

IBRAHIM FIBRES LIMITED

ANNUAL REPORT 1997

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Company Information

Board of Directors

Sheikh Mukhtar Ahmed
(Chairman/Chief Executive)
Sheikh Mohammad Yaseen
Mr. Mohammad Naeem Mukhtar
Mr. Mohammad Waseem Mukhtar
Mr. Asim Yaseen
Mst. Iqbal Begum
Mrs. Ghazala Naeem

Secretary

S.M. Hashain Rizvi

Auditors

M. Yousuf Adil & Co.
Chartered Accountants, Karachi.

Tax Consultants

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

Information Technology

Consultants

KPMG Peat Marwick

Associates (Pvt.) Ltd.
Karachi.

Bankers

DEG-Deutsche Investitions-und
Entwicklungsgesellschaft mbH,
Faysal Bank Limited
National Bank of Pakistan
Allied Bank of Pakistan Limited
Emirates Bank International pJsc
Habib Bank Limited
American Express Bank Limited

Registered Office

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

Head Office

Ibrahim Centre 15, Club Road,
Faisalabad. PAKISTAN

Shares Registration Office

Ibrahim Centre
GK-7/59, Bagh-e-Zehra Street,
Kharadar, Karachi. PAKISTAN

Location of plant

38- Kilometer,
Faisalabad-Sheikhupura Road,
Tehsil Jaranwala,
District Faisalabad. PAKISTAN

Project Profile of Ibrahim Fibres Limited

Ibrahim Fibres Limited is a project of
IBRAHIM GROUP, involved in the
manufacturing and trading of cotton and
specialized blended yarns. The Group started
its business in 1948 and after developing
market expertise and distribution channels
moved into manufacturing and established
its first textile spinning mill in 1980. At
present the Group operates three textile
spinning units namely Ibrahim Textile Mills

Limited, A.A. Textiles Limited and Zainab Textile Mills Limited having an aggregate installed capacity of 126,048 spindles. The Group also operates Power Generation Company, Ibrahim Energy Limited with generating capacity of 31.8 MW. The Group entered into the Financial Sector by floating First Ibrahim Modaraba and then established a Leasing Company, Ibrahim Leasing Limited.

Ibrahim Fibres Limited was incorporated with the principal object to setup and operate a Polyester Staple Fibre manufacturing plant, having capacity to produce 200 tons per day of Polyester Staple Fibre or alternatively Polyester Chips. The installed annual capacity of the plant is 70,000 tons based on 350 working days per annum. The total cost of the Project is Rupees 4075 Million and has a debt/equity ratio of 26:74.

Zimmer AG Germany, one of the world's largest engineering companies of Polyester technology, has designed and supplied the plant and machinery alongwith complete technology transfer including supervision for the purpose of erection, mechanical completion, commissioning, start-up and performance of the plant. A performance bond issued by American Express Bank Frankfurt has been provided by Zimmer AG to guarantee the mechanical performance of the plant, quality of the product, consumption of raw materials and utilities and capacity of the plant. In addition to this our technical staff has been trained by Zimmer AG and technical assistance is available for five years after the acceptance and transfer of the plant.

Ibrahim Fibres is situated at the integrated site of Ibrahim Group close to Faisalabad, where nearly 50% of Pakistan's spinning capacity is located. The site orientation

allows for saving in freight cost as the company will be selling around 80% of its capacity in this area, out of which 30% will be consumed by the Group companies. The integrated site of the Group will allow the energy intensive polyester plant the benefit of optimization of energy cost supported by captive power due to availability of energy at lower cost.

Installation of world class plant at competitive cost and simple principle of 'No Compromise on Quality' is the basic philosophy. The capital cost of completed project is significantly lower despite the import duties on capital goods. Better productivity improved efficiency and lesser financial charge has made Ibrahim Fibres one of the most competitive producer in terms of operating cost.

Ibrahim Fibres has built a highly skilled and experienced team of qualified engineers and professionals with vast experience in their respective fields. Great strength is derived from strong belief in the potential of every individual and employees involvement in the affairs of the company is ensure. In order to make intensive use of latest technology every activity has been computerized and system updating is a continuous process. That's why Ibrahim Fibres is amongst those few who have taken computerization down to the grass root level of the corporate management and have also gone into large scale networking as well.

Looking on from here, volume growth will be the key to the expansion of Ibrahim Fibres. The company will continue to remain focused on domestic market which is also growing rapidly. Cost competitiveness and deep understanding of domestic market will give Ibrahim Fibres a significant edge over other local producers and allow it to retain its foothold over the local market despite the competition from imports.

