

## **Ibrahim Textile Mills Limited**

### **Annual Report 1998**

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#### **Company Information**

##### **Board of Directors**

Sheikh Mukhtar Ahmed  
(Chairman)  
Sheikh Mohammad Yaseen  
(Chief Executive)  
Mr. Mohammad Naeem Mukhtar  
Mr. Mohammad Waseem Mukhtar  
Mr. Asim Yaseen  
Mrs. Ghazala Naeem  
Mr. Nasim Beg  
(NIT Nominee)  
Mr. Aslam Hayat  
(NIT Nominee)

##### **Secretary**

S.M. Hasnain Rizvi

##### **Auditors & Tax Consultants**

F. R. Merchant & Co.,  
Chartered Accountants,  
Karachi, Pakistan.

##### **System Consultant**

KPMG Peat Marwick Associates (Pvt) Limited  
Karachi, Pakistan.

##### **Bankers**

Habib Bank Limited  
Allied Bank of Pakistan Limited  
Albaraka Islamic Investment Bank B.S.C. (EC)

##### **Registered Office &**

##### **Share Department**

Ibrahim Centre,  
GK-7/59, Bagh-e-Zehra Street,

Kharadar,  
Karachi, Pakistan.

**Head Office**

Ibrahim Centre,  
15, Club Road,  
Faisalabad, Pakistan.

**Lahore Office**

Ibrahim Centre,  
1-A, Ahmed Block,  
New Garden Town,  
Lahore, Pakistan.

**Mills**

40-Kilometre,  
Faisalabad - Sheikhpura Road,  
Tehsil Jaranwala,  
District Faisalabad, Pakistan.

**Notice of Meeting**

Notice is hereby given that the 24th Annual General Meeting of the shareholders of the company will be held on 25-03-1999 at 10:00 A.M., at F-352, S.I.T.E. Karachi to transact the following business:-

1. To confirm the minutes of the preceding meeting of the shareholders of the company.
2. To consider, approve and adopt the Annual Audited Accounts of the Company for the year ending 30-09-1998.
3. To approve Cash Dividend @ 20% as recommended by the Board of Directors.
4. To appoint Auditors for the next year 1998-99 and to fix their remuneration. The present auditors M/S. F.R. Merchant & Co., Chartered Accountants, Karachi being eligible for appointment, offer themselves for re-appointment.

To transact any other business with the permission of the chair.

By order of the Board

Dated: 08 February, 1999  
Karachi.

**S. M. Husnain Rizvi**  
Company Secretary

**Note:**

i) The share transfer books of the Company shall remain closed from 19-03-1999 to 25-03-1999 (both days inclusive) to determine the names of members entitled to Dividend payment and to attend the meeting. Transfers received in order at the Shares Registration Office of the Company at the close of business on 18-03-1999 will be treated in time.

ii) A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf.

The proxies, in order to be effective, must be received by the Company at least 48 hours before the meeting

at the registered office of the Company at GK, 7/59, Bagh-e-Zahra Street, Kharadar, Karachi.

## Directors Report to the Shareholders

We are pleased to present before you the 24th Audited Financial results of the company for the year ended September 30, 1998.

### OPERATING RESULTS

The mills of the company has performed well during the year under review. The total production for the year ended September 30, 1998 is 9,109,421 Kgs. of blended yarn of different counts as against production in the previous year of 8,839,225 Kgs. of yarn.

The count manufactured during the year is from 24/S to 65/S of different types of blended yarn.

The figures of production during the year are summarized as under:

| Type of Yarn Produced  | Production<br>Kgs. |
|------------------------|--------------------|
| Polyester Viscose Yarn | 5,100,369          |
| Acrylic Yarn           | 1,695,738          |
| Acrylic Polyester Yarn | 808,769            |
| Polyester Acrylic Yarn | 762,501            |
| Polyester Yarn         | 742,044            |
|                        | -----              |
|                        | 9,109,421          |
|                        | =====              |

The production of different counts of blended of yarn is made to offer a good product mix to our customers as per market demand and also to achieve a higher selling price as compare to other competitors.

### FINANCIAL RESULTS

The company has achieved a net profit after tax of Rs. 31,624,427/- as against a net profit after tax of Rs. 28,937,988/- in the previous year. The company has been able to reduce the financial charges during the year as compared to previous year through better financial management of the revenue generated from sales.

The summary of financial results are as follows:

|                           | Rupees      |
|---------------------------|-------------|
| Gross Profit              | 125,845,150 |
| Other Income              | 3,383,619   |
|                           | -----       |
| Operating Expenses        | 129,228,769 |
|                           | 40,965,446  |
|                           | -----       |
| Operating Profit          | 88,263,323  |
| Financial & Other Charges | 46,838,896  |
|                           | -----       |
| Profit before Taxation    | 41,424,427  |
| Provision for Taxation    | 9,800,000   |
|                           | -----       |
| Profit after Taxation     | 31,624,427  |

|                                       |            |
|---------------------------------------|------------|
| Unappropriated Profit Brought Forward | 13,316     |
|                                       | -----      |
| Surplus Available for Appropriation   | 31,637,743 |
|                                       | =====      |

**CASH DIVIDEND**

The Board of Directors have recommended payment of Cash Dividend @ 20%

**APPROPRIATIONS**

|                                       |               |
|---------------------------------------|---------------|
|                                       | <b>Rupees</b> |
| Proposed Dividend @ 20% (1997 @ 20%)  | 27,200,000    |
| Transfer to general reserve           | 4,425,000     |
|                                       | -----         |
|                                       | 31,625,000    |
|                                       | -----         |
| Unappropriated Profit Carried Forward | 12,743        |
|                                       | =====         |

**GENERAL REVIEW**

The continuous stagnant position in the industrial activities for the last many years is still persistent with particular reference to textile industry in general and spinning industry in particular. This position has further aggravated with the financial crises in South East Asian Countries which has almost halted the exports of yarn to these countries with the result that the overall position of textile spinning industry has gone from bad to worse. This has kept the domestic yarn market under great pressure throughout the year.

