

DEWAN TEXTILE MILLS LIMITED

Annual Report 1997

Mission Statement

The mission of Dewan 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 GHULAM MUSTAFA KHALID
Chairman

DEWAN M. ZIA-UR-REHMAN FAROOQUI
Managing Director/Chief Executive

DEWAN MOHAMMAD AYUB KHALID
Resident Director

DEWAN MOHAMMAD YOUSUF FAROOQUI

DEWAN MOHAMMAD HAMZA FAROOQUI

DEWAN ABDUL REHMAN FAROOQUI

MR. IQBAL NAEEM PASHA

AUDITORS

MESSRS. FEROZE SHARIF TARIQ & CO.
Chartered Accountants

BANKERS

MUSLIM COMMERCIAL BANK LIMITED
CITI BANK N. A. KARACHI
HABIB BANK LIMITED
STANDARD CHARTERED BANK
BANK OF AMERICA
AMERICAN EXPRESS BANK

SOCIETE GENERALE,
THE FRENCH & INTERNATIONAL BANK
ABN AMRO BANK

REGISTERED OFFICE

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

MILLS

H/20 & H/26, S.I.T.E.,
Kotri, District Dadu,
Sindh, Pakistan.

NOTICE OF TWENTY EIGHTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Eighth Annual General Meeting of Dewan Textile Mills Limited will be held on Wednesday, 25th March, 1998 at 2:00 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 Twenty Seventh Annual General Meeting held on 28th June 1997.
3. To receive, consider and adopt the annual audited accounts for the year ended 30 September 1997, together with the Directors' and Auditor's Report therein.
4. To approve the declaration of 15% Cash Dividend.
5. To appoint Auditors of the Company for the year ending 30 September 1998 and to fix their remuneration.

- (i) Dewan Ghulam Mustafa Khalid
- (ii) Dewan M. Zia-ur-Rehman Farooqui
- (iii) Dewan Mohammad Ayub Khalid
- (iv) Dewan Mohammad Yousuf Farooqui
- (v) Dewan Mohammad Hamza Farooqui
- (vi) Dewan Abdul Rehman Farooqui
- (vii) Mr. Iqbal Naeem Pasha

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 permission of the Chairman.

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 21 March 1998 to 31 March 1998 (both day 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 any changes in their address immediately.

"Statement under Section 160 of the Companies Ordinance, 1984 is 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 Twenty Eighth Annual General Meeting of Dewan Textile Mills Limited to be held on 25th March 1998 and sets out material fact concerning the Special Business to be transacted at the Meeting.

1. Investment in Associated Companies

The Board of Directors considers to advance temporary short term financing to the associated companies 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 loans and advances. | 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 terms 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 | - Tim investing Company and its shareholders will be benefited in a manner that their invest-merit 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 only 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 Directors of the Company be and is hereby authorised to make temporary short term loans / advances to Dewan Sugar Mills Limited up to maximum limit of Rs. 50 million each at the 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 28th 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.36.4 million as com-

pared with Net Profit of Rs. 131.4 million of last year. Current year's Profit includes Cash Dividend Income of Rs. 38.6 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	1996
	(Rupees)	
Gross Sales	1,727,606,822	1,678,087,086
Fuel, Power and Water	149,965,548	119,102,199
Gross Profit	231,161,377	198,093,251
Cash Dividend income from DSFL	38,640,000	134,400,000
Taxation	16,600,000	26,334,672
Net Profit After Tax	36,449,499	131,424,574

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.	36,449,499
Un appropriated Profit brought forward	Rs.	142,197,208

Profit available for appropriation	Rs.	178,646,707
		=====
Appropriation		
Cash dividend	Rs.	10,395,000
Un-appropriated profit carried forward	Rs.	168,251,707

Total	Rs.	178,646,707
		=====

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. 1.72 billion as compared to Rs. 1.67 billion last year. Minimal increase in sales is mainly attributed to devaluation of Pak Rupee against US Dollar.
2. Earning Per Share of your Company works out to Rs. 5.26 as compared with last year's EPS which was Rs. 18.96.
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 sales of your Company increased marginally, primarily due to devaluation impact. The yarn prices remained under pressure whereas other costs like power charges increased significantly.
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 accommodation 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 Feroze, Sharif, Tariq & 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.

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)

For and on behalf of the Board of Directors

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Dewan 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 trader Section 7 of that Ordinance.

