

AL-ABID SILK MILLS LIMITED

TWENTY NINTH ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 1997

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BOARD OF DIRECTORS

Mr. Naseem A. Sattar	Chairman & Chief Executive
Mr. Azim Ahmed	Director
Mr. Amir Naseem	Director
Mr. Muhammad Ashraf	Nominee Director (N.I.T)
Mst. Khairunnessa Begum	Director
Mrs. Zarina Naseem	Director
Mrs. Sadaf Nadeem	Director

SECRETARY

Mr. S. M. Jawed Azam

AUDITORS

Muniff Ziauddin & Company
Chartered Accountants

REGISTRARS

Adam Patel & Co. (Pvt.) Ltd.
519, Qamar House, M. A. Jinnah Road,
Karachi- 74000
Phone: 5611467

BANKERS

Habib Bank Limited
Habib Bank A. G. Zurich
Citibank, N.A.
National Bank of Pakistan
Deutsche Bank
Metropolitan Bank Limited

REGISTERED OFFICE

A- 39, S.I.T.E.,
Manghopir Road, Karachi.

MILLS

A-39
A-51/B
A-34/A
D-14/C-1
S.I.T.E., Karachi.

NOTICE OF MEETING

Notice is hereby given that the 29th Annual General Meeting of the shareholders of the Company will be held at the Auditorium of the Institute of Chartered Accountants of Pakistan, G-31/8, Kehkashan, Clifton, Karachi on Wednesday the 24th December, 1997 at 4.30 p.m. to transact the following business:

1. To confirm the minutes of the 28th Annual General Meeting of the Company held on 28th December, 1996.
2. To receive, consider and adopt the audited accounts of the Company together with the Directors' and Auditors' reports thereon for the year ended on 30th June, 1997.
3. To approve Dividend at Re. 0.50 per share to the shareholders for the year ended on 30.06.1997.
4. To Elect 7 (Seven) Directors of the Company for a further term of 3 years.

The following Directors retire and are eligible for re-election.

- i) Mr. Naseem A. Sattar
- ii) Mr. Azim Ahmed
- iii) Mr. Amir Naseem
- iv) Mst. Khairunnessa Begum
- v) Mrs. Zarina Naseem
- vi) Mrs. Sadaf Nadeem
- vii) Mr. Muhammad Ashraf (N. I. T. Nominee)

5. To appoint auditors and fix their remuneration.
6. To approve Remuneration of the Directors.
7. To consider any other business with the permission of the chair.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 23rd December, 1997 to 31st December, 1997 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of meeting.
3. Members are requested to promptly notify the Company of any change in their addresses.

TWENTY-NINTH ANNUAL REPORT OF THE DIRECTORS

Dear Shareholders,

WELCOME: The term "Welcome" in vocative sense connotes invocation to address members attending a meeting often for the common interest in a prosperous climate. Thus, it is an expression of happiness on my part, since, after running in red for two years (of which we are not accustomed to, but for external adverse circumstances), we are and Insha-Allah, shall continue to remain in blue in the years to come.

PREAMBLE : Last two years accounts depicted a very grim situation. Whereas, the accounts under discussion, on monitoring, provide comparatively an improved picture, although the circumstances continued to be not conducive to textile industry, to our expectation, which did not permit us to earn the desirable and comparatively more pronouncing results. We are mentioning this because we had prepared ourselves for more promising rewards. We continued to face the escalating prices of cotton, to some extent the power breakdown, and increases in the rate of supply of Electricity and Gas etc. Obviously, these factors were beyond the control of your Directors and continued to pose threat on profitability of the Company. However, your Directors did not keep their eyes close to such adverse factors and were quite vigilant to counter such circumstances. In keeping with their policy of foresightedness, they promoted manufacturing of more value added goods to avert the ugly situation and thus invited relief on our face.

PERFORMANCE: The prices of grey cloth which is our main raw material persisted at an average increase of 12 per cent. Its escalating price supplemented again by adverse situation which continued further by price escalation of factors enumerated below:

1. Increase in Gas rate by 17 per cent
2. Increase in Power rate by 8 per cent; and
3. Increase in Water rate by 13 per cent.

with the result that these increases have reflected badly in monetary terms as shown below:

