

Al-Abid Silk Mills Limited

Annual Report 1998

BOARD OF DIRECTORS

Mr. Naseem A. Sattar	Chairman & Chief Executive
Mr. Azim Ahmed	Director
Mr. Amir Naseem	Director
Mrs. Zarina Naseem	Director
Mrs. Sadaf Nadeem	Director
Mrs. Reena Azim	Director
Mrs. Asra Amir	Director
Mr. Nasim Beg	Nominee Director (N.I.T.)
Mr. Muhammad Shafi	Nominee Director (N.I.T.)
Mr. Muhammad Ashraf	Nominee Director (N.I.T.)

SECRETARY

Mr. S.M. Jawed Azam

AUDITORS

Muniff Ziauddin & Company
Chartered Accountants

REGISTRARS

(a) Adam Patel & Co. (Pvt.) Ltd.
34/2-F, Block-5, Clifton, Karachi.

(b) Gangjees Associates (For C.D.C. Purpose)
516, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5, Clifton, Karachi.

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-4/A,
D-14/C-1
S.I.T.E., Karachi.

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NOTICE OF MEETING

Notice is hereby given that the 30th 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 Monday the 28th December, 1998 at 3.00 p.m. to transact the following business:

1. To confirm the minutes of the 29th Annual General Meeting of the Company held on 24th December, 1997.
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, 1998.
3. To approve Dividend at Re. 0.75 per share to the shareholders for the year ended on 30.06.1998.
4. To appoint auditors and fix their remuneration.
5. To approve Remuneration of the Directors.
6. To consider any other business with the permission of the chair.

7. SPECIAL BUSINESS:

To pass the following Resolution as Special Resolution with or without modification.

RESOLVED THAT the following amendment be made in the Article 61 (a) of the Articles of Association of the Company and read as under:

61 (a) "The remuneration of Directors shall be determined by the Company by an Ordinary Resolution. Remuneration payable to a Director for attending meetings of the Board shall not exceed Rs. 2,000.00"

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984

The Company's Article of Association restricts Director's Remuneration for attending the Board Meeting to Rs. 500.00 which is sought to be amended.

BY ORDER OF THE BOARD

(S. M. JAWED AZAM)

Company Secretary

Karachi: 1st December, 1998.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 22nd December, 1998 to 31 st December, 1998 (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.

THIRTIETH ANNUAL REPORT OF THE DIRECTORS

Dear Shareholders,

WELCOME: "Welcome" is a vocative term and connotes pleasure to accord those who are invited at a gathering particularly at an occasion deemed to be a happy one.

PREAMBLE: The following performance record will speak for itself the progress the Company has made during the year under discussion.

PERFORMANCE: The accounts for the year are before you which reflect very well the entire picture. The sales have been increased by 22.7% totalling Rs. 1.565 Billion. Although financial costs and other inputs such as cost of power and cost of gas have increased, concurrently duty drawback has also been slashed, yet, we have been able to achieve a better result through well thought plannings and strategies such as, instead of procuring cloth from the market, we switched over substantially to procurement of yarn and getting cloth manufactured from the procured yarn which helped us in timely execution of orders and in reducing our input cost of grey cloth. To improve the overall picture extensive efforts were made to increase the exports for obtaining better results.

The Company is still in pursuit of expanding export sales which you will note from the expansion / modernization program detailed below.

I. A modern stitching unit is near completion which is essentially required in today's export culture and it is hoped that with the new unit in operation, we will be able to attract more buyers from the international market. The new stitching unit is in conformity with the international environment hence such awareness and preparation will help us not only in retaining our existing sales, but is expected to help in enhancing our existing sales.

II. L/C for a wide width Rotary Printing Machine has been established which is expected to be in operation in March/April 1999. Again this has been done in pursuit of expanding exports, keeping in view the demand of fabrics and made-ups, like bed linen from wide width fabric.

The above modernization / expansion plans on implementation surely will add to the sales figures and will brighten the financial results.

DIVIDEND: From the policy of your Company in the last years, all will realise that prudence called for to retain maximum liquidity in the Company which in today's economic scenario is even more called for than ever before.

In view of promoting business, expansion activities and beneficial improvement in results out of the activities, the dividend has been restricted to 7.5% with the same intention as has been expressed.