BALANCE SHEET

AS ON 30 SEPTEMBER 1997

		1996	1997
		(Rupees)	
CAPITAL AN Notes			
SHARE HOLDER'S EQUITY			
Share Capital			
Authorised			
30,000,000 Ordinary shares of Rs. 10/- each		300,000,000	300,000,000
Issued, Subscribed and Paid up		=====	=====
Share capital	3	69,300,000	69,300,000
Reserves and surplus	4	501,251,707	475,197,208
		-----	-----
		570,551,707	544,497,208
DEFERRED LIABILITIES FOR			
Assets subject to finance lease	5	46,234,778	16,218,097
Staff gratuity		24,810,772	22,522,947
Taxation		26,252,244	26,252,244
		-----	-----
		97,297,794	64,993,288
CURRENT LIABILITIES			
Current portion of lease liabilities		10,832,941	2,288,208
Short-term running finances - Secured	6	189,584,532	195,976,186
Creditors, accrued expenses and other liabilities	7	72,551,695	85,597,811
Dividends	8	20,320,340	13,934,453
Provision for taxation		95,087,659	100,747,652
		-----	-----
		388,377,167	398,544,310
Contingencies	9	-----	-----
		1,056,226,668	1,008,034,806
		=====	=====
PROPERTY AND ASSETS			
Operating fixed assets - at cost			
less accumulated depreciation	10	234,521,404	161,564,361
LONG TERM INVESTMENT	11	210,000,000	210,000,000
LONG TERM DEPOSITS	12	238,129	218,129
CURRENT ASSETS			
Stores and spares	13	38,675,906	53,483,685
Stock - in - trade	14	358,944,503	246,606,872
Trade debts	15	79,207,250	204,533,779
Advances, deposits, prepayments and			
other receivables	16	132,457,593	131,183,514
Cash and bank balances	17	2,181,883	444,466
		-----	-----
		611,467,135	636,252,316
		-----	-----
		1,056,226,668	1,008,034,806
		=====	=====

The annexed notes form an integral part of these accounts

Note: Chief Executive of the company is out of Pakistan, therefore the Balance Sheet and Profit and Loss Account signed by two Directors.

Profit & Loss Account

For the year ended 30 September 1997

		1997	1996
	Notes	(Rupees)	
Sales	18	1,692,542,460	1,646,800,733
Less: Excise / Export Duty	19	2,042,010	10,554,442
		-----	-----

		1,690,500,450	1,636,246,291
Cost of sales	20	1,459,339,073	1,438,153,040
		-----	-----
Gross profit		231,161,377	198,093,251
Operating expenses			
Administrative & general	21	17,043,518	13,141,636
Selling and distribution	22	83,542,043	81,705,822
		-----	-----
		100,585,561	94,847,458
		-----	-----
Operating profit		130,575,816	103,245,793
Other charges			
Financial charges	23	112,540,992	77,038,480
Donation	24	2,624,832	860,503
Workers' profit participation fund		770,500	1,267,341
Workers' welfare fund		395,412	720,223
		-----	-----
		116,331,736	79,886,547
		-----	-----
		14,244,080	23,359,246
Other Income	25	38,805,419	134,400,000
		-----	-----
Profit before taxation		53,049,499	157,759,246
Taxation			
Current Year		16,600,000	22,310,000
Deferred		--	40,246,721
		-----	-----
		16,600,000	26,334,672
		-----	-----
Profit after taxation		36,449,499	131,424,574
Unappropriated profit brought forward		142,197,208	24,632,634
		-----	-----
		178,646,707	156,057,208
Appropriation			
Proposed cash dividend @ 15% (1996:20 %)		10,395,000	13,860,000
		-----	-----
Unappropriated profit carried forward		168,251,707	142,197,208
		=====	=====

The annexed notes form an integral part of these accounts.

Note: Chief Executive of the company is out of Pakistan, therefore the Balance Sheet and Profit and Loss Account signed by two Directors.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1997

	1997	1996
	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	53,049,499	157,759,246
Adjustment for non-cash and other items		
Depreciation	27,803,315	19,111,158
Financial charges accrued	112,540,992	77,038,440
Provision for gratuity	7,455,420	8,848,785
Gain on sale of fixed assets	(165,419)	--
	-----	-----
	200,683,807	262,757,629
Changes in operating assets and liabilities		
Decrease in Stores and spares	14,807,779	2,469,543
(Increase) / Decrease in Stock in trade	'(112,337,631)	67,117,857
Decrease / (Increase) in Trade debts	125,326,529	(1,291,654)
Decrease / (Increase) in Advances, deposits prepayments and other receivables	1,914,592	(32,288,736)
(Decrease) in Short term running Finance	'(6,391,654)	(212,204,320)
(Decrease) in Creditors, accrued expenses		