We hope that when the after effect of this crises are over there may be some improvement in the export business which will ultimately result in improving the sales activity in the local market.

**YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM**

The company has assigned the work of year 2000 compliance of the existing computer system to its consultants and they have confirmed that the work will be completed by September 1999 and all our applications will be made year 2k compliant.

**AUDITORS**

The present auditors M/S F. R. Merchant & Co., Chartered Accountants, Karachi retire and are being eligible, consented for re-appointment for the next financial year 1998-99.

**PATTERN OF SHAREHOLDING**

Pattern of shareholding of the company is annexed.

**ACKNOWLEDGMENT**

The management is happy and wishes to place on record its deep appreciation for the hardwork and positive efforts made by the workers and staff. The management would also like to thank its valued Customers, Bankers, Financial Institutions and shareholders for their whole hearted support and hopes to get the same cooperation in the future.

On behalf of the Board

Dated: 08 February, 1999  
Karachi.

**(SHEIKH MOHAMMAD YASEEN)**  
Chief Executive

**Pattern of Shareholding  
as at 30 September, 1998**

| No. of Shareholders | Having Shares |         | Shares Held | Percentage |
|---------------------|---------------|---------|-------------|------------|
|                     | From          | To      |             |            |
| 237                 | 1             | 100     | 23,700      | 0.17       |
| 270                 | 101           | 500     | 73,400      | 0.54       |
| 94                  | 501           | 1000    | 88,700      | 0.65       |
| 108                 | 1001          | 5000    | 305,700     | 2.25       |
| 32                  | 5001          | 1000    | 253,600     | 1.86       |
| 6                   | 10001         | 15000   | 74,900      | 0.55       |
| 13                  | 15001         | 20000   | 241,800     | 1.78       |
| 1                   | 20001         | 25000   | 20,300      | 0.15       |
| 1                   | 25001         | 30000   | 30,000      | 0.22       |
| 1                   | 35001         | 40000   | 40,000      | 0.30       |
| 1                   | 40001         | 45000   | 41,000      | 0.30       |
| 1                   | 60001         | 65000   | 65,000      | 0.48       |
| 1                   | 70001         | 75000   | 75,000      | 0.55       |
| 5                   | 75001         | 80000   | 400,000     | 2.94       |
| 2                   | 95001         | 100000  | 200,000     | 1.47       |
| 1                   | 115001        | 120000  | 120,000     | 0.88       |
| 3                   | 135001        | 140000  | 412,000     | 3.03       |
| 1                   | 175001        | 180000  | 179,500     | 1.32       |
| 1                   | 215001        | 220000  | 220,000     | 1.62       |
| 4                   | 270001        | 275000  | 1,088,000   | 8.00       |
| 1                   | 275001        | 280000  | 280,000     | 2.06       |
| 1                   | 395001        | 400000  | 400,000     | 2.94       |
| 1                   | 455001        | 460000  | 460,000     | 3.38       |
| 2                   | 540001        | 545000  | 1,088,000   | 8.00       |
| 1                   | 665001        | 670000  | 669,000     | 4.92       |
| 1                   | 1315001       | 1320000 | 1,316,000   | 9.68       |
| 1                   | 1495001       | 1500000 | 1,496,000   | 11.00      |
| 1                   | 1645001       | 1650000 | 1,649,200   | 12.13      |
| 1                   | 2285001       | 2290000 | 2,289,200   | 16.83      |
| -----               |               |         |             |            |
| 793                 |               |         | 13,600,000  | 100.00     |
| =====               |               |         |             |            |

### Categories of Shareholders

| Particulars            | Shareholders | Shareholding | Percentage |
|------------------------|--------------|--------------|------------|
| Individuals            | 775          | 7,834,200    | 57.60      |
| Investment companies   | 10           | 1,597,000    | 11.75      |
| Joint stock companies  | 4            | 2,334,300    | 17.16      |
| Financial institutions | 1            | 1,649,200    | 12.13      |
| Modaraba companies     | 3            | 185,300      | 1.36       |
| -----                  |              |              |            |
|                        | 793          | 13,600,000   | 100.00     |
| =====                  |              |              |            |

### Auditors' Report to the Members

We have audited the annexed Balance Sheet of M/S. IBRAHIM TEXTILE MILLS LIMITED, as at September 30, 1998 and the related Profit and Loss Account and Statement of Changes in Financial Position, 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, 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 the statement of changes in the financial position, 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, 1998 and the Profit and changes in financial 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.

Dated: 08 February, 1999  
Karachi.

(F.R. MERCHANT & CO.,)  
Chartered Accountants

### Balance Sheet as at 30 September, 1998

|  | Note | 1998<br>Rupees | 1997<br>Rupees |
|--|------|----------------|----------------|
| <b>CAPITAL AND RESERVES</b>                                  |      |                |                |
| Authorized<br>20,000,000 ordinary shares<br>of Rs. 10/- each |      | 200,000,000    | 200,000,000    |
|  |      | =====          | =====          |
| Issued, subscribed and paid-up                               | 3    | 136,000,000    | 136,000,000    |
| General reserve  | 4    | 50,025,000     | 45,600,000     |
| Unappropriated profit  |      | 12,743         | 13,316         |
|  |      | -----          | -----          |
|  |      | 186,037,743    | 181,613,316    |
| <b>LONG TERM LOANS</b>                                       | 5    | 56,000,000     | 126,350,412    |
| <b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE</b>         | 6    | 7,830,885      | -              |
| <b>DEFERRED LIABILITY</b>                                    | 7    |                |                |
| Customs debenture  |      | 1,691,290      | 2,563,580      |
| Provision for gratuity                                       |      | 9,965,219      | 7,561,172      |
|  |      | -----          | -----          |
|  |      | 11,656,509     | 10,124,752     |