REMUNERATION: The efforts of your Directors have given you a picture for yourself to appreciate that they deserve an increase of 30% in their remuneration.

ACKNOWLEDGMENT: If, with your Directors utmost efforts had not been complemented by the workers, staff and executives, our bankers and financial institutions and the understanding of our valued shareholders, picture would not have been as bright as it is today.

Thanks to all of you.

For and on behalf of the Board of Directors

NASEEM A. SATTAR

Chairman & Chief Executive

Karachi: 1st December, 1998.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-ABID SILK MILLS LIMITED, as at June 30, 1998 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, 1998 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.

MUNIFF ZIAUDDIN & CO.

Chartered Accountants

KARACHI: 1st December, 1998.

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 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		145,971,476	85,714,507
		-----	-----
		185,571,476	125,314,507
		-----	-----
		244,971,476	184,714,507
LONG TERM LOANS	5	68,642,907	69,214,707
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	18,873,444	32,872,771
DEFERRED LIABILITIES	7	12,116,387	9,134,281
CURRENT LIABILITIES AND PROVISIONS			
Short term finances	8	475,436,575	312,789,845
Current maturity of long-term loans and finances	9	16,994,548	16,713,780
Creditors, accrued charges and other liabilities	10	376,247,978	405,912,402
Dividends	11	4,707,413	3,204,010
		-----	-----
		873,386,514	738,620,037
CONTINGENCIES AND COMMITMENTS	12	-----	-----
		1,217,990,728	1,034,556,303
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	335,842,317	338,386,784
Capital work-in-progress	14	20,296,878	-
		-----	-----
		356,139,195	338,386,784
ADVANCE FOR SHARES	15	1,024,545	965,620
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST	16	1,635,455	1,710,530
CURRENT ASSETS			
Stores and spares	17	48,850,682	50,819,889
Stock-in-trade	18	601,546,290	455,180,302
Trade debtors	19	43,422,108	49,889,271
Advances, deposits and prepayments	20	47,991,387	41,074,347
Other receivables	21	103,246,314	62,060,720
Cash and bank balances	22	14,134,752	34,468,840
		-----	-----
		859,191,533	693,493,369
		-----	-----
		1,217,990,728	1,034,556,303
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi: 1st December, 1998.

NASEEM A. SATTAR

AZIM AHMED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
Sales and services	23	1,565,553,176	1,275,789,970
Cost of sales	24	1,319,669,734	1,092,886,808
		-----	-----
GROSS PROFIT		245,883,442	182,903,162
		-----	-----
OPERATING EXPENSES			
Administrative	25	53,098,523	46,797,509
Selling and distribution	26	27,956,453	22,269,834
		-----	-----
		81,054,976	69,067,343
		-----	-----
OPERATING PROFIT		164,828,466	113,835,819
Other income	27	2,677,946	2,617,098
		-----	-----
		167,506,412	116,452,917
		-----	-----
Financial charges	28	90,772,418	73,002,211
Other Charges	29	3,850,590	2,172,535
		-----	-----
		94,623,008	75,174,746
		-----	-----
Profit before taxation		72,883,404	41,278,171
Taxation	30	(8,171,435)	(6,876,879)
		-----	-----
Profit after taxation		64,711,969	34,401,292
Unappropriated profit brought forward		85,714,507	54,283,215
		-----	-----
		150,426,476	88,684,507
		-----	-----
APPROPRIATION			
Proposed dividend Re. 0.75 per share (1997: Re. 0.50 per share)		4,455,000	2,970,000
		-----	-----
Unappropriated profit carried forward		145,971,476	85,714,507
		=====	=====

The annexed notes form an integral part of these accounts.