1996

1997

Difference

Rs. 71,671,522

Rs. 99,979,246

Rs. 28,306,724

In spite of the unfortunate circumstances mentioned above, with extraordinary efforts the sales were increased to Rs. 1.354 billion against Rs. 900.3 million in the preceding year showing a laudable increase of Rs. 453.7 million. Efforts were continuously made to cut down the cost of sales and operating expenses too were reduced resulting in Operating Profit of Rs. 113.835 million as against Rs. 59.221 million during the preceding year. The exemplary increase under the prevailing circumstances in operating profit has been Rs. 89.614 million, which can be termed as a laudable performance. The glaring improvement in the sales and operating profit figures has been possible only by vigilance, sheer extraordinary efforts, strategical diversification and concentration on vigorous maximisation of value addition by management, wherever possible. Once again the capacity utilisation left much to be desired, due different factors, mainly shortage of grey cloth, power breakdown. The damaging trend of constantly increasing raw material prices, viz. grey cloth, kept on surging to continue to keep a large segment of our customers away from us and away from Pakistan, who continued to prefer to deal with exporters of other countries who were not confronted with escalating raw material prices, thus were in a position to capture a bigger share in the international market, which under normal conditions would have been available to us. The commercial exporters, who are our customers, again remained away as their export business continued to suffer as well. The financial charges increased due to exceptionally high volume of sales for which your company had to resort to increased bank borrowings to meet the export commitments. It may be noted that Refund of General "Sales Tax" due to its cumbersome procedures on the average blocked approximately Rs. 20 million for 70 to 90 days, thus, causing constraint on liquidity, hence, financial charges get escalated. Moreover, duty drawback has been slashed by more than 50% to add to the liquidity misery.

The consciousness of management did realise to transform the situation into a comparatively happy one, in spite of difficulties in textile sector and took certain forward looking measures with an intention not only to redress the situation, rather convert the same into a brighter one.

The newly adopted measures did prove dynamic and timely, particularly in the face of the run always inflation threatening to erode the good intentions of your Directors of redressing the situation. The cost of production for supply of goods, for orders procured, started escalating by increase in cost of cloth, water and power, gas and other material used in production of goods, but some strategical changes were made with determination to diminish the grim situation. Therefore, your Directors can boast of their prudent policy of resorting to divert to production and export of more goods of greater addition of value to improve competitiveness and promote sales further.

The new efforts in promoting sales, which in the year under report resulted in increase, is now expected to get a further boost in the ensuing year and the shine of the dynamic policy pursued by your Directors will reflect in maximising value addition and will ultimately reflect in improved profits for which we have been striving.

The amount spent on travelling has permitted us to pierce in newer markets and expand our business in existing Ones.

The policy of expansion of value added goods is being continuously pursued and the existing stitching facilities are being expanded and a most modern Stitching Unit is under process of establishment on a newly acquired plot to serve dual purpose of balancing the existing products and introducing newer products of high value addition.

A great news to our shareholder is that Certificate of ISO-9002 for our Home Textile Products has been issued which confirms that the management of the Company is rigidly quality conscious.

FUTURE PROSPECTS: The above description of activities evidences that we are heading for a very bright future, particularly after gaining experience to cope with all types of odds by changing strategies and particularly serving the National interest by exporting more and more value added goods.

DIVIDEND: Our report before you will aspire you to expect higher dividend rate than the ones declared during the last two years when the Company suffered losses. Here, permit us to draw your attention to the adverse financial circumstances during the year under report under which your Directors had to struggle to maximise the profit and come out with flowers for you all, resultwise. Therefore, your Director need breathing time for conserving liquidity so that they may produce much better results in years to come. It is for this reason that

we shall content ourselves with the same rate of 5% dividend for this year too, in the hope of overcoming constraint to some extent in our efforts to boost exports.

REMUNERATION: the steepness of inflation continues even more steeply on the higher side and your

Directors have put in utmost efforts to convert the loss making stance into profit making one. Still they seek the same rate of increase of 20% which is recommended in the remuneration of Directors.

ACKNOWLEDGMENT: We must not fail to recognise the hard work put in by the workers, staff and executives for their efforts to accelerate production of quality goods. So also we must acknowledge cooperation coming from the Banks and Financial Institutions and to our shareholders who have always demonstrated a sense of understanding in respect of the climate under which their Directors are operating the affairs of the Company. And all of these gentlemen will be glad when they read this report wherein the situation has been reverted for the better.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABID SILK MILLS LIMITED, as at June 30, 1997 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn-up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the profit 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.

MUNIF ZIAUDDIN & CO.

CHARTERED ACCOUNTANTS

KARACHI: 28TH Nov. 1997

BALANCE SHEET AS AT JUNE 30, 1997

	Note	1997 Rupees	1996 Rupees
SHARE CAPITAL AND RESERVES			
Authorized Capital			
10,000,000 Ordinary Shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	3	59,400,000	59,400,000
Reserves			
Capital reserve	4	39,600,000	39,600,000
Unappropriated profit		85,714,507	54,283,215
		125,314,507	93,883,215
		-----	-----
		184,714,507	153,283,215

LONG TERM LOANS	5	69,214,707	27,179,746
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	32,872,771	39,889,754
DEFERRED LIABILITIES	7	9,134,281	8,528,813
CURRENT LIABILITIES AND PROVISIONS			
Short term finances	8	312,789,845	271,975,545
Current maturity of long-term loans and finances	9	16,713,780	28,488,482
Creditors, accrued charges and other liabilities	10	405,912,402	331,880,032
Dividends	11	3,204,010	3,096,885
		-----	-----
		738,620,037	635,440,944
CONTINGENCIES AND COMMITMENTS	12		
		-----	-----
		1,034,556,303	864,322,472
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi: 28th November, 1997.

