

Nakshbandi Industries Limited

ANNUAL REPORT 1997

CONTENTS

Company Information
Notice of Meeting
Directors' Report
Auditors' Report
Balance Sheet
Profit and Loss Account
Schedule of Tangible Fixed Assets
Cash Flow Statement
Yearwise Statistical Summary
Notes to the Accounts
Pattern of Shareholding

BOARD OF DIRECTORS

A. GHAFFAR HAJI SATTAR- Chairman
AMANULLAH HAJI LATIF
HAMID HAJI LATIF
SIRAJUDDIN KHAN (NIT)
JUNAID HAJI LATIF
MOHAMMED ASIF A. GHAFFAR
A. RAZAK HAJI SATTAR--Chief Executive

CHIEF ACCOUNTANT AND COMPANY SECRETARY

RAUF DAWOOD

BANKERS

HABIB BANK LIMITED
BANK AL-HABIB LIMITED

AUDITORS

HYDER BHIMJI & COMPANY
Chartered Accountants

REGISTERED OFFICE

H-23/4-A LANDHI, KARACHI.

MILLS

H-23/4-A, LANDHI, KARACHI.

Notice of Meeting

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Shareholders of Nakshbandi Industries Limited will be held at the Registered Office of the Company at H-23/4A, Landhi Industrial Area, Karachi on Tuesday, March 31, 1998 at 12:00 Noon. to transact the following business:-

1. To confirm the minutes of the Twenty Fourth Annual General Meeting held on March 29, 1997.
2. To receive and adopt the Director's Report and Audited Accounts for the year ended September 30, 1997, and Auditors' Report thereon.
3. To approve the payment of dividend @ 5% and other appropriation as recommended by the Board.
4. To appoint Auditors' and fix their remuneration.
5. To transact any other ordinary business as may be placed before the meeting with the permission of the Chairman.

NOTES:

1. The Shares Transfer Book of the Company will remain closed from March 30, 1998 to April 8, 1998 (both days inclusive).
2. A member entitled to vote at any meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. A proxy must be a member of the Company.
4. Shareholders are requested to immediately notify the change of address if any.

Directors' Report

Your Directors have pleasure in presenting to you the Twenty Fifth Annual Report alongwith the audited accounts of the Company for the year ended September 30, 1997.

The Financial result of the Company for the year under report are:-

	Rupees
Profit after taxation	6,905,874
Add: Un-appropriated profit brought forward	7,342
Amount available for appropriation	6,913,216
Appropriation:	
Proposed Dividend	4,538,820
Transfer to General Reserve	2,000,000

Un-appropriated profit carried forward	6,538,820

374,396

=====

During the year under review, the sales of the company increased by 15.43% from Rs. 551 Million to Rs. 636 Million and profit before tax has increased from Rs. 4,659,437 to Rs. 8,805,874. We are grateful to Almighty Allah that inspite the increase in the prices of Raw material, Dyes & Chemical and an enormous increase in cost of electricity, gas and water charges that the company was able to increase Net earning per share from Re. 0.4059 to Re. 0.7607.

DIVIDEND

Your Directors are pleased to recommend cash dividend @ 5% that is Re. 0.50 per share.

BMR PROGRAMME

Under the balancing, modernisation and replacement programme, the majority of the machines imported by the company were installed and the trial production started. The remaining Machines listed started operation in the current financial year:

1. PAD STEAM WITH WASHING RANGE
2. SHRINKING RANGE
3. SOFT WINDER
4. ROPE DETWISTING
5. LABORATORY EQUIPMENTS
6. JACQUARD CAD CAM SYSTEM
7. EMERIZING

Further the Letter of Credit for following machinery under BMR have been opened and are expected to be installed in the current financial year:

1. STENTER
2. WARPING
3. REVERSE OSMOSIS

It is expected that all the above equipment will be in operation during the financial year resulting in the improved financial result in the future years to come.

CURRENT PROSPECTS

With the addition and start up of the above equipment the Company will be in a position to produce value added dyed fabrics for domestic garment industries and for exports to Bangladesh, UAE and Sri Lankan Garment manufacturers in addition to Europe and USA.