| <b>CURRENT LIABILITIES</b>                    |    |             |             |
|---|----|-------------|-------------|
| Short term borrowings                         | 8  | 150,050,133 | 99,401,516  |
| Current portion of long term liabilities      | 9  | 49,756,744  | 59,600,040  |
| Creditors, provisions and accrued liabilities | 10 | 59,031,497  | 46,460,881  |
| Provision for taxation                        |    | 15,387,475  | 5,587,475   |
| Proposed dividend                             |    | 27,200,000  | 27,200,000  |
|   |    | -----       | -----       |
|   |    | 301,425,849 | 238,249,912 |
| <b>CONTINGENT LIABILITIES/COMMITMENTS</b>     |    |             |             |
|   | 11 | -           | -           |
|   |    | -----       | -----       |
|   |    | 562,950,986 | 556,338,392 |
|   |    | =====       | =====       |
| <b>FIXED CAPITAL EXPENDITURE</b>              |    |             |             |
| Operating assets                              | 12 | 292,743,804 | 309,255,991 |
| LONG TERM INVESTMENTS                         | 13 | 5,000,000   | 5,000,000   |
| <b>CURRENT ASSETS</b>                         |    |             |             |
| Stores, spares and loose tools                | 14 | 11,917,767  | 7,827,769   |
| Stocks in trade                               | 15 | 122,319,198 | 91,884,524  |
| Trade debtors                                 | 16 | -           | 251,038     |
| Advances, deposits and other receivables      | 17 | 96,080,177  | 63,831,400  |
| Cash and bank balances                        | 18 | 34,890,040  | 78,287,670  |
|   |    | -----       | -----       |
|   |    | 265,207,182 | 242,082,401 |
|   |    | -----       | -----       |
|   |    | 562,950,986 | 556,338,392 |
|   |    | =====       | =====       |

The annexed notes form an integral part of these accounts.

**Profit and Loss Account  
for the year ended 30 September, 1998**

|                                 | Note | 1998<br>Rupees | 1997<br>Rupees |
|---------------------------------|------|----------------|----------------|
| <b>SALES</b>                    | 19   | 917,752,995    | 943,094,929    |
| <b>COST OF SALES</b>            | 20   | 791,907,845    | 807,235,293    |
|                                 |      | -----          | -----          |
| <b>GROSS PROFIT</b>             |      | 125,845,150    | 135,859,636    |
| <b>OPERATING EXPENSES</b>       |      |                |                |
| Administrative                  | 21   | 33,944,635     | 29,100,730     |
| Selling                         | 22   | 7,020,811      | 6,340,371      |
|                                 |      | -----          | -----          |
|                                 |      | 40,965,446     | 35,441,101     |
|                                 |      | -----          | -----          |
| <b>OPERATING PROFIT</b>         |      | 84,879,704     | 100,418,535    |
|                                 |      | -----          | -----          |
| <b>MISCELLANEOUS REVENUE</b>    | 23   | 2,254,096      | 2,337,281      |
| <b>PROFIT/(LOSS) ON TRADING</b> | 24   | 1,129,523      | (243,287)      |
|                                 |      | -----          | -----          |
|                                 |      | 3,383,619      | 2,093,994      |

|  |    |            |             |
|--|----|------------|-------------|
|  |    | 88,263,323 | 102,512,529 |
| <b>OTHER CHARGES</b>                         |    |            |             |
| Financial                                    | 25 | 44,628,860 | 66,160,231  |
| Zakat  |    | 29,803     | 9,705       |
| Workers' profit participation fund           |    | 2,180,233  | 1,817,130   |
|  |    | 46,838,896 | 67,987,066  |
| <b>PROFIT FOR THE YEAR BEFORE TAXATION</b>   |    | 41,424,427 | 34,525,463  |
| <b>PROVISION FOR TAXATION</b>                |    | 9,800,000  | 5,587,475   |
| <b>PROFIT FOR THE YEAR AFTER TAXATION</b>    |    | 31,624,427 | 28,937,988  |
| <b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b> |    | 13,316     | 75,328      |
| <b>SURPLUS AVAILABLE FOR APPROPRIATION</b>   |    | 31,637,743 | 29,013,316  |
| <b>APPROPRIATION</b>                         |    |            |             |
| Proposed dividend @ 20% (1997 - @ 20%)       |    | 27,200,000 | 27,200,000  |
| Transferred to general reserve               |    | 4,425,000  | 1,800,000   |
|  |    | 31,625,000 | 29,000,000  |
| <b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b> |    | 12,743     | 13,136      |
|  |    | =====      | =====       |

The annexed notes form an integral part of these accounts

Chief Executive

Director

**Statement of Changes in Financial Position**  
(Cash Flow Statement) for the year ended 30 September, 1998

|   | 1998        | 1997         |
|---|-------------|--------------|
|   | Rupees      | Rupees       |
| <b>a) CASH FLOW FROM OPERATING ACTIVITIES</b>   |             |              |
| Profit for the year before taxation             | 41,424,427  | 34,525,463   |
| Adjustments for                                 |             |              |
| Depreciation                                    | 33,546,743  | 35,084,371   |
| Profit on disposal of fixed assets              | (73,987)    | (52,737)     |
| Provision for gratuity                          | 3,153,709   | 3,483,628    |
| Gratuity paid                                   | (749,662)   | (1,746,814)  |
| Exchange loss on long term loans                | -           | 1,057,000    |
| Financial charges                               | 44,628,860  | 66,160,231   |
|   | -----       | -----        |
| Operating profit before working capital changes | 121,930,090 | 138,511,142  |
|   | -----       | -----        |
| Changes in working capital                      |             |              |
| (Increase)/decrease in current assets           |             |              |
| Stores, spares and loose tools                  | (4,089,998) | (1,499,244)  |
| Stock in trade                                  | 30,434,674  | (12,171,204) |
| Trade debtors                                   | 251,038     | 25,400,813   |



