

# **LIBERTY MILLS LIMITED**

**31ST ANNUAL REPORT 1997**

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## **Board of Directors**

### **BOARD OF DIRECTORS**

#### **DIRECTORS**

MR. SALIM N. MUKATY  
MR. ARIF N. MUKATY  
MR. YUSUF N. MUKATY  
MR. ASHRAF SALIM MUKATY  
MR. ABID ARIF MUKATY  
MR. ARIF HAJI ABDUL SATTAR MANIYA  
MR. HANIF E. JALIA WALA  
MR. GHAYUR A. KHAN  
MR. MADNI GUL MUHAMMAD

#### **CHIEF EXECUTIVE SECRETARY**

MR. YUSUF N. MUKATY  
MR. MUHAMMAD ASHRAF GHAZI

#### **AUDITORS:**

HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS

A. R. DIWAN & CO.  
CHARTERED ACCOUNTANTS

#### **BANKERS:**

HABIB BANK LIMITED  
HABIB BANK A. G. ZURICH  
METROPOLITAN BANK LTD.  
SONERI BANK LTD.  
BANK AL HABIB LTD.

#### **REGISTERED OFFICE:**

10TH FLOOR, ADAMJEE HOUSE,  
I.I. CHUNDRIGAR ROAD,

KARACHI- 74000.  
TEL. NOS. 2417205-6-7-8  
TELE FAX: (021) 2412194  
CABLE: MUKA TICO  
TELEX: 20845 MKC PK

**MILLS:** A-51-A, S.I.T.E., KARACHI.  
TEL. NOS. 2578103 TO 2578116  
TELEX: 21989 LML PK  
TELE EAX : (021) 2564600

### **Notice of Meeting**

NOTICE is hereby given that 31st Annual General Meeting of Shareholders of LIBERTY MILLS LIMITED will be held at Institute of Chartered Accountants of Pakistan Auditorium ICAP Building-31/& Kehkashan, Clifton, Karachi on Saturday, 27th December, 1997 at 9.00 A.M. to transact the following business:

1. To confirm the minutes of the Annual General Meeting of the Company held on 29-12-1996
2. To receive and adopt the Directors' and Auditors Report and Annual Audit Accounts of the Company for the year ended 30th June, 1997.
3. To appoint Auditors for the year ending 30th June, 1998 and to fix their remuneration. The retiring Auditors M/s. Hyder Bhimji & Company and M/s. A.R. Diwan & Company, Chartered Accountants of the Company have offered themselves for re-appointment.
4. To approve the payment of cash dividend @ 10% as recommended by the Board of Directors.
5. To transact any other ordinary business which may be placed before the meeting with the permission of the chair.

### **NOTE:**

1. The Share Transfer Books of the Company will be closed from 20th December, 1997 to 27th December 1997 (both days inclusive).
2. The shareholders are requested to communicate the Company of any change in their address.

### **Report of the Directors**

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure and privilege to welcome you at this General Meeting of the Company, and to present the Financial and Operating Results, together with the Audited accounts of your Company for the period ended 30th June, 1997.

#### **OPERATING RESULTS**

The Summarized results and appropriation of Profit are as under.'

Profit Before Taxation	11,498,058
Less: Taxation	(10,944,470)
	-----
Profit for the year after-Taxation	553,588
Un-appropriated Profit from previous year	4,068,721
	-----
	4,622,309
Transfer from Revenue Reserve	10,300,000
	-----
	14,922,309
Provision for 10% Cash Dividend	(14,894,690)
	-----
Un-appropriated Profit carried forward	27,619
	=====

#### **FUTURE**

We hope to post an increase in our sales and improve our profit in the year 1997-98 and by doing this we hope to consolidate and strengthen our financial position in future years.

We would like to assure you that your management is committed to continue its best efforts in the company's business for the benefit of the shareholders, lenders, employees and other stakeholders.

#### **PATTERN OF SHARE HOLDINGS**

As per requirement of section 236 of the Companies Ordinance, 1984, a statement showing the pattern of Shareholding by the Shareholders of the Company is annexed to this Report.

#### **AUDITORS**

The retiring Auditor - Messrs Hyder Bhimji & Company and Messrs A.R. Diwan & Company, being eligible, offer themselves for reappointment.

#### **LABOUR AND MANAGEMENT RELATIONS**

With the blessings of Allah the Almighty, the Labour Management relations remained cordial throughout the year. Your Directors feel pleased to place on record their appreciation for the cooperation and support of the employees.

and devotion to duty of the workers, members of the staff and officers of the Company.