FIXED CAPITAL EXPENDITURE

Operating fixed assets	13	338,386,784	326,915,668
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ADVANCE FOR SHARES	14	965,620	964,420
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LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST

	15	1,710,530	1,169,505
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CURRENT ASSETS

Stores and spares	16	50,819,889	43,428,281
Stock-in-trade	17	455,180,302	339,290,358
Trade debtors	18	49,889,271	50,240,566
Advances, deposits & prepayments	19	41,074,347	30,325,705
Other receivables	20	62,060,720	68,784,389
Cash and bank balances	21	34,468,840	3,203,580
		-----	-----
		693,493,369	535,272,879
		-----	-----
		1,034,556,303	864,322,472
		=====	=====

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

	Note	1997 Rupees	1996 Rupees
Sales and services	22	1,354,549,340	900,299,708
Cost of sales	23	1,171,646,178	790,341,883
		-----	-----
TRADING PROFIT		182,903,162	109,957,825
OPERATING EXPENSES			
Administrative	24	46,797,509	35,980,484
Selling and distribution	25	22,269,834	14,756,251
		-----	-----
		69,067,343	50,736,735
OPERATING PROFIT		113,835,819	59,221,090
Other income	26	2,617,098	1,550,068
		-----	-----
		116,452,917	60,771,158
Financial charges	27	73,002,211	64,201,299
Other Charges	28	2,172,535	--
		-----	-----
		75,174,746	64,201,299
		-----	-----

Profit / (Less) before taxation		41,278,171	(3,430,141)
Taxation	29	(6,876,879)	(4,644,400)
		-----	-----
Profit / (Loss) after taxation		34,401,292	(8,074,541)
Unappropriated profit brought forward		54,283,215	65,327,756
		-----	-----
Profit available for appropriation		88,684,507	57,253,215
APPROPRIATION			
Proposed dividend Re. 0.50 per share (1996: Re. 0.50 per share)		2,970,000	2,970,000
		-----	-----
Unappropriated profit carried forward		85,714,507	54,283,215
		=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1997

	1997 Rupees	1996 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
FUNDS PROVIDED FROM OPERATION		
Profit / (Loss) after taxation	34,401,292	(8,074,541)
Adjustment of items not involving movement of funds		
Depreciation	37,621,995	37,360,515
Provision for gratuity - net	1,805,468	1,756,580
Profit on disposal of fixed assets	(1,432,180)	(64,586)
	-----	-----
	72,396,575	30,977,968
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores and spares	(7,391,608)	(3,099,021)
Stock-in-trade	(115,889,944)	(120,132,095)
Trade debtors	351,295	(24,299,955)
Advances, deposits and prepayments	(10,748,641)	(9,477,512)
Other receivables	6,723,669	(23,953,624)
	-----	-----
	(126,955,229)	(180,962,207)
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Short term finances	40,814,300	46,041,669
Creditors, accrued charges and other liabilities	74,032,370	180,580,164
	-----	-----
	114,846,670	226,621,833
NET CASH INFLOW FROM OPERATING ACTIVITIES		
	60,288,016	76,637,594
CASH FLOW FROM INVESTING ACTIVITIES		
Advance for shares	(1,200)	(600)
Capital expenditure	(51,321,431)	(80,075,555)
Proceeds from disposal of fixed assets	3,660,500	125,400
Long term deposits and deferred cost	(541,025)	530,705
	-----	-----
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(48,203,156)	(79,420,050)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from obligation under finance lease	6,800,000	40,109,000
Payments of obligation under finance lease	(18,190,679)	(26,028,978)
Payments of long term loans	(16,856,000)	(10,556,000)
Deferred liabilities	(1,200,000)	(14,300,000)
Long term loans acquired	51,489,955	8,692,347
Dividends paid	(2,862,875)	(2,548,225)
	-----	-----
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	19,180,401	(4,631,856)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH		

EQUIVALENTS	31,265,261	(7,414,312)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,203,580	10,617,892
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34,468,841	3,203,580
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1997

1. COMPANY AND ITS BUSINESS

The company was incorporated in the year 1968 as a Private Limited Company and was converted into Public Limited Company on 24th December, 1987 under the Companies Ordinance, 1984. The principal activity of the Company is manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and garments made-up.

2. ACCOUNTING POLICES

2.1 ACCOUNTING CONVENTION

These accounts have been prepared on the basis of "historical cost" convention.

2.2 STAFF GRATUITY

The Company operates an unfunded gratuity scheme covering all employees (excluding managerial staff). Full provision is made in the accounts for gratuity payable to employees as per law.

