

Umer Fabrics Limited

NISHAT GROUP

ANNUAL REPORT 1997

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COMPANY INFORMATION

Board of Directors:

Mr. Yahya Saleem	(Chief Executive)
Mian Muhammad Rafi	Director
Mrs. Naz Mansha	Director
Mr. Muhammad Azam	Director
Mr. Aftab Abroad Khan	Director
Rana Muhammad Mushtaq	Director
Mr. Shahid Ghaffar	Director (Nominee of NIT)

Corporate Secretary:
Mr. Farrukh Ifzal

Bankers to the Company:

American Express Bank Ltd.
Citibank N.A.
Deutsche Bank
Faysal Bank Limited
National Bank of Pakistan
Credit Agricole Indosuez
Habib Bank Limited
Standard Chartered Bank
Mashreq Bank. Psc
ABN AMRO Bank N.V.
Bank of America NT & SA
Societe Generale Bank

Auditors:

Riaz Ahmad & Company
Chartered Accountants

Legal Advisor:

Aurang Zeb Khan

Head Office:

4-Happy Homes,
38-A, Main Gulberg, Lahore.
Phone: 5761730-39
Telex: 47823 NISHT PK.
Fax: (042) 5711340

Registered Office:

53-A, Lawrence Road,
Lahore - Pakistan.
Phone: 6367812-20
Telex: 47523 NISHT PK.
Fax: (042) 6367414

Mills:

49th Kilometre, Multan Road,
Bhai Pheru, Tehsil Chunian,
District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 10th Annual General Meeting of the Shareholders of UMER FABRICS LIMITED will be held at the Head Office of the Company, 4-Happy Homes,

38-A, Main Gulberg, Lahore, on March 30, 1998 (Monday) at 10.00 a.m. to transact the following business:-

1. To confirm the minutes of last General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended September 30, 1997 together with Directors' and Auditors' reports thereon.
3. To approve payment of Cash Dividend. The Directors have recommended 15% Cash Dividend (i.e. Rs.1.50 per share)
4. To appoint auditors for the year ending September 30, 1998 and fix their remuneration. The present Auditors M/s. Riaz Ahmad and Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chair.

BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from March 30, 1998 to April 06, 1998 (both days inclusive).

NOTES:

- i) The Cash Dividend will be paid to the shareholders whose name will be appear in the register of members as at the close of business on March 29, 1998.
- ii) A member eligible 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 by the Company at the Registered Office/Head Office not later than 48 hours before the time for holding the meeting in working hours.
- iii) Members are requested to immediately notify the change of address, if any.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors welcome you to the 10th Annual General Meeting of the company and are pleased to present the audited accounts and annual report for the year ended September 30, 1997.

YEAR UNDER REVIEW

1996-97, once again proved to be a success story for UFL. Financial results are a reflection of this success. Sales jumped to Rs. 1.58 Billion (1996 = Rs. 1.36 Billion) depicting an annualized growth rate of 16.2%, which is remarkable by all means. Cost of goods as a percentage of sales went down to 79% as compared to last years figure of 81.5%, resulting in a gross margin of RS. 334 Million (1996 = Rs. 251 Million). This translates into a 2.5% net increase in gross margin as a percentage of sales (1997 = 21%, 1996 = 18.5%). The Earning Per Share comes to Rs. 4.15 per share.

Nishat Group has always maintained its reputation for quality products. For this purpose, HOWA Simplex RME and Toyota Simplex FL 16 were installed in Unit 1 and Unit 2 of UFL, respectively. This modernization has helped not only in improving the quality standards but has also reduced the operational costs ill the current year.

These and various other achievement 1993 1994 1995 1996 1997 company one or the most efficient and productive outfit in the textile circles of Pakistan.

By virtue of the outstanding financial results achieved during the year 1996-97, the Board of Directors of UFL have the pleasure to propose a 15% cash dividend for the stockholders of the company and to transfer an amount of Rs. 70 million to General Reserves.

SHORT TERM OUTLOOK

The devaluation of Pak rupee in October of 1997 was a major event for the local exporters of textile related products. Limited gains were made on the exports which were in the pipe line at the time of devaluation. However, this advantage to the exporters was countered by the buyers, as they came back on the devaluation news and the future orders were re-negotiated, bring the position back to square one.

