

BHANERO TEXTILE MILLS LIMITED

Annual Report 1997

COMPANY INFORMATION

BOARD OF DIRECTORS

CHIEF EXECUTIVE & DIRECTORS

Mohammad Salim

DIRECTORS

Mohammad Sharif

Mohammad Shaheen

Mohammad Shakeel

Khurram Salim

Furrukh Salim

Bilal Sharif

S.M. Siddiqui (Nominee NIT)

COMPANY SECRETARY

Asif Mahmood

ACA, ACIS, AITM, AICS

FINANCE MANAGER

Anwar Hussain

FCA

BANKERS

Citi Bank, N.A.

ABN Amro Bank Limited.

United Bank Limited

Standard Chartered Bank.

Muslim Commercial Bank Limited.

American Express Bank Limited.

Bank Al Habib Limited.

AUDITORS

Mushtaq & Company

Chartered Accountants

407, Commerce Centre

Hasrat Mohani Road

Karachi.

REGISTERED OFFICE

Umer Chambers

10/2, Bilmoria Street

Off. I. I. Chundrigar Road

Karachi.

Tel: 2635916-7 Fax: 2637826

email: umer.khi@biruni.erum.com.pk

MILLS AT

Unit I is situated at Kotn

District Dadu, &

Unit II is situated at

Feroz Watwan,

Sheikhupura.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 18th Annual General Meeting of the Shareholders of Bhanero Textile Mills Limited will be held on 19th March, 1998 at 10.00 a.m. at the Registered Office of the Company, Umer Chambers, 10/2 Bilmoria Street, Off. I. I. Chundrigar Road, Karachi to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 30th March, 1997.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th September, 1997 together with the Auditors' and Directors' Reports thereon.
3. To approve the dividend as recommended by the Directors, for the year ended 30th September, 1997.
4. To appoint Auditors for the year 1997-98 and fix their remuneration. The present Auditors M/s Mushtaq & Co. Chartered Accountant, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the Chairman.

NOTES:

1. The share transfer books of the Company will remain closed from 17th March, 1998 to 27th March, 1998 (both days inclusive).
2. 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 not less than 48 hours before the time for holding the meeting.
3. Shareholders are requested to immediately notify the changes in address, if any.

DIRECTORS' REPORT TO THE SHARE HOLDERS

Your directors present before you the audited annual accounts for the year ended 30th September, 1997 together with auditors report thereon, for your consideration and approval.

FINANCIAL RESULTS & YEAR UNDER REVIEW

The year under review was a better year in terms of profits. Your company has earned a net profit before taxation at Rs. 44,114,545/= against Rs. 30,063,882/= in the corresponding year. The financial results are summarised as under:

	Rupees (in thousands)
.Profit for the year before taxation	44,115
Provision for taxation	11,377

Profit after taxation	32,738
Unappropriated profit brought forward	442

Profit available for appropriation	33,180
Appropriations:	
Proposed cash dividend	15,000
Transfer to general reserve	18,000

	33,000

Unappropriated profit carried forward	180
	=====

The gross sales of the company has increased by Rs. 168,176 Million which is about 17.90% of the last year's sales but due to the increase in the other cost factors, the profit before tax has not been increased in the same proportion, however, due to effective management controls, the gross profit of your company stood at Rs. 199,055,136/= which is 18.25% of net sales with an improvement of 2.98% as compared to the last year.

The financial charges of the company has drastically increased by Rs. 32,103 Million, the main reasons were imposition of sales tax on raw cotton and early purchase of raw cot-

ton, which enhance the bank borrowings during the year.

WAPDA has further increased the rate of electricity, however, your company has made arrangements with Bhanero Energy Limited for power supply to the company at reduced rates, which has started supplying power to your company.

PROFIT DISTRIBUTION

Your directors are pleased to recommend a payment of 50% final cash dividend that is Rs. 5 per share for the year under review.

FUTURE OUTLOOK

The cotton crop of season 1997-98 has affected due to early rain falls and the quality of raw cotton is not up to the mark, which shall reduce the yield of yarn about 5%. The prices of cotton yarn in international market are not favourable due to currency crisis in far east. The other countries of the region are also devaluing their currency, which may further effect the international market of yarn. The conditions of international market are not in favour of textile industries in Pakistan however, the timely devaluation of Pak Rupee may help in revival of the textile industry.

AUDITORS

The present auditors M/s Mushtaq & Company, Chartered Accountants being eligible, have offered themselves for reappointment.

PATTERN OF SHAREHOLDING

Statement showing pattern of holding of shares as at September 30, 1997 is annexed to this report.