2.3 TAXATION

Current

Provision for the year is based on taxable income at the current rates of taxation after taking into account tax credit and rebates, if any.

Deferred

The Company accounts for deferred taxation on all major timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that the timing differences will not reverse in the foreseeable future.

2.4 FIXED CAPITAL EXPENDITURE AND DEPRECIATION

a. Operating fixed assets are stated at cost less accumulated depreciation except land and capital work-in-progress which are stated at cost.

b. Depreciation is charged to income applying the reducing balance method without considering extra shifts worked.

c. No depreciation is charged on assets disposed off during the year while charge for the full year is made on additions during the year.

d. Minor renewals, replacements, maintenance and repairs are charged to expense. Major renewals and betterments are capitalized. Gains and losses on deleted assets are reflected in the accounts.

2.5 ACCOUNTING FOR LEASES

The Company records assets acquired under finance lease and related liabilities at lower of present value of minimum lease payments under the lease agreement and the fair value of assets. Finance charges are allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is provided at the rates applicable to operating fixed assets.

2.6 CAPITALIZATION OF BORROWING COST

Borrowing cost on loans obtained for acquisition of plant and machinery for the period till commissioning of production is capitalized.

2.7 STORES AND SPARES

These are valued at cost using the moving average method.

2.8 STOCK-IN-TRADE

Stock of raw materials, work-in-process and finished goods are valued at lower of moving average cost and net realizable Value. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.9 INVESTMENTS

These are valued at cost.

2.10 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are converted into rupees at the rates of exchange prevailing on the date of transaction. Exchange gains and losses are included in income currently.

2.11 REVENUE RECOGNITION

Sale of goods and services are recognized on despatch of goods to customers or on the performance of services.

	1997	1996
	Rupees	Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary Shares of Rs. 10/- each		
Issued for cash		
3,160,000 At beginning of the year	31,600,000	25,000,000
-- Issued during the year	--	6,600,000
-----	-----	-----
3,160,000	31,600,000	31,600,000
Issued as bonus shares		
2,780,000 At beginning of the year	27,800,000	27,800,000
-----	-----	-----
5,940,000	59,400,000	59,400,000
=====	=====	=====
4. CAPITAL RESERVE		
Premium on Right Shares	39,600,000	39,600,000
	=====	=====
5. LONG TERM LOANS		
Directors' loan (5.1)	69,214,707	17,724,752
Fixed Assets Finance - H.B.L. (5.2)	3,154,994	6,310,994
Fixed Assets Finance - Citi Bank (5.3)	--	13,700,000
	-----	-----
	72,369,701	37,735,746
Less: Current Maturity		
Fixed assets finance - H.B.L.	3,154,994	3,156,000
Fixed assets finance - Citi Bank	--	7,400,000
	-----	-----
	3,154,994	10,556,000
	-----	-----
	69,214,707	27,179,746
	=====	=====
5.1 Directors' Loan		
Mr. Naseem A. Sattar	69,214,707	17,724,752
	=====	=====
No mark-up has been charged during the year on the above loan.		
5.2 The above finance has been sanctioned against plant and machinery imported under D/A.		
The finance has been secured against equitable mortgage of factory, land and building at		

plot A-51/B and Hypothecation of the machinery for which loan acquired and carries mark-up at the rate of 43 paisas per thousand per day and payable in 12 equal half yearly installments commenced from September, 1992.

5.3. The above finance has been sanctioned against import of machinery. The finance has been secured against hypothecation of the machinery for which loan acquired. The mark-up rate is floating and payable at the rate of 2% above the State Bank of Pakistan repurchase rate of treasury bills and payable in 20 equal quarterly installments commenced from May 1993.

	1997	1996
	Rupees	Rupees
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Balance as on 30-06-1997' (1996 - 30-06-96)	46,431,557	57,822,236
Payable within the following twelve months	(13,558,786)	(17,932,482)
	-----	-----
	32,872,771	39,889,754
	=====	=====
6.1 The amounts of future payments and the periods during which they will fall due are -		
Year ending 30th June		
1997 - 98 (1996 - 1996 - 97)	21,726,932	49,115,894
1997 - 2001 (1996 - 1996 - 2000)	40,463,811	32,355,465
	-----	-----
	62,190,743	81,471,359
Less - Finance charges not yet due	15,759,186	23,649,123
	-----	-----
	46,431,557	57,822,236
	=====	=====
Classified as under:		
Long term obligation	32,872,771	39,889,754
Current obligation	13,558,786	17,932,482
	-----	-----
	46,431,557	57,822,236
	=====	=====

6.2 Payments under leases includes financial charges at the rates ranging between 19.50% and 22.50% per annum.

There is no option to obtain ownership of the assets, however certain leases carry renewal options at the end of the lease period. There are no financial restrictions in the lease agreements.