NASEEM A. SATTAR
Chairman & Chief Executive

AZIM AHMED
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1998

1998 Rupees	1997 Rupees
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CASH FLOW FROM OPERATING ACTIVITIES**FUNDS PROVIDED FROM OPERATION**

Profit after taxation	64,711,969	34,401,292
Adjustment of items not involving movement of funds		
Depreciation	36,410,050	37,621,995
Provision for gratuity - net	2,982,106	1,805,468
Profit on disposal of fixed assets	(924,695)	(1,432,180)
	-----	-----
	103,179,430	72,396,575

(INCREASE)/DECREASE IN CURRENT ASSETS

Stores and spares	1,969,207	(7,391,608)
Stock-in-trade	(146,365,988)	(115,889,944)
Trade debtors	6,467,163	351,295
Advances, deposits and prepayments	(6,917,040)	(10,748,641)
Other receivables	(41,185,594)	6,723,669
	-----	-----
	(186,032,252)	(126,955,229)

INCREASE/(DECREASE) IN CURRENT LIABILITIES

Short term finances	162,646,730	40,814,300
Creditors, accrued charges and other liabilities	(29,664,424)	74,032,370
	-----	-----
	132,982,306	114,846,670
	-----	-----

NET CASH INFLOW FROM OPERATING ACTIVITIES

	50,129,484	60,288,016
--	------------	------------

CASH FLOW FROM INVESTING ACTIVITIES

Advance for shares	(58,925)	(1,200)
Capital expenditure	(55,542,767)	(51,321,432)
Proceeds from disposal of fixed assets	2,305,000	3,660,500
Long term deposits and deferred cost	75,075	(541,025)
	-----	-----

NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES

	(53,221,617)	(48,203,157)
--	--------------	--------------

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from obligation under finance lease	3,859,000	6,800,000
Payments of obligation under finance lease	(14,422,564)	(18,190,679)
Payments of long term loans	(3,154,994)	(16,856,000)
Deferred liabilities	-	(1,200,000)
Long term loans acquired	(571,800)	51,489,955
Dividends paid	(2,951,597)	(2,862,875)
	-----	-----

NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES

	(17,241,955)	19,180,401
--	--------------	------------

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	(20,334,088)	31,265,260
--	--------------	------------

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR

	34,468,840	3,203,580
	-----	-----

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	14,134,752	34,468,840
	=====	=====

NASEEM A. SATTAR

Chairman & Chief Executive

AZIM AHMED

Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

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 Company is listed on the Karachi and Lahore Stock' Exchanges. 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 POLICIES

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.

	1998	1997
	Rupees	Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary Shares of Rs. 10/- each		
3,160,000 Issued for cash	31,600,000	31,600,000
2,780,000 Issued as bonus shares	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)	68,642,907	69,214,707
Fixed Assets Finance - H.B.L.	-	3,154,994
	-----	-----
	68,642,907	72,369,701
Less: Current Maturity		
Fixed assets finance - H.B.L.	-	3,154,994
	-----	-----

68,642,907	69,214,707
=====	=====

5.1 Directors' Loan

Mr. Naseem A. Sattar

68,642,907	69,214,707
=====	=====

No mark-up has been charged on the above loan.

1998	1997
Rupees	Rupees

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as on 30-06-1998 (1997: 30-06-97)
Payable within the following twelve months

35,867,991	46,431,557
(16,994,547)	(13,558,786)
-----	-----
18,873,444	32,872,771
=====	=====

6.1 The amounts of future payments and the periods during which they will fall due are:

Year ending 30th June

1998 - 99 (1997: 1997 - 98)

1998 - 2002 (1997: 1996 - 2001)

22,906,845	21,726,932
21,854,942	40,463,811
-----	-----
44,761,787	62,190,743
8,893,796	15,759,186
-----	-----
35,867,991	46,431,557
=====	=====

Less: Finance charges not yet due

Classified as under:

Long term obligation

Current obligation

18,873,444	32,872,771
16,994,547	13,558,786
-----	-----
35,867,991	46,431,557
=====	=====

6.2 Payments under leases includes financial charges at the rates ranging between 19.50% and 21.50% per annum.

Leases carry renewal option at the end of the lease period. There are no financial restrictions the lease agreements.

7. DEFERRED LIABILITIES

Staff and workers gratuity

12,116,387	9,134,281
=====	=====

1998	1997
Rupees	Rupees

8. SHORT TERM FINANCES

Finance utilized under mark-up arrangement	(8.1)	15,920,090	-
Export Refinance I- H.B.L.	(8.2)	88,603,303	29,850,000
Export Refinance II- H.B.L.	(8.3)	205,000,000	205,000,000
Export Refinance II- Citi Bank	(8.3)	50,000,000	50,000,000
Export refinance I- H.B. AG Zurich	(8.4)	10,000,000	-
Export Refinance II- H.B. AG Zurich	(8.4)	50,000,000	-
FIM account	(8.5)	29,939,764	14,135,360
Cash Finance Account	(8.5)	25,973,418	13,804,485
		-----	-----
		475,436,575	312,789,845
		=====	=====

8.1 The finance has been obtained from Habib Bank Limited on mark-up basis at the rate of 48 paisas (1997: at the rate 60 Paisas) per thousand per day.