### **Auditor's Report to the Members**

We have audited the annexed Balance Sheet of Liberty Mills Limited as at 30th June 1997, and the related Profit and Loss Account and statement of changes in Financial position, (Cash flow statement), together with the notes forming part thereof, for the period 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 Companies Ordinance, 1984 and are in agreement with the books of-account and are further in accordance with the accounting policies consistently applied;

ii) the expenditures incurred during the period were for the purpose of the company' s business; and

iii) the business conducted, investments made and the expenditure incurred during the period 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, (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 30th June, 1997and of the profit and the changes in financial position, (Cash flow position) for the period then ended; and

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

Karachi: Dec 2, 1997

A.R. Diwan & Co.  
Chartered Accountants

Hyder Bhimji & Co.  
Chartered Accountants

**Balance Sheet as at 30th June, 1997**

30.6.97

30.6.96

	NOTES	RUPEES	RUPEES
<b>CAPITAL AND RESERVES</b>			
<b>CAPITAL</b>			
<b>Authorised :</b>			
20,000,000 Ordinary Shares of Rs. 10/- each.		200,000,000	200,000,000
		=====	=====
<b>ISSUED, SUBSCRIBED AND PAID- UP</b>		148,946,900	148,946,900
<b>RESERVE AND SURPLUS</b>			
Revenue Reserve	4	14,000,000	24,300,000
Un-appropriated Profit		27,619	4,068,721
		-----	-----
		162,974,519	177,315,621
REDEEMABLE CAPITAL	5	21,310,834	30,731,132
LONG TERM LOANS	6	30,501,690	39,044,690
LONG TERM LIABILITIES	7	-	789,422
DEFERRED LIABILITIES	8	39,941,574	42,347,355
CURRENT LIABILITIES		-----	-----
<b>Current Portion of Redeemable Capital</b>		9,420,298	8,682,302
Current Portion of Long Term Loans	9	8,857,025	11,520,750
Short Term Running Finance utilised under mark-tip Arrangement	10	205,028,541	262,371,854
Creditors, Accrued and Other Liabilities	11	77,202,346	71,720,749
Proposed Dividend		14,894,690	-
		-----	-----
		315,402,900	354,295,655
CONTINGENCIES & COMMITMENTS	12	-	-
		-----	-----
	Total	570,131,517	644,523,875
		=====	=====
NOTE: The annexed Notes form an integral part of these accounts.			
<b>FIXED TANGIBLE ASSETS</b>			
Operating Assets	13	343,321,256	362,021,486
CAPITAL WORK-IN-PROGRESS	14	9,627,275	13,978,504
		-----	-----
		352,948,531	375,999,990
LONG TERM DEPOSITS		2,405,195	2,405,195
<b>CURRENT ASSETS</b>			
Stores & Spares	15	4,725,170	4,218,704
Stock-in-Trade	16	33,827,027	109,552,339

Trade Debts	17	134,363,393	101,593,083
Advances, Deposits, Prepayments and other Receivable	18	39,919,026	46,652,869
Cash & Bank Balances	19	1,943,175	4,101,695
		-----	-----
		214,777,791	266,118,690
		-----	-----
Total		570,131,517	644,523,875
		=====	=====

**Profit and Loss Account**  
**For the Year Ended 30th June, 1997**

	NOTES	1.7.96 to 30.6.97 Rupees	1.1.95 to 30.6.96 Rupees
Sales	20	483,778,909	727,069,618
Income from Process Services rendered to Outside Parties		452,303,626	628,153,808
		-----	-----
Cost of Sales and Services	21	936,082,535 833,153,634	##### #####
		-----	-----
Gross Profit		102,928,901	136,668,075
		-----	-----
Administrative Expenses	22	16,844,588	20,805,772
Selling & Distribution Expenses	23	24,219,414	35,136,486
		-----	-----
		41,064,002	55,942,258
		-----	-----
Operating Profit		61,864,899	80,725,817
		-----	-----
Financial Charges	24	50,428,959	72,155.33
Other Charges	25	1,159,361	1,273,443
		-----	-----
		51,588,320	73,428,773
		-----	-----
		10,276,579	7,297,044
Other Income	26	1,221,479	2,794,861
		-----	-----
Profit before Taxation		11,498,058	10,091,905
Provision for Taxation	27	(10,944,470)	(6,100,000)
		-----	-----

Profit after Taxation	553,588	3,991,905
Un-appropriated Profit brought forward	4,068,721	76,816
	-----	-----
	4,622,309	4,068,721
Transfer from Revenue Reserve	10,300,000	-
	-----	-----
	14,922,309	4,068,721
Provision for 10% Cash Dividend	(14,894,690)	-
	-----	-----
Un-appropriated Profit carried forward	27,619	4,068,721
	=====	=====

Note: The annexed Notes form an integral part of these accounts.