THANKS AND GRATITUDE

I, on behalf of the Board, places on record the appreciation for the loyalty and devotion to the work by the staff and the workers of the company. I further extended thanks to bankers and customers for their continued support and trust in the company.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of BHANERO TEXTILE MILLS LIMITED as at September 30, 1997 and the related Profit & Loss account and the 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 accounts have been kept by the Company as required by 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 the accounting policies consistently applied.

ii) The expenditure incurred during the year was for the purposes 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 & 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 September 30, 1997 and of the profit and the changes in the financial position 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 the Ordinance.

YEAR WISE STATISTICAL SUMMARY

ASSETS EMPLOYED

RS. IN THOUSANDS

	1997	1996	1995	1994	1993
FIXED ASSETS	300,748	294,322	293,424	293,261	304,729
INVESTMENTS AND LONG TERM LOANS & DEPOSITS	12,338	15,074	3,327	2,165	1,565
CURRENT ASSETS	273,219	279,534	169,256	161,671	143,517
TOTAL ASSETS EMPLOYED	586,305	588,930	466,007	457,097	449,811

FINANCED BY

SHAREHOLDER'S EQUITY	188,179	170,442	153,154	144,249	117,586
REDEEMABLE CAPITAL	27,744	41,727	53,722	64,014	72,845
LONG TERM LIABILITIES	48,012	70,133	58,339	77,217	70,792
DEFERRED LIABILITIES	12,235	10,366	10,542	8,510	8,419
CURRENT LIABILITIES	310,135	296,262	190,190	163,107	180,169
TOTAL FUND INVESTED	586,305	588,930	466,007	457,097	449,811

PROFIT & LOSS

TURNOVER (NET)	1,090,709	919,530	829,811	665,140	548,490
GROSS PROFIT	199,055	140,416	99,840	154,238	126,876
OPERATING PROFIT	147,962	99,736	61,742	96,709	87,090
FINANCIAL CHARGES	102,362	68,654	46,936	67,213	57,722
PROFIT BEFORE TAXATION	44,114	30,063	22,028	51,396	27,905
PROFIT AFTER TAXATION	32,737	24,787	14,155	34,163	27,905
CASH DIVIDEND	15,000	7,500	5,250	7,500	3,000
TRANSFER TO RESERVES	18,000	26,000	0	27,000	25,000
PROFIT C/F	179	442	9,154	249	586

	1997	1996	1995
	%	%	%
GROSS PROFIT	18.25	15.27	12.03
OPERATING PROFIT	13.57	10.85	7.44
PROFIT BEFORE TAX	4.04	3.27	2.65
NET PROFIT AFTER TAX	3.00	2.70	1.71
NET PROFIT TO SHARE HOLDER EQUITY	17.40	14.54	9.24
NET PROFIT TO TOTAL ASSETS	5.58	4.21	3.03
INCREASE IN SALES	18.82	10.81	24.75
MATERIAL TO NET SALES	60.72	62.42	71.95
ADMINISTRATIVE EXPENSES TO NET SALES	2.03	1.36	1.26
SELLING EXPENSES TO NET SALES	2.65	3.06	3.33
FINANCIAL CHARGES TO NET SALES	9.38	7.47	5.66
INCOME TAX TO GROSS SALES	0.83	0.70	0.83

SHORT TERM SOLVENCY & OVERALL VALUATION

	1997	1996	1995
WORKING CAPITAL RATIO	0.96:1	1.03:1	1:1
EQUITY RATIO	32.09	28.94	32.87
DEBT RATIO	67.91	71.06	67.13
BREAKUP VALUE PER SHARE	62.73	56.81	51.05
DIVIDED PER SHARE	5	2.5	1.75

BALANCE SHEET AS AT SEPTEMBER 30, 1997

	NOTE	1997 RUPEES	1996 RUPEES
CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised Capital	3	30,000,000	30,000,000
Issued, Subscribed and paid-up-capital	4	30,000,000	30,000,000
REVENUE RESERVES			
General reserves	5	158,000,000	140,000,000
Un-appropriated profit		179,653	442,011
		-----	-----
		188,179,653	170,442,011
Redeemable capital	6	27,744,775	41,727,625
LONG TERM LIABILITIES			
Long term loans and debentures	7	31,346,973	43,369,609
Obligation under finance lease	8	5,811,546	15,602,661
Customs duty payable		1,252,787	1,252,787
Excise duty payable		9,600,875	11,209,528
		-----	-----
		48,012,181	71,434,585
DEFERRED LIABILITIES:			
Staff retirement gratuity	9	6,217,527	4,349,538
Deferred taxation		6,017,056	6,017,056
		-----	-----

		12,234,583	10,366,594
CURRENT LIABILITIES:			
Short term running finance	10	65,777,647	77,436,863
Current maturity of long term liabilities		26,314,932	24,428,796
Creditors, accrued and other liabilities	11	86,189,506	63,593,434
Provision for taxation		16,852,070	22,000,551
Proposed dividend		15,000,000	7,500,000
		-----	-----
		310,134,155	294,959,644
CONTINGENT LIABILITIES	12	--	--
		-----	-----
		586,305,347	588,930,459
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi 23rd February, 1998.