Inshah Allah now the company will be able to produce value added Apparel Fabrics in addition to its regular business of Towels and Grey Cloth. This will help us in achieving better prices in domestic and international markets.

PATTERN OF SHAREHOLDING

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

AUDITORS

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

EMPLOYEES' RELATIONS

The Directors wish to express their appreciation for the loyalty to duty of the workers and staff members.

**Auditors' Report
to the members**

We have audited the annexed Balance Sheet of NAKSHBANDI INDUSTRIES LIMITED, as at September 30, 1997 and the related Profit and Loss Account and Statement of Changes in Financial Position, (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 the business conducted, investment 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 Statement of Changes in Financial Position, (cash flow statement) together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 1997 and of the Profit and Changes in Financial Position (cash flow position) for the year then ended; and

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

HYDER BHIMJI & CO

Karachi: March 5, 1998

Chartered Accountants

Balance Sheet as at September 30, 1997

	Notes	1997 Rupees	1996 Rupees
CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Share Capital	3		

Authorised	3.1	100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid-up	3.2	90,776,400	85,473,340
REVENUE RESERVES			
Reserve	4.1	155,033,740	145,079,150
Un-appropriated profit		374,396	7,342
		-----	-----
		246,184,536	230,559,832
Right shares subscription (R-6)	4.2	121,100	137,375
REDEEMABLE CAPITAL	5	77,500,000	25,000,000
LONG TERM LOANS - (Secured)	6	410,062	12,908,721
DEFERRED LIABILITIES			
Gratuity		14,008,933	10,946,139
Deferred taxation		5,215,614	6,515,614
		-----	-----
		19,224,547	17,461,753
CURRENT LIABILITIES AND PROVISIONS			
Shod term running finance (secured)	7	270,149,202	243,688,484
Current maturity of long term loans and Redeemable Capital	8	22,498,661	22,498,331
Creditors and accrued liabilities	9	69,079,834	36,923,817
Workers participation fund	10	905,162	674,721
Other liabilities	11	880,661	646,634
Provision for taxation		3,200,000	5,275,000
Proposed dividend		4,538,820	4,084,938
		-----	-----
		371,252,340	313,791,925
CONTINGENT LIABILITIES AND COMMITMENTS	12	-	-
		-----	-----
Total Rupees		714,692,585	599,859,606
		=====	=====
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
At cost less depreciation as per schedule attached		330,058,151	244,083,682
CAPITAL WORK- IN - PROGRESS	13	109,425,291	80,771,565
LONG TERM DEPOSITS	14	112,280	112,280
CURRENT ASSETS			
Stores and spares	15	21,440,964	11,702,345
Stock-in-trade	16	179,578,708	134,713,482
Trade Debts	17	32,351,497	71,040,844
Advances, deposits, prepayments and other receivables	18	39,209,118	56,593,716
Cash and bank balances	19	2,516,576	841,692

	-----	-----
	275,096,863	274,892,079
	-----	-----
Total Rupees	714,692,585	599,859,606
	=====	=====

Note: The annexed notes form an integral part of these accounts.

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

	Notes	1996 Rupees	1997 Rupees
SALES	20	636,192,749	550,738,155
Cost of Sales	21	545,627,239	465,751,717
		-----	-----
GROSS PROFIT		90,565,510	84,986,438
		-----	-----
Administrative expenses	22	14,549,258	12,795,300
Selling expenses	23	23,451,594	22,399,521
		-----	-----
		38,000,852	35,194,821
OPERATING PROFIT		52,564,658	49,791,617
other income		384,147	774,487
		-----	-----
		52,948,805	50,566,104
		-----	-----
Financial expenses	25	43,363,674	45,529,855
Worker's welfare fund		300,000	125,000
Worker's participation fund		479,257	251,812
		-----	-----
		44,142,931	45,906,667
		-----	-----
PROFIT BEFORE TAXATION		8,805,874	4,659,437
Provision for taxation	27	1,900,000	975,000
		-----	-----
PROFIT AFTER TAXATION		6,905,874	3,684,437
UNAPPROPRIATED PROFIT BROUGHT FORWARD		7,342	407,843
		-----	-----
Amount available for appropriation		6,913,216	4,092,280
APPROPRIATIONS		-----	-----
Proposed dividend @ 5% (1996: @ 4.5%)		4,538,820	4,084,938
General Reserve		2,000,000	-
		-----	-----
		6,538,820	4,084,938
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		374,396	7,342
		=====	=====

Note: The annexed notes form an integral pad of these accounts.