The arrangement is secured against equitable mortgage of Plot No. A - 51/B with building and machinery thereon and hypothecation of stocks.

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 charge on Trade Debtors.

8.4 These loans are provided by banks on the basis of past Export performance determined by State Bank of Pakistan and is secured against legal and equitable mortgage of plot No. A - 34/A with building and machinery installed thereon.

8.5 These are secured against pledge of stocks and stores.

9. CURRENT MATURITY OF LONG-TERM LOANS AND FINANCES

Fixed assets finance - H.B.L.		-	3,154,994
Liabilities against assets subject to finance lease		16,994,548	13,558,786
		-----	-----
		16,994,548	16,713,780
		=====	=====
		1998	1997
		Rupees	Rupees

10. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES

Trade creditors		282,769,143	317,163,753
Other creditors		44,857,057	43,794,532
Accrued liabilities		11,974,121	10,278,383
Workers' profit participation fund	(10.1)	6,870,910	4,722,417
Workers' welfare fund		13,890	988,244
Deposits from contractors	(10.2)	995,208	1,220,698
Due to associated undertakings		377,138	14,220,540
Bills payable under D/A		7,754,862	6,188,249
Export bills discounted		7,923,507	-
Mark-up accrued on export refinance loan		9,918,698	6,328,072

Mark-up accrued on Cash credit, FIM & Running Finance	954,861	-
Mark-up accrued on Lease finance	669,512	-
Advance from customers	810,494	825,624
Other liabilities	358,577	181,890
	-----	-----
	376,247,978	405,912,402
	=====	=====

10.1 Workers' profit participation fund

Opening balance	4,722,417	2,207,690
Interest on W.P.P.F.	484,328	342,192
	-----	-----
	5,206,745	2,549,882
Paid during the year	2,172,535	-
	-----	-----
	3,034,210	2,549,882
Provision for the year	3,836,700	2,172,535
	-----	-----
	6,870,910	4,722,417
	=====	=====

Interest is charged @ 11.50% (1997: 15.50%) per annum on outstanding balance.

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

11. DIVIDENDS

Unclaimed	252,413	234,010
Proposed	4,455,000	2,970,000
	-----	-----
	4,707,413	3,204,010
	=====	=====

12. CONTINGENCIES AND COMMITMENTS

Commitment		
Outstanding liabilities under documentary credit	20,494,000	19,971,250
	=====	=====

13. STATEMENT OF OPERATING FIXED ASSETS

	Cost as at 01-07-1997	Additions/ (Deletions) *Adjustments	Cost as at 30-06-1998	Accumulated Depreciation as at 01-07-1997	Charged for the year/ (Deletions) *Adjustments	Accumulated Depreciation as at 30-06-1998	Written Down Value as at 30-06-1999	Rate %
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Land - Leasehold	8,786,779	7,621,435	16,408,214	-	-	-	16,408,214	-
Building on leasehold land	82,311,122	6,521,474	88,832,596	37,311,780	5,152,081	42,463,861	46,368,734	10
Plant, machinery and								