Ibrahim Group at a Glance

Ibrahim Fibre Limited	Installed Capacity 70,000 tons
Ibrahim Textile Mills Limited	Installed Capacity 49248 spindles
A.A Textile Limited	Installed Capacity 38400 spindles
Zainab Textile Mills Ltd	Installed Capacity 38400 spindles
Ibrahim Energy Limited	Installed Capacity 31.8 MW
Ibrahim Agencies (Pvt) Ltd	Trading Activities
Ibrahim Leasing Limited	Lease Operations
First Ibrahim Modaraba	Modaraba/Musharaka Activities

Chairman's Review

I take pleasure to present before you the audited accounts for the year ended September 30, 1997 and the annual report on the performance of the company.

Implementation Of Project

First of all I would like to pay my humble gratitude to Almighty Allah as only His blessings made it possible for us to start the operations of the plant on December 25, 1996, the Holy Day of Shab-e-Barat. I would also like to congratulate the highly dedicated and competent team of Directors, Managers and Engineers who enthusiastically committed themselves for months to setup this plant. I am also thankful to Zimmer AG, their erection team, our Consultants and erection team

for implementing the project within a short span of two years.

Production Operations

Its due to the well conceived contract that the production started very smoothly and even the very first day production was saleable and was used in our own spinning units. The quality of product was so excellent that orders started pouring in from the very first day of production and the product was well accepted by our customers. The excellent quality of the product made it possible to operate the plant at 86% of capacity during the period which was more than originally forecasted utilization of capacity of 80% during the first year of operation.

To maintain the high quality of Polyester Staple Fibre the basic raw materials, PTA and MEG are being purchased from top of the line international suppliers against long term contracts.

Marketing/Sales

In 1997, inspite of impressive demand growth of PSF of around 45% which was mainly due to the increase in use of Poly cotton fabrics and conversion of textile spinning units from cotton to polyester blended yarn, the domestic supply sources still outstrip the local demand. With capacity lagging demand the producers attempted to built market share and the prices of PSF became highly volatile and were ranging between Rupees 59 - 65 per kg (inclusive of 12.5% sales tax) during the commercial period of sales under review. This was also due to the sharp increase in the global capacity of PSF and South East Asian recession which has resulted in dumping by South Korean manufacturers in Pakistan. In this situation the company adopted a well knit marketing strategy to penetrate and made its strong foothold in the market. Due to the strategic location of the project,

quality of the product and the marketing techniques adopted by the company, 77% of sales were made to customers located within a radius of 100 Kilometers, including 26 % of the sales to the group companies.

Financial

During the year end September 30, 1997 the profit has been drawn up for the commercial period of six months. The company has recorded a gross sales of Rupees 1,733 Million, resulting in a gross profit of Rupees 253 Million, 16.4% of sales, inspite of the fact that during this period the prices of MEG had an increasing trend and PTA prices were at their peak. After adjustment of operating and financial expenses the company has achieved profit before tax of Rupees 161 Million. After providing for current taxation the company has been able to achieve profit after tax of Rupees 154 Million due to low conversion costs and financial charges.

Future Outlook

The rapid growth in demand has been complemented by a reduction in supply side pressures and it is likely that in 1998 demand will outstrip supply by a narrow margin. The prices of imported Polyester Fibre are already bottoming out and there is an indication that prices of PSF will have an upward trend. The prices of basic raw materials also have a downward trend. This is an encouraging development for the future profitability of the local Polyester Fibre industry.

Acknowledgment

The management would also like to place on record its deep appreciation for banks and financial institutions, the Executives and Employees of the company involved in the implementation of the project.

Notice of Meeting

Notice is hereby given that the 11th Annual General Meeting of the shareholders of the Company on 31-03-1998 at 10.00 A.M. at Avari Hotel, Lahore 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 30-09-1997.
3. To appoint Auditors for the year 1997-98 and to fix their remuneration. The present auditors M/s M. Yousuf Adil & Co., Chartered Accountants, being eligible for appointment, offer their services for reappointment.

4. SPECIAL BUSINESS:

To approve the following special business.

To fix/increase remuneration of working Directors.

"Resolved that keeping in view of inflationary trend, the remuneration of each of Mr. Moha Waseem Mukhtar and Mr. Asim Yaseen, Directors of the Company be and is hereby fixed/increased w.e.f. 01-04-1998 as follows.

- | | |
|-------------------------|-------------------------|
| 1. Basic Salary | Rs. 100,000/- per month |
| 2. House Rent Allowance | Rs. 45,000/- per month |
| 3. Utilities | Rs. 10,000/- per month |

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

Notes:

I. The share transfer books of the Company shall remain closed from 24-03-1998 to 31-03-1998 (both days inclusive) to determine the names of members entitled to attend the meeting. Transfer of shares in order at the Registered Office of the Company at the close of business on 23-03-1998 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.