**Schedule of tangible fixed assets
as at September 30, 1997**

Particulars	COST			As at Sept. 30, 1997	Annual rate of Deprec- iation %	Depre- ciation for the year	Accumulated Depreciation upto 30-09-1997	Net Book Value as at 30-09-1997
	As at October 1, 1996	Additions	Disposal and Adjustment					
Leasehold land	250,000	-	-	250,000	-	-	-	250,000
Leasehold land Office	1,500,000	-	-	1,500,000	-	-	-	1,500,000
Building on leasehold land	69,892,320	5,450,371	-	75,342,691	10%	3,638,597	42,595,323	32,747,369
Office Bldg. on leasehold land	5,868,979	-	-	5,868,979	10%	448,819	1,829,611	4,039,368
Plant & machinery Electric fitting	364,328,194	132,541,266	20,399,000	476,470,460	10%	30,894,058	198,423,953	278,046,508
	2,991,747	-	-	2,991,747	10%	128,723	1,833,240	1,158,507
Office equipments	5,299,867	1,690,165	-	6,990,032	15%	680,145	3,135,875	3,854,157
Furniture & Fixture	1,956,447	665,347	-	2,621,794	10%	194,458	871,669	1,750,125
Vehicles	8,069,727	3,429,000	32,300	11,466,427	20%	1,678,029	4,754,310	6,712,117
Total Rupees: 1997	460,157,281	143,776,149	20,431,300	583,502,130		37,662,829	253,443,981	330,058,151
Total Rupees: 1996	404,033,780	61,584,283	5,460,782	460,157,281		27,804,538	216,073,599	244,083,682

Depreciation charge for the year has been allocated as under:-

	1997 Rupees	1996 Rupees
Cost of goods manufactured	36,788,225	27,160,494
Administrative expenses	874,604	644,044
	37,662,829	27,804,538

**Statement of Changes in Financial Position (Cash Flow
Statement) for the year ended September 30, 1997**

1997 1996

	Rupees	Rupees
CASH FROM OPERATING ACTIVITIES		
Profit before taxation	8,805,874	4,659,437
Adjustment For:	-----	-----
Depreciation	37,662,829	27,804,538
Financial Charges	43,363,674	45,529,855
Gratuity	3,062,794	857,224
Loss/(Profit) on sales of fixed assets	(384,147)	(774,487)
	-----	-----
Cash generated from operations before working capital changes	92,511,024	78,076,567
Changes in working Capital		
(Increase)/Decrease in current assets		
Stores and spares	9,738,619	808,085
Stock-in-trade	44,865,226	(16,072,704)
Sundry 'debtors	(38,689,347)	40,524,105
Advances, deposits and prepayments	(17,384,598)	7,853,956
	-----	-----
	(1,470,100)	(33,113,442)
Increased in Creditors, Accrued and other Liabilities	32,614,146	(10,148,321)
	-----	-----
Cash generated from operating activities	123,655,070	34,814,804
Cash (out flow)/inflow from operations		
Financial Charges Paid	(43,363,674)	(45,529,855)
Payment of Income Tax	(2,334,800)	(2,500,000)
Dividend Paid	(4,078,599)	(3,394,235)
Fixed Capital Expenditure	(172,429,875)	100,183,383
Refund of Right Shares Subscription	(16,275)	(3,121,625)
Long term loan	(22,498,331)	(34,396,873)
	-----	-----
Net Cash (outflow) from operating activities	(121,066,484)	(154,311,167)
CASH FROM FINANCING ACTIVITIES		
Right Shares Subscription	13,257,650	100,212,850
Reedemable Capital	62,500,000	-
Proceed from disposal of fixed assets	20,523,000	2,725,690
	-----	-----
Net Cash (inflow) from financing activities	96,280,650	102,938,540
	=====	=====
Net (Decrease)/Increase in Cash and Cash Equivalent	(24,785,834)	(51,372,627)
Cash and cash equivalent at the beginning	(242,846,792)	(191,474,165)
	-----	-----
Cash and cash equivalent at the end	(267,632,626)	(242,846,792)
	=====	=====
CASH AND CASH EQUIVALENTS		
Cash and bank balance	2,516,576	841,692
Shod term running finance	(270,149,202)	(243,688,484)
	-----	-----
	(267,632,626)	(242,846,792)
	=====	=====