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

	<b>1.7.96 to 30.6.97 Rupees</b>	<b>1.1.95 to 30.6.96 Rupees</b>
<b>CASH GENERATED FROM OPERATION ACTIVITIES</b>		
<b>PROFIT BEFORE TAXATION</b>	11,498,058	10,091,905
Adjustment for Non-cash charges and other items		
Depreciation	37,715,114	58,865,713
Depreciation written back	(1,451,091)	-
Provision for staff Retirement benefits (Net)	2,094,219	1,794,972
Financial charges provided	50,428,959	72,155,330
( Profit )/Loss on sale fixed assets	1,566,982	(250,413)
Working Capital changes - (Note. 31)	53,200,493	(11,441,893)
	-----	-----
	155,052,734	131,215,614
	=====	=====
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated operation	155,052,734	131,215,614
Financial charges paid	(52,400,868)	(75,432,563)
Tax paid	(11,437,748)	(10,853,863)
Long term security deposit paid	-	(180,000)
	-----	-----
Net cash in flow/(out flow) from operating activities	91,214,118	44,749,188
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		

Fixed capital expenditure	(41,583,408)	(56,041,282)
Proceed of disposal of fixed assets	22,532,135	3,062,650
	-----	-----
	(19,051,273)	(52,978,632)
	<b>1.7.96 to</b>	<b>1.1.95 to</b>
	<b>30.6.97</b>	<b>30.6.96</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term Borrowing	(8,245,750)	32,103,812
Repayment of Redeemable capital	(8,682,302)	-
Long term liability	(50,000)	-
	-----	-----
Net cash out flow from Financial activities	(16,978,052)	32,103,812
	-----	-----
Net increase/(decrease) in Cash & Cash equivalents	55,184,793	40,333,256
Cash & cash equivalent at the beginning of the year	(258,270,159)	(217,936,903)
	-----	-----
Cash & cash equivalent at the end of the year (Note. 32)	(203,085,366)	(258,270,159)
	=====	=====

## Notes to the Accounts

### For the Year Ended 30th June, 1997

#### 1. COMPANY AND ITS BUSINESS

The Company was incorporate in Pakistan in 1965 as Private Limited Company and was converted into Public Limited Company on 12th September 1969. Its share are quoted in the Karachi Stock Exchange. The principal activity of the Company is manufacturing and processing of all kinds of Fabrics.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.01 Accounting Convention

The Account of the Company have been prepared under the historical cost convention modification thereto if any are specifically stated.

##### 2.02 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after considering admissible tax credit and rebates, if any

The Company accounts for deferred taxation on all material timing differences by using



liability method.

### **2.03 Gratuity**

The Company operates an un-funded gratuity scheme for all its employees who are eligible to the benefit.

### **2.04 Foreign Currency Transaction**

Transactions in foreign currencies are translated at the rates prevailing on the Balance Sheet date.

### **2.05 Fixed Tangible Assets**

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-process which are stated at cost.

Depreciation is charged to income applying the reducing balance method at normal tax rates, whereby the cost of assets is written off over its estimated useful life. Maintenance and normal repairs are charged to income as incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Additions to fixed assets are depreciated for the whole year irrespective of date of purchase while no depreciation is provided on assets disposed of during the year. Profit or Loss on disposal of fixed assets is included in income currently.

### **2.06 Stores and Spares**

These are valued at cost on First-in-First out method.

### **2.07 Stock-in-Trade**

These are valued as under:

- (a) Raw Material at cost on FIFO basis.
- (b) Work-in-process at average cost of raw material.
- (c) Finished Stock at the lower of cost on FIFO basis and net realisable value.
- (d) Stock in Bonded Warehouse at actual.
- (e) Trading Stock at actuals.

### **2.08 Trade Debts**

Debts considered irrecoverable, are written off and provision is made for debts considered doubtful, if any.

## 2.09 Revenue Recognition

Sales are recorded on despatch of goods to the Customers. Income from process services is recorded when earned.

## 3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

	30.6.97	30.6.96
	Rupees	Rupees
12,732,092 Ordinary Shares of Rs. 10/- each fully paid issued for cash	127,320,920	127,320,920
2,162,598 Ordinary Shares of Rs. 10/-each fully paid issued as Bonus Shares.	21,625,980	21,625,980
-----	-----	-----
14,894,690	148,946,900	148,946,900
=====	=====	=====

## 4. REVENUE RESERVE

Balance as at start	24,300,000	24,300,000
Transfer to Profit and Loss Account	(10,300,000)	-
	-----	-----
	14,000,000	24,300,000
	=====	=====

## 5. REDEEMABLE CAPITAL

Long Term Running Finance:		
From Islamic Development Bank (Islamic Dinar 845651)	30,731,132	39,413,434
Less: Current Maturity	(9,420,298)	(8,682,302)
	-----	-----
	21,310,834	30,731,132
	=====	=====

## FINANCE FROM ISLAMIC DEVELOPMENT BANK

The above Finance (under the credit line of installment sale) is financed by Islamic Development Bank on the Guarantee of PICIC and is payable in Islamic Dinar.