equipment	358,571,542	9,627,399 *10,250,000	378,448,941	176,355,212	19,776,929 *4,324,432	200,456,573	177,992,367	10
Furniture, fixtures and ancillary equipment	23,939,679	3,476,673	27,416,352	8,760,437	1,865,592	10,626,029	16,790,323	10
Office equipment	10,021,521	978,042	10,999,563	3,620,680	737,888	4,358,568	6,640,995	10
Electric, gas and other installations	27,181,266	1,482,566	28,663,832	12,260,738	1,640,309	13,901,047	14,762,785	10
Vehicles	16,896,015	1,679,300 (2,196,718)	16,378,597	11,207,421	1,300,558 (1,331,613)	11,176,366	5,202,231	20
	527,707,924	31,386,889 10,250,000 (2,196,718)	567,148,095	249,516,268	30,473,358 4,324,432 (1,331,613)	282,982,445	284,165,649	
ASSETS UNDER FINANCE LEASE								
Machinery	77,000,000	3,100,000 *(10,250,000)	69,850,000	18,314,632	5,585,980 *(4,324,432)	19,576,180	50,273,820	10
Vehicles	2,359,000	759,000 (805,000)	2,313,000	849,240	350,712 (289,800)	910,152	1,402,848	20
Sub Total	79,359,000	3,859,000 (11,055,000)	72,163,000	19,163,872	5,936,692 (4,614,232)	20,486,332	51,676,668	
TOTAL 1998	607,066,924	35,245,889 (3,001,718)	639,311,095	268,680,140	36,410,050 (1,621,413)	303,468,777	335,842,317	
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	338,386,784	

1998
Rupees

1997
Rupees

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

Factory overhead	(24.2)	32,975,918	34,173,369
Administrative	(25)	3,434,132	3,448,626
		-----	-----
		36,410,050	37,621,995
		=====	=====

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							
Toyota Corolla (REGD. NO. W - 6487)	348,718	205,883	142,835	280,000	137,165	Negotiation	Mrs. Rashda Anwer A-277, Block-20, Gulshan-e-Iqbal, Karachi.
Toyota Corolla (REGD. NO. H - 1191)	585,000	486,853	98,147	288,000	189,853	Negotiation	Mrs. Nelofer Bungalow No. 65, Jamshed Road, Fatima Jinnah Colony, Karachi.
Honda Civic (REGD. NO. R - 3903)	570,000	474,370	95,630	305,000	209,370	Negotiation	Mr. Muhammed Idrees House No. B-448, Churri Bazar, Mohalla Cloth Market, Sukkur.
Mazda Familia (REGD. NO. L - 6822)	30,000	29,887	113	18,000	17,887	Negotiation	Mr. Muhammed Jameel Kasba Colony, 165 E, Orangi Town, Karachi.
Honda 70 cc (REGD. NO. KCS - 0205)	30,500	20,740	9,760	30,500	20,740	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc (REGD. NO. KCV - 7763)	56,000	20,160	35,840	56,000	20,160	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCV- 161)	60,000	21,600	38,400	60,000	21,600	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC -6154)	60,000	12,000	48,000	60,000	12,000	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC- 160)	60,000	12,000	48,000	60,000	12,000	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC - 162)	60,000	12,000	48,000	60,000	12,000	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC- 6163)	60,000	12,000	48,000	60,000	12,000	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc 'REGD. NO. KCC -341)	59,000	-	59,000	60,000	1,000	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC - 9440)	36,000	24,120	11,880	36,000	24,120	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC - 3314)	60,200	-	60,200	60,200	-	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC - 7988)	60,100	-	60,100	60,100	-	Insurance claim	Eastern Federal Union General Insurance Ltd.
Honda 70 cc REGD. NO. KCC - 3409)	61,200	-	61,200	61,200	-	Insurance claim	Eastern Federal Union General Insurance Ltd.
ASSET SUBJECT TO FINANCE LEASE							
Honda Civic (REGD. NO. AAE - 105)	805,000	289,800	515,200	750,000	234,800	Insurance claim	Eastern Federal Union General Insurance Ltd.
TOTAL	3,001,718	1,621,413	1,380,305	2,305,000	924,695		

1998
Rupees

1997
Rupees

14. CAPITAL WORK-IN-PROGRESS

Building and civil works	20,296,878	-
	=====	=====

15. ADVANCE FOR SHARES

	1,024,545	965,620
	=====	=====

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

16. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST

Deposits		
Security deposits	895,455	714,505
Deposits against lease	740,000	996,025
	-----	-----
	1,635,455	1,710,530
	=====	=====

17. STORES AND SPARES

Stores	14,782,921	18,012,544
Spares	34,067,761	32,807,345
	-----	-----
	48,850,682	50,819,889
	=====	=====

18. STOCK-IN-TRADE

Raw materials	244,582,390	126,110,770
Work-in-process	287,207,775	263,878,014
Finished goods	69,756,125	65,191,518
	-----	-----
	601,546,290	455,180,302
	=====	=====