	1997	1996
	Rupees	Rupees
7. DEFERRED LIABILITIES		
	9,134,281	7,328,813
	--	1,200,000
	-----	-----
	9,134,281	8,528,813
	=====	=====
8. SHORT TERM FINANCES		
Finance utilized under mark-up arrangement (8.1)	--	15,486,567
Export Refinance I - H.B.L. (8.2)	29,850,000	30,000,000
Export Refinance II - H.B.L. (8.3)	205,000,000	142,500,000
Export Refinance II - Citi Bank (8.3)	50,000,000	50,000,000
FIM account (8.4)	14,135,360	19,204,347
Cash Finance account (8.4)	13,804,485	14,784,631
	-----	-----
	312,789,845	271,975,545
	=====	=====

8.1 The finance has been obtained from Habib Bank Ltd. on mark-up basis at the rate of 60 paisas (1996: at the rate 60 Paisas) per thousand per day.

The arrangement is secured against equitable mortgage of Plot No. A- 51 / B with building thereon, hypothecation of stocks and personal guarantee of the Directors.

8.2 The loan is secured against different contracts / LCs of Export and hypothecation of Stocks.

8.3 These loans are provided by banks on the basis of past Export performance determined by State Bank of Pakistan and is secured against hypothecation of Stocks and Trade Debtors.

8.4 These are secured against pledge of Stocks and stores.

	1997	1996
	Rupees	Rupees
9. CURRENT MATURITY OF LONG-TERM LOANS AND FINANCES		
Fixed assets finance - H.B.L.	3,154,994	3,156,000
Fixed assets finance - Citi Bank	--	7,400,000
	-----	-----
	3,154,994	10,556,000
Liabilities against assets subject to finance lease	13,558,786	17,932,482
	-----	-----
	16,713,780	28,488,482
	=====	=====

	1997	1996
	Rupees	Rupees
10. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES		
Trade creditors	317,163,753	248,885,259
Other creditors	43,794,532	44,142,186
Accrued liabilities	9,787,639	8,469,470
Workers' profit participation fund (10.1)	4,722,417	2,207,690
Workers' welfare fund	988,244	988,244
Deposits from contractors (10.2)	1,220,698	722,158
Due to associated undertakings	14,220,540	10,187,561
Bills payable under D/A	6,188,249	1,833,000
Mark-up accrued on fixed assets finance	--	1,511,164
Mark-up accrued on export refinance loan	6,328,072	5,265,812
Mark-up accrued on Cash credit & Running Finance	--	1,624,856
Advance from customers	825,624	5,446,353
Other liabilities (10.3)	672,634	596,279
	-----	-----
	405,912,402	331,880,032
	=====	=====

10.1 Workers' profit participation fund		
Opening balance	2,207,690	1,911,420
Interest on W.P.P.F.	342,192	296,270
	-----	-----
	2,549,882	2,207,690
Paid during the year	--	--
	-----	-----
	2,549,882	2,207,690
Provision for the year	2,172,535	--
	-----	-----
	4,722,417	2,207,690
	=====	=====

Interest is charged @ 15.50% (1996: 15.50%) per annum on outstanding balance.

10.2 This represents 7% security deposits retained from contractors bills.

10.3 Other Liabilities

Audit fee	60,000	60,000
Unpaid salaries and wages	231,731	231,731
Bonus payable to staff and workers	199,013	150,862
Refundable deposit	148,236	148,236

Others	33,654	5,450
	-----	-----
	672,634	596,279
	=====	=====
	1997	1996
	Rupees	Rupees

11. DIVIDENDS

Unclaimed	234,010	126,885
Proposed	2,970,000	2,970,000
	-----	-----
	3,204,010	3,096,885
	=====	=====

CONTINGENCIES AND COMMITMENTS

Contingent liability		
Counter guarantees on behalf of Bela Textiles Limited for balance payment of lease rentals.	--	2,216,936
	=====	=====
Commitment		
Outstanding liabilities under documentary credit	19,971,250	27,210,700
	=====	=====