The textile sector faced another setback when the far-eastern economies got into the currency crisis. The exports of UFL are made mostly to the far-eastern countries. The currency crisis made the Indonesian exporters to offer yarn at very low prices to the buyers in Hong Kong and Japan. Also the graph of imports in these far-eastern countries declined very rapidly due to the devaluation of their currencies. During the months of December and

January 1 1997-98 the yarn export to these countries came to a virtual halt. The factor of Christmas, New Year and Chinese New Year holidays also played a part in the decline of our exports. However, from February, 1998 onwards the graph oil exports has once again started to improve and the exports to these far eastern countries are now fast improving.

UMER FABRICS LIMITED

One good news at the start of the current financial year was that Pakistan had a reasonably good crop which till now has resulted in the production of approximately 8 Million bales and it is estimated that half a million bales would be added to this tally by the end of season. This year both the quality and quantity can be considered as sufficient enough for the national requirements. Like previous years, the policy of covering our position till the end of September was implemented again. This has once again given us considerable advantage over our competitors who procure their raw materials on a day to day basis.

UFL has high hopes for the year 1997-98. In this regard, the management is making continuous efforts to further improve the product quality, in order to compete in a highly commoditized industry. Efforts are also underway to explore new markets in search of new horizons.

Your directors would like to take this opportunity to register their appreciation for the un-tiring efforts of the staff and management and our customers, who have placed so much faith on us for the last so many years, resulting in continued profitability for the company.

UFL with the help of its hardworking employees, sound management policies and high quality standards will continue to come up to the expectations of its shareholders. We are confident that with the crises in the far eastern countries out of sight and complete stock coverage for the year, another successful year is in the offing.

The retiring auditors M/s. Riaz Ahmed & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

The pattern of shareholding as required by Section 236 of the Companies Ordinance, 1984 is enclosed

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of UMER FABRICS LIMITED as at 30 September 1997 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

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

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

iii) the business conducted, 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 statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September, 1997 and of the profit and the changes in financial position for the year then ended: and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**BALANCE SHEET AS AT
30 SEPTEMBER 1997**

	1997	1996
	(Rupees in Thousand)	
SHARE CAPITAL AND RESERVES		
Authorised share capital		
30,000,000 ordinary shares of Rupees 10 each	300,000	300,000
	=====	=====

NOTE

Issued, subscribed and paid up share capital	3	240,052	240,052
Revenue reserves	4	134,574	70,941
		-----	-----
		374,626	310,993
DEBENTURES AND LONG TERM LOANS			
	5	1,313	1,751
Long term loans	6	46,427	71,884
		-----	-----
		47,741}	73,635
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	-	15,623
DEFERRED LIABILITY			
Employees' retirement gratuity		7,060	5,309
CURRENT LIABILITIES			
Current portion of long term liabilities	8	41,519	48,479
Short term finances	9	298,710	233,111
Creditors, accrued and other liabilities	10	78,237	71,056
Provision for taxation		18,555	6,572
Proposed dividend		36,008	-
		-----	-----
		473,029	359,218
CONTINGENCIES AND COMMITMENTS	11	-	-
		-----	-----
		902,455	764,778
		=====	=====

The annexed notes form an integral part of these accounts.

TANGIBLE FIXED ASSETS			
Operating fixed assets	12	387,835	396,296
Assets subject to finance lease	13	32,538	63,427
		-----	-----
		420,373	459,723
EQUITY INVESTMENTS	14	5,044	17,782
LONG TERM DEPOSITS	15	319	2,973
CURRENT ASSETS			
Stores, spare parts and loose tools	16	18,522	18,892
Stock-in-trade	17	98,196	80,193
Trade debts	18	193,839	129,679
Advances, deposits, prepayments and other receivable	19	42,047	51,492
Cash and bank balances	20	124,115	4,044
		-----	-----
		476,719	284,300
		-----	-----
		902,455	764,778
		=====	=====

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1997

1997 1996
(Rupees in Thousand)

NOTE

SALES	21	1,579,859	1,359,869
COST OF GOODS SOLD	22	1,245,818	1,108,754
		-----	-----
GROSS PROFIT		334,041	251,115
ADMINISTRATIVE, SELLING AND GENERAL EXPENSES	23	72,652	77,345
		-----	-----
OPERATING PROFIT		261,389	173,770
OTHER INCOME	24	18,535	5,594
		-----	-----
		279,924	179,364
FINANCIAL AND OTHER CHARGES	25	168,300	108,964
		-----	-----