### Security:

The Guarantee given by PICIC to Islamic Development Bank is secured by 1st charge on all the assets including the assets for which the above financing was obtained and 2nd charge such assets over which Habib Bank has 1st charge.

**Rate of Mark-up:**

a) The markup on Islamic Development Bank finance is 8.5% however, if all the Installment payment are paid as per the schedule there will be 15% rebate bringing the effective rate of return to 7.2250%.

b). The rate of PICIC repayment Guarantee commission is 3% per annum of the total outstanding guarantee amount.

c). The Exchange risk @ 6.8% is payable by the Company.

**Repayment:**

The loan is repayable in 10 semi-annual installment commencing from January 1,1996.

	30.6.97	30.6.96
	Rupees	Rupees
<b>6. LONG TERM LOANS (Secured)</b>		
<b>FROM FINANCIAL INSTITUTION:</b>		
Pakistan Industrial Credit and Investment Corporation		
Loan No. 1	35, 713, 752	43,175, 752
Loan No. 2	3,330, 938	4,114,688
	-----	-----
	39,044,690	47,290,440
Current portion shown under Current Liabilities	(8,543,000)	(8,245, 750)
	-----	-----
	30,501,690	39,044,690
	=====	=====

**Loan No.1**

**Interest:**

The Company shall pay interest @ 1% per annum above the prime rate of interest applicable to the United States Dollar or @ 14% per annum, which ever is higher.

**Repayment:**

The loan is repayable in 20 semi-annual installments commencing from Jul3, 1,1991.,

**Security:**

The Loan is secured by first charge ranking pari passu with the charges already created and existing in favour of PICIC on all the present and moveable and immovable properties of the company.

**Loan No.2**

**Interest:**

The company shall pay interest @ 8% per annum.

**Repayment:**

The loan is repayable in 32 equal quarterly instalments commencing from July 1,1994.  
Security:

The loan is secured by first charge ranking pari passu with the charges already created and existing in favour of PICIC on all the present and moveable and immovable properties of the company.

	<b>30.6.97</b>	<b>30.6.96</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>7. LONG TERM LIABILITIES</b>		
Outstanding liability	314,025	4,064,422
Current Portion shown under Current Liability		
Current	-	(900,000)
Overdue	(314,025)	(2,375,000)
	-----	-----
	(314,025)	(3,275,000)
	-----	-----
	-	789,422
	=====	=====

Sindh Industries Trading Estates Limited, Karachi has waived charges levied to certain extent. The balance liability has also been paid in July '97.

**8. DEFERRED LIABILITIES**

Taxation	30,500,000	35,000,000
Staff Gratuity	9,441,574	7,347,355
	-----	-----
	39,941,574	42,347,355
	=====	=====

**9. CURRENT PORTION AND OVERDUE  
INSTALLMENT OF LONG TERM LOANS**

From Financial Instituti	Note 6	Current	8,543,000	8,245,750
			-----	-----
Long Term Liability	Note 7	Current	-	900,000
		Overdue	314,025	2,375,000
			-----	-----
			314,025	3,275,000
			-----	-----
			8,857,025	11,520,750
			=====	=====

**10. SHORT TERM RUNNING FINANCE**

Utilised under Mark-up arrangements Secured:  
From Commercial Bank:

Export Refinance	Note 10.1	135,000,000	135,000,000
Running Finance	Note 10.2	70,028,541	127,371,854
		-----	-----
		205,028,541	262,371,854
		=====	=====

10.1 Export refinance is secured against out-standing export proceeds.

11% (1996: 13%)                      Rate of Mark-up

Extent of Facility Rs. 135 Million (1996: Rs. 135 Million)

10.2 Running finance is secured against hypothecation of stock and mortgage of Plant and Factory and Personal guarantee of all the Directors.

Rate of Mark-up: Paisas 43 per thousand rupees per day.