III. The proxies, in order to be effective, must be received by the Company at least 48 hours before the time for holding the meeting.

Directors' Report to the Shareholders

Your Directors have great pleasure in presenting before you the audited Annual Report 1997-98 ended on September 30, 1997.

OPERATING RESULTS

It is a matter of great pride for the Director of your company to inform that by the Grace of Allah the Fibre Plant has successfully started commercial operation from April 1997.

The plant has obtained production efficiency @ 86% over its forecasted efficiency @ 80% in commercial operation. The plant remained in commercial operation for 183 days during the year to achieve its installed capacity after the completion of running in time of machinery and equipment.

The company has adopted best procurement policy of PTA and MEG which is the basic raw material for the manufacture of polyester fibre.

You will be happy to note that the polyester fibre being manufactured by your plant is of high quality and has general acceptability in the market.

FINANCIAL RESULTS

The financial results of your company for the period of 1st six months from April 1997 to September 1997 are very good if compared with other identical units in the initial period of their operation.

The credit of successful performance goes to the collective efforts of all the persons directly involved in managing the operational and financial affairs of the company. It is also due to the consistent marketing policy adopted by the company which helped in achieving the best financial results.

You will observe that in this arena of tough competition it is the quality which sells and not the price of the product. The management of your company is making all out efforts to give quality staple fibre yarn units producing blended yarn and to have an edge over the similar available product in the market.

The summarized position of financial results is being furnished for your ready reference.

	Period from 01-04-97 to 30-09-1997
Gross Sales	1,733,227,866
Sales Tax	192,580,998
Net Sales	1,540,646,868
Cost of goods sold	1,287,770,235
Gross Profit	252,876,633
Other Income	4,696,286
	257,572,919
Operating expenses	16,762,037
Operating profit	240,810,882
Other charges	79,509,457
Profit before taxation	161,301,425
Taxation - Current	7,726,716

Profit after taxation carried forward	----- 153,574,709 =====
---------------------------------------	-------------------------------

The profit for the period of six months from April 1997 to September 1997 have been carried over to the next financial year.

INTERIM DIVIDEND

Your Directors in their Board meeting held on 27-02-1998 have declared Interim Cash Dividend on the unappropriated profit as on 30-09-1997 and the expected profit for the next financial year 1997 to September 1998.

CHAIRMAN'S REVIEW

We the Directors of the company fully endorse the Chairman's review on the performance of the company during the period ended on September 30, 1997.

AUDITORS

The present auditors M/S M. Yousuf Adil Saleem & Co., Chartered Accountants, Karachi retired and are eligible, offer themselves for reappointment for the next financial year 1997-98.

PATTERN OF SHAREHOLDING

Pattern of shareholding of the company is annexed.

ACKNOWLEDGMENT

We would like to thank our machinery supplier M/s Zimmer AG and their technician involved in the installation work of plant and machinery.

We would also like to thank our valued Customers, Bankers, Financial Institutions, Shareholders for their whole hearted supports and hope to have the same cooperation in future.

Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at September 30, 1997, related profit and loss account and statement of changes in financial position (cash flow statement) 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 purpose 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 prepared 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

(iii) the business conducted, investments made and the expenditure incurred during the year 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 in the balance sheet and profit and loss account and the 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 the change in financial position for the year then ended;

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance,

Place: Faisalabad

M. Yousf Adil & Co.

Date: 27-02-1998

Chartered Accountants

Balance Sheet

as at September 30, 1997

	Note	1997 Rupees	1996 Rupees
FIXED CAPITAL EXPENDITURE			
Operating assets	3	3,121,843,177	1,843,177
Capital work in progress	4	2,300,577	3,019,723
Unallocated capital expenditure	5	-	44,110
		-----	---
		3,124,143,754	3,087,010
LONG TERM DEPOSITS AND DEFERRED COSTS			
	6	26,716,511	26,716,511
CURRENT ASSETS			
Stores, spares and loose tools	7	9,481,605	9,481,605
Stock in trade	8	729,532,681	729,532,681
Trade debts	9	248,515,223	248,515,223
Advances, deposits and other receivables	10	79,372,240	79,372,240
Cash and bank balances	11	370,537,598	370,537,598
		-----	---
		1,437,439,347	1,437,439,347
CURRENT LIABILITIES			
Current portion of long term liabilities	12	107,492,077	107,492,077

Creditors, accrued and other liabilities	13	698,907,966	43
Taxation		9,673,367	
		-----	---
		816,073,410	85
		-----	---
WORKING CAPITAL		621,365,937	640
		-----	---
TOTAL CAPITAL EMPLOYED		3,772,226,202	3,749
LONG TERM AND DEFERRED LIABILITIES			
Long term loans	14	615,497,912	74
Liabilities against assets subject to finance lease	15	648,335	1
Staff gratuity		2,505,246	
		-----	---
		618,651,493	74
		-----	---
CONTINGENCIES AND COMMITMENTS	16	-	
		-----	---
NET WORTH		3,153,574,709	3,000
		=====	===
REPRESENTED BY:			
Share capital	17	2,000,000,000	2,000
Capital reserve-premium on shares		1,000,000,000	1,000
Unappropriated profit		153,574,709	
		-----	---
		3,153,574,709	3,000
		=====	===

The annexe notes from 1 to 26 form an integral part of these accounts.