PROFIT BEFORE TAXATION		111,624	70,400
PROVISION FOR TAXATION	26	11,983	6,572
		-----	-----
PROFIT AFTER TAXATION		99,641	63,828
PROFIT/(LOSS) BROUGHT FORWARD		6,830	(56,998)
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		106,471	6,830
APPROPRIATIONS			
Proposed dividend @ 15%		36,008	-
Transfer to general reserve		70,000	-
		-----	-----
		106,008	-
		-----	-----
UNAPPROPRIATED PROFIT		463	6,830
		=====	=====

The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 30 SEPTEMBER, 1997**

	1997	1996
	(Rupees in Thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	111,624	70,400
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	46,471	50,883
Gain on disposal of fixed assets	(204)	(299)
Loss on sale of investment	4,305	
Staff gratuity	2,769	2,078
Financial charges	158,099	105,242
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL	323,064	228,304
(Increase)/decrease in current assets		
Stores, spares and loose tools	370	16,199
Stock-in-trade	118,003	20,005
Trade debts	(64,160)	(91,581)
Advances, deposits, prepayments and other receivables	24,604	(20,354)
Increase/(decrease) in current liabilities		
Short term finances	65,599	89,059
Creditors, accrued and other liabilities	(1,568)	(46,266)
CASH FLOWS FROM WORKING CAPITAL CHANGES	6,842	(55,336)
	-----	-----
Financial charges paid	329,916	172,968
Income tax paid	1143,544	1101,952
Gratuity paid	(15,159)	117,632
NET CASH FLOWS FROM OPERATING ACTIVITIES	170,185	52,339

1997 1996
(Rupees in Thousand)

CASH FLOWS FROM INVESTING ACTIVITIES		
Long term deposits	2,654	2,944
Sale proceeds of investments	10,852	-
Sale proceeds of fixed assets	937	572
Fixed capital expenditure	(8,160)	(9,002)
Equity Investments	(2,419)	(2,625)
NET CASH FLOWS FROM INVESTING ACTIVITIES	3,864	(8,111)
CASH FLOWS FROM FINANCING ACTIVITIES		

Custom debentures	(438)	2,147
Long term loans	(23,276)	(21,372)
Redeemable capital	-	(8,000)
Liabilities against assets Subject to finance lease	(30,264)	(19,816)
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	(53,978)	(47,041)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	120,071	(2,813)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	4,044	6,857
	-----	-----
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	124,115	4,044
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

1. THE COMPANY AND ITS ACTIVITIES

Umer Fabrics Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 listed on Lahore and Karachi Stock Exchanges of Pakistan. The company is engaged in the manufacturing and trading of cotton yarn.

2. ACCOUNTING POLICIES

Summary of significant accounting policies is given below:

2.1 Overall valuation policy

The accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences in previous years as referred to in note 2.4.

2.2 Employees' retirement benefits

The company operates an unfunded gratuity scheme covering all employees, payable on ceasing of employment. The provision is being made annually in the accounts according to the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

2.3 Taxation

Charge for current taxation is based on taxable income at current rates after considering the rebates and tax credits available, if any. Deferred tax is accounted for on all major timing differences by using the liability method, to the extent that liability can be estimated for foreseeable future. (Refer note 26).

2.4 Foreign currency

Foreign currency transactions are recorded at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currency are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date or rates fixed under exchange risk absorption scheme of State Bank of Pakistan. Net exchange difference relating to foreign currency loans is adjusted against the cost of fixed assets acquired from the proceeds of loans. Exchange risk fee and gain/loss on translation of foreign bills under collection at the year end are charged to current year's income.

2.5 Tangible fixed assets and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the erection/construction period and other directly attributable cost of bringing the assets to working condition.

Depreciation on operating fixed assets is charged to income on the reducing balance method at the rates given in note 12. The full annual rate of depreciation is applied to the cost of additions except for major additions or extensions to production facilities. Major additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the year. No depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to current year's income. Major renewals and replacements are capitalized. Gain or loss on disposal of operating fixed assets is included in current year's income.

2.6 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation

relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over the useful life of the assets on reducing balance method at the rate given in note 13. Depreciation of leased assets is charged to current year's income.

2.7 Equity investments

Long term investments are stated at cost. Provision for diminution in the value of any investment is made if considered permanent. Short term investments are stated at the lower of cost or market value determined on aggregate portfolio basis.