Yearwise Statistical Summary

(Rs. in million)

ASSETS EMPLOYED	1993	1994	1995	1996	1997
Fixed Assets	232.64	222.69	254.43	324.86	439.48
Investments, Long term					
Advances & deposits	0.11	0.11	0.11	0.11	0.11
Current Assets	165.53	197.11	241.56	274.89	275.10
	-----	-----	-----	-----	-----
Total Assets Employed	398.28	419.92	496.10	599.86	714.69
	=====	=====	=====	=====	=====

FINANCED BY

Shareholders' Equity	41.26	41.26	45.39	85.47	90.78
Long Term Liabilities	80.18	54.80	57.91	37.91	77.91
Deferred Liabilities	21.52	20.31	18.41	17.46	19.22
Current Liabilities	177.02	197.29	285.78	313.79	371.25
	-----	-----	-----	-----	-----
Total Funds Invested	319.99	313.67	407.49	454.64	559.16
	=====	=====	=====	=====	=====

TURNOVER & PROFIT

Turnover (Net)	369.20	454.38	447.85	550.74	636.19
Gross Profit	81.77	81.02	66.66	84.99	90.56
Operating Profit	20.24	16.72	35.77	49.79	52.56
Profit Before Taxation	20.46	16.91	3.83	4.66	8.81
Dividend	4.95	2.06	3.40	4.09	4.54
Transfer to Reserves	11.00	11.13	-	-	2.00
Balance Sheet Total	398.28	419.92	496.10	599.86	714.69
Financial Charges	28.28	29.28	31.77	45.53	43.36

Breakup value of Shares

(Amount in Rupees)

No. of Shares	4,126,200	4,126,200	4,538,820	8,547,334	9,077,640
Capital + Rev. Reserves	119,556,585	130,526,945	130,747,483	230,559,832	246,184,536
Breakup Value	28.97	31.63	28.81	26.97	27.12

**Notes to the Accounts for the Year Ended
September 30, 1997****1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated as a Public Limited Company. The principal activity of the Company

is Manufacturing and selling of cotton towels and fabrics.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ACCOUNTING CONVENTION

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

2.2 FOREIGN CURRENCY TRANSLATION

Assets and liabilities in foreign currencies are translated into Pak. rupees at the rates of exchange prevailing at the year end except where exchange risk cover has been obtained for repayment of liabilities in which case the rate contracted for, is used. Exchange difference in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. Exchange difference capitalized include loss or gain on the repayments and the year end translation of foreign currency loans and translation and utilization of the bank balances held out of the proceeds of these loans. All other exchange difference are taken to profit and loss account.

2.3 RETIREMENT GRATUITY

Provision for employees gratuity is made annually for employees eligible for such benefits.

2.4 TAXATION

The provision for current taxation is calculated in accordance with the provisions of the Income Tax Ordinance 1979. The Company provides for deferred taxation on all major timing differences by using liability method.

2.5 FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation except free hold land and capital work-in-progress, if any, which are stated at cost.

Depreciation is charged on reducing balance method. Full year's depreciation is charged on addition during the year irrespective of the date of purchase whereas no depreciation is charged on assets in the year of its disposal.

Maintenance and normal repairs are charged to income as and when incurred. Profit or Loss on disposal of fixed assets is included in the income currently.