|   |               |               |
|---|---------------|---------------|
| Advances, deposits, prepayments and other receivables<br>(Decrease)/increase in current liabilities | 32,248,777    | (729,922)     |
| Creditors, accrued and other liabilities  | 20,203,146    | 1,954,276     |
|   | -----         | -----         |
|   | (46,319,265)  | 12,954,719    |
|   | -----         | -----         |
| Cash generated from operations  | 75,610,825    | 151,465,861   |
| Financial charges paid  | 52,261,390    | (64,595,403)  |
| Taxes paid  | -             | (16,924,063)  |
|   | -----         | -----         |
| Net cash (used in)/from operating activities  | 23,349,435    | 69,946,395    |
|   | -----         | -----         |
| <b>b) CASH FLOW FROM INVESTING ACTIVITIES</b>   |               |               |
| Fixed capital expenditure   | 27,650,459    | (7,536,923)   |
| Proceeds from disposal of fixed assets  | 10,689,890    | 529,750       |
| Long term investments   | -             | 183,062,400   |
| Short term investments  | -             | 90,900,489    |
|   | -----         | -----         |
| Net cash (used in)/from investing activities  | 16,960,569    | 266,955,716   |
|   | -----         | -----         |
| <b>c) CASH FLOW FROM FINANCING ACTIVITIES</b>   |               |               |
| Long term loan  | 47,431,839    | 105,525,618   |
| Repayment of long term loans  | (105,525,618) | (295,468,340) |
| Lease liability   | 10,500,000    | -             |
| Repayment of lease liability  | (25,205,189)  | (34,121,993)  |
| Repayment of Custom debenture   | (436,145)     | (1,255,145)   |
| Dividend paid   | 27,200,000    | (27,200,000)  |
| Increase/(decrease) in short term borrowings  | 50,648,617    | (35,232,062)  |
|   | -----         | -----         |
| Net cash (used in)/from financing activities  | 49,786,496    | (287,751,922) |
|   | =====         | =====         |
| <b>NET INCREASE/(DECREASE) IN CASH &amp; BANK BALANCES (a+b+c)</b>                                  | 43,397,630    | 49,150,189    |
| <b>CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR</b>  | 78,287,670    | 29,137,481    |
|   | -----         | -----         |
| <b>CASH AND BANK BALANCES AT THE END OF THE YEAR</b>  | 34,890,040    | 78,287,670    |
|   | =====         | =====         |

Chief Executive

Director

## Notes to the Accounts for the year ended 30 September, 1998

### 1. THE COMPANY AND ITS OPERATIONS

Ibrahim Textile Mills Limited is a public limited company incorporated in Pakistan under Companies Ordinance, 1984. The shares of the company are listed on Stock Exchanges in Pakistan. The company is engaged in the manufacture and sale of Cotton, Polyester, Viscose and Acrylic Yarn. The mills are located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

### 2. ACCOUNTING POLICIES

2.1 The accounts have been prepared under "historical cost convention" as modified by adjustments of

exchange rate fluctuations.

## **2.2 Provision for gratuity**

The company maintained an unfunded gratuity scheme for its employees. Provision is made in the accounts to cover the obligation under the scheme.

## **2.3 Taxation**

### **Current**

Provision for current taxation is based on taxable income at current tax rates after taking into account for tax rebates and tax credits 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, these differences will not reverse in the foreseeable future.

## **2.4 Operating assets**

Operating assets except freehold land are stated at cost less accumulated depreciation. The cost of plant and machinery consists of historical cost and adjustment of exchange difference in respect of foreign currency loan utilized for acquisition thereof.

Depreciation has been charged on normal rates prescribed under the income tax rules.

Normal repair and maintenance are charged to expenses as and when incurred. Major repairs and renewals are capitalized.

Gain or loss on disposal of assets is included in the profit & loss account.

## **2.5 Capital work in progress**

All costs/expenditures connected with specific assets are collected under this head. These are transferred to specific assets, when assets are available for use.

## **2.6 Un-allocated capital expenditure**

All costs/expenditure not directly related to specific assets, incurred during the project implementation period are stated under this head. These are apportioned to plant and machinery and building at the time of completion of the project.

## **2.7 Accounting for leases**

The company accounts for the assets acquired under finance lease by recording the assets and related liability. The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the company. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates specified in the related note to write off the assets over its estimated useful life in view of the certainty of ownership of assets at the end of the lease period.

## **2.8 Investments**

The long term investments are valued at cost with relative market price as a note.

Short term investments are stated at lower of cost and net realisable value.

## **2.9 Deferred cost**

These are written off in maximum period of five years from the year of deferment.

## **2.10 Stores, spares and loose tools.**

These are valued at moving average cost.

**2.11 Stocks in trade**

a) Raw materials are stated at weighted average cost.

b) Work in process are stated at average manufacturing cost.

c) Finished goods are valued at lower of average cost and net realisable value.

d) Wastes are stated at net realisable value.

**2.12 Trade debtors**

Known bad debts are written off and specific provisions are made for debts considered doubtful.

**2.13 Rate of exchange**

Assets and liabilities in foreign currencies are converted into Pak Rupees at the rate of exchange ruling on the balance sheet date, except those covered under forward exchange contract and exchange risk cover scheme which are converted at the cover rate. Exchange differences other than those mentioned in 2.4 are included in current income.

**2.14 Revenue recognition**

Sales are recorded on despatch of goods.