& Other liabilities	(13,046,116)	(8,668,668)
	-----	-----
	10,273,499	(184,865,978)
Taxes paid	'(25,448,664)	(16,608,889)
Gratuity paid	'(5,167,595)	(3,185,480)
	-----	-----
	(30,616,259)	(19,794,369)
	-----	-----
Net cash flow from operating activities	180,341,047	58,097,282
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital. expenditure	(101,179,939)	(24,192,630)
Acquisition of leases-net	38,561,414	18,506,305
Increase in long term deposits	(20,000)	--
Sale proceeds of fixed assets	585,000	--
	-----	-----
Net cash flow from investing activities	(62,053,525)	(5,686,325)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(4,009,113)	'(13,854,084)
Financial charges paid	(112,540,992)	(38,937,380)
	-----	-----
Net cash flow from financing activities	(116,550,105)	(52,791,464)
	-----	-----
Net increase / (decrease) in cash & bank balances	1,737,417	(380,507)
Cash & bank balances at beginning of the year	444,466	824,973
	-----	-----
Cash & bank balances at the end of the year	2,181,883	444,466
	=====	=====

Note: Chief Executive of the company is out of Pakistan, therefore the Balance Sheet and Profit and Loss Account signed by two Directors.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

1. STATUS AND NATURE OF BUSINESS

Dewan 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 and Lahore Stock Exchanges. The Principal activity of the Company is manufacturing and sale of yarn.

2. SIGNIFICANT ACCOUNTS POLICIES

2.1 Accounting Convention

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

2.2 Staff retirement benefits

The Company operates an unfunded 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 crystallized in the foreseeable future.

2.4 Fixed Assets and Depreciation

Owned

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

Depreciation is charged to income rising 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.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations

under the lease are accounted for as liabilities. Assets acquired under finance lease are amortized over the useful life of the assets and such amortization included in the depreciation is computed commencing from the year of acquisition in which the assets are put to use.

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.

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, if any, are 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 in which case the rates contracted for are used. Exchange gains and losses, if any, are included in income currently.

2.8 Investments

The company follows the 'cost method' of accounting for long-term investments. 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 recognised 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

1996

(Rupees)

1,500,000	1,500,000	Ordinary shares of Rs.10/- each fully paid in cash	15,000,000	15,000,000
225,000	225,000	Ordinary shares of Rs.10/- each issued for consideration other than cash	2,250,000	2,250,000
5,205,000	5,205,000	Ordinary shares of Rs.10/- each issued as fully paid bombs shares	52,050,000	52,050,000
-----	-----		-----	-----
6,930,000	6,930,000		69,300,000	69,300,000
=====	=====		=====	=====

4. RESERVES AND SURPLUS

General reserve			333,000,000	333,000,000
Unappropriated profit carried forward			168,251,707	142,197,208
			-----	-----
			501,251,707	475,197,208
			=====	=====

5. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 01 October			18,506,305	--
Leases acquired during the year			45,952,630	20,000,000
			-----	-----
			64,458,935	20,000,000
Less: Payments made			7,391,216	1,493,695
			-----	-----
			57,067,719	18,506,305
Less: Transferred to current maturity			10,832,941	2,288,208
			-----	-----
			46,234,778	16,218,097
			=====	=====

The company has obtained certain plant and machinery under finance lease arrangements. Rentals are payable in 16 to 20 equal quarterly installments. Financing rates of approximately 20 to 23 percent per annum have been used as discounting factors.

The amount of future payments for the lease and the period in which these payment will become due are as follows:

	1997	1996
	(Rupees)	
Year to 30 September 1998	21,404,074	5,974,780
Year to 30 September 1999	21,404,074	5,974,780
Year to 30 September 2000	21,404,074	5,974,780
Year to 30 September 2001	17,804,921	5,974,780
Year to 30 September 2002	2,519,598	6,481,085
	-----	-----
	84,536,741	30,380,205
Less: Financial charges allocated to future period	27,469,022	11,873,900
	-----	-----
	57,067,719	18,506,305
	=====	=====

6. SHORT TERM RUNNING FINANCES

This represents short term running finances obtained from commercial banks against the available facilities of Rs. 827.80 million (1996: Rs. 710.27 million). These carry mark-up ranging from 41 to 48 paisa (1996:41 to 43 paisa) per Rs. 1,000 per day and are secured by way of hypothecation of stock-in-trade and book debts. These arrangements are generally for one year and are renewable at the end of the period.

