 September

Rs.239 Rs.166

million million

Percentage of equity held in
associated company

6.06% 6.06%

11. LONG TERM DEPOSITS

Utilities 17,048 17,048

Karachi Cotton Association **10,000** 10,000

Others 28,688 28,688

55,736 55,736

1997 1996
(RUPEES)

12. STORES AND SPARES

Spares 7,102,046 8,178,607

Stores 1,933,232 2,092,170

Packing Material 222,270 817,660

9,257,548 11,088,437

13. STOCK-IN-TRADE

Raw Material 49,671,095 11,976,799

Work in Process 7,046,186 8,490,023

Finished Goods 212,484,421 109,140,570

Waste 1,946,588 4,304,790

Stock in Transit / At Bonded Ware House 9,599,949 --

280,748,239 133,912,182

**14. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advances

-- to Staff 352,893 391,200

-- Income Tax 16,324,285 10,206,297

-- against Imports 83,876 120,611

Deposits 264,709 264,709

Prepayments 155,894 195,080

Sales Tax Receivables 2,609,234 --

Other Receivables 2,510,839 1,670,716

22,301,730 12,848,613

15. CASH AND BANK BALANCES

Cash in hand 441,508 446,145

Cash at bank-Current account 1,693,397 793,468

2,134,905 1,239,613

1997 1996
(RUPEES)

16. SALES

Yarn Local	252,275,158	369,042,699
Waste	5,535,930	2,970,636
	-----	-----
	257,811,088	372,013,335
Less: Selling Commission	2,068,459	3,120,333
	-----	-----
	255,742,629	368,893,002
	=====	=====

17. COST OF SALES

Raw Material Consumption		
Opening stock	11,976,799	91,721,848
Purchases	265,742,355	177,816,001
Less: Closing Stock	(49,671,095)	(11,976,799)
	-----	-----
	228,048,059	257,561,050
Packing Material Consumed	4,848,643	4,699,979
Stores & Spares Consumed	7,764,428	6,768,875
Salaries, Wages & Other Benefits	41,423,901	37,974,748
Fuel, Power & Water	49,583,115	41,768,288
Rent, Rates & Taxes	135,029	236,688
Repairs and Maintenance	503,739	819,981
Insurance	429,619	563,309
Vehicle Expenses	593,725	394,572
Depreciation	2,726,266	2,328,784
	-----	-----
Add: Work in process (Opening)	336,056,524	353,116,274
Less: Work in process (Closing)	8,490,023	8,427,978
Cost of goods manufactured	(7,046,186)	(8,490,023)
	-----	-----
Add: Finished Goods (Opening)	337,500,361	353,054,229
Less: Finished Goods (Closing)	113,445,360	99,493,400
	(214,431,009)	(113,445,360)
	-----	-----
	236,514,712	339,102,269
	=====	=====

1997 1996

Notes (RUPEES)

18. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, Allowances & Other Benefits (Including Directors' Remuneration)	18.10	1,491,321	1,601,974
Communication		192,869	146,089
Vehicle Expenses		260,292	201,707
Legal and Professional		36,000	97,559
Auditors Remuneration	18.20	42,500	42,500
Printing and Stationery		298,145	297,722
Charity and Donation	18.30	403,591	86,946
Subscription		185,335	141,600
Entertainment		186,527	119,270
Travelling and Conveyance		96,056	69,024
Rent, Rates and Taxes		54,000	54,050
Repair & Maintenance		118,890	277,935
Advertisement		14,925	98,580
Cartage General		216,860	344,042
Depreciation		293,635	379,950
Miscellaneous		1,715	500
		-----	-----
		3,892,661	3,959,448
		=====	=====