**2.15 Presentation**

Figures in these accounts have been rounded off to the nearest Rupee. Figures of the previous year have been rearranged wherever necessary, for the purposes of comparison.

|  | 1998<br>Rupees | 1997<br>Rupees |
|--|----------------|----------------|
| <b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>                             |                |                |
| 5,950,000 Ordinary shares of Rs. 10/- each full paid up i                    | 59,500,000     | 59,500,000     |
| 850,000 Ordinary shares of Rs. 10/- each issued<br>bonus shares.             | 8,500,000      | 8,500,000      |
| 6,800,000 Ordinary shares of Rs. 10/- each fully paid up<br>as Right shares. | 68,000,000     | 68,000,000     |
| -----  | -----          | -----          |
| 13,600,000   | 136,000,000    | 136,000,000    |
| =====  | =====          | =====          |
| <b>4. GENERAL RESERVE</b>  |                |                |
| Balance as at October 1, 1997  | 45,600,000     | 43,800,000     |
| Transferred from Profit & Loss Account                                       | 4,425,000      | 1,800,000      |
| -----  | -----          | -----          |
| Balance as at September 30, 1998   | 50,025,000     | 45,600,000     |
| =====  | =====          | =====          |
| <b>5. LONG TERM LOANS</b>  |                |                |
| Local currency loan  | 103,431,839    | 161,525,618    |
| Payable within one year shown<br>under current liabilities                   | (47,431,839)   | (35,175,206)   |

|            |             |
|------------|-------------|
| -----      | -----       |
| 56,000,000 | 126,350,412 |
| =====      | =====       |

5.1 It is secured against Hypothecation of stocks of raw materials, finished goods, work in process, stores and spares and charge over book debts.

This represents loan facility in lumpsum after 30-09-1998 on 24-10-1999 and 04-12-1999 respectively. The rate of markup is @ 19%, 20.5% and 21% respectively.

**6. LIABILITIES AGAINST ASSETS  
SUBJECT TO FINANCE LEASE**

|   |            |            |
|---|------------|------------|
| Balance on October 1, 1997  | 24,015,334 | 58,137,327 |
| Obtained during the year  | 10,500,000 | -          |
|   | -----      | -----      |
|   | 34,515,334 | 58,137,327 |
| Paid during the year  | 25,205,189 | 34,121,993 |
|   | -----      | -----      |
|   | 9,310,145  | 24,015,334 |
| Installments due within following twelve months shown under current liabilities | 1,479,260  | 24,015,334 |
|   | -----      | -----      |
| Balance as on September 30, 1998  | 7,830,885  | -          |
|   | =====      | =====      |

These represent machinery acquired under agreement with Askari Leasing Limited. The purchase option is available to the company on payment of last installment and surrender of deposit paid under the agreement. The cost plus financial charges are payable in 60 monthly installments. The liability represent the total minimum lease payments discounted at the rate 20.75% per annum being the company's incremental rate of borrowings.

The future minimum lease payments to which the company is committed as at September 30, 1998 are as follows:

|  |               |               |
|--|---------------|---------------|
| Year ending September 30,                      | <b>Rupees</b> |               |
| 1999   | 3,166,728     |               |
| 2000   | 3,166,728     |               |
| 2001   | 3,166,728     |               |
| 2002   | 3,166,728     |               |
| 2003   | 1,052,788     |               |
|  | -----         |               |
|  | 13,719,700    |               |
| Financial charges pertaining to future periods | 4,409,555     |               |
|  | -----         |               |
|  | 9,310,145     |               |
|  | =====         |               |
|  | <b>1998</b>   | <b>1997</b>   |
|  | <b>Rupees</b> | <b>Rupees</b> |

**7. DEFERRED LIABILITY**

**7.1 Customs debenture**

|                                    |           |             |
|------------------------------------|-----------|-------------|
| Opening balance on October 1, 1997 | 2,973,080 | 4,228,225   |
| Paid during the year               | (436,145) | (1,255,145) |

|                                 |           |           |
|---------------------------------|-----------|-----------|
|                                 | -----     | -----     |
|                                 | 2,536,935 | 2,973,080 |
| Transferred to current maturity | (845,645) | (409,500) |
|                                 | -----     | -----     |
|                                 | 1,691,290 | 2,563,580 |
|                                 | =====     | =====     |

**7.2 Provision for gratuity**

|                                |           |             |
|--------------------------------|-----------|-------------|
| Balance on October 1, 1997     | 7,561,172 | 5,824,358   |
| Paid during the year           | (749,662) | (1,746,814) |
|                                | -----     | -----       |
|                                | 6,811,510 | 4,077,544   |
| Add: Provision during the year | 3,153,709 | 3,483,628   |
|                                | -----     | -----       |
| Balance on September 30, 1998  | 9,965,219 | 7,561,172   |
|                                | =====     | =====       |

**8. SHORT TERM BORROWINGS**

Under mark up arrangements - Secured  
Banking Companies

|                                |             |            |
|--------------------------------|-------------|------------|
| Cash Finance (Note No. 8.1)    | 100,116,327 | 49,430,026 |
| Running Finance (Note No. 8.2) | 49,933,806  | 49,971,490 |
|                                | -----       | -----      |
|                                | 150,050,133 | 99,401,516 |
|                                | =====       | =====      |

**8.1 Cash finance**

The cash finance facility is secured against pledge/hypothecation of stocks of man-made fibre, yarn and personal guarantee of directors.

The rate of mark-up is 19% per annum.