PROPERTY AND ASSETS

TANGIBLE FIXED ASSETS

Operating assets	13	299,870,920	293,266,707
Capital work in progress	14	877,430	1,055,617
		-----	-----
		300,748,350	294,322,324
LONG TERM LOANS	15	224,669	2,966,811
LONG TERM INVESTMENTS	16	11,374,609	11,374,609
LONG TERM DEPOSITS		738,676	731,875
CURRENT ASSETS			
Stores, spares & loose tools	17	3,741,367	4,039,133
Stock in trade	18	50,070,742	39,795,422
Trade debts	19	102,144,463	90,325,385
Loans and Advances	20	89,578,386	113,975,743
Deposits, prepayments and other receivables	21	3,035,015	27,096,614
Cash and bank balances	22	4,649,070	4,302,543
		-----	-----
		273,219,043	279,534,840
		-----	-----
		586,305,347	588,930,459
		=====	=====

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

	NOTE	1997 RUPEES	1996 RUPEES
Sales (Net)	23	1,090,709,300	919,530,354
Cost of Sales		891,654,164	779,113,782
		-----	-----
Gross Profit		199,055,136	140,416,572
OPERATING EXPENSES			
Administrative	25	22,163,181	15,049,144
Selling and distribution	26	28,929,458	24,026,349
		-----	-----
		51,092,639	39,075,493
		-----	-----
Operating profit		147,962,497	101,341,079

Other income	27	836,209	564,255
		-----	-----
		148,798,706	101,905,334
Financial charges	28	102,362,345	70,259,142
Workers' profit participation fund		2,321,818	1,582,310
		-----	-----
		104,684,163	71,841,452
Profit before taxation		44,114,543	30,063,882
Taxation	29		
- Prior Year		2,353,122	(1,342,918)
- Current Year		9,023,779	6,619,753
		-----	-----
		11,376,901	5,276,835
Profit after taxation		32,737,642	24,787,047
Unappropriated profit brought forward		442,011	9,154,964
		-----	-----
		33,179,653	33,942,011
Profit available for appropriation			
APPROPRIATIONS			
Proposed dividend		150,000,001	7,500,000
General Reserve		18,000,000	26,000,000
		-----	-----
		33,000,000	33,500,000
Un-appropriated profit carried forward		179,653	442,011

The annexed notes form an integral part of these accounts.

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

	1997	1996
	RUPEES	RUPEES
A. CASH FROM OPERATING ACTIVITIES		
Profit before taxation	44,114,543	30,063,882
Adjustment for depreciation	32,837,404	32,108,351
Provision for gratuity	3,032,035	521,225
Excise duty	(1,608,653)	1,583,693
Financial charges	94,498,966	64,330,270
(Gain)/ Loss on disposal of fixed assets	(19,443)	(142,078)
	-----	-----
	128,740,309	98,401,461
Operating profit before working capital changes	172,854,852	128,465,343
(Increase)/decrease in current assets	(9,977,554)	28,459,145
Stocks, stores and spares	(11,819,078)	(40,612,945)
Trade debts		
Advances, deposits prepayments and other receivables	28,458,956	(105,578,018)
Increase/(decrease) in current liabilities		
Creditors, accrued expenses and other liabilities	1,485,043	19,373,692
Short term running finance	(11,659,216)	77,671,863
	-----	-----
	(3,511,849)	(20,686,263)

Cash generated from operations	169,343,003	107,779,080
Gratuity paid .	(1,164,046)	(696,250)
Financial charges paid	(89,913,319)	(65,778,004)
NET CASH FROM OPERATING ACTIVITIES	78,265,638	41,304,826

1997 1996
RUPEES RUPEES

B. CASH FROM INVESTING ACTIVITIES

Proceeds from disposal of fixed assets	376,500	453,200
Fixed capital expenditure	(39,620,487)	(33,317,082)
Decrease in long term loans	2,742,142	(775,076)
Long term deposits & advances	(6,801)	(97,000)
Long term investments	--	(10,874,609)
NET CASH FROM INVESTMENT ACTIVITIES	(36,508,646)	(44,610,567)