Extent of Facility Rs. 110 Million (1996: Rs. 130 Million)

		<b>30.6.97</b>	<b>30.6.96</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>11. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors		47,549,307	36,747,673
Accrued Liabilities		19,205,126	20,914,215
Interest Accrued on Secured Loan		4,013,711	5,985,620
Advances from Customers		2,650,584	5,973,947
Worker's Profit Participation Fund	Note 11.1	660,242	385,477
Worker's Welfare Fund		416,393	361,614
Unclaimed Dividend & Bonus Fractions		126,916	126,941
Other liabilities	Note 11.2	2,580,067	1,225,262
		-----	-----
		77,202,346	71,720,749
		=====	=====
<b>11.1 WORKER'S PROFIT PARTICIPATION FUND</b>			
Balance at the beginning of the year		385,477	415,902
Paid to Trust		385,477	415,902
		-----	-----
		-	-
For the year		627,076	320,269
Interest on last year's Balance		33,166	65,208
		-----	-----
		660,242	385,477
		=====	=====
<b>11.2 OTHER LIABILITIES</b>			

Staff & Labour Vehicle Purchase Scheme	1,425,603	1,225,262
Sales Tax Payable	1,154,464	-
	-----	-----
	2,580,067	1,225,262
	=====	=====

## 12. CONTINGENCIES AND COMMITMENTS

### COMMITMENTS:

For Outstanding L/C in respect of Raw Material & Spares etc.	19,998,173	13,651,628
For Capital Expenditures	6,689,604	7,154,587

## 13. OPERATING ASSETS

PARTICULARS	As at 01.07. 96	COST		As at 30.06.97
		Additions During tile Year	Disposal During tile Year	
Lease Hold Land	7,881,973	-	3,163,000	4,718,973
<b>ON LEASE HOLD LAND</b>				
Factory Building	84,892,625	-	11,688,289	73,204,336
Non Factory Building	6,370,432	-	-	6,370,432
Plant & Machinery	476,848,785	38,237,889	17,355,942	497,730,732
Factory Equipment	25,304,901	1,557,181	350,000	26,512,082
Office Equipment	6,452,221	590,679	-	7,042,900
Furniture & Fixtures	3,848,389	145,059	-	3,993,448
Vehicles	18,973,667	5,403,829	2,168,100	22,209,396
	-----	-----	-----	-----
<b>TOTAL RUPEES: JUNE 97</b>	630,572,993	45,934,637	34,725,331	641,782,299
	=====	=====	=====	=====
<b>TOTAL RUPEES: JUNE 96</b>	554,285,542	80,375,383	4,087,932	630,572,993
	=====	=====	=====	=====

Note 1. Depreciation charge has been allocated as under:

	01.07.96 to 30.6.97 Rupees	01.01.95 to 30.6.96 Rupees
Manufacturing	34,621,751	54,432,228
Administrative	3,093,363	4,433,485
	-----	-----
	37,715,114	58,865,713
	=====	=====

Note 2. Disposal during the year in factory building includes Rs. 3,700,397 cost and

Rs. 1,393,958 Accumulated Depreciation being the waived of charges in respect of factory building by Sindh Industrial Trading Karachi, which were previously Capitalised in this he Note 3. Diosposal during the year in plant & machinery includes Rs. 571,328 being the cost Rs. 57,133 being the depriciation which represent the gain on conversion of foreign currency (D.M) at the time of payment.

### 13.1 DETAILS OF DISPOSAL OF FIXED ASSETS

S. No.	PARTICULARS	Original Cost	Accumulated Depreciation
1.	Plot B/8-A Estate Avenue	3,163,000	-
2.	Factor3' Building (Yusuf Plaza)	7,987,892	1,158,244
3.	Machiniries	14,059,777	2,036,498
4.	Famatex Steneter Machine	1,556,463	1,174,770
5.	Famatex Stenter No.4	1,518,374	897,444
6.	Car Suzuki No. S-9542	143,000	100,828
7.	Car Honda Civic No. Z-4978	677,750	287,366
8.	Car Mercedes Benz 190E	1,000,000	539,200
9.	Motor Cycle Honda CD-70 No KCG-6301	28,250	21,585
10.	Motor Cycle Honda CG-125 No. KCG-9070	34,000	25,978
11.	Motor Cycle Honda CD-70 No. KCA-2653	27,500	19,390
12.	Motor Cycle Honda CD-70 No. KCX-7042	33,800	18,225
13.	Motor Cycle Honda CD- 70 No. 4875	30,500	19,256
14.	Motor Cycle Honda CD-70 No. KCK-7016	41,700	17,681
15.	Motor Cycle Honda CD-70 No. KCV-340	47,000	13,160
16.	Motor Cycle Honda CD-70 No. KCV-1311	49,300	13,804
17.	Motor Cycle Yamaha 100 No. KCV-3873	55,300	11,060
	<b>1996-97</b>	<b>30,453,606</b>	<b>6,354,489</b>
	<b>1995-96</b>	<b>4,087,932</b>	<b>1,275,695</b>