Profit and Loss Account

For the Period of Six Months from April 01. 1997 to September 30. 1997

	Note	1997 Rupees
Sales - Gross		1,733,227,866
Sales tax		192,580,998

Sales - Net		1,540,646,868
Cost of goods sold	18	1,287,770,235

Gross profit		252,876,633
Miscellaneous income		4,696,286

		257,572,919
Operating expenses		

Administration	19	9,988,632
Selling	20	6,773,405

		16,762,037
Operating profit		240,810,882
Other charges		
Financial	21	71,019,908
Workers' profit participation fund		8,489,549

		79,509,457
Profit before taxation		161,301,425
Taxation - Current	22	7,726,716

Unappropriated profit carried to balance sheet		153,574,709
		=====

The annexe notes from 1 to 26 form an integral part of these accounts.

Statement of Changes in Financial Position
(Cash Flow Statement) For the Year Ended September 30, 1997

	Note	1997 Rupees	1 Ru
a) CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		161,301,425	
Depreciation		166,237,599	
Provision for gratuity		2,098,001	
Gratuity paid		(94,744)	
Financial charges		71,019,908	

Operating profit before working capital changes		400,562,189	

Changes n working capital			
(Increase) / decrease in current assets			
Stores. spares and loose tools		(9,481,605)	
Stock in trade		(729,532,681)	
Trade debts		(248,515,223)	
Advances. deposits and other receivables		(74,316,135)	(4,
Increase in current liabilities			
Creditors. accrued and other liabilities		648,428,088	22

		-----	---
		(413,417,556)	18
Cash (used in)/generated from operations		(12,855,367)	18
Financial charges paid		(64,252,212)	
Net cash (used in) / generated		-----	---
from operating activities		(77,107,579)	18
		=====	==
	Note	1997	19
		Rupees	Ru
b) CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(230,949,309)	(2,168,
Long term deposits and deferred costs		(373,770)	
		-----	---
Net cash used in investing activities		(231,323,079)	(2,169,
c) CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		300,000,000	789
Liabilities against assets			-
Repayment of			
Long term loans		(341,189,899)	(311,10
Liabilities against assets subject			
to finance lease		(454,022)	
		-----	---
Net cash (used in)/from			
financing activities		(41,643,921)	79
		-----	---
Net decrease in cash			
and bank balances (a+b+c)		(350,074,579)	(1,359,
Cash and bank balances at the			
beginning of the year		720,612,177	2,080
		-----	---
Cash and bank balances at the			
end of the year		370,537,598	720
		=====	==

Notes to the Accounts

For the year Ended September 30, 1997

1. Status and activities

1.1 The Company is incorporated in Pakistan under the Companies Ordinance, 1984, and is listed on Stock Exchanges in Pakistan. The principal object of the Company is manufacture and sale of polyester staple fibre.

1.2 The Company has commenced commercial operations from April 01, 1997, as such the profit and loss account has been drawn up for six months only.

2. Significant Accounting Policies

2.1 Accounting convention

These accounts have been prepared under the "historical cost convention" and certain exchange elements mentioned in note 2.11 have been incorporated in the cost of relevant assets.

2.2 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the liability under the scheme.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credits available under the law.

Deferred

The Company accounts for deferred taxation on material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that 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. Freehold land is stated at cost.

Depreciation is charged applying the reducing balance method at the rates specified in the operating assets note.

Depreciation on additions during the year is charged on the basis of whole year, however on major cost capitalised during the year, the depreciation is charged on the basis of proportionate period of use during the year. No depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

2.5 Capital work in progress

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

2.6 Unallocated capital expenditure

All costs/expenditures not directly related to specific assets, incurred during the project implementation period are collected under this head. These are allocated to plant and machinery and building at the time when assets are available for use.

2.7 Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. Depreciation is charged at the rates and basis applicable to Company owned assets. The outstanding obligations under the finance lease less financial charges allocated to future periods are shown as liability. The financial charges are allocated to future periods in a manner so as to produce a constant periodical rate of charge on the outstanding liability.

2.8 Deferred costs

These are amortised in a maximum period of five years from the year of deferment.