2.8 Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value.

2.9 Stock-in-trade

Stocks of raw material, work-in-process and finished goods are valued at the lower of average cost and net realizable value, except waste which is valued at contract prices. Average cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads.

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessary to be incurred in order to make a sale.

2.10 Trade debts

Known bad debts are written off and provision is made against debts considered doubtful.

2.11 Revenue recognition

Revenue from sales is recognized on despatch of goods to customers. Dividend income on equity investments is accounted for on receipt basis while the return on short term placement of funds with banks and financial institutions is accounted for on a time proportion basis on the rates of profit applicable thereon.

1997 1996
(Rupees in Thousand)

3. ISSUED SUBSCRIBED AND PAID UP

SHARE CAPITAL

14,127,750 ordinary shares of Rupees 10 each fully paid up in cash	141,277	141,277
9,877,455 ordinary shares of Rupees 10 each issued as fully paid to the shareholders of Raza Textile Mills Limited in accordance with the scheme of arrangement allowed by the Lahore High Court, Lahore	98,775	98,775
	-----	-----
	240,052	240,052
	=====	=====

1997 1996
(Rupees in Thousand)

4. REVENUE RESERVES

General reserve	134,111	64,111
Unappropriated profit	463	6,830
	-----	-----
	134,574	70,941
	=====	=====

5. CUSTOM DEBENTURES

Balance as on 30 September	1,751	2,189
Current portion (Note 8)	438	438
	-----	-----
	1,313	1,751
	=====	=====

5.1 Custom debentures have been issued in favour of Collector of Customs to cover the deferred element of custom duty on import of plant and machinery. Debentures carry surcharge at the rate of 14 percent per annum and are redeemable in five annual equal installments. The outstanding debentures will be fully redeemed on 05 November 2000.

5.2 These are secured by way of guarantee issued by Faysal Bank Limited which is secured against the floating charge on current assets of the company.

6. LONG TERM LOANS

PICIC-Loan No. ADB

1775/776/15 (Note 6.1)

59,542 74,590

Supplier's credit-II (Note 6.2)

6,715 11,192

Supplier's credit-I (Note 6.3)

5,628 9,379

12,343 20,571-----
71,885 95,161

Current portion (Note 8)

25,458 23,277

46,427 71,884

=====

6.1 The foreign currency loan of U.S. Dollars 5.849 million was obtained from Pakistan Industrial Credit and Investment Corporation Limited (PICIC) for import of machinery and converted into Pak Rupees at the rate of exchange prevailing on the dates of the respective disbursements as under the terms of agreement. It is repayable in Pak Rupees and is secured against a first charge by way of equitable mortgage on all immovable properties, a first charge by way of hypothecation on plant and machinery, a first floating charge on all other assets and a demand promissory note. The loan carries interest at the rate of 14 percent per annum. Loan is repayable in 18 unequal consecutive semi-annual installments commencing from 01 January 1992.

6.2 Supplier's credit has been obtained in Japanese Yen from Tomen Corporation, Hong Kong on the guarantee given by Habib Bank Limited for the purchase of machinery which is secured

against the first charge ranking pari passu with Pakistan Industrial Credit and Investment Corporation Limited and National Bank of Pakistan over the entire fixed assets of the Company. It carries interest at the rate of 7.6 percent per annum and is repayable in 12 equal half yearly instalments commencing from 18 August 1993. The exchange risk coverage fee is paid at the rate of 6.60 percent on outstanding balances. The foreign currency is translated into Pak Rupees at the exchange rate prevailing on the date on which exchange risk cover was obtained.

6.3 Supplier's credit has been obtained in Japanese Yen from Nichiinen Europe B.V., London on the guarantee given by National Bank of Pakistan for the purchase of machinery which is secured against the securities mentioned in note 6.1. It carries interest at the rate of 8.5 percent per annum and is repayable in 12 equal half yearly installments commencing from 06 June 1993. The exchange risk coverage fee is paid at the rate of 6.60 percent on outstanding balances. The foreign currency is translated into Pak Rupees at the exchange rate prevailing on the date on which exchange risk cover was obtained.