### DEPRECIATION

Rate %	Upto 01.07.96	For the Year	on Disposal during the Year	Upto 30.06.97	Book Value as on 30.06.97
-	-	-	-	-	4,718,973
10	35,476,534	3,772,780	2,552,202	36,697,112	36,507,224
5	1,467,374	245,153	-	1,712,527	465,790.50
10	204,132,971	29,359,776	4,115,095	229,377,652	268,353,080
10	11,620,129	1,489,195	50,750	13,058,574	13,453,508
10	2,587,969	445,493	-	3,033,462	4,009,438

10	2,147,997	184,545	-	2,332,542	1,660,906
20	11,118,535	2,218,172	1,087,533	12,249,174	9,960,222
	-----	-----	-----	-----	-----
	268,551,509	37,715,114	7,805,580	298,461,043	343,321,256
	=====	=====	=====	=====	=====
	210,961,492	58,865,713	1,275,695	268,551,509	362,021,484
	=====	=====	=====	=====	=====

<b>Sales Proceeds</b>	<b>Profit (Loss)</b>	<b>SOLD TO</b>
3,500,000	337,000	Eastern Garments (Pvt) Ltd. B-5&S. LT.E, Karachi.
7,600,000	770,352	Eastern Garments (Pvt) Ltd. B-58, S.I.T.E., Karachi.
8,500,000	(3,523,279)	Eastern Garments (Pvt) Ltd. B-S&S.I.T.E., Karachi.
450,000	68,307	Shafiq Printing Faisalabad.
700,000	79,070	Megna Textile Faisalabad.
115,000	72,828	Abdul Waris, Shaheed-e-Millat Road, Karachi.
600,000	209,616	M. Shahid Mehmood, Karachi.
850,000	389,200	Nebeela Enterprise, 114 S.M.C. Karachi.
6,665		-M. Ismail, A-71, Anarkali Complex, Karachi.
8,022		-Naveed Yusuf R-16, North Karachi.
8,110		-Aftab Hussain, North Karachi.
15,575		-Syed Zia-ul-Hasan, Plot No. 36, Sector 36/B, Landhi, Karachi.
11,244		-Musaddiq Aziz, F-144 Awami Colony Korangi, Karachi.
24,019		-Mansoor Ahmed, Karachi.
45,000	11,160	E.F.U. General Insurance Ltd., Karachi.
46,500	11,004	E.F.U. General Insurance Ltd., Karachi.
52,000	7,760	E.F.U. General Insurance Ltd., Karachi.
-----	-----	
22,532,135	(1,566,982)	
-----	-----	
3,062,650	250,413	
=====	=====	

<b>30.6.97</b>	<b>30.6.96</b>
<b>Rupees</b>	<b>Rupees</b>

#### 14. CAPITAL WORK-IN-PROGRESS

Plant & Machinery under erection	9,511,737	13,978,504
Civil work under construction	115,538	-
	-----	-----
	9,627,275	13,978,504
	=====	=====



**15. STORES AND SPARES**

Stores	2, 931,253	2,602.16
Spares	1,793, 917	1,616,548
	-----	-----
	4,725,170	4,218,704
	=====	=====

**16. STOCK-IN-TRADE**

Raw Material	28,193,138	97,298,029
Packing Material	543,007	946,343
Finished goods	2,723,426	4,935,184
Work- in-Process	1,284,635	3,335.69
Raw Material & Stores in Bonded Warehouse	1,082,821	3,037,097
	-----	-----
	33,827,027	109,552,339
	=====	=====

**17. TRADE DEBTS**

Considered Good		
Local Un-Secured	70,902,116	65,541,428
Export Bills Under Collection	63,461,277	36,051,655
(Secured against Export L/Cs)	-----	-----
	134,363,393	101,593,083
	=====	=====

**18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES****ADVANCES :**

To Staff	9,889,811	8,111,912
Against Supplies	10,708,706	13,768,135
For Expenses	948,590	386,532
	-----	-----
	21,547,107	22,266,579
Prepayments	20,000	15,440
Income Tax	7,320,566	1,327,288

**OTHER RECEIVABLES :**

Export Rebate	11,030,563	12,933,562
Others	790	10,000
	-----	-----
	39,919,026	46,652,869
	=====	=====

<b>1.7.96 to</b>	<b>1.1.95 to</b>
<b>30.6.97</b>	<b>30.6.96</b>
<b>Rupees</b>	<b>Rupees</b>

**19. CASH AND BANK BALANCES**

Cash in hand	1,408,309	1,285,696
Balance with Bank in Current Accounts	534,866	2,815,999
	-----	-----
	1,943,175	4,101,695
	=====	=====

**20. SALES**

Local	-	13,281,309
Export	443,523,525	674,725,930
Export rebate	40,255,384	70,039,137
	-----	-----
	483,778,909	758,046,376
Less: Capacity Sales Tax	-	30,976,758
	-----	-----
	483,778,909	727,069,618
	=====	=====