2.9 Stores, spares and loose tools

These are valued at moving average cost. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

2.10 Stocks

These are valued at lower of cost and net realisable value. Cost has been determined as follows:

Raw material

In hand

Weighted average cost

In transit	Cost comprising invoice value and other charges incurred thereon.
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Wastes	Net realisable value

2.11 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date, except those covered under forward exchange contracts which are translated at the contracted rate and the foreign currency account maintained for payments in foreign currency which are translated at the rates in effect at the date of transactions. Exchange differences in respect of foreign currency transactions relating to fixed assets are incorporated in the cost of relevant assets, other exchange differences are included in

2.12 Revenue recognition

Sales are recorded on dispatch of goods.

3. Operating assets

Particulars	Cost at October 01, 1996	Additions	Unallocated Capital Expenditure	Cost at September 30, 1997	Accumulated Depreciation at September 30,
Land Freehold	9,979,484	13,697,590	-	23,677,074	
Building on Freehold land	-	373,035,043	3,811,318	376,846,361	18
Leasehold land	-	12,684,652	129,600	12,814,252	
Plant and machinery	-	2,819,476,093	28,129,079	2,847,605,172	42
Factory equipment	263,915	260,240	-	524,155	
Office equipment, furniture and fixture	2,936,192	7,525,163	-	10,461,355	1
Vehicles	5,794,070	10,390,264	-	16,184,334	4
	-----	-----	-----	-----	---
	18,973,661	3,237,069,045	32,069,997	3,288,112,703	167
	=====	=====	=====	=====	==
Assets subject to finance lease					
Vehicles	1,975,350	-	-	1,975,350	
	-----	-----	-----	-----	---
Rupees	20,949,011	3,237,069,045	3,290,088,053	3,290,088,053	168
	=====	=====	=====	=====	==
1996 Rupees	10,134,842	10,814,169	-	20,949,011	2

3.1 Depreciation for the year has been allocated as under:

	1997 Rupees	1 Ru
Un-allocated capital expenditure	1,093,577	2
Trial operation account		
Cost of goods sold	961,536	
Operating expenses	132,041	
Profit and loss account		
Cost of goods sold	163,786,362	
Administration expenses	264,083	
	-----	--
	166,237,599	2
	=====	==

3.2 Depreciation on buildings, plant, machinery and equipment has been charged for the complete period of production of six months.

4. Capital work in progress

Buildings	2,300,577	352
Plant and machinery	-	2,660
	-----	--
	2,300,577	3,019
	=====	==

5. Un-allocated capital expenditure

Directors' remuneration	1,161,290	
Salaries, wages and benefits	28,829,980	15
Travelling and conveyance	4,602,591	3
Vehicles running and maintenance	913,165	
Power and fuel	5,525,927	1
Postage and telecommunication	311,492	
Printing and stationery	828,636	
Rent rates and taxes	14,784	
Legal and professional	1,688,128	1
Entertainment	443,874	
Auditors' remuneration	149,500	
Advertisement	295,845	
Insurance	970,430	
Project appraisal fee	133,518	
Consultancy charges	79,500	

Depreciation	3,100,854	2
Amortisation of deferred costs	323,416	
Financial charges - net	28,133,266	16
Others	1,739,575	
	-----	--
	79,245,771	44
Transferred from trial operation account (5.1)	(47,175,774)	--
	-----	--
	32,069,997	44
Allocated to operating assets	(32,069,997)	--
	-----	--
	-	44
	=====	==

5.1 Trial operation account

Period from December 25, 1996
to March 31, 1997

Sales	388,927,656	==
	=====	==
Cost of goods sold		
Raw material consumed		
Purchases	380,913,767	
Closing stock	(13,528,985)	--
	-----	--
	367,384,782	
Packing material	5,028,621	
Salaries, wages and benefits	13,509,108	
Stores and spares	12,244,408	
Power and fuel	17,916,128	
Depreciation	961,536	
	-----	--
	417,044,583	
Work in process		
Closing stock	(21,413,343)	--
Finished goods		
Closing stock	(82,762,614)	--
	-----	--
	(312,868,626)	--
	=====	==
	76,059,030	

Other income	402,593
Operating expenses	(10,139,894)
Financial charges	(17,199,304)
Turnover tax	(1,946,651)

	47,175,774
	=====

6. Long Term Deposits and Deferred Costs

Long term deposits	219,985
Deferred costs- Share Issue expenses	
Commission and brokerage	11,984,272
Other expenses	14,512,254

	26,496,526

	26,716,511
	=====

7. Stores, spares and loose tools

Stores	9,253,120
Spares	49,356
Loose tools	179,129

	9,481,605
	=====

8. Stock in trade

Raw materials (8.1)	434,514,660
Work in process	22,988,590
Finished goods	260,715,175
Waste	11,314,256