2.6 STORES AND SPARES

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

2.7 STOCK-IN-TRADE

Raw materials are valued at average cost and finished stock is valued at lower of average cost and net realisable value.

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

Waste products are valued at contract rates.

2.8 TRADE DEBTS

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

2.9 REVENUE RECOGNITION

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

	1997 Rupees	1996 Rupees
3. SHARE CAPITAL		
3.1 Authorised		
10,000,000 Ordinary shares of Rs. 10/- each	100,000,000	100,000,000
	=====	=====
3.2 Issued, subscribed and paid-up		
8,218,620 Ordinary shares of Rs. 10/- each fully paid, issued for cash	82,186,200	82,186,200
859,020 Ordinary shares of Rs. 10/- each fully paid issued as bonus shares	8,590,200	8,590,200
Less: 530,306 right shares not subscribed upto September 30, 1996		-- (5,303,060)
	-----	-----
	90,776,400	85,473,340
	=====	=====

4.1 REVENUE RESERVE

General Reserve	80,000,000	80,000,000
Add: Transfer from Profit & Loss Account	2,000,000	-
	-----	-----
	82,000,000	80,000,000
Capital reserve		
Share premium	73,033,740	65,079,150
	-----	-----
	155,033,740	145,079,150
	=====	=====

4.2 Right Share Issue:

The Corporate Law Authority, Islamabad have granted permission for cancellation of right issue vide their letter No. CLA/CI/457/90 dated April 3, 1995.

The Company refunded the Right shares subscription money are as follows:

Right Shares subscription money	137,375	3,259,000
Less: Refund during the year	16,275	3,121,625
	-----	-----
	121,100	137,375
	=====	=====

	1997 Rupees	1996 Rupees
5. REDEEMABLE CAPITAL		
Long Term Finance - Secured		
No. 1.	25,000,000	35,000,000

No. 2.	62,500,000	-
	-----	-----
	87,500,000	35,000,000
Less: Current Maturity	10,000,000	10,000,000
	-----	-----
	77,500,000	25,000,000

a) Long Term Finance from Bank AI-Habib Limited is repayable as under:-

Long Term Finance are secured by second charge on equitable mortgage of the fixed assets of the company. Loan is repayable in 16 equal quarterly instalments and carry mark-up at the rate of 48 paisas per 1000 diem.

b) Long Term Finance are secured by second charge on equitable mortgage of the fixed assets of the company. Loan is repayable in 16 equal quarterly instalments and carry mark-up at the rate of 40 paisas per 1000 diem.

6. LONG TERM LOANS (SECURED)

6.1 From Nissho Iwai Corporation, Singapore

	Rate of Interest	No of Installments Remaining	Amount of foreign Currency			
Loan No. 4	9.35%	2	US\$	76685	1,686,395	3,372,724
Loan No. 5	9.35%	2	US\$	55034	1,210,264	2,420,439
Loan No. 6	9.35%	2	US\$	393352	8,782,230	17,315,957
Loan No. 7	9.35%	3	US\$	33884	745,149	1,483,510
Loan No. 8	9.35%	3	US\$	22040	484,685	814,422
					-----	-----
					12,908,723	25,407,052
Less: Current maturity					12,498,661	12,498,331
					-----	-----
					410,062	12,908,721
					=====	=====

6.1 Foreign currency loans are repayable in half-yearly instalments and is secured by Bank Guarantee issued by Habib Bank Limited, interest of which is secured by equitable mortgage of the fixed assets of the Company.

7. SHORT TERM RUNNING FINANCE (SECURED)

The Company has a Short Term Running Finance facility of Rs. 360.00 Million (1996: Rs. 360.00 million) which is secured against hypothecation of stock of spares, stores, cotton yarn and finished goods and export bills under collection and collaterally secured by equitable mortgage on the fixed assets of the Company. The rate of mark-up rates between paisas 48 per Rs. 1000 per diem and 42 paisa per 1000 diem, except refinance loan which has a mark-up rate of 12% per annum.