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

1997 1996
(Rupees in Thousand)

Present value of minimum
lease payments

15,623 40,387

Current portion (Note 8)

15,623 24,764

- 15,623

=====

7.1 Present value of minimum lease payments has been discounted using the sum of digit method. Rentals are paid in quarterly installments. Taxes, repairs and insurance costs are borne by the company. The company shall have no right to terminate the lease agreements and if the lease agreements are terminated, the company shall pay entire amount of rentals for unexpired period of lease agreements. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. The liability is partly secured by a deposit of Rupees 2.482 million (1996: Rupees 3.150 million) included in short term security deposits (Note 19). The approximate rate of interest and balance rentals payable under each lease agreement are as under:

DESCRIPTION	BALANCE	APPROXIMATE	NO. OF
	RENTALS	RATE OF	QUARTERLY
	OUTSTANDING	FINANCE	INSTALLMENTS
	AS ON 30	CHARGE	OUTSTANDING
	SEPTEMBER		
	1997		

Rupees in thousand %

National Development

Leasing Corporation Limited

Lease-3A	536	22	4
Lease-3B	6,476	22	4
Lease-3C	1,516	22	4
Lease-3D	6,483	22	4

1997 **1996**
(Rupees in Thousand)

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

Custom debentures	438	438
Long term loans	-----	-----
From PICIC	17,229	15,049
Supplier's credit-I	3,752	3.75
Supplier's credit-II	4,477	4,477
	-----	-----
	25,458	23,277
Liabilities against assets subject to finance lease	15,623	24,764
	-----	-----
	41,519	48,479
	=====	=====

9. SHORT TERM FINANCES

Cash finances (Note 9.1 and 9.2)	9,638	39,300
Preshipment finances (Note 9.1 and 9.3)	165,151	100,000
Postshipment finances (Note 9.1 and 9.4)	123,921	93,811
	-----	-----
	298,710	233,111
	=====	=====

9.1 These finances form part of total credit facilities amounting to Rupees 586.70 million (1996: Rupees 531 million) available from commercial banks under mark-up arrangements.

9.2 Cash finances carry mark up at the rates ranging from 38.89 to 47.22 paisas per Rupees thousand per day. These are secured against first pari passu charge on present and future current assets of the company, pledge of raw cotton bales and personal guarantees of directors.

9.3 Preshipment finances carry mark-up at the rates ranging from 30.56 to 47.22 paisas per Rupees thousand per day. These are secured against lien on letters of credit against export, first pari passu charge on current assets of the company and personal guarantees of directors.

9.4 Postshipment finances carry mark-up at the rates ranging from 33.33 to 45.83 paisas per Rupees thousand per day. These are secured against first pari passu charge on current and figure assets of the company, lien over title of export goods and personal guarantees of directors.

1997 **1996**
(Rupees in Thousand)

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

Creditors		
Trade	7,398	9,908
Others	11,157	10,169
	-----	-----
	18,555	20,077
Due to associated undertakings	3,040	17,417
Income tax deducted at source	713	158
Interest on long term loans-secured	2,466	3,476
Mark up on secured short term finances	-----	-----
Cash finances	3,777	5,257
Preshipment finances	5,729	652
Postshipment finances	8,824	2,577
	-----	-----
	18,330	8,486
Finance charges on liabilities against assets subject to finance lease	306	-
Surcharge on custom debentures-secured	221	306
Unclaimed dividend	352	352

Workers' participation fund (Note 10. I)	6,864	4,465
Other accrued liabilities	27,390	16,319
	-----	-----
	78,237	71,056
	=====	=====

10.1 WORKERS' PARTICIPATION FUND

Balance as on 01 October	4,465	2,073
Interest provided during the year	181	-
	-----	-----
	4,646	2,073
Payments made during the year	-----	-----
To workers	2,192	1,330
To Government	1,486	-
	-----	-----
	3,678	1,330
Un-claimed balances	968	743
Share of company's profit for the year	5,896	3,722
	-----	-----
	6,864	4,465
	=====	=====

10.2 The company retains workers' participation fund for its business operations till the date of allocation to workers. Interest is paid at the prescribed rate under the Act on funds utilized by the company till the date of allocation to workers.