	1997	1996
	(Rupees)	
7. CREDITORS, ACCRUED EXPENSES & OTHER LIABILITIES		
Creditors for goods	19,123,019	8,543,204
Accrued expenses	46,215,978	62,807,697
Workers' profit participation fund	770,500	8,200,124

Workers' welfare fund	6,442,198	6,046,786
	-----	-----
	72,551,695	85,597,811
DIVIDEND	=====	=====
Unclaimed Dividend	9,925,340	74,453
.Proposed Cash Dividend	10,395,000	13,860,000
	-----	-----
	20,320,340	13,934,453
9. CONTINGENCIES	=====	=====
Outstanding Letter of Guarantee / Credit issued by Commercial banks and Insurance Company	6,667,112	31,575,173
	=====	=====

10. 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 Percentage	As at 01 October 1996	For the year (On disposals)	As at 30 September 1997	Written Down Value as at 30 September 1997
OWNED								
Lease hold Land	778,000	--	778,000	--	--	--	--	778,000
Factory Building	39,169,391	--	39,169,391	10%	27,750,336	1,141,906	28,892,242	10,277,149
Labour Quarters	13,591,824	-	13,591,824	25%	12,830,458	190,342	13,020,800	571,024
Plant and Machinery	360,243,726	45,465,948	405,709,674	10%	243,991,646	16,171,803	260,163,449	145,546,225
Electric Installation	7,481,979	--	7,481,979	15%	5,844,524	245,618	6,090,142	1,391,837
Air-Conditioning Plant	11,713,324	--	11,713,324	10%	8,032,243	368,108	8,400,351	3,312,973
Factory Equipment	2,299,711	--	2,299,711	10%	1,728,269	57,144	1,785,413	514,298
Vehicles	16,464,859	7,329,875	23,794,734	20%	10,314,981	2,504,722	12,819,703	10,975,031
Furniture & Fixtures	3,064,768	1,115,690	4,180,458	10%	1,136,271	304,418	1,440,689	2,739,769
Office Equipment	3,837,374	704,986	4,542,360	15%	2,068,091	371,140	2,439,231	2,103,129
Leased								
Plant and Machinery	18,462,471	45,952,630	64,415,101	10%	1,846,247	6,256,885	8,103,132	56,311,969
	-----	-----	-----		-----	-----	-----	-----
1997	477,107,427	101,179,939 (610,810)	577,676,556		315,543,066	27,803,315 (191,229)	343,155,152	234,521,404
	=====	=====	=====		=====	=====	=====	=====
1996	452,914,797	24,192,630	477,107,427		296,431,908	19,111,158	315,543,066	161,564,361
	=====	=====	=====		=====	=====	=====	=====

10.1 Depreciation has been allocated as follows

Cost of Sales	26,682,083	18,360,994
Administrative	1,121,233	750,164
	-----	-----
	27,803,315	19,111,158
	=====	=====

10.2 Disposal of Fixed Assets

Serial No. Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	(Gain) / Loss	Mode of Disposal	Disposed To
1. Suzuki Alto	110,000	91,544	18,456	85,000	(66,544)	By chq. Mr. M. Rizwan Sh. 11-Hina Traders, 13/E Gulshan-e- Iqbal, Karachi.	
2. Suzuki Hi-Roof	126,140	99,685	26,455	155,000	(128,545)	By Chq. Mr. Mohd Ahmed H-385, Sec 4-D, Muhhajir Camp. Kar	
3. Suzuki	374,670	--	374,670	345,000	29,670	By Chq Adamjee Insurance	

Khyber						Claim Received
1997	610,810	191,229	419,581	585,000	(165,419)	
1996	--	--	--	--	--	
						1997
						(Rupees)
						1996

11. -LONG TERM INVESTMENT

Shares in Dewan Salman Fibre Ltd.

(A listed associated Co.)