	729,532,681
	=====

8.1 It includes raw materials in transit Rs. 145,165,370/-

9. Trade debts

Unsecured - Considered good	248,515,223
	=====

It includes Rs. 90,635,333/- receivable against sale of polyester staple fibre to associat
Maximum aggregate amount at the end of any month during the year was Rs. 90,635,333/-

10. Advances, deposits and other receivables

Advances to employees	329,657	
Advances to suppliers contractors (10.1)	18,356,527	
Letters of credit, fee, margin and expenses	2,011,126	
Income tax	35,158,046	
Prepayments	736,008	
Sales tax receivables	22,285,747	
Other	495,129	
	-----	---
	79,372,240	5
	=====	==

10.1 It includes Rs. 17,689,340/- (1996: Rs. Nil) on account of purchase of power from ass
Maximum aggregate amount at the end of any month during the year was Rs. 23,079,013/-
(1996: Rs. Nil).

11. Cash and bank balances

Cash in hand	32,348,837	17
Cash at banks		
In current accounts		
Local currency	338,159,633	671
In deposit accounts		
Local currency	29,128	4
Foreign currency	-	20
	-----	---
	338,188,761	702
	-----	---
	370,537,598	720
	=====	==

12. Current portion of long term liabilities

Long term loans (Note 14)	106,930,189	41
Liabilities against assets subject to finance lease (Note 15)	561,888	
	-----	---
	107,492,077	41
	=====	==

13. Creditors, accrued and other liabilities

Creditors	30,347,138	1
Capital expenditure payable	98,395,687	12
Foreign bills payable	510,697,366	
Advances from customers	2,918,071	

Accrued charges	13,132,473	2
Mark-up/interest on secured long term loans	33,797,464	27
Workers' profit participation fund	8,489,549	
Others	1,130,218	
	-----	--
	698,907,966	43
	=====	==

14. Long term loans - secured

Foreign currency loan (14.1)	489,124,000	489
Less: Reduction in liability due to favourable exchange fluctuation	(25,506,000)	
	-----	--
	463,618,000	489
Local currency loan (14.2)	258,810,101	300
	-----	--
	722,428,101	789
Less: Current portion	106,930,189	43
	-----	--
	615,497,912	747
	=====	==

14.1 Foreign currency loan

14.1.1. An offshore financing of DM 20,000,000 has been obtained from DEG-Deutsche Investitionsentwicklungsgesellschaft mbH, a financial institution, and is repayable in 8 biannual instalments commencing from 15 May 1998 and ending on 15 November 2001.

14.1.2 The loan is secured against first equitable mortgage on present and future immovable and hypothecation of all the present and future movable fixed assets of the Company ranking pari passu with the charge created in respect of long term loan (Refer Note 14.2) accompanied by an irrevocable power of attorney authorising the lender to create and register an English mortgage in the case of any default in repayment of loan.

14.1.3. It is subject to interest at six months net DM LIBOR plus 3.25% per annum. The DM interest is determined half yearly.

14.2 Local currency loan

14.2.1. Demand finance of Rs. 300 million was obtained from a banking company and is repayable in biannual instalments made on annuity basis commenced from 30 December 1996 and ending on 30 June 2001.

14.2.2 Demand finance and unavailed long term morabaha facility of Rs. 300 million are secured

first equitable mortgage on fixed asset of the Company ranking pari passu with the charge in respect of long term loans (Refer Note 14.1). These are further secured by personal guarantees of directors of the Company.

14.2.3 Demand finance is subject to mark up @ 18% per annum net of rebate on timely payment. Term finance is subject to mark up @ 19% per annum.

15. Liabilities against assets

Subject to finance lease

The Company has acquired vehicles under lease agreements with a leasing company. The liability represents total minimum lease payments discounted @ 21.50% per annum, being the company's effective rate of borrowing. An additional rental @ 0.1% per day is also leviable on overdraft. A purchase option is available to the Company on payment of last installment and surrender of vehicle under the lease agreement.

The amount of future payments and the period in which these payments will become due are.

	1997 Rupees	1998 Rupees
Year ending September 30,		
1997	-	
1998	733,320	
1999	285,770	
2000	196,260	
2001	130,840	
	1,346,190	2,000,000
Financial charges not due	(135,967)	
	1,210,223	2,000,000
Less: Current portion	(561,888)	
	----- 648,335	----- 2,000,000
	=====	=====

16. Contingencies and Commitments

16.1 The Company is claiming exemption from levy of regulatory duty of Rs. 189,734,442/- on value of plant and machinery. (1996 - Rs. 189,734,442/-) and has obtained stay order from Honourable Lahore High Court.