C. CASH FROM FINANCING ACTIVITIES

Proceeds from lease financing	---	16,621,017
Long Term Loans	---	13,400,000
Payments against redeemable capital	(11,995,129)	(10,291,667)
Repayment of long term loans	(13,320,427)	(3,417,378)
Repayment of I-ease liability	(8,594,909)	(15,209,101)
Dividend paid	(7,500,000)	(5,250,000)
NET CASH FROM FINANCING ACTIVITIES	(41,410,465)	(4,147,129)

Net (decrease)/increase in cash and cash equivalents (A+B+C)	346,527	(7,452,870)
--	---------	-------------

Cash and cash equivalents at beginning of the year	4,302,543	11,755,413
Cash and cash equivalents	4,649,070	4,302,543

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

1. NATURE AND SCOPE OF BUSINESS

The company was incorporated in Pakistan as a public limited company on March 30, 1980. Its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The company is principally engaged in manufacturing and sale of cotton yarn.

2. ACCOUNTING POLICIES

The significant accounting policies are summarised below .

2.1 Accounting Convention:

The accounts have been prepared under historical cost convention without any adjustment for the effect of inflation or current values, modified by capitalisation of certain exchange differences.

2.2 Staff Retirement Benefits:

The Company operates an unfunded gratuity scheme for all its employees. Annual provisions are made in the accounts to cover obligations under this scheme.

2.3 Taxation:

Current

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

Deferred

The Company accounts for deferred taxation on all major timing differences using the liability method. No provision is made under situations, when timing differences are not expected to reverse in the foreseeable future.

2.4 Fixed Assets:

Own

Fixed assets are stated at cost less accumulated depreciation except for freehold land and capital work in progress which are stated at cost, Cost of Plant and Machinery consists of historical cost and adjustment for exchange loss or gain in respect of foreign currency loan utilised for acquisition thereof.

The charge for depreciation is the amount required to write-off the cost of operating fixed assets, other than freehold land, over their estimated useful life, applying the declining balance method.

Depreciation on additions to fixed assets during a year is charged for the whole year; no depreciation is charged on fixed assets sold or scrapped during the year.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised. Gains and losses on disposal of assets are included in income currently.

Leased Assets

Assets acquired through finance lease are included as operating assets at the fair value of the leased property or if lower, at present value of the minimum lease payments.

The financial charges relating to the leases are allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability during each period.

Depreciation is charged at the same rate as company's owned assets.

2.5 Capitalisation of Borrowing Costs

The borrowing cost obtained for specific projects incurred before those assets are ready for their intended use are capitalised as cost of those assets.

2.6 Investments

Long term investments are stated at cost.

2.7 Stores and Spares

These are valued at cost determined on weighted average basis. Items in transit are value at cost comprising invoice values plus other charges paid thereon.

2.8 Stock in Trade

These are valued at lower of cost and net realisable value. Cost in relation to raw and packing material is calculated on the weighted average basis. Cost of work-in-process and finished goods comprises direct material and labour, together with appropriate production overheads.

Net Realisable Value is arrived at by calculating the estimated selling price in the ordinary course of business less cost of completion and less costs necessary to be incurred in order to make the sale.

2.9 Deferred Cost

These are amortised in installments over a period of four years.

2.10 Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing on the balance sheet date, except for liabilities covered under forward exchange contracts which are translated at the contractual rate; exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. All other exchange gains and losses are included in income currently.

2.1 1 Revenue Recognition

Sales are recorded on despatch of goods to customers.

	1997	1996
	RUPEES	RUPEES
3. AUTHORISED CAPITAL		
3,000,000 Ordinary Shares (1996: 3,000,000) of Rs. 10/- each	30,000,000	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>

4. ISSUED, SUBSCRIBED AND

PAID-UP CAPITAL

1,762,500 (1996: 1,762,500) Ordinary shares of Rs. 10/- each fully paid in Cash	17,625,000	17,625,000
---	------------	------------

1,237,500 (1996: 1,237,500) Ordinary Shares of Rs. 10/- each issued as fully paid Bonus Shares	12,375,000	12,375,000
	-----	-----
	<u>30,000,000</u>	<u>30,000,000</u>

5. REVENUE RESERVES

General		
Opening balance	140,000,000	114,000,000
Add: Appropriation from profit and loss account	18,000,000	26,000,000
	-----	-----
	<u>158,000,000</u>	<u>140,000,000</u>