1997	1996
Rupees	Rupees

8. CURRENT MATURITY OF LONG TERM LOANS

AND REDEEMABLE CAPITAL

Installment payable within a year	22,498,661	22,498,331
-----------------------------------	------------	------------

9. CREDITORS AND ACCRUED LIABILITIES

Creditors	56,484,512	25,255,859
Accrued expenses	12,425,838	11,328,288
Accrued interest on long term loans	169,484	339,670
	-----	-----
	69,079,834	36,923,817
	=====	=====

10. WORKER'S PARTICIPATION FUND

Opening balance	674,721	735,094
	-----	-----
Add: Interest for the year	33,008	30,012
5% contribution on current year's profit	479,257	251,812
	-----	-----
	512,265	281,824
	-----	-----
	1,186,986	1,016,918
Less: Payments during the year	281,824	342,197
	-----	-----
	905,162	674,721
	=====	=====

11. OTHER LIABILITIES

Unclaimed dividend	104,480	98,141
Others	776,181	548,493
	-----	-----
	880,661	646,634
	=====	=====

12. CONTINGENT LIABILITIES & COMMITMENTS

- i) The Company is continentally liable for Rs. 4,925,000/= (1996: Rs. 4,925,000). against Bank Guarantee on behalf of the company.
- ii) Aggregate commitment for capital expenditure as at September 30, 1997 Rs. 50.00 million. (1996: Rs. 62.50 million).
- iii) Commitment for rentals under non cancellable operating lease agreement in respect of machinery are 1998 Rs. 16,854,794; 1999: Rs. 9,573,764 ;2000: Rs: 7,050,420.

	1997	1996
	Rupees	Rupees

13. CAPITAL WORK IN PROGRESS

Machineries under installation	109,425,291	80,771,565
	=====	=====

14. LONG TERM DEPOSITS

Security deposit	112,280	112,280
	=====	=====

15. STORES AND SPARES

Stores	2,886,234	2,176,379
Chemicals	10,186,275	2,389,145
Spare parts	8,368,455	7,136,821
	-----	-----
	21,440,964	11,702,345
	=====	=====
16. STOCK-IN-TRADE		
Raw materials	20,661,115	21,007,488
Work-in-process	28,366,872	18,319,951
Finished goods	130,550,721	95,386,043
	-----	-----
	179,578,708	34,713,482
	=====	=====
17. TRADE DEBTS (Considered good)		
Local - Unsecured	8,798,081	11,120,302
Bills under collection - Secured Note 17.1	23,553,416	59,920,542
	-----	-----
	32,351,497	71,040,844
	=====	=====

17.1 These are secured by irrevocable Letter of Credit and Export Documents.

17.2 Trade debts include Rs. Nil due from associated undertaking (1996: Rs. Nil)

18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances	3,428,049	3,836,153
Loan to employees (interest free)	3,340,546	2,750,195
Deposits against export quota	1,190,000	1,918,785
Letter of guarantee margin	115,741	155,880
Short term deposits	3,360,000	3,360,000
Income tax refundable	5,728,277	8,802,537
Prepayments	4,017,113	3,314,363
Other receivable	18,029,392	32,455,803
	-----	-----
	39,209,118	56,593,716
	=====	=====

Loans and advances are unsecured but considered good.

No loans/advances were made to Directors or Chief Executive during the year.

	1997	1996
	RUPEES	RUPEES
19. CASH AND BANK BALANCES		
Cash in hand	78,876	99,917
With banks in current account	2,437,700	741,775
	-----	-----
	2,516,576	841,692
	=====	=====
20. SALES		
Local	111,951,538	62,461,868
Exports	537,711,518	490,127,280

	-----	-----
	649,663,056	552,589,148
	-----	-----
	1,968,814	137,258
	355,121	49,766
	11,146,372	1,663,969
	-----	-----
	13,470,307	1,850,993
	-----	-----
	636,192,749	550,738,155
	=====	=====

Less: Commission,
 Brokerage
 Sales tax

21. COST OF SALES

Stock of finished goods at October 1, 1996
 Add: Cost of goods manufactured (Note 21.1)
 Add: Purchases