19. TRADE DEBTORS

Secured	29,711,351	24,968,926
Unsecured - considered good	13,710,757	24,920,345
	-----	-----
	43,422,108	49,889,271
	=====	=====

20. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances		
To staff and workers	1,412,267	1,464,730
Income tax	23,127,118	15,065,748
Against import expenses	9,897,701	9,342,025
For supplies and expenses	5,632,958	6,363,452
Deposits	7,446,639	5,443,854
Prepayments	474,704	3,394,538
	-----	-----
	47,991,387	41,074,347
	=====	=====

1998	1997
Rupees	Rupees

21. OTHER RECEIVABLES

Duty drawback	42,662,725	29,726,631
Sales tax	56,158,213	27,235,852
Others	4,425,376	5,098,237
	-----	-----
	103,246,314	62,060,720
	=====	=====

22. CASH AND BANK BALANCES

Cash in hand	3,153,364	899,232
Cash with banks - saving account	7,442,184	4,928,084
- current account	2,534,556	27,636,876
P.L.S. TDRs	1,004,648	1,004,648
	-----	-----
	14,134,752	34,468,840
	=====	=====

23. SALES AND SERVICES

Sales		
Export sales	1,354,460,688	1,084,185,946
Local sales	54,176,524	40,862,388
	-----	-----
	1,408,637,212	1,125,048,334
Services		
Cloth processing - Printing and dyeing	174,009,574	168,481,641
Stitching - Bedsets, Curtains and Garments	3,488,267	3,086,520
	-----	-----
	177,497,841	171,568,161
	-----	-----
	1,586,135,053	1,296,616,495
Less: Commission and brokerage	20,581,877	20,826,525
	-----	-----
	1,565,553,176	1,275,789,970
	=====	=====

24. COST OF SALES

Cost of materials consumed	(24.1)	1,074,634,341	990,930,147
Salaries and wages		87,835,596	68,125,460
Factory overheads	(24.2)	249,953,490	225,906,748
		-----	-----
		1,412,423,427	1,284,962,355
Work-in-process			
Opening stock		263,878,014	178,727,491
Closing stock		(287,207,775)	(263,878,014)
		-----	-----
		(23,329,761)	(85,150,523)
		-----	-----
Cost of goods manufactured		1,389,093,666	1,199,811,832
Finished goods			

Opening stock	65,191,518	37,025,864
Closing stock	(69,756,125)	(65,191,518)
	-----	-----
	(4,564,607)	(28,165,654)
	-----	-----
	1,384,529,059	1,171,646,178
Less: Duty Drawback	64,859,325	78,759,370
	-----	-----
	1,319,669,734	1,092,886,808
	=====	=====

24.1 Cost of Materials Consumed

Dyes and chemicals	209,231,964	235,851,141
Production stores and Packing material	86,598,609	70,581,278
Grey cloth	778,803,768	684,497,728
	-----	-----
	1,074,634,341	990,930,147
	=====	=====

24.2 Factory Overheads

Insurance premium	5,511,146	4,205,462
Repairs and maintenance	30,329,809	14,882,085
Rent, rates and taxes	3,088,404	3,381,073
Heat, light and power	96,157,403	85,835,826
Water consumption charges	8,049,789	14,143,420
Boiler expenses	785,779	827,023
Service charges	8,236,159	5,724,774
Checking, mending, stitching and packing charges	4,263,917	3,595,462
Cooli, cartage and freight	30,728,569	31,373,361
Cloth cutting and stitching charges	29,826,597	27,764,893
Depreciation	32,975,918	34,173,369
	-----	-----
	249,953,490	225,906,748
	=====	=====

25. ADMINISTRATIVE EXPENSES

Directors' remuneration	2,942,910	2,452,799
Salaries and benefits	16,515,984	12,382,835
Staff welfare	1,450,055	1,347,805
Electric charges	4,297,867	3,594,699
Travelling	6,487,482	5,732,094
Car maintenance	4,621,308	3,796,531
Conveyance	156,127	328,722
Entertainment	1,121,189	1,062,494
Printing and stationery	2,803,692	2,958,572
Postage, telegram, telephone and telex	3,777,911	3,512,311
Legal and professional	1,949,278	3,001,267
Auditors' remuneration	(25.1) 60,000	60,000
Advertisement	676,204	398,612
Subscription and fees	864.82	848,031
Charity and donation	(25.2) -	16,848
Insurance premium	1,598,467	1,340,031
Service contracts	168,303	200,710