	1997	1996
11. CONTINGENCIES AND COMMITMENTS	NIL	NIL

12. OPERATING FIXED ASSETS

(Rupees in Thousand)

DESCRIPTION	As at	Additions/	As at	ACCUMULATED	BOOK VALUE	DEPRECIATION	Rate
	01 October 1996	(Deletions)	30 September 1997	DEPRECIATION AS AT 30 SEP- TEMBER 1997	AS AT 30 SEPTEMBER 1997	Charge for the year 1997	
Freehold land	8,638	-	8,638	-	8,638	-	-
Building on freehold land	131,022	-	131,022	68,418	62,604	6,956	10
Plant and machinery	552,987	32,473 (50)	585,410	294,594	290,816	32,313	10
Furniture, fixtures and equipment	23,287	740 (140)	23,887	11,963	11,924	1,325	10
Transport and vehicles	9,348	1,602 (934)	10,016	4,807	5,209	1,302	20
Electric installations	19,581	-	19,581	12,379	7,202	800	10
Computers	1,787	312 (46)	2,053	611	1442	160	10
30 September 1997	746,650	35,127 (1,170)	780,607	392,772	387,835	42,856	
30 September 1996	738,262	9,002 (614)	746,650	350,354	396,296	43,836	
	=====	=====	=====	=====	=====	=====	

12.1 Depreciation charge for the year has been allocated as follows:

	1997	1996
	(Rupees in Thousand)	
Cost of goods sold	41,554	42,463
Administrative, selling and general expenses	1,302	1,373
	-----	-----
	42,856	43,836
	=====	=====

12.2 Detail of operating fixed assets disposed off during the year is as follows:

(Rupees in Thousand)						
	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Suzuki Khyber (LOH-1100)	225	151	74	215	Negotiation	Mr. Khalid s/o. Wazir Khan Lahore.
Suzuki Van (LOW-5567)	275	99	176	226	Negotiation	Mr. Mansoor Shafi s/o Haji Mr. Shafi, Gujranwala
Suzuki Khyber (LOZ-4784)	406	81	325	325	Negotiation	D.G. Khan Cement Company Ltd.
Vespa Scooter (LOD-7119)	29	21	8	10	Negotiation	Mr. Asif Nisar s/o. Nisar Ahmed, Karachi.
Cannon Copier Konica 3035	139	57	82	65	Negotiation	Office Automation Group, Lahore
Printer NX2415	14	7	7	3	Negotiation	Computer, ways, Lahore
Printer Epson 1050	16	7	9	5	Negotiation	Computer ways, Lahore
Printer Seikosha MP 5355	16	6	10	3	Negotiation	Computer ways, Lahore
Card Machine (old)	50	9	41	85	Negotiation	Nishat (Chunian) Limited-Associated Company

13. ASSETS SUBJECT TO FINANCE LEASE

(Rupees in thousand)

	COST		As at 30 September 1997	ACCUMULATED	BOOK VALUE	DEPRECIATION	
	As at 01 October 1996	Additions/ (Deletions)		DEPRECIATION AS AT 30 SEP- TEMBER 1997	AS AT 30 SEPTEMBER 1997	Charged to cost of goods sold	Rate %
Plant and machinery	97,150	(47,502)	49,648	17,110	32,538	3,615	10
30 September 1997	97,150	(47,502)	49,648	17,110	32,538	3,615	
30 September 1996	97,150	-	97,150	33,723	63,427	7,047	

13.1 Deletion represents the transfer of plant and machinery to operating fixed assets on completion of lease term at Book values.

1997 1996
(Rupees in Thousand)

14. EQUITY INVESTMENTS

QUOTED

Genertech (Pakistan) Limited

1,085,126 fully paid ordinary shares
of Rupees 10 each

- 15,157

Muslim Commercial Bank Limited

65,000 (1996: NIL) fully paid ordinary
shares of Rupees 10 each

2,419 -

2,419 15,157

Unquoted

Security General Insurance
Company Limited

262,500 fully paid ordinary
shares of Rupees 10 each

(Chief Executive-Syed Javad Gilani)

2,625 2,625

5,044 17,782

=====

14.1 Market value of the quoted investment as at 30 September 1997 was Rupees 2.516 million
(1996: Rupees 9.766 million).