**21. COST OF SALES**

Raw & Packing Material Consumed (Note 21.1)	519,848,640	883,422,299
Stores & Spares Consumed	37,001,207	54,880,442
Design, Stitching & Bleaching Charges	46,415,777	9,045,140
Power, Water and Gas	118,094,900	130,916,458
Salaries Wages and Other Benefits	52,589,693	62,996,480
Repairs & Maintenance	11,878,119	12,759,154
Packing Charges	6,822,648	10,232,262
Rent Rates & Taxes	267,779	382,523
Insurance	1,350,311	1,791,545
Depreciation	34,621,751	54,432,228
	-----	-----
<b>COST OF PRODUCTION</b>	828,890,825	#####
	-----	-----
Work-in-Proce- Opening	3,335,686	5,333,294
- Closing	(1,284,635)	(6,079,921)
	-----	-----
	2,051,051	(746,627)
	-----	-----
Cost of Goods Manufactured	830,941,876	#####
	-----	-----
Finished Goods - Opening	4,935,184	7,615,571
- Closing	(2,723,426)	(9,172,124)
	-----	-----
	2,211,758	(1,556,553)
	-----	-----

833,153,634 #####  
=====

**21.1 RAW MATERIAL CONSUMED**

Particulars	Raw Material Rs.	Packing Material Rs.	1.7. 96 to 30.6.97 Rs.	1.1,95 to 30.06.96 Rs.
Opening Stock	97,298,029	946,343	98,244,372	60,659,576
Add: Purchases	424,952,414	25,387,999	450,340,413	921,007,095
	-----	-----	-----	-----
	522,250,443	26,334,342	548,584,785	981,666,671
Less: Closing Stock	28,193,138	543,007	28,736,145	98,244,372
	-----	-----	-----	-----
Consumed	494,057,305	25,791,335	519,848,640	883,422,299
	=====	=====	=====	=====

1.7.96 to  
30.6.97  
Rupees

1.1.95 to  
30.6.96  
Rupees

**22. ADMINISTRATIVE EXPENSES**

Salaries & Other Benefits	4,702,939	6,395,429
Rent, Rates & Taxes	14,094	20,133
Legal & Professional Charges	137,000	92,100
Insurance	136,309	236,802
Conveyance	198,458	320,480
General Expenses	431,808	383,998
Postage & Telegram	96,456	34,785
Telephone	2,091,051	1,718,851
Subscription	85,410	102,673
Travelling	2,469,544	2,556,744
Printing & Stationery	1,004,135	1,148,733
Motor Vehicle Expenses	1,771,821	2,571,357
Charity & Donation	(Note 22.1) 545,100	730,202
Auditors Remuneration	(Note 22.2) 67,100	60,000
Depreciation	3,093,363	4,433,485
	-----	-----
	16,844,588	20,805,772
	=====	=====

**22.1 CHARITY AND DONATION**

None of the Directors or their

Spouses had any interest in donee's fund

**22.2 AUDITOR'S REMUNERATION**

Audit fee (Sharing equally)	60,000	60,000
Out of pocket expenses	7,100	-
	-----	-----
	67,100	60,000
	=====	=====
	<b>1.7.96 to</b>	<b>1.1.95 to</b>
	<b>30.6.97</b>	<b>30.6.96</b>
	<b>Rupees</b>	<b>Rupees</b>

**23. SELLING AND DISTRIBUTION EXPENSES**

Export Expenses including:		
Freight, Insurance, Commission & Export Tax	21,852,420	34,333,852
Cartages	2,121,952	541,113
Sample & Advertisement	223,242	126,571
Storage charges	21,800	134,950
	-----	-----
	24,219,414	35,136,486
	=====	=====

**24. FINANCIAL CHARGES**

Profit on Redeemable Capital including exchange risk fee & Commission	7,063,419	4,649,687
Interest on Long Term Loans	6,409,007	16,083,185
Interest on Worker's Participation Fund	33,166	91,202
Mark-up on Short Term Running Finance	33,953,186	46,070,267
Bank Charges and Commission	2,970,181	5,260,989
	-----	-----
	50,428,959	72,155,330
	=====	=====

**25. OTHER CHARGES**

Worker's Profit Participation Fund	627,077	550,185
Worker's Welfare Fund	416,393	361,614
Corporate Assets Tax	-	361,644
	-----	-----
Loss on Sale of Assets	1,566,982	-
Less Depreciation written back	(1,451,091)	-
	-----	-----
	115,891	-
	-----	-----
	1,159,361	1,273,443
	=====	=====