	95,386,043	95,027,930
	574,756,949	463,298,447
	6,034,968	2,811,383
	-----	-----
	676,177,960	561,137,760
	-----	-----
	130,550,721	95,386,043
	-----	-----
	545,627,239	465,751,717
	=====	=====

Less: Stock of finished goods at September 30, 1997

21.1 COST OF GOODS MANUFACTURED

Raw materials consumed (21.2)
 Stores consumed
 Salaries, wages and benefits
 Fuel, power and water
 Outside manufacturing charges
 Insurance
 Repairs and maintenance
 Building repairs
 Lease rental
 Other manufacturing expenses
 Depreciation
 Work-in-process Opening
 Work-in-process (Closing)

	348,932,255	291,005,527
	62,157,847	32,983,808
	38,348,162	28,516,701
	32,010,792	22,047,195
	32,074,706	28,951,367
	1,617,956	2,042,935
	8,303,496	7,389,060
	455,713	977,582
	19,609,314	18,810,216
	4,505,404	3,492,295
	36,788,225	27,160,494
	18,319,951	18,241,218
	(28,366,872)	(18,319,951)
	-----	-----
	574,756,949	463,298,447
	=====	=====

1997 **1996**
RUPEES **RUPEES**

21.2 RAW MATERIALS CONSUMED

Opening stock
 Purchases during the year

 Less: Closing stock

	21,007,488	37,517,038
	348,585,882	274,495,977
	-----	-----
	369,593,370	312,013,015
	20,661,115	21,007,488
	-----	-----

348,932,255 291,005,527

=====

22. ADMINISTRATIVE EXPENSES

Salaries and benefits	5,473,504	4,215,837
Rent, rates and taxes	327,153	464,863
Vehicle running expenses	2,200,026	1,826,090
Conveyance and travelling	1,710,586	2,251,392
Printing and stationery	1,318,022	963,468
Postage, telegram and telephone	1,093,796	937,206
Miscellaneous	1,344,957	1,418,618
Auditors' remuneration (Note 22.1)	20,000	16,500
Donations (Note 22.2)	186,610	57,282
Depreciation	874,604	644,044
	-----	-----
	14,549,258	12,795,300
	=====	=====
22.1 Auditors' remuneration - audit fee	20,000	16,500
	=====	=====

22.2 None of the Directors and their spouses are interested in donee fund.

23. SELLING EXPENSES

Freight and insurance	15,647,823	15,575,067
Forwarding charges	4,054,881	3,924,118
Advertisement	401,423	230,757
Sales promotion	1,289,471	1,940,420
Export development surcharge	982,376	4,499
Quota fees	1,075,620	724,660
	-----	-----
	23,451,594	22,399,521
	=====	=====

24. OTHER INCOME

Profit on disposal of fixed assets	384,147	774,487
	-----	-----
	384,147	774,487
	=====	=====

25. FINANCIAL EXPENSES

Mark-up on short term running finance	33,130,076	31,591,936
Interest on workers' participation fund	33,008	30,012
Bank charges	1,408,727	1,033,443
Interest on long term loans (secured)	2,020,391	4,136,965
Exchange booking fees on long term loans (secured)	755,427	1,278,191
Guarantee commission	533,245	867,708
Mark-up on redeemable capital	5,482,800	6,591,600
	-----	-----
	43,363,674	45,529,855
	=====	=====

26. DETAILS OF DISPOSAL OF FIXED ASSETS

Particulars	Original Cost	Accumulated Depreciation	W.D.V.	Selling Price	Mode of Disposal	Name of Purchaser
Old Machine	399,000	286,310	112,690	200,000	Negotiation	M/s. Noor Bros & Co. 242, Ramswami Road, Near Usmanabad, Karachi.
Vehicle NO. CJ-9480	32,300	6,137	26,163	323,000	Claim	M/s. Adamjee Insurance Co. Ltd, I. I. Chundrigar Road, Karachi.
Machinery	20,000,000	-	20,000,000	20,000,000	Negotiation	M/s. Orix Leasing Pakistan Ltd, Overseas Chamber of Commerce, Karachi.
	----- 20,431,300 =====	----- 292,447 =====	----- 20,138,853 =====	----- 20,523,000 =====		