**8.2 Running finance**

a) Running finance is secured against hypothecation of raw material & finished goods, hypothecation of stock of imported/locally purchased goods to be delivered on acceptance against trust receipt.

b) First charge ranking pari passu with the senior creditors.

c) Bank's floating charge to the extent of Rs. 100 Million on current assets of the company.  
The rate of mark up is @ 21.5% per annum.

|               |               |
|---------------|---------------|
| <b>1998</b>   | <b>1997</b>   |
| <b>Rupees</b> | <b>Rupees</b> |

**9. CURRENT PORTION OF LONG TERM LIABILITIES**

|   |            |            |
|---|------------|------------|
| Customs debenture                                 | 845,645    | 409,500    |
| Revolving finance                                 | 47,431,839 | 35,175,206 |
| Liability against assets subject to finance lease | 1,479,260  | 24,015,334 |
|   | -----      | -----      |
|   | 49,756,744 | 59,600,040 |
|   | =====      | =====      |

**10. CREDITORS, PROVISIONS AND ACCRUED LIABILITIES**

|  |            |            |
|--|------------|------------|
| Creditors  | 36,244,558 | 8,814,427  |
| Duty payable                                       | -          | 13,385,374 |
| Accrued liabilities                                | 3,535,752  | 1,854,914  |
| Sales tax payable                                  | 8,342,072  | 4,197,982  |
| Interest/markup/excise duty on secured loans       | 7,868,061  | 15,500,591 |
| Withholding tax                                    | 81,002     | 30,057     |
| Other liabilities                                  | 617,424    | 736,229    |
| Workers' profit participation fund (Note No. 10.1) | 2,180,233  | 1,817,130  |
| Dividend payable                                   | 162,395    | 124,177    |
|  | -----      | -----      |
|  | 59,031,497 | 46,460,881 |
|  | =====      | =====      |

**10.1 Workers' profit participation fund**

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Balance as at October 1, 1997    | 1,817,130 | 2,281,781 |
| Less paid during the year        | 1,817,130 | 2,281,781 |
|                                  | -----     | -----     |
|                                  | -         | -         |
| Contribution for the year @ 5%   | 2,180,233 | 1,817,130 |
|                                  | -----     | -----     |
| Balance as at September 30, 1998 | 2,180,233 | 1,817,130 |
|                                  | =====     | =====     |

|  | 1998     | 1997     |
|--|----------|----------|
|  | Rupees   | Rupees   |
| <b>11. CONTINGENT LIABILITIES / COMMITMENTS</b>                    |          |          |
| Guarantees (Note No. 11.1)   | 3.209 M  | 3.209 M  |
| Commitments against irrevocable letters of credits (Note No. 11.2) | 36.177 M | 87.924 M |

11.1 This represents guarantees given to CCI & E against difference of Import Licence fee @ 6%-2% 4% due to Rural Industrialization Scheme.

11.2 This represents Letter of Credits opened and outstanding.

**12. SCHEDULE OF OPERATING ASSETS**

|                            | COST              |                           |   |                        | Rate % | DEPRECIATION            |                 |             |                   |   |
|----------------------------|-------------------|---------------------------|---|------------------------|--------|-------------------------|-----------------|-------------|-------------------|---|
|                            | As on<br>01-10-97 | Additions/<br>(deletions) | Transfer<br>from own<br>assets to<br>lease assets | Total Cost<br>30-09-98 |        | Accumulated<br>01-10-97 | For the<br>year | Adjustments | As on<br>30-09-98 | Written down<br>value as on<br>30-09-98 |
| Land- freehold             | 460,590           | -                         | -   | 460,590                | -      | -                       | -               | -           | 460,590           |   |
| Land-leasehold             | 408,500           | -                         | -   | 408,500                | -      | -                       | -               | -           | 408,500           |   |
| Roads                      | 793,980           | -                         | -   | 793,980                | 10%    | 511,520                 | 28,246          | -           | 539,766           | 254,214                                 |
| Building on freehold land  | 66,953,620        | -                         | -   | 66,953,620             | 10%    | 38,834,377              | 2,811,924       | -           | 41,646,301        | 25,307,319                              |
| Building on leasehold land | 4,061,618         | -                         | -   | 4,061,618              | 10%    | 2,076,968               | 198,465         | -           | 2,275,433         | 1,786,185                               |
| Plant & machinery          | 342,794,657       | 10,186,496                | 10,081,569  | 342,899,584            | 10%    | 195,972,886             | 14,692,670      | -           | 210,665,556       | 132,234,028                             |
| Electric installations     | 14,663,719        | 905,969                   | -   | 15,569,688             | 10%    | 6,845,325               | 872,436         | -           | 7,717,761         | 7,851,927                               |
| Mills & Office equipment   | 6,353,596         | 1,641,334<br>(720,148)    | -   | 7,274,782              | 10%    | 2,283,458               | 536,703         | 375,704     | 2,444,457         | 4,830,325                               |
| Furniture & fixtures       | 2,896,430         | 78,755                    | -   | 2,975,185              | 10%    | 1,341,260               | 163,393         | -           | 1,504,653         | 1,470,533                               |
| Vehicles                   | 9,569,225         | 4,337,905                 | -   | 13,907,130             | 20%    | 4,889,583               | 1,803,509       | -           | 6,693,092         | 7,214,038                               |
|                            | -----             | -----                     | -----   | -----                  | -----  | -----                   | -----           | -----       | -----             | -----                                   |