16.1 Commitments in respect of capital expenditure are Rs. Nil (1996 - Rs. 12,194,000/-)

16.2 Outstanding letters of credits Rs. 334,698,000/- (1996 - Rs. 123,854,900/-).

17. Share Capital

Authorised

500,000,000 Ordinary shares of
Rs. 10/- each5,000,000,000 5,000,000,000
=====Issued, subscribed and paid up
200,000,000 Ordinary shares of
Rs. 10/- each paid in cash2,000,000,000 2,000,000,000
=====**18. Cost of goods sold**

Raw materials consumed

Opening stock

13,528,985

Purchases including purchase
expenses - net

1,465,083,186

Closing stock

(289,349,290)

1,189,262,881

Packing material

17,291,883

Salaries, wages and benefits

28,156,979

Stores and spares

2,621,633

Power and fuel

71,327,130

Insurance

3,922,283

Depreciation

163,786,362

Other

2,243,148

1,478,612,299

Work in process

Opening stock

21,413,343

Closing stock

(22,988,590)

(1,575,247)

Cost of goods manufactured

1,477,037,052

Finished goods

Opening stock

82,762,614

Closing stock

(272,029,431)

(189,266,817)-----
1,287,770,235

=====
==
19. Administration expenses

Directors' remuneration	600,000
Salaries, wages and benefits	3,353,509
Travelling and conveyance	1,000,592
Vehicles running and maintenance	116,060
Power and fuel	1,327,892
Postage and telecommunication	506,617
Printing and stationery	829,487
Fees, subscription and periodicals	315,098
Rent, rates and taxes	116,273
Legal and professional	461,613
Entertainment	368,752
Audit fee	100,000
Advertisement	76,168
Insurance	135,678
Depreciation	264,083
Other	416,810

	9,988,632
	=====

20. Selling expenses

Salaries, wages and benefits	1,597,110
Travelling and conveyance	385,889
Vehicles running and maintenance	102,326
Postage and telecommunication	87,469
Freight and forwarding	4,357,068
Insurance	60,268
Other	183,275

	6,773,405
	=====

21. Financial charges

Mark up/interest on long term loans	68,249,441
Financial charges on lease finances	127,562
Bank charges, excise duty and commission	2,642,905

	71,019,908
	=====

22. Taxation

Current

Provision for taxation is made under Section 80-D of the Income Tax Ordinance, 1979.

Deferred

Tax effect of major timing differences, after adjustment of available tax losses, work out Rs. 62.60 million (1996: Rs. Nil). No provision for deferred taxation has been made in the accounts as the timing differences are not likely to reverse in the foreseeable future due expansion programme.

23. Remuneration to Directors and Executives

	1997 Rupees		1996 Rupees	
	Directors	Executives	Directors	Executives
Remuneration	775,000	6,309,533	581,256	1,246,048
House Rent allowance	348,000	2,838,900	261,000	560,665
Utilities	77,000	689,673	57,744	124,577
Reimbursable expenses vehicles, running and maintenance	-	995,108	-	288,879
	-----	-----	-----	-----
	1,200,000	10,833,214	900,000	2,220,169
	-----	-----	-----	-----
No. of persons	2	33	2	6

1997
Rupees

24. Aggregate transactions with associated undertakings

Sales/Store issued	551,972,909	1
Power purchased	64,459,918	1
	1997 (M. Ton)	1 (M.)

25. Plant capacity and actual production

Annual production capacity (350 working days)	70,000
Commercial period production capacity (183 working days)	36,600
Actual production (183 working days)	31,389

The plant has been operated as forecasted during first year of its operation and will gradually reach installed production capacity.

26. Figures

- Figures have been rounded off to the nearest Rupee.
- Corresponding figures of prior year have been rearranged wherever necessary to facilitate comparison.

Pattern of Shareholding

No. of Shareholders	Having Shares		Shares Held	Percentage %
	From	To		
61	1	100	6100	0.0031
1275	101	500	633200	0.3166
213	501	1000	210900	0.1055
511	1001	5000	1743400	0.8717
372	5001	10000	3184200	1.5921
104	10001	15000	1335500	0.6678
83	15001	20000	1560400	0.7802
87	20001	25000	2102100	1.0511
38	25001	30000	1076500	0.5383
16	30001	35000	531400	0.2657
26	35001	40000	1019500	0.5098
8	40001	45000	349800	0.1749
50	45001	50000	2476900	1.2385
9	50001	55000	479700	0.2399
6	55001	60000	357300	0.1787
6	60001	65000	374200	0.1871
2	65001	70000	136000	0.068
10	70001	75000	734300	0.3672
2	75001	80000	157200	0.0786
5	80001	85000	416400	0.2062
7	85001	90000	615500	0.3078
5	90001	95000	463800	0.2319
40	95001	100000	3994100	1.9971
1	100001	105000	104400	0.0522
1	105001	110000	108400	0.0542
2	110001	115000	225300	0.1127
1	115001	120000	120000	0.0600
2	120001	125000	247500	0.1238
2	140001	145000	286200	0.1431
2	145001	150000	299900	0.1500
1	160001	165000	161800	0.0809
1	165001	170000	169200	0.0846
2	180001	185000	366600	0.1833
1	185001	190000	189400	0.0947
1	190001	195000	192400	0.0962
6	195001	200000	1197300	0.5987