15. LONG TERM DEPOSITS

Securities

Leasing companies

- 2,482

Others

319 491

319 2,973

=====

16. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	7,830	8,235
Spare parts	10,317	10,399
Loose tools	375	258
	-----	-----
	18,522	18,892
	=====	=====

17. STOCK-IN-TRADE

Raw material	60,028	39,878
Work-in-process	22,790	19,906
Finished goods	10,567	16,197
Waste	4,811	4,212
	-----	-----
	98,196	80,193
	=====	=====

1997 1996
(Rupees in Thousand)

18. TRADE DEBTS-CONSIDERED GOOD

Unsecured	6,438	366
Secured	-----	-----
Against letters of credit	16,576	129,313
Against forward sale contracts	170,825	-
	-----	-----
	187,401	129,313
	-----	-----
	193,839	129,679
	=====	=====

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**Loans and advances-Considered good**

Employees	473	480
Suppliers/contractors	7,425	8,384
Against expenses	240	42
Letter of credit	5,357	169
Income tax	15,523	364
Deposits	-----	-----
Sale tax	3,313	-
Excise duty	-	329
Leasing companies	2,482	3,150
	-----	-----
	5,795	3,479
Margin on bank guarantees	1,243	700
Short term prepayments	283	380
Due from associated undertakings	1,244	34,278
Other receivables	4,464	3,216
	-----	-----
	42,047	51,492
	=====	=====

20. CASH AND BANK BALANCES

Cash in hand	182	143
Cash with banks/NBFIs		
On current accounts	13,119	3,901
On deposit accounts	110,814	-
	-----	-----
	124,115	4,044
	=====	=====

1997 1996
(Rupees in Thousand)

21. SALES

Own products		
Yarn		
Export	1,156,145	923,558
Local	315,025	318,602

	1,471,170	1,242,160
Waste		
Export	100,219	93,011
Local	25,311	31,275
	125,530	124,286
Purchased goods		
Export	-	4,771
Local	-	3,560
	-	8,331
	1,596,700	1,374,777
Commission to selling agents	16,841	14,908
	1,579,859	1,359,869
	=====	=====

22. COST OF GOODS SOLD

Raw material consumed (Note 22.1)	993,762	863,789
Salaries, wages and other benefits	50,322	43,353
Gratuity	2,128	1,846
Fuel and power	98,165	75,611
Packing materials	25,063	23,967
Stores, spare parts and loose tools	15,997	16,364
Insurance	1,922	1,390
Other factory overheads	11,143	14,756
Depreciation	45,169	49,510
	1,243,671	1,090,586

Work-in-process

Opening inventory	19,906	20,112
Closing inventory	22,790	19,906
	(2,884)	206
Cost of goods manufactured	1,240,787	1,090,792
Cost of goods purchased for resale		
Export	-	4,465
Local	-	3,475
	-	7,940
	1,240,787	1,098,732
Finished goods-Own products		
Opening inventory	20,409	30,431
Closing inventory	15,378	20,409
	5,031	10,022
	1,245,818	1,108,754
	=====	=====

1997 1996
(Rupees in Thousand)

22.1 RAW MATERIAL CONSUMED

Opening stock	39,878	49,655
Purchase during the year	1,017,233	862,647
	1,057,111	912,302
Insurance claim	3,321	1,919
Sold during the year	-	6,716
	3,321	8,635
	1,053,790	903,667
Closing stock	60,028	39,878
	-----	-----

	993,762	863,789
	=====	=====
23. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES		
Salaries, wages and other benefits	5,150	5,181
Gratuity	641	231
Clearing and forwarding	56,053	57,242
Sales tax	-	2,888
Legal and professional	251	174
Insurance	1,109	851
Travelling and conveyance	753	933
Vehicles' running	810	592
Entertainment	185	188
Fee, subscription and taxes	631	611
Audit fee	120	120
Advertisement	87	78
Postage, telephone and telegrams	3,219	3,891
Electricity and sui gas	437	685
Printing and stationery	366	792
Miscellaneous	1,140	1,515
Donation (Note 23.1)	398	-
Depreciation	1,302	1,373
	-----	-----
	72,652	77,345
	=====	=====

23.1 This represents the amount donated to Prime Minister's National Debt Retirement Scheme. None of the Directors or his spouse has any interest in the donees' fund.

24. OTHER INCOME

Dividend	-	2,170
Sale of scrap	1,949	1,892
Gain on disposal of fixed assets	204	299
Mark-up on advances to associated undertakings	14,935	1,233
Miscellaneous	1,447	-
	-----	-----
	18,535	5,594
	=====	=====

1997 1996 (Rupees in Thousand)

25. FINANCIAL AND OTHER CHARGES

Financial

Interest/mark up/surcharge on:

Redeemable capital	-	725
Custom debentures	221	308
Long term loans	12,339	16,510
Workers' participation fund	181	-
Advances from associated undertakings	6,922	11,141

Short term finances:

Cash finances	41,737	47,295
Preshipment finances	30,466	10,536
Postshipment finances	43,739	2,710
Other bank credits	6,813	18

Finance charges on liabilities

Against assets subject to finance lease	5,806	9,841
Bank charges and commission	9,875	6,158

Others

Loss on sale of equity investment	4,305	-
Workers' participation fund	5,896	3,722

168,300 108,964

=====

26. PROVISION FOR TAXATION

Current year	11,983	9,158
Prior years'	-	(2,586)
	-----	-----
	11,983	6,572
	=====	=====

Provision for current taxation represents the income tax due under section 80CC and 80D of Income Tax Ordinance, 1979. The tax losses to be carried forward as on 30 September 1997 are estimated at Rupees 264.530 million (1996: Rupees 262.274 million) including assessed losses of Rupees 232.994 million. In view of available tax losses, the provision for deferred taxation is not required.

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The company purchased from and sold to associated undertakings materials, goods, fixed assets and services in the aggregate sum of Rupees 1.050 million (1996: Rupees 85.895 million) and Rupees 85.359 million (1996: Rupees 121.865 million) respectively. These purchases/sales were made at market prices.

27.1 Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 74.447 million (1996: Rupees 58.263 million).

27.2 Mark up is paid/charged to/from associated undertakings on advances at the rate of paisas 50 per Rupees thousand per day.

28. REMUNERATION TO DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including all benefits to directors and executives of the company are as follows:

	1997	1996
	(Rupees in Thousand)	
EXECUTIVES		
Remuneration	3,528	1,715
House rent	1,588	772
Conveyance	41}	29
Utilities	137	56
	-----	-----
	5,293	2,572
	=====	=====
Number of persons	11	9

DIRECTORS

No remuneration or meeting fee was paid to directors during the period under reference.

	1997	1996
29. PLANT CAPACITY AND ACTUAL PRODUCTION		
Total number of spindles installed	39,840	39,840
Rated capacity converted into 20/s count (figures in Kgs.)	12,478,112	12,918,954
Actual production converted into 20/s count (figures in Kgs.)	12,290,915	12,724,498
Number of shifts worked per day	3	3
Total number of shifts worked during the year	1,093	1,096

30. REASON FOR LOW PRODUCTION

The under-utilization of available capacity is due to normal maintenance.

31. CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

FORM - 34

THE COMPANIES ORDINANCE, 1984

PATTERN OF HOLDING OF SHARES HELD BY THE MEMBERS

AS AT SEPTEMBER 30, 1997

SHARE	SHAREHOLDING	TOTAL
-------	--------------	-------

HOLDERS	FROM	TO	SHARES HELD
811	1	100	39752
1446	101	500	307524
483	501	1000	359600
248	1001	1500	313074
121	1501	2000	219781
66	2001	2500	148437
84	2501	3000	231492
34	3001	3500	110242
36	3501	4000	135650
23	4001	4500	99963
28	4501	5000	134881
16	5001	5500	84361
21	5501	6000	122021
11	6001	6500	70466
4	6501	7000	27556
9	7001	7500	65179
6	7501	8000	47095
8	8001	8500	65790
4	8501	9000	35201
5	9001	9500	46829
6	9501	10000	59405
27	10001	15000	329701
23	15001	20000	397934
12	20001	25000	270549
4	25001	30000	109879
3	30001	35000	99542
4	35001	40000	149743
5	40001	45000	211763
2	45001	50000	94222
3	50001	55000	157679
1	55001	60000	55855
1	90001	95000	92442
1	155001	160000	159010
1	160001	165000	162914
1	170001	175000	171267
1	280001	285000	282550
1	345001	350000	345156
2	415001	420000	830668
1	515001	520000	518914
1	750001	755000	753504
1	4220001	4225000	4224076
1	5385001	5390000	5386758
1	6475001	6480000	6476780
-----	-----	-----	-----
3567			24005205
=====	=====	=====	=====

Categories of Share Holders	Number of Share Holders	Shares Held	% Percentage
Individuals	3511	5410409	22.54
Investment Companies	5	760618	3.17
Insurance Companies	5	744398	3.10
Joint Stock Companies	13	12008172	50.02
Financial Institutions	9	4579538	19.08
Modaraba Companies	10	80894	0.34
Foreign Companies	10	394869	1.64
Co-operative Societies	4	26307	0.11
	-----	-----	-----
	3567	24005205	100.00
	=====	=====	=====