6. REDEEMABLE CAPITAL (Secured)

	N.I.T.	SLIC	1997 RUPEES	1996 RUPEES
As at October 1, 1996	17,827,690	35,895,064	53,722,754	64,014,421
Less Re-paid during the year	(8,270,304)	(3,724,825)	(11,995,129)	(10,291,667)
	-----	-----	-----	-----
	9,557,386	32,170,239	41,727,625	53,722,754
Less: Current Maturity	(9,557,386)	(4,425,464)	(13,982,850)	(11,995,129)
	-----	-----	-----	-----
As at September 30, 1997	--	27,744,775	27,744,775	41,727,625
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>

The redeemable capital from National Investment Trust (NIT) and State Life Insurance Corporation (SLIC). is secured by first charge on all the present and future movable and immovable

properties of the unit II, ranking pari-passu between NIT and SLIC.

TFCs issued to NIT representing purchase price of Rs. 85,164,384 bearing markup at the rate of 15% per annum is repayable in sixteen equal half yearly installments during 1990 to 1998. In case of default in payment of the price on due dates, the Company will be liable to pay NIT a sum equivalent to 10% per annum of the sale price.

The TFCs issued to SLIC representing purchase price of Rs. 139,883,664 bearing mark-up of 22% per annum are repayable in twenty four equal half yearly installments during 1990 to 2002. However rebate of 4% is allowed on timely payment.

7. LONG TERM LOANS AND DEBENTURES (Secured)

	CUSTOM DEBENTURES	CRES BANK	ASSOCIATED UNDERTAKING	1997 RUPEES	1996 RUPEES
			(Secured)	(Unsecured)	
As at October 1 1996	994,850	4,911,912	40,000,000	45,906,762	35,924,140
Add: Disbursed during the year	--	--	--	--	13,400,000
Less: Payment/Adjustment	--	(3,838,758)	(10,000,000)	(13,838,758)	(3,417,378)
	-----	-----	-----	-----	-----
	994,850	1,073,154	30,000,000	32,068,004	45,906,762
Others	7.4	--	--	1,346,973	1,301,605
Current Maturity	(994,850)	(1,073,154)	--	(2,068,004)	(3,838,758)
	-----	-----	-----	-----	-----
As at September 30, 1997	--	--	30,000,000	31,346,973	43,369,609
	=====	=====	=====	=====	=====
NOTE:	7.1	7.2	7.3		

7.1 The Custom Debentures have been issued in favour of Collector of Customs in respect of deferred portion of custom duty on import of machinery of Unit 2. The debentures are redeemable in six half yearly equal installments commencing from June 1993' last installment was payable by December 1995. The debentures carry a surcharge of 1% per annum. The Company availed the exemption of rural area and preferred an appeal to the Court for the relief. The Honourable Court has granted stay for the same.

7.2 The loan has been obtained from CRES Investment Bank for the purchase of imported Plant and Machinery for Unit 2. It is secured against equitable mortgage against all fixed assets of the Unit 2, and personal guarantee of the directors of the Company. The loan carries mark-up payable @ 18.50% per annum. The loan is repayable in 19 quarterly installments. First installment was due on April 30, 1993 and last installment on October 31, 1997.

7.3 The Loan from Associated undertaking is unsecured. The mark-up is being charged at the prevailing average bank rate.

7.4 These relate to long term liabilities against which company has filed suits in Honourable Courts.

8. OBLIGATION UNDER FINANCE LEASE (SECURED)

a) The amount of future payments and the periods in which they will become due are

		1997 RUPEES	1996 RUPEES
Year to September 30,	1997	---	14,648,716
	1998	11,990,824	11,990,824
	1999	6,031,680	6,031,680
	2000	502,644	502,644
		-----	-----
		18,525,148	33,173,864
Less Financial charges not yet due		2,922,487	8,976,294
		-----	-----

Less 'Current Maturity	15,602,661	24,197,570
	9,791,115	8,594,909
	-----	-----
	5,811,546	15,602,661
	=====	=====

The Company has entered into lease arrangements with leasing companies for plant and machinery are as follows :

NAME OF LESSOR	NO./FREQUENCY OF INSTALLMENTS	DATE OF COMMENCEMENT
Trust Leasing	60 Monthly	September, 1992
Standard Chartered Leasing	12 Quarterly	October, 1994
Paramount Leasing Ltd.	36 Monthly	August, 1995
Paramount Leasing Ltd.	48 Monthly	November, 1995

Taxes, repairs and maintenance, insurance and other costs relating to the leased assets if any are to be borne by the Company. The IRR ranges between 18% to 22% per annum. (1996-18% to 22% per annum)