3	210001	215000	638500	0.3193
1	220001	225000	224500	0.1123
1	225001	230000	227700	0.1139
1	235001	240000	237600	0.1188
3	245001	250000	744300	0.3722
1	255001	260000	255200	0.1276
1	265001	270000	269600	0.1348
1	270001	275000	275000	0.1375
2	275001	280000	550000	0.2778
1	280001	285000	284700	0.1424
1	290001	295000	290200	0.1451
3	295001	300000	894600	0.4474
1	305001	310000	307900	0.154
1	310001	315000	312500	0.1563
1	315001	320000	316000	0.158
2	320001	325000	641200	0.3206
1	325001	330000	327800	0.1639
1	335001	340000	336400	0.1682
2	345001	350000	696300	0.3482
2	355001	360000	714600	0.3573
1	360001	365000	360200	0.1801
1	365001	370000	369500	0.1848
1	370001	375000	370400	0.1852
1	390001	395000	392500	0.1963
2	395001	400000	793600	0.3968
2	410001	415000	822600	0.4113
1	415001	420000	419800	0.2099
1	425001	430000	427000	0.2135
2	445001	450000	898900	0.4495
1	465001	470000	467600	0.2338
1	470001	475000	474900	0.2375
1	485001	490000	487000	0.2435
4	495001	500000	2000000	1.0000
1	535001	540000	539200	0.2696
2	555001	560000	1114600	0.5573
1	595001	600000	600000	0.3000
1	610001	615000	612400	0.3062
1	620001	625000	621700	0.3109
1	630001	635000	634300	0.3172
1	670001	675000	674100	0.3371
1	720001	725000	720400	0.3602
6	870001	875000	5250000	2.625
1	895001	900000	896900	0.4485
1	955001	960000	955200	0.4776
2	990001	995000	1989600	0.9948
1	995001	1000000	1000000	0.5000

1	1085001	1090000	1086800	0.5434
1	1095001	1100000	1098900	0.5495
1	1135001	1140000	1136800	0.5684
1	1160001	1165000	1162700	0.5814
1	1195001	1200000	1200000	0.6000
1	1220001	1225000	1220100	0.6101
1	1240001	1245000	1244500	0.6223
1	1345001	1350000	1350000	0.6750
1	1525001	1530000	1526300	0.7632
1	1645001	1650000	1040000	0.8230
1	1745001	1750000	1750000	0.8750
2	1795001	1800000	3597600	1.7988
1	1800001	1805000	1801000	0.9005
1	1945001	1950000	1950000	0.9750
1	1955001	1960000	1960000	0.9800
1	2265001	2270000	2269700	1.1349
1	2635001	2640000	2635800	1.3179
1	3080001	3085000	3084200	1.5421
1	3120001	3125000	3125000	1.5625
1	3195001	3200000	3198900	1.5995
5	3495001	3500000	17500000	8.7500
1	3570001	3575000	3571700	1.7859
2	3595001	3600000	7190400	3.5952
1	3605001	3610000	3607400	1.8037
1	4370001	4375000	4375000	2.1875
1	4580001	4585000	4583900	2.2920
1	5120001	5125000	5125000	2.5625
1	5390001	5395000	5392800	2.6964
1	6265001	6270000	6270000	3.1350
2	6995001	7000000	14000000	7.0000
1	8245001	8250000	8250000	4.1250
1	10995001	11000000	11000000	5.5000
1	11015001	11020000	11020000	5.5100
-----	-----	-----	-----	-----
3,068			200,000,000	100.000
=====	=====	=====	=====	=====

Categories of Shareholders

Particulars	Shareholders	Shareholding	Percentage
Individuals	1,930	94,676,300	47.3382
Foreign financial institutions	70	55,767,600	27.8838
Foreign investments	1,031	30,596,700	15.2984
Leasing/investment bank	18	11,236,300	5.6182
Joint stock companies	6	3,801,900	1.9010

Financial institution	1	1,162,700	0.5814
Modaraba/insurance companies	12	2,758,500	1.3790
	-----	-----	-----
	3,068	200,000,000	100.0000
	=====	=====	=====