|   |               |               |
|---|---------------|---------------|
| Spare parts and accessories   | 8,223,065     | 6,420,276     |
| Spare parts in transit  | 1,967,226     | -             |
| Loose tools   | 34,217        | 30,816        |
|   | -----         | -----         |
|   | 11,917,767    | 7,827,769     |
|   | =====         | =====         |
| <b>15. STOCKS IN TRADE</b>  |               |               |
| Raw material  | 41,080,169    | 39,076,770    |
| Raw material in transit   | 33,548,526    | -             |
| Work in process   | 4,664,322     | 4,736,301     |
| Finished goods and waste  | 43,026,181    | 48,071,453    |
|   | -----         | -----         |
|   | 122,319,198   | 91,884,524    |
|   | =====         | =====         |
| <b>16. TRADE DEBTS - CONSIDERED GOOD</b>  |               |               |
| Local - unsecured   | -             | 251,038       |
|   | =====         | =====         |
|   | <b>1998</b>   | <b>1997</b>   |
|   | <b>Rupees</b> | <b>Rupees</b> |
| <b>17. ADVANCES, DEPOSITS AND OTHER RECEIVABLES - UNSECURED CONSIDERED GOOD</b> |               |               |
| Advances to employees   | 897,019       | 1,183,049     |
| Advances to suppliers/contractors   | 1,390,816     | 18,208        |
| Advance income tax  | 53,825,786    | 35,548,042    |
| Deposits and other receivables  | 4,939,886     | 12,293,113    |
| Letters of credit   | 35,026,670    | 14,788,988    |
|   | -----         | -----         |
|   | 96,080,177    | 63,831,400    |
|   | =====         | =====         |
| <b>18. CASH AND BANK BALANCES</b>   |               |               |
| Cash in hand  | 11,204,078    | 10,219,087    |
| Cash at banks   |               |               |
| in current accounts   | 11,566,490    | 66,190,173    |
| in deposit accounts   | 12,119,472    | 1,878,410     |
|   | -----         | -----         |
|   | 34,890,040    | 78,287,670    |
|   | =====         | =====         |
| <b>19. SALES</b>  |               |               |
| Local sales of yarn   | 916,891,020   | 942,226,218   |
| Local sales of waste  | 866,325       | 868,711       |
|   | -----         | -----         |
| Gross sale  | 917,757,345   | 943,094,929   |
| Less: Commission and discount   | 4,350         | -             |
|   | -----         | -----         |
|   | 917,752,995   | 943,094,929   |
|   | =====         | =====         |
| <b>20. COST OF SALES</b>  |               |               |
| Opening stocks  | 48,071,453    | 56,614,527    |



|  |               |               |
|--|---------------|---------------|
| Cost of goods manufactured (Note 20.1) | 786,862,573   | 798,692,219   |
|  | -----         | -----         |
|  | 834,934,026   | 855,306,746   |
| Less: Closing stocks                   | 43,026,181    | 48,071,453    |
|  | -----         | -----         |
|  | 791,907,845   | 807,235,293   |
|  | =====         | =====         |
|  | <b>1998</b>   | <b>1997</b>   |
|  | <b>Rupees</b> | <b>Rupees</b> |

**20.1 Cost of goods manufactured**

|                                   |             |             |
|-----------------------------------|-------------|-------------|
| Raw material consumed (Note 20.2) | 583,527,075 | 608,309,514 |
| Packing material consumed         | 12,468,143  | 12,709,277  |
| Salaries, wages and benefits      | 32,614,883  | 31,899,521  |
| Stores consumed                   | 18,055,548  | 12,435,456  |
| Fuel and power                    | 106,067,320 | 92,369,263  |
| Other expenses                    | 2,523,686   | 1,842,819   |
| Depreciation                      | 31,533,939  | 32,981,581  |
|                                   | -----       | -----       |
|                                   | 786,790,594 | 792,547,431 |
|                                   |             |             |
| Add opening work in process       | 4,736,301   | 10,881,089  |
| Less closing work in process      | (4,664,322) | (4,736,301) |
|                                   | -----       | -----       |
|                                   | 71,979      | 6,144,788   |
|                                   | -----       | -----       |
|                                   | 786,862,573 | 798,692,219 |
|                                   | =====       | =====       |

**20.2.1 Polyester fibre**

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Opening stocks                     | 26,315,062  | 6,372,555   |
| purchases                          | 286,419,108 | 318,167,626 |
| Less: Cost of polyester fibre sold | -           | (471,118)   |
|                                    | -----       | -----       |
|                                    | 312,734,170 | 324,069,063 |
| Less: Closing stocks               | 20,463,970  | 26,315,062  |
|                                    | -----       | -----       |
| Cost of polyester consumed         | 292,270,200 | 297,754,001 |
|                                    | =====       | =====       |

**20.2.2 Viscose fibre**

|                                  |             |              |
|----------------------------------|-------------|--------------|
| Opening stocks                   | 2,223,664   | 509,665      |
| Purchases                        | 84,375,400  | 118,635,792  |
| Less: Cost of viscose fibre sold | (5,564,050) | (44,758,900) |
|                                  | -----       | -----        |
|                                  | 81,035,014  | 74,386,557   |
| Less: Closing stocks             | 8,366,751   | 2,223,664    |
|                                  | -----       | -----        |
| Cost of viscose fibre consumed   | 72,668,263  | 72,162,893   |
|                                  | =====       | =====        |

**20.2.3 Acrylic fibre**

|                |            |           |
|----------------|------------|-----------|
| Opening stocks | 10,538,044 | 5,335,484 |
|----------------|------------|-----------|

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| Purchases                           | 220,365,925 | 252,908,136 |
| Less: Cost of acrylic fibre sold    | (65,909)    | (9,312,956) |
|                                     | -----       | -----       |
|                                     | 230,838,060 | 248,930,664 |
| Less: Closing stocks                | 12,249,448  | 10,538,044  |
|                                     | -----       | -----       |
| Cost of acrylic fibre consumed      | 218,588,612 | 238,392,620 |
|                                     | -----       | -----       |
| Total cost of raw material consumed | 583,527,075 | 608,309,514 |
|                                     | =====       | =====       |

|  |               |               |
|--|---------------|---------------|
|  | <b>1998</b>   | <b>1997</b>   |
|  | <b>Rupees</b> | <b>Rupees</b> |