	1997	1996
	RUPEES	RUPEES
9. STAFF RETIREMENT GRATUITY		
Opening balance	4,349,538	4,524,563
Less Payments during the year	1,164,046	696,250
	-----	-----
	3,185,492	3,828,313
Add' Provision for the year	3,032,035	521,225
	-----	-----
	6,217,527	4,349,538
	=====	=====

10. SHORT TERM RUNNING FINANCE (SECURED)

Export refinance-post shipment	---	142,791,439
SBP-Export refinance	61,600,000	---
Bank running finance	104,177,647	34,645,424
	-----	-----
	165,777,647	177,436,863
	=====	=====

10.1 The above finance available from commercial banks under mark-up agreements amounts to Rs. 412 million (1996: Rs. 412 million) at mark-up computed at the rates, ranging from 30 to 60 paisas per Rs. 1000 per day. The aggregate short term finances are secured by hypothecation and pledge of raw cotton finished stocks, and export bills under collection, and .by way of personal guarantee of all directors of the company.

	1997	1996
	RUPEES	RUPEES
11. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Trade creditors	16,038,768	21,201,364
Accrued expenses	28,470,499	24,520,443
Mark-up accrued on long term loans (secured)	729,282	1,194,810
Mark-up accrued on short term running finance - Secured	11,167,972	6,116,797
Workers' Profit Participation Fund (11.1)	2,403,239	1,656,545
Workers' Welfare Fund	62,729	62,729
Due to associated undertakings	13,522,763	5,076,508
Unclaimed dividend	39,350	34,715

Sales tax payable	3,563,581	542,193
Others	10,191,323	3,187,330
	-----	-----
	86,189,506	63,593,434
	=====	=====

11.1 workers profit participation fund

Opening balance	1,656,545	1,503,370
Interest on fund	132,524	120,270
	-----	-----
	1,789,069	1,623,640
Less: Payment during the year	1,707,648	1,549,405
	-----	-----
	81,421	74,235
Contribution for the year	2,321,818	1,582,310
	-----	-----
	2,403,239	1,656,545
	=====	=====

12. CONTINGENT LIABILITIES

The custom duties amounting to Rs 21 904 million (1996 Rs. 21.904 million). The Company has obtained bank guarantee from various Financial Institution in favour of Collector of Custom against levy of the above custom duty. The plant & machinery has been released from the warehouse against the said guarantee

ii) EXCISE DUTY ON LOANS:

The Excise duty on loans which has been levied by the finance Act 1992 has been Challenged by the company in the Honourable High Court of Sindh and the court has granted stay for the same the total amount of excise duty payable since its imposition works out to Rs. 9.601 million (1996 Rs. 11.210 million) which has already been provided.

13. OPERATING ASSETS

13.1 The following is a statement of operating assets

CATEGORIES	C O S T				Rate	D E P R E C I A T I O N				
	As at 01-10-96	Additions	Disposal/ Adjustment	As at 30-09-97		As at 01-10-96	Disposal/ Adjustment	For the year	As at 30-09-1997	W.D.V. AS AT 30-09-1997
Own Assets										
Land										
Lease-Hold	433,414	--	--	433,414		--	--	--		433,414
Free Hold	1,870,578	1,230,227	--	3,100,805		--	--	--		3,100,805
Factory Building										
Lease-Hold	22,991,797	5,938,311	--	28,930,106	10%	12,456,307	--	1,647,380:	14,103,687	14,826,421
Free Hold	47,089,022	--	--	47,089,022	10%	18,937,470	--	2,815,155	21,752,625	25,336,397
Factory Building										
Lease-Hold	14,358,803	--	--	14,358,803	5%	2,963,989	--	569,741	3,533,730	10,825,073
Free Hold	4,896,028	--	--	4,896,028	5%	2,058,477	--	141,878	2,200,355	2,695,673
Plant & Machinery	271,346,099	25,928,189	--	297,274,288	10%	133,081,237	--	16,419,304	149,500,541	147,773,747
Factory Equipment	6,046,545	--	--	6,046,545	10%	3,162,847	--	288,369	3,451,216	2,595,329
Office Equipment	6,027,046	4,329,615	--	10,356,661	10%	2,511,975	--	784,468	3,296,443	7,060,218
Furniture & Fixture	2,412,470	101,661	--	2,514,131	10%	10,107,651	--	150,336	1,161,101	1,353,030
Vehicles	8,937,888	2,270,671	(1,111,000)	10,097,559	20%	4,535,362	(753,943)	1,263,228	5,044,647	5,052,912
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	386,409,690	39,798,674	(1,111,000)	425,097,364		180,718,429	(753,943)	24,079,859	204,044,345	221,053,019