Miscellaneous	172,799	314,522
Depreciation	3,434,132	3,448,626
	-----	-----
	53,098,523	46,797,509
	=====	=====

25.1 Auditors' remuneration

Audit fee	60,000	60,000
	=====	=====

25.2 Charity and donation

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

26. SELLING AND DISTRIBUTION EXPENSES

Packing and forwarding	12,629,508	12,999,591
Publicity	5,871,733	3,357,381
Samples	3,108,230	2,054,968
Postage and stamps	1,211,327	1,370,422
Entertainment	545,323	550,979
Export development tax	4,590,332	1,909,701
Other charges	-	26,792
	-----	-----
	27,956,453	22,269,834
	=====	=====

27. OTHER INCOME

Sales of scrap	1,294,035	837,336
Profit on TDRs	459,216	347,582
Profit on disposal of fixed assets	924,695	1,432,180
	-----	-----
	2,677,946	2,617,098
	=====	=====

28. FINANCIAL CHARGES

Bank charges, mark-up and commission	29,027,038	17,696,844
Mark-up on cash credit account	4,384,945	3,414,391
Mark-up on FIM account	5,447,391	3,717,532
Mark-up on fixed assets finance	268,766	2,429,834
Mark-up on short term running finance	3,248,828	3,567,104
Mark-up on export refinance loans	38,785,671	31,044,488
Lease finance charges	9,125,451	10,789,826
Interest on W.P.P.F.	484,328	342,192
	-----	-----
	90,772,418	73,002,211
	=====	=====

29. OTHER CHARGES

Workers' profit participation fund	3,836,700	2,172,535
Workers' welfare fund	13,890	-
	-----	-----
	3,850,590	2,172,535
	=====	=====

30. TAXATION

Current	8,171,435	6,876,879
---------	-----------	-----------

30.1 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.

31. REMUNERATION OF DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1998	1997	1998	1997	1998	1997
Remuneration	1,275,936	1,063,284	753,654	628,044	8,089,701	4,511,818
House rent	574,176	478,476	339,144	282,624	3,515,410	2,001,981
Utilities	-	-	-	-	361,449	204,192

Number of persons	1	1	2	2	56	37
=====						

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

REMUNERATION TO OTHER DIRECTORS.

Aggregate amount charged in the accounts for Board Meeting fee to non - executive Directors was Rs. 13,500 (1997: Rs. 4,000).

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 14,161,546 (1997' Rs. 9,336,586).

	1998 Rupees	1997 Rupees
Sales, processing charges, services and charges recovered	67,666,466	45,423,268
Purchases, services and charges.	4,867,464	7,192,989

33. 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 havin9 different construction and weights.

34. GENERAL

i) Previous year's figures have been re-arranged wherever necessary for the purpose of comparison.

ii) Figures have been rounded off to the nearest rupee.

NASEEM A. SATTAR
Chairman & Chief Executive

AZIM AHMED
Director

**PATTERN OF SHARE HOLDINGS
AS AT JUNE 30, 1998**

Number of Share Holders	Share Holders		Total Shares
	From	To	
73	1	-	3,705
77	101	-	14,820
56	501	-	36,775
2	1,001	-	4,975
2	5,001	-	14,850
2	45,001	-	100,000
1	90,001	-	90,450
1	170,001	-	172,480
1	185,001	-	187,110
1	200,001	-	204,795
1	340,001	-	341,550
1	480,001	-	482,625
1	1,100,001	-	1,100,675
1	1,270,001	-	1,271,170
1	1,910,001	-	1,914,020
-----	-----	-----	-----
221	TOTAL		5,940,000
=====	=====	=====	=====

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
1. Individuals	217	3,642,800	61.32
2. Joint Stock Companies	1	405	0.01
3. Financial Institutions	3	2,296,795	38.67
	-----	-----	-----
Total	221	5,940,000	100.00
	=====	=====	=====