13. STATEMENT OF OPERATING FIXED ASSETS

	COST AS AT 01-07-1996	ADDITIONS/ (DELETIONS) *ADJUSTMENTS	COST AS AT 30-06-1997	ACCUMULATED DEPRECIATION AS AT 01-07-1996	CHARGED FOR THE YEAR/ (DELETIONS) 'ADJUSTMENTS	ACCUMULATED DEPRECIATION AS AT 30-06-1997	WRITTEN DOWN VALUE AS AT 30-06-1997	RATE %
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Land - Leasehold	1,636,644	7,150,135	8,786,779	--	--	--	8,786,779	--
Building on leasehold land	73,216,245	9,094,877	82,311,122	32,311,853	4,999,927	37,311,780	44,999,342	10
Plant, machinery and equipments	289,263,131	20,475,659 (2,485,936) *51,318,688	358,571,542	139,280,170	20,246,259 (1,112,394) *17,941,177	176,355,21	182,216,330	10
Furniture, fixtures and ancillary equipments	20,861,169	3,078,510	23,939,679	7,073,854	1,686,583	8,760,437	15,179,242	10
Office equipments	7,483,957	2,537,564	10,021,521	2,909,475	711,205	3,620,680	6,400,841	10
Electric, gas & other installations	26,083,321	1,132,205 (34,260)	27,181,266 (6,509)	10,609,411	1,657,836	12,260,738	14,920,528	10
Vehicles	18,594,534	1,052,481 (2,751,000)	16,896,015	11,709,245	1,422,149 (1,923,973)	11,207,421	5,688,594	20
	-----	-----	-----	-----	-----	-----	-----	-----
	437,139,001	44,521,431 51,318,688 (5,271,196)	527,707,924	203,894,008	30,723,959	249,516,268 17,941,177 (3,042,876)	278,191,656	
	-----	-----	-----	-----	-----	-----	-----	-----
ASSETS UNDER FINANCE LEASE								
Machinery	121,518,688	6,800,000 *(51,318,688)	77,000,000	29,735,213	6,520,596 *(17,941,177)	18,314,632	58,685,368	10
Vehicles	2,359,000	--	2,359,000	471,800	377,440	849,240	1,509,760	20
	-----	-----	-----	-----	-----	-----	-----	-----
Sub Total	123,877,688	6,800,000 (51,318,688)	79,359,000	30,207,013	6,898,036 (17,941,177)	19,163,872	60,195,128	

TOTAL 1997	561,016,689	51,321,431 (5,271,196)	607,066,924	234,101,021	37,621,995 (3,042,876)	268,680,140	338,386,284
TOTAL 1996	463,934,416	97,205,673 (123,400)	561,016,689	196,803,092	37,360,515 (62,586)	234,101,021	326,915,668

1997
Rupees

1 996
Rupees

13.1 The depreciation charge for the year has been allocated as follows:

Factory overhead	(23.2)	34,173,369	34,302,734
Administrative	(24)	3,448,626	3,057,781
		37,621,995	37,360,515

13.2 DISPOSAL OF FIXED ASSETS

	Cost	Accumulated Depreciation	Written Dawn Value	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchaser
	Rs.	Rs.	Rs.	Rs.	Rs.		
VEHICLES							
BMW- SALOON (REGD. NO. T- 8864)	1,395,000	937,886	457,114	1,200,000	742,886	Negotiation	Nina Industries Limited S.I.T.E Karachi
Mercedeze Benz (REGD. NO. G -2423)	310,000	303,019	6,981	160,000	153,019	Negotiation	Nina Industries Limited S.I.T.E. Karachi
Mercedeze Benz (REGD. NO. G- 2421)	360,000	347,334	12,666	270,000	257,334	Negotiation	Nina Industries Limited S.I.T.E. Karachi
Honda Accord (REGD. NO. F - 8807)	200,000	186,256	13,744	180,000	166,256	Negotiation	Nina Industries Limited S.I.T.E. Karachi
Suzuki Mehran (REGD. NO. LI - 5067)	169,000	99,778	69,222	150,000	80,778	Negotiation	Nina Industries Limited S.I.T.E. Karachi
Honda 70 cc (REGD. NO. KCV -2795)	51,000	10,200	40,800	51,000	10,200	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc (REGD. NO. KCV-7764)	56,000	11,200	44,800	56,000	11,200	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc (REGD. NO. KCV- 1993)	53,000	10,600	42,400	53,000	10,600	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc (REGD. NO. KAK - 1268)	30,000	17,700	12,300	30,000	17,700	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 125 cc (REGD. NO. KCC -6011)	68,000	--	68,000	68,000	--	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc (REGD. NO. KAK- 7916)	59,000	--	59,000	59,000	--	Insurance claim	Eastern Federal Union General Insurance Ltd.
MOBILE TELEPHONE							
Panasonic Hand Held	34,260	6,509	27,751	30,000	2,249	Insurance claim	Eastern Federal Union General Insurance Ltd.
MACHINERY							
Stitching / Garment Sewin Machines	2,485,936	1,112,394	1,373,542	1,353,500	(20,042)	Negotiation	R M & Company 9-Adam Arcade Shaheed-e-Millat Road Karachi.
TOTAL	5,271,196	3,042,876	2,228,320	3,660,500	1,432,180		

1997
Rupees

1996
Rupees

14. ADVANCE FOR SHARES

965,620 964,420

This represents advance for shares paid to Sattar Spinning Limited, an associated company. However no shares were issued to the Company till reporting the balance sheet.

15. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST

Deposits

Security deposits	714,505	714,505
Deposits against lease	996,025	455,000
	-----	-----
	1,710,530	1,169,505
	=====	=====

16. STORES AND SPARES

Stores	18,012,544	17,985,406
Spares	32,807,345	25,442,875
	-----	-----
	50,819,889	43,428,281
	=====	=====

17. STOCK-IN-TRADE

Raw materials	126,110,770	123,537,005
Work-in-process	29,296,279	28,814,370
Finished goods	299,773,253	186,938,983
	-----	-----
	455,180,302	339,290,358
	=====	=====

18. TRADE DEBTORS

Secured	24,968,926	24,941,751
Unsecured - considered good	24,920,345	25,291,240
Due from associated undertakings	--	7,575
	-----	-----
	49,889,271	50,240,566
	=====	=====

19. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances		
To staff and workers	1,464,730	937,028
Income tax	15,065,748	8,616,819
Against import expenses	9,342,025	4,608,190
For supplies and expenses	6,363,452	7,473,427
Deposits	5,443,854	5,166,408
Prepayments	3,394,538	3,523,833
	-----	-----
	41,074,347	30,325,705
	=====	=====

	1997	1996
	Rupees	Rupees
20. OTHER RECEIVABLES		
Export rebates	29,726,631	64,624,718
Sales tax	27,235,852	--
Others	5,098,237	4,159,671
	-----	-----
	62,060,720	68,784,389
	=====	=====

21. CASH AND BANK BALANCES

Cash in hand	899,232	702,176
Cash with banks	32,564,960	1,586,506
P.L.S. TDRs	1,004,648	914,898
	-----	-----
	34,468,840	3,203,580
	=====	=====

22. SALES AND SERVICES

Sales

Export sales	1,084,185,946	669,172,836
Local sales	40,862,388	28,590,390
	-----	-----
	1,125,048,334	697,763,226
Export rebates	78,759,370	71,741,565
Refund of i I	--	100,479
	-----	-----
	78,759,370	71,842,044
	-----	-----
	1,203,807,704	769,605,270
Services		
Cloth processing - Printing and dyeing	168,481,641	156,547,006
Stitching - Bedsets, Curtains and Garments	3,086,520	2,722,313
	-----	-----
	171,568,161	159,269,319
	-----	-----
	1,375,375,865	928,874,589
Commission and brokerage	20,826,525	15,017,136
Capacity tax	--	13,557,745
	-----	-----
	(20,826,525)	(28,574,881)
	-----	-----
	1,354,549,340	900,299,708
	=====	=====

1997**1996****Rupees****Rupees****23. COST OF SALES**

Cost of materials consumed	(23.1)	990,448,240	649,713,856
Salaries and wages		68,125,460	45,384,641
Factory overheads	(23.2)	225,906,748	183,090,401
		-----	-----
		1,284,480,448	878,188,898
Add: Opening stock of finished goods		186,938,983	99,091,968
		-----	-----
		1,471,419,431	977,280,866
Less: Closing stock of finished goods		299,773,253	186,938,983
		-----	-----
		1,171,646,178	790,341,883
		=====	=====

23.1 Cost of Materials Consumed

Dyes and ch		253,008,122	181,375,937
Production stores and Packing material		52,942,390	60,651,319
Grey cloth		684,497,728	402,940,483
Printed bed sets and cloth		--	4,746,117
		-----	-----
		990,448,240	649,713,856
		=====	=====

23.2 Factory Overheads

Insurance premium		4,205,462	3,807,172
Repairs and maintenance		14,882,085	12,521,590
Rent, rates and taxes		3,381,073	4,216,210
Heat, light and power		85,835,826	62,395,070
Water consumption charges		14,143,420	9,277,452
Boiler expenses		827,023	626,559
Service charges		5,724,774	3,998,351
Checking, mending, stitching and packing charges		3,595,462	2,823,986
Cooli, cartage and freight		31,373,361	27,048,134
Cloth cutting and stitching charges		27,764,893	22,073,143
Depreciation		34,173,369	34,302,734
		-----	-----
		225,906,748	183,090,401
		=====	=====

	1997	1996
	Rupees	Rupees
24. ADMINISTRATIVE EXPENSES		
Directors' remuneration	2,452,799	2,043,696
Salaries and benefits	12,382,835	8,309,105
Staff welfare	1,347,805	1,205,957
Electric charges	3,594,699	2,024,602
Travelling	5,732,094	5,210,651
Car maintenance	3,796,531	2,790,718
Conveyance	328,722	238,637
Entertainment	1,062,494	736,871
Printing and stationery	2,958,572	1,879,860
Postage, telegram, telephone and telex	3,512,311	2,526,302
Legal and professional	3,001,267	2,781,681
Auditors' remuneration (24.1)	60,000	60,000
Advertisement	398,612	422,492
Subscription and fees	848,031	777,876
Charity and donation (24.2)	16,848	177,467
Insurance premium	1,340,031	1,270,890
Service contracts	200,710	155,522
Miscellaneous	314,522	310,376
Depreciation	3,448,626	3,057,781
	-----	-----
	46,797,509	35,980,484
	=====	=====
24.1 Auditors' remuneration		
Audit fee	60,000	60,000
24.2 Charity and donation	=====	=====

None of the Directors or their spouses had any interest in donee's fund.