38,640,000 (1996: 38,640,0000) Fully
paid Ordinary Shares of Rs. 10/- each
(valued at Cost)

210,000,000 210,000,000

=====

Aggregate Market Value as at 30 September

1,254 Million 871.3 Million

Percentage of equity held

31.86% 31.86%

12. LONG TERM DEPOSITS

Security deposits

232,879 212,879

Guarantee Margin

5,250 5,250

238,129 218,129

=====

13. STORES AND SPARES

Packing Material

12,331,418 6,501,983

Spares

724,884 616,345

Stores

25,619,604 46,365,357

38,675,906 53,483,685

=====

14. STOCK-IN-TRADE

Raw Material

96,386,292 137,760,440

Work in Process

19,352,714 14,637,471

Finished Goods

243,205,497 94,208,961

358,944,503 246,606,872

=====

15. TRADE DEBTS -- Considered good

Export Proceeds Receivable - Secured

40,987,905 123,831,537

Trade Debts Local - Unsecured

38,219,345 80,702,242

79,207,250 204,533,779

=====

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

Advances

-- to Staff

1,281,859 768,493

-- to Suppliers

2,943,394 1,984,061

-- Income Tax

96,410,698 93,222,027

-- against Imports

12,157,130 5,584,845

-- Others

1,760,245 804,639

Short Term Deposits

319,378 105,454

Sales Tax receivables

16,126,685 12,087,804

Other receivables

1,458,204 16,626,191

132,457,593 131,183,514

=====

17. CASH AND BANK BALANCES

Cash in hand

841,162 222,958

Cash at bank - Current account

1,340,721 221,508

		-----	-----
		2,181,883	444,466
		=====	=====
18. SALES			
Yarn Local		200,459,002	326,129,782
Export		1,502,019,381	1,337,823,797
Waste		25,128,439	14,133,507
		-----	-----
		1,727,606,822	1,678,087,086
Less: Selling Commission			
On Local S (1,046,616	17,360,201
On Export Sales		34,017,746	29,550,333
		-----	-----
		35,064,362	1,286,353
		-----	-----
		1,692,542,460	1,646,800,733
		=====	=====
		1997	1996
		(Rupees)	
19. EXCISE / EXPORT DUTY			
Excise duty and Sales Tax		--	8,032,413
Export Duty		2,042,010	2,522,029
		-----	-----
		2,042,010	10,554,442
		=====	=====
20. COST OF SALES			
Raw Material Consumption			
Opening stock		137,760,440	141,403,985
Purchases		1,195,700,072	1,044,259,782
Less: Closing Stock		(96,386,292)	(137,760,440)
		-----	-----
		1,237,074,220	1,047,903,327
Packing Material Consumed		34,142,771	34,192,011
Stores & Spares Consumed		29,664,508	25,248,724
Salaries, Wages & Other Benefits		105,526,154	101,384,712
Fuel, Power & Water		149,965,548	119,102,199
Rent, Rates & Taxes		493,206	268,615
Insurance		3,490,131	5,959,539
Cotton & Textile Cess		1,434,663	1,787,625
Travelling & Conveyance		795,028	937,993
Vehicle Expenses		1,457,591	1,056,114
Repair and Maintenance		1,613,955	3,426,427
Depreciation		26,682,083	18,360,994
		-----	-----
		1,592,339,858	1,359,628,280
Add: Work in process (Opening)		14,637,471	15,452,470
Less: Work in process (Closing)		(19,352,714)	(14,637,471)
		-----	-----
Cost of goods manufactured		1,587,624,615	1,360,443,279
Add: Finished Goods (Opening)		94,208,961	156,868,274
Add: Purchase of Yarn		20,710,994	15,050,448
		-----	-----
		1,702,544,570	1,532,362,001
Less: Finished Goods (Closing)		(243,205,497)	(94,208,961)
		-----	-----
		1,459,339,073	1,438,153,040
		=====	=====
21. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances & other benefits (Including Directors' remuneration)	21.10	7,704,800	5,728,461
Communication		1,083,799	984,539
Vehicle expenses		1,203,634	1,218,524
Legal and professional		789,075	368,019

Auditors remuneration	21.20	40,000	40,000
Printing and stationery		728,109	686,980
Fees & subscription		486,921	498,501
Entertainment		275,769	179,837
Travelling and conveyance		1,570,510	1,267,092
Rent/rates and taxes		1,258,887	988,585
Repairs & maintenance		780,781	430,934
Depreciation		121,233	750,164
		-----	-----
		17,043,518	13,141,636
		=====	=====

Particulars	1996 (Rupees)			1997 (Rupees)		
	Chief Executive	Director	Total	Chief Executive	Director	Total
Managerial Remuneration	600,000	312,000	912,000	600,000	132,000	732,000
House Rent Allowance	270,000	144,000	414,000	270,000	58,800	328,800
Utilities	30,000	24,000	54,000	30,000	13,200	43,200
Meeting Fees	--	2,000	2,000	--	2,000	2,000
Total	900,000	482,000	1,382,000	900,000	206,000	1,106,000
	=====	=====	=====	=====	=====	=====
No. of Persons	1	1	2	1	1	2
	-----	-----	-----	-----	-----	-----

The Chief Executive is also provided with Company maintained car.