Assets subject To finance lease											
Plant & Machinery	127,419,954	--	--	127,419,954	10%	43,525,947	--	8,389,401	51,915,348	75,504,606	
Factory Equipment	6,505,617	--	--	6,505,617	10%	2,824,178	--	368,144	3,192,322	3,313,295	
Rupees	133,925,571	--	--	133,925,571		46,350,125	--	8,757,545	55,107,670	78,817,901	
Total Rupees 1997:	520,335,261	39,798,674	(1,111,000)	559,022,935		227,068,554	(753,943)	32,837,404	259,152,015	299,870,920	
Total Rupees 1996:	4,861,672,740	35,965,289	(1,202,768)	520,335,261		195,851,849	(891,646)	32,108,351	227,068,554	293,266,707	

1997 1996
RUPEES RUPEES

13.2 Depreciation has been charged to:

Cost of Sales	30,639,371	30,461,411
Administrative Expenses	2,198,033	1,646,940
	-----	-----
	32,837,404	32,108,351

13.3. Detail of disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain	Sold to	Mode of Disposal
Vehicles							
T-9388	1,082,000	727,450	354,550	360,000	5,450	Mr. M. Mubashir 7-A, Queens Road, Lahore.	Negotiations
KAD-967	14,000	13,507	493	1,500	1,007	Mrs. Shamim Fatima Al-Noor Arcade, Flat No. 22, 6th Floor, Saddar, Karachi.	Negotiations
KC0-3667	15,000	12,986	2,014	15,000	12,986	Mr. Sabir Ali Flat No. B-24, Block-K, N. Nazimabad, Karachi.	Negotiation
TOTAL	1,111,000	753,943	357,057	376,500	19,443		

14. CAPITAL WORK IN PROGRESS

Building and other civil work	877,430	841,355
Plant and machinery	--	214,262
	-----	-----
	877,430	1,055,617

15. LONG TERM LOANS

Unsecured, considered good to Employees	7,225,169	7,262,511
Less: current portion	7,000,500	4,295,700
	-----	-----
	224,669	2,966,811
	=====	=====

These represent interest free loans given to employees and are repayable over two to four years, Included in the above are amounts aggregating Rs. 64,000/= (1996: Rs 1,068,400/=) which are repayable after three years.

16. LONG TERM INVESTMENTS - AT COST QUOTED

		1997 RUPEES	1996 RUPEES
Taha Spinning Mill's Limited 50,000 Ordinary Shares of Rs. 10/- each (1996:50,000 ordinary shares)	(16.1)	500,000	500,000
NDLC (Associated undertaking) 505, 091 Ordinary Shares of Rs. 5/= each (1996 - 505, 091 ordinary shares)	(16.2)	10,874,609	10,874,609
		-----	-----
		11,374,609	11,374,609
		=====	=====

16.1 The market value of shares as on 30th September, 1997 was Rs. 8.75/- per share i.e. Rs. 437,500/- (1996: Rs. 400,000).

16.2 The market value of shares as on 30th September, 1997 was Rs. 8.90/- per share. i.e. Rs. 4,495,310/- (1996 ' Rs. 3,611, 406/-).

As the company does not considers the diminution in value of above investments as permanent, therefore it has not been provided.

17. STORES, SPARES AND LOOSE TOOLS

Stores	370,643	484 895
spares	3,330,585	3,519,128
Loose Tools	40,139	35,110
	-----	-----
	3,741,367	4,039,133
	=====	=====

18. STOCK-IN-TRADE

Raw material	25,342,811	8,831,196
Work in process	4,472,353	4,941,091
Finished goods	17,926,394	24,162,771
Packing material	2,329,184	1,860,364
	-----	-----
	50,070,742	39,795,422
	=====	=====

19. TRADE DEBTS

Foreign bills receivable (Secured)	52,243,984	52,751,317
Local (Unsecured, Considered Good)	49,900,479	37,574,068
	-----	-----
	102,144,463	90,325,385
	=====	=====

20. LOANS AND ADVANCES

Loans:		
Unsecured considered good to employees	7,000,500	324,590
Advances :		
Unsecured, considered good to employees	--	3,971,110
Associated undertakings	(20.1) 82,367,326	108,704,177
Others	210,560	975,866
	-----	-----
	89,578,386	113,975,743
	=====	=====

20.1 It includes advance of Rs. 10,027,500/- (1996' NIL) given to Bhanero Energy Limited, an associated company. No interest has been charged under an agreement. As per the terms of the agreement electric power is being supplied at discounted rates.