18.1 DIRECTORS REMUNERATION

Particulars	1997			1996		
	Chief	Director	Total	Chief	Director	Total

	Executive		Executive			
Managerial						
Remuneration	400,000	--	400,000	400,000	--	400,000
House Rent						
Allowance	180,000	--	180,000	180,000	--	180,000
Utilities	20,000	--	20,000	20,000	--	20,000
Meeting Fees	--	--	2,500	--	--	2,000
	-----	-----	-----	-----	-----	-----
Total	600,000	--	602,500	600,000	--	602,000
	=====	=====	=====	=====	=====	=====
Number of						
Persons	1	0	1	1	0	1
	=====	=====	=====	=====	=====	=====

18.2 Auditor's Remuneration

Audit Fees	35,000	35,000
Other Services	7,500	7,500
	-----	-----
	42,500	42,500
	=====	=====

18.3 These includes Rs. 247,000/- (1996: Nil) donated to Prime Minister National Debt Retirement Program.

18.4 None of the Directors or their spouse has any interest in the donee fund.

1997
(RUPEES) 1996

19. SELLING AND DISTRIBUTION EXPENSES

Cartage, Freight & Octroi	3,617,375	4,483,495
Insurance	36,954	36,954
	-----	-----
	3,654,329	4,520,449
	=====	=====

20. FINANCIAL CHARGES

Mark-up and Excise Duty on Running Finance	7,064,106	7,735,478
Bank Charges	123,696	81,979
	-----	-----
	7,187,802	7,817,457
	=====	=====

21. OTHER INCOME

Profit on Sale of Fixed Assets	334,766	--
Dividend Income	7,359,998	25,600,019
	-----	-----
	7,694,764	25,600,019
	=====	=====

22. TAXATION

The income tax assessments of the Company have been finalized up to and including assessment year 1997-98. However, certain appeals are pending with the Income Tax Authorities in respect of various assessment years. The appeals are related to the dis-allowances of expenses etc.

23. TRANSACTIONS WITH ASSOCIATED COMPANIES

During the year aggregate transactions made by the company with the Associated Companies were purchases of Rs. 79.1 million (1996: Rs. 122.6 million).

24. PLANT CAPACITY AND PRODUCTION

PARTICULARS	1997		1996	
	KGS	AVERAGE COUNT	KGS	AVERAGE COUNT
Actual production at actual average count	3,566,238	26.2	3,411,735	31.4
Actual production converted to 20 count	5,034,593	20	5,722,438	20
Attainable capacity	3,579,449	20	3,579,449	20
Number of spindles installed	27,400	-	27,400	-

Worked during the year	27,400	-	27,400	-
Number of shifts worked during the year	1,056	-	1,068	-

25. GENERAL

25.1 Figures have been rounded off to the nearest rupee.

25.2 Previous year's figures have been re-arranged wherever necessary to facilitate comparison.

PATTERN OF SHAREHOLDING

AS ON 30 SEPTEMBER, 1997

No. of Share holders	Share Holdings			Total Share Held	
382	From	1	to	100 Shares	17,931
103	From	101	to	500 Shares	23,586
12	From	501	to	1,000 Shares	8,753
15	From	1,001	to	5,000 Shares	30,854
9	From	5,001	to	10,000 Shares	61,718
2	From	10,001	to	20,000 Shares	25,858
2	From	20,001	to	30,000 Shares	55,440
5	From	30,001	to	40,000 Shares	188,557
1	From	40,001	to	50,000 Shares	41,797
2	From	50,001	to	75,000 Shares	145,945
5	From	75,001	to	100,000 Shares	406,482
4	From	100,001	to	150,000 Shares	505,227
1	From	250,001	to	AND ABOVE Shares	250,052

543				TOTAL	1,762,200
=====					

Categories of Shareholding	Number of Shareholders	Share Held	Percentage
Individuals	526	1,443,594	81.920
Investment Companies	3	293,349	16.647
Insurance Companies	3	19,021	1.079
Joint Stock Companies	3	5,611	0.318
Others	8	625	0.036

TOTAL	543	1,762,200	100%
=====			