**26. OTHER INCOME**

Profit on sale of Fixed Assets	-	250,413
	-----	-----
Waste Sales	1,506,449	2,544,448
Less Sales Tax	(284,970)	-
	-----	-----
	1,221,479	2,544,448
	-----	-----
	1,221,479	2,794,861
	=====	=====

**27. PROVISION FOR TAXATION**

Current	4,800,000	6,800,000
Deferred	(4,500,000)	(700,000)
Prior Year Adjustments	10,644,470	-
	-----	-----
	10,944,470	6,100,000
	=====	=====

**28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

Detail of aggregate amount charged in above accounts as remuneration of Chief Executive, Directors and Executives are as under:

	1.7.96 to 30.6.97			
	Chief Executive	Directors	Executive	Chief Executive
Director Fees	-	-	-	-
Managerial Remuneration	-	420,000	-	-
Perquisites and Allowances	-	-	-	-
Car for Company's and Personal Use.				
Approximate money Value	143,489	247,021	-	135,433
	-----	-----	-----	-----
	143,489	667,021	-	135,433
	=====	=====	=====	=====
Number of Persons	1	6	-	1
	=====	=====	=====	=====

**29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

The Company purchased from associated undertakings goods & material in the aggregate

sum of Rs. 10,506,845 (1996 Nil). The maximum aggregate amount due from Associated undertakings at the end of any month during the year were Rs. 21,18, 741 (1996: Rs. 12,099

### 30. PRODUCTION AND CAPACITY

Installed Capacity (Meters in Million)		Actual Production (Meters in Million)	
1.7. 96 to 30.6.97	1.1.95 to 30.6.96	1.7. 96 to 30.6.97	1.1.95 30.6.96
54,000	81,000	40,974	71,955

(Based on varieties & Designs)

The capacity can be increased upto 55 million if smaller width & designs are made.

The production has been lower due to lack of demand and improvement of quality, products.

	30.6.97 Rupees	30.6.96 Rupees
<b>31. WORKING CAPITAL CHANGES</b>		
<b>(INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores & spares	(506,466)	16,635
Stock-in-trade	75,725,312	(42,050,546)
Trade debts	(32,770,310)	20,841,437
Advance, Deposits, Prepayments and Others receivables	2,727,121	1,984,388
	-----	-----
	45,175,657	(19,208,086)
<b>(DECREASE)/INCREASE IN CURRENT LIA BIL TIES</b>		
Creditors, Accrued and Other liabilities	8,024,836	7,766,193
	-----	-----
	53,200,493	(11,441,893)
	=====	=====
<b>32. CASH AND CASH EQUIVALENTS</b>		
Short Term Running Finance	(205,028,541)	(262,371,854)
Cash & Bank Balances	1,943,175	4,101,695

-----  
 (203,085,366) (258,270,159)  
 =====

### 33. GENERAL

i. Figures have been re-arranged and re-grouped where-ever necessary to facilitate comparison.

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

#### Pattern of Share Holding As on 30th June, 1997

Number of Share Holders	Share Holding		Total Shares Held
	From	To	
2652	1	100	35,023
302	101	500	68,170
73	501	1000	51,864
77	1001	5000	141,710
19	5001	10000	144,990
21	10001	15000	262,070
28	15001	20000	511,928
16	20001	25000	373,582
8	25001	30000	215,210
12	30001	35000	397,111
8	35001	40000	299,409
7	40001	45000	307,510
1	85001	90000	88,654
3	90001	95000	282,785
1	110001	115000	110,143
1	115001	120000	118,699
1	120001	125000	120,492
2	140001	145000	281,647
1	150001	155000	153,618
1	155001	160000	155,148
1	160001	165000	160,089
1	175001	180000	177,682
1	180001	185000	180,750
1	230001	235000	231,021
1	255001	260000	255,002
2	295001	300000	600,000
2	310001	315000	620,604
1	315001	320000	319,828
1	460001	465000	461,758
1	505001	510000	509,463
1	545001	550000	549,807

1	570001		575000	570,914
1	820001		825000	820,914
1	2550001		2555000	2,554,656
1	2760001		2765000	2,762,439
-----	-----	-----	-----	-----
3251				14,894,690
=====	=====	=====	=====	=====

**Categories of Shareholders**

	<b>Number</b>	<b>Shares held</b>	<b>Percentage</b>
Individual	3240	14,559,154	97.74
Investment Companies	2	287,145	1.93
Insurance Companies	1	847	0.01
Joint Stock Companies	5	40,984	0.27
Financial Institutions	2	5,774	0.04
Modaraba Companies	-	-	0.00
Others	-	-	0.00
Abandoned Property	1	786	0.01
	-----	-----	-----
	3251	14,894,690	100.00
	=====	=====	=====