25. SELLING AND DISTRIBUTION EXPENSES

Packing and forwarding	12,999,591	8,456,027
Publicity	3,357,381	1,903,798
Samples	2,054,968	2,946,446
Postage and stamps	1,370,422	838,972
Entertainment	550,979	592,405
Export development tax	1,909,701	--
Other charges	26,792	18,603
	-----	-----
	22,269,834	14,756,251
	=====	=====

	1997	1996
	Rupees	Rupees
26. OTHER INCOME		
Sales of scrap	797,733	1,153,011
Profit / (Loss) on stock	--	(468,083)
Profit on TDRs	347,582	142,903
Profit on disposal of fixed assets	1,432,180	64,586
Miscellaneous	39,603	657,651
	-----	-----
	2,617,098	1,550,068
	=====	=====

27. FINANCIAL CHARGES

Bank charges, mark-up and commission	17,696,844	11,544,692
Mark-up on cash credit account	3,414,391	3,128,802
Mark-up on FIM account	3,717,532	3,949,824
Mark-up on fixed assets finance - H.B.L.	1,153,346	1,215,488
Mark-up on fixed assets finance - Citi Bank	1,276,488	2,984,922
Mark-up on short term running finance '	3,567,104	4,188,952
Mark-up on refinance loan I - H. B. L	3,887,498	576,453

Mark-up on refinance loan II- H. B. L	20,566,712	18,173,293
Mark-up on refinance loan II-Citi Bank	6,590,278	6,608,333
Lease finance charges	10,789,826	11,534,270
Interest on W.P.P.F.	342,192	296,270
	-----	-----
	73,002,211	64,201,299
	=====	=====

28. OTHER CHARGES

Workers' profit participation fund	2,172,535	--
	=====	=====
29. TAXATION		
Current - minimum tax u/s 80 - d	6,876,879	4,644,400
	=====	=====

29.1 DEFERRED TAXATION

No provision for Deferred taxation has been made in these accounts as timing differences relating to accelerated tax depreciation allowance are irrelevant and also the same are not likely to reverse in the foreseeable future. The timing difference due to accelerated tax depreciation allowance are irrelevant as major sales of the assessee are exports and covered u/s 80 CC of the Income Tax Ordinance, 1979.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1996	1997	1996	1997	1996	1997
Remuneration	1,063,284	886,074	628,044	523,368	4,511,818	2,690,730
House rent	478,476	398,730	282,624	235,524	2,001,981	1,210,660
Utilities	--	--	--	--	204,192	175,032
	-----	-----	-----	-----	-----	-----
Number of person	1	1	2	2	37	22
	-----	-----	-----	-----	-----	-----

The Chief Executive and Directors are also provided with free use of the company maintained cars and residential telephones for business and personal use.

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The maximum aggregate amount due to and due from associated undertakings at the end of any month during the year was Rs. 3,653,942 and Rs. 9,336,586 respectively (1996 : Rs. 3,565,532 and Rs. 475,202 respectively).

	1997	1996
	Rupees	Rupees
Sales, processing charges and services	49,788,304	79,013,429
Purchases, charges and services	7,299,044	44,525,452

32. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined as it depends upon the process, the quality of cloth used for printing and dyeing, which may compose of different kinds of fabrics and texture having different construction and weights,

33. GENERAL

- Previous Year's figures have been rearranged wherever necessary for the purpose of comparison
- Figures have been rounded off to the nearest rupee.

PATTERN OF SHARE HOLDINGS AS AT JUNE 30, 1997

NUMBER OF SHARE HOLDERS	SHARE HOLDERS	TOTAL SHARES
----------------------------	---------------	-----------------

	From		To	
68	1	--	100	3,450
79	101	--	500	15,075
56	501	--	1,000	36,775
2	1,001	--	5,000	4,975
2	5,001	--	10,000	14,850
2	45,001	--	50,000	100,000
1	90,001	--	95,000	90,450
1	170,001	--	175,000	172,480
1	185,001	--	190,000	187,110
1	200,001	--	205,000	204,795
1	340,001	--	345,000	341,550
1-	480,001	--	485,000	482,625
1	1,100,001	--	1,105,000	1,100,675
1	1,270,001	--	1,275,000	1,271,170
1	1,910,001	--	1,915,000	1,914,020
-----	-----	-----	-----	-----
218		TOTAL		5,940,000
=====	=====	=====	=====	=====

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals	214	3,642,800	61.32
Joint Stock Companies	1	405	0.01
Financial Institutions	3	2,296,795	38.67
	-----	-----	-----
Total	218	5,940,000	100.00
	=====	=====	=====