1997 Rupees	1996 Rupees
(1,300,000)	(1,800,000)
3,200,000	2,775,000
----- 1,900,000 =====	----- 975,000 =====

27. PROVISION FOR TAXATION

Deferred	(1,300,000)	(1,800,000)
Current	3,200,000	2,775,000
	----- 1,900,000 =====	----- 975,000 =====

28. PAYMENTS MADE TO DIRECTORS/EXECUTIVES OF THE COMPANY

	1997 Rupees		1996 Rupees	
	Chief Executive	Directors	Chief Executive	Directors
	(a) Meeting fees	-	4,500	-
(b) Managerial remuneration	390,000	270,000	312,000	212,400
(c) House rent allowance	171,000	123,000	137,100	96,360
(d) Utility allowance	39,000	27,000	30,900	21,240
	----- 600,000 =====	----- 424,500 =====	----- 480,000 =====	----- 334,500 =====
No. of persons	1	6	1	6
	=====	=====	=====	=====

No executive was paid a basic salary exceeding rupees one hundred thousand per annum.

29. ASSOCIATED UNDERTAKINGS

The Company purchased from and sold to associated undertakings goods, materials and services in the aggregate sum of Rs. Nil and Rs. Nil respectively (1996: Rs. Nil and Rs. Nil respectively)

1997 1996

30. PLANT CAPACITY

(i) TOWELS

Looms- Installed	47	42
Worked	47	42
Production Capacity ('000 Kgs.)	2045	1690
Actual ('000 Kgs.)	1329	1143
No. of shifts worked	Three	Three
ii) CLOTH		
Looms- Installed	48	48
Worked	48	48
Production Capacity ('000 Sq. Meters.)	7819	7819
Actual ('000 Sq. Meters.)	6612	5926
No. of shifts worked	Three	Three

i) The production capacity of 2,045,000Kgs. is based on manufacture of Dobby and Jacquard Towels of 400 grams per sq. meter at 40 picks per inch. The production capacity of Airier Looms could not fully utilised, due to commissioned in the second half of the year.

ii) The production capacity of 7,819,000 square meter of fabrics is based on 21/21, 60x60 quality. Production capacity could not be fully achieved due to running qualities above 60 picks and not utilizing full width of machine.

31. GENERAL

(a) Previous year's figures have been reclassified, regrouped and rearranged wherever necessary for comparison.

(b) Figures have been rounded off to the nearest rupees.

FORM "34"**Pattern of holdings of the shares held by the Shareholders as at September 30, 1997**

No. of Shareholders	Shareholding				Total Shares held
256	From	1	to	100	Shares 9,077
130	From	101	to	500	Shares 26,940
32	From	501	to	1,000	Shares 22,424
235	From	1,001	to	5,000	Shares 740,092
198	From	5,001	to	10,000	Shares 1,348,150
5	From	10,001	to	20,000	Shares 61,060
2	From	20,001	to	30,000	Shares 48,340
5	From	30,001	to	40,000	Shares 179,819
3	From	40.00	to	100,000	Shares 145,052

1	From	100,001	to	120,000	Shares	109,484
1	From	120,001	to	215,000	Shares	144,720
1	From	215,001	to	250,000	Shares	234,286
1	From	250,001	to	270,000	Shares	252,066
4	From	270,001	to	300,000	Shares	1,130,997
2	From	300,001	to	350,000	Shares	673,711
4	From	350,001	to	725,000	Shares	2,409,740
2	From	725,001	to	and above	Shares	1,541,682
-----						-----
882						9,077,640
=====						=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	872	8,699,973	95.84
Investment companies	3	258,726	2.85
Insurance companies	3	114,002	1.26
Joint stock companies	2	4,496	0.05
Financial institutions	-	-	0.00
Modaraba companies	-	-	0.00
Others	-	-	0.00
Charitable institutions	2	443	0.00
	-----	-----	-----
	882	9,077,640	100.00
	=====	=====	=====