	1997 (Rupees)	1996
21.2 AUDITORS' REMUNERATION		
Auditors remuneration	35,000	35,000
Other services	5,000	5,000
	-----	-----
	40,000	40,000
	=====	=====

Notes	1997 (Rupees)	1996
22. SELLING AND DISTRIBUTION EXPENSES		
Advertisement & publicity	700,618	143,195
Freight & octroi	6,651,625	5,793,243
Export expenses	17,676,039	13,945,504
Ocean freight	57,134,261	59,640,316
Packing expenses	1,379,500	2,183,564
	-----	-----
	83,542,043	81,705,822
	=====	=====

Notes	1997 (Rupees)	1996
23. FINANCIAL CHARGES		
Mark-up on running finance	97,728,110	69,352,371
Mark-up on lease	7,750,999	--
Bank charges	2,032,392	1,452,162
Excise duty on running finance and lease facility	5,029,491	6,233,947
	-----	-----
	112,540,992	77,038,480
	=====	=====

24. DONATION

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

24.2 This includes Rs. 900,000/- (1996 : Nil) donated to Prime Minister's National Debt Retirement Program.

	1996 Rupees	1997
25. OTHER INCOME		
Profit on sale of fixed assets	10.20	165,419
		--

Dividend income	38,640,000	134,400,000
	-----	-----
	38,805,419	134,400,000
	=====	=====

26. TAXATION

The Income Tax Assessment of the Company have been finalised upto 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 disallowance of expenses etc.

27. TRANSACTIONS WITH ASSOCIATED COMPANIES

During the year aggregate transactions made by the company with the Associated Companies were purchases of Rs. Nil (1996: Rs. 15.05 million) and sales of Rs Nil (1996: Rs. 31.42 million)

28. PLANT CAPACITY AND PRODUCTION

PARTICULARS	1997		1996	
	KGS	AVERAGE COUNT	KGS	AVERAGE COUNT
Actual production at actual average count	17,441,389	15.03	16,620,087	15.88
Actual production converted to 20 count	11,538,896	20.00	12,031,510	20.00
Attainable capacity	9,000,000	20.00	9,000,000	20.00
Number of spindles installed	50,616		50,616	--
Worked during the year	50,616		50,616	--
Number of shifts worked during the year	1,080	--	1,071	--

29. GENERAL

29.1 Figures have been rounded off to the nearest rupee.

29.2 Previous year's figures have been re-arranged, wherever necessary, to facilitate comparison

Note: Chief Executive of the company is out of Pakistan, therefore the Balance Sheet and Profit and Loss Account signed by two Directors.

**PATTERN OF SHAREHOLDING
AS ON 30 SEPTEMBER, 1997**

No. of Shareholders	Share Holdings			Total Share Held	
110	From	1	to	100 Shares	3,482
39	From	101	to	500 Shares	9,482
11	From	501	to	1,000 Shares	7,030
11	From	1,001	to	5,000 Shares	22,592
6	From	5,001	to	10,000 Shares	41,187
7	From	10,001	to	15,000 Shares	84,044
3	From	15,001	to	20,000 Shares	51,271
4	From	20,001	to	25,000 Shares	93,275
1	From	25,001	to	30,000 Shares	25,200
1	From	30,001	to	50,000 Shares	39,546
2	From	50,001	to	100,000 Shares	106,050
5	From	100,001	to	150,000 Shares	706,613
2	From	150,001	to	200,000 Shares	363,993
1	From	200,001	to	300,000 Shares	205,929
3	From	300,001	to	400,000 Shares	1,186,076
1	From	400,001	to	450,000 Shares	412,836
3	From	450,001	to	500,000 Shares	1,421,205
1	From	500,001	to	550,000 Shares	505,054
1	From	700,001	to	800,000 Shares	788,645

1	From	800,001	to	AND ABOVE	Shares	856,490
-----	-----	-----	-----	-----	-----	-----
213					TOTAL	6,930,000
=====	=====	=====	=====	=====	=====	=====

Categories of Shareholding	Number of Shareholders	Share Held	Percentage
Individuals	206	6,900,548	99.575
Investment Companies	3	16,880	0.244
Joint Stock	1	11,568	0.167
Insurance Companies	1	350	0.005
Others	2	654	0.009
	-----	-----	-----
TOTAL	213	6,930,000	100%
	=====	=====	=====