**21. ADMINISTRATION EXPENSES**

|  |            |            |
|--|------------|------------|
| Directors remunerations                  | 1,170,000  | 615,000    |
| Directors meeting fee                    | 2,440      | -          |
| Salaries and benefits                    | 16,732,677 | 14,706,323 |
| Rent and utilities                       | 1,066,240  | 849,872    |
| Postage, telephone and telex             | 1,873,812  | 1,973,875  |
| Printing and stationery                  | 969,847    | 695,669    |
| Computerization expenses                 | 31,164     | 54,780     |
| Repair and maintenance                   | 1,472,316  | 690,709    |
| Travelling, conveyance and entertainment | 3,146,203  | 2,257,714  |
| Motor vehicle expenses                   | 1,642,330  | 1,539,066  |
| Audit fee                                | 100,000    | 40,000     |
| Legal and professional charges           | 79,500     | 303,650    |
| Fees and subscription                    | 529,381    | 456,369    |
| Insurance                                | 771,618    | 845,848    |
| Advertisement                            | 99,068     | 76,037     |
| Donation (21.1)                          | 735,200    | 720,280    |
| Other expenses                           | 1,510,035  | 1,172,748  |
| Depreciation                             | 2,012,804  | 2,102,790  |
|  | -----      | -----      |
|  | 33,944,635 | 29,100,730 |
|  | =====      | =====      |

21.1 No director or his/her spouse had any interest in the donee's fund.

**22. SELLING EXPENSES**

|                     |           |           |
|---------------------|-----------|-----------|
| Freight local sales | 3,707,083 | 3,157,887 |
| Octroi/zila tax     | 2,950,557 | 2,759,974 |
| Education cess      | 66,821    | 75,627    |
| Other expenses      | 296,350   | 346,883   |
|                     | -----     | -----     |
|                     | 7,020,811 | 6,340,371 |
|                     | =====     | =====     |

**23 MISCELLANEOUS REVENUE**

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Sale of stores/scrap                 | 1,508,578 | 1,166,354 |
| Interest income                      | 438,967   | 821,340   |
| Profit(loss) on sale of fixed assets | 73,987    | 52,737    |
| Misc. income                         | 232,564   | 296,850   |

-----  
 2,254,096      2,337,281  
 =====

**1998**      **1997**  
**Rupees**      **Rupees**

**24. PROFIT ON TRADING**

|                              |           |            |
|------------------------------|-----------|------------|
| Sales                        |           |            |
| Polyester fibre              | -         | 431,621    |
| Viscose fibre                | 6,724,383 | 44,033,547 |
| Acrylic fibre                | 72,924    | 9,872,828  |
|                              | -----     | -----      |
|                              | 6,797,307 | 54,337,996 |
| Cost of sales                |           |            |
| Polyester fibre              | -         | 471,118    |
| Viscose fibre                | 5,564,050 | 44,758,900 |
| Acrylic fibre                | 65,909    | 9,312,956  |
| Selling expenses             | 37,825    | 38,309     |
|                              | -----     | -----      |
|                              | 5,667,784 | 54,581,283 |
|                              | -----     | -----      |
| Net profit/(loss) on trading | 1,129,523 | (243,287)  |
|                              | =====     | =====      |

**25. FINANCIAL EXPENSES**

|                                |            |            |
|--------------------------------|------------|------------|
| Mark-up/interest on            |            |            |
| Long term loans                | 18,816,707 | 22,752,628 |
| Short term borrowings          | 21,386,889 | 32,780,126 |
| Customs debenture              | 327,470    | 516,538    |
| Lease financing                | 3,294,886  | 7,031,773  |
| Bank & other financial charges | 387,967    | 722,264    |
| Excise duty on loans           | 223,072    | 1,895,888  |
| W.P.P.F.                       | 191,869    | 461,014    |
|                                | -----      | -----      |
|                                | 44,628,860 | 66,160,231 |
|                                | =====      | =====      |

**26. TAXATION**

No provision has been made in these accounts for deferred tax. There is no deferred tax liability as the tax depreciation is less than the accounting depreciation (1997 - Rs. Nil)

**27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OFFICERS**

| Particulars           | Chief Executive |         | Director |         | Officers  |           |
|-----------------------|-----------------|---------|----------|---------|-----------|-----------|
|                       | 1998            | 1997    | 1998     | 1997    | 1998      | 1997      |
| Salaries              | 760,000         | 320,000 | -        | 90,000  | 5,187,994 | 4,349,893 |
| Housing & conveyance  | 342,000         | 144,000 | -        | 43,200  | 2,428,150 | 2,040,301 |
| Reimbursable expenses | 68,000          | 16,000  | -        | 1,800   | 518,750   | 440,914   |
|                       | -----           | -----   | -----    | -----   | -----     | -----     |
|                       | 1,170,000       | 480,000 | -        | 135,000 | 8,134,894 | 6,831,108 |
|                       | =====           | =====   | =====    | =====   | =====     | =====     |
| No. of persons        | 1               | 1       | -        | 1       | 34        | 31        |

=====

27.1 The Chief Executive was also provided company maintained car and telephone at residence.

#### 28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

|   |             |             |
|---|-------------|-------------|
| Power charges                           | 103,618,837 | 92,325,811  |
| Purchase of goods                       | 291,299,158 | 230,513,349 |
| Sale of goods                           | 395,293     | 329,943,304 |
| Rent, electricity and telephone charges | 432,000     | 432,000     |

#### 29. PLANT CAPACITY AND ACTUAL PRODUCTION

|  |            |            |
|--|------------|------------|
| Total no. of spindles installed            | 49,248     | 49,248     |
| Average no. of spindles worked             | 47,608     | 47,608     |
| No. of shifts worked per day               | 3          | 3          |
| Installed capacity converted to 20/s - Kgs | 16,770,662 | 16,770,662 |
| Actual production converted to 20/s - Kgs. | 17,142,177 | 16,989,091 |

#### 30. FIGURES

30.1 Of the prior year has been rearranged wherever necessary for the purpose of comparison.

30.2 Have been rounded off to the nearest rupees.

Chief Executive

Director