20.2 Except for above interest at average prevailing bank rates is being charged.

20.3 The maximum aggregate amount due from associated undertaken as at the end of any month during the year was Rs 119.806 Million (1996: Rs. 108.704 Million).

	1997	1996
	RUPEES	RUPEES
21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Unsecured, considered good)		
Trade deposits	554,141	332,397
Other deposits	292,342	403,105
Balance with statutory authorities	1,692	1,692
Advance Income Tax	16,013,453	22,436,848
Interest receivable	80,435	53,253
Other receivables	6,092,952	3,869,319
	-----	-----
	23,035,015	27,096,614
	=====	=====

22 CASH AND BANK BALANCES

Cash in hand	28,471	89,436
At bank, in current accounts	4,620,599	4,213,107
	-----	-----
	4,649,070	4,302,543
	=====	=====

23. SALES (NET)

- Local	579,284,489	527,119,589
- Export	520,411,776	405,191,612
- Waste	8,074,679	7,283,729
	-----	-----
	1,107,770,944	939,594,930
Less: Excise duty	43,372	9,651,187
Commission and brokerage	17,018,272	10,413,389
	-----	-----
	17,061,644	20,064,576
	-----	-----
	1,090,709,300	919,530,354
	=====	=====

24. COST OF SALES

Raw Material consumed (24.1)	662,318,851	573,976,054
Packing Material consumed	19,099,597	15,105,069
Stores and spares consumed	17,354,668	10,614,209
Salaries, wages and other benefits	54,686,881	40,801,376
Processing charges	6,578,129	3,578,225
Fuel and power	85,237,286	76,067,862

Insurance		3,967,138	3,267,327
Repairs and maintenance		3,179,052	1,311,744
Postage, Telegraph, Telephone & Telex		491,562	449,018
Vehicle running expenses		918,181	688,395
Rent, rates and taxes		162,900	114,141
Travelling and conveyance		189,192	191,553
Other manufacturing expenses		126,241	135,935
Depreciation	(13.2)	30,639,371	30,461,411
		-----	-----
		884,949,049	756,762,319
Opening Work-in-Process		4,941,091	9,722,791
Closing Work-in-Process		(4,472,353)	(4,941,091)
		-----	-----
Cost of goods manufactured		468,738	4,781,700
		-----	-----
		885,417,787	761,544,019
Opening finished goods		24,162,771	41,732,534
Closing finished goods		(17,926,394)	(24,162,771)
		-----	-----
		6,236,377	7,569,763
		-----	-----
		891,654,164	779,113,782

24.1 RAW MATERIAL CONSUMED

Opening stock		8,831,196	15,538,493
Purchase of Raw Cotton		678,830,466	567,268,757
Less: Closing stock		(25,342,811)	(8,831,196)
		-----	-----
		662,318,851	573,976,054

25. ADMINISTRATIVE EXPENSES

Directors' Remuneration	(30)	564,000	564,000
Salaries and other benefits		8,180,396	4,549,466
Printing and stationery		629,957	366,648
Rent, rates and taxes		1,007,708	713,885
Postage, telex, telephone and telegram		5,134,876	4,042,966
Travelling and conveyance		1,782,982	893,462
Legal and professional charges		245,467	414,105
Auditors' remuneration-Audit fee		70,000	70,000
Fine and penalties	(25.1)	50,560	---
Vehicles running and maintenance		1,051,966	953,209
Repairs and Maintenance		482,820	343,746
Charity and donations	(25.2)	345,600	250,000
Depreciation	(13.2)	2,198,033	1,646,940
Other expenses		418,816	240,717
		-----	-----
		22,163,181	15,049,144

25.1 FINE AND PENALTIES

This penalty was imposed by the sales tax department on delayed payment of sales tax by one day, whereas the company had deposited the pay order in government treasury within prescribed time.

25.2 CHARITY AND DONATIONS

This amount represents contribution to APTMA for Prime Minister's Debt Retirement Fund. None of the directors or any of their spouse had any interest in the charity and donation paid.

26. SELLING AND DISTRIBUTION EXPENSES

Freight and octroi - export sales	18,117,507	15,475,486
Freight and octroi- local sales	8,604,626	6,682,407
Other selling expenses	2,207,325	1,868,456
	=====	=====
	28,929,458	24,026,349

27. OTHER INCOME

Gain on sale of fixed assets	19,443	142,078
Dividend income	757,636	--
Scrap sale	--	8,000
Other	59,130	414,177
	-----	-----
	836,209	564,255
	=====	=====

28. FINANCIAL CHARGES

Interest on ·		
Finance lease	6,099,417	5,128,192
Workers' Profit Participation Fund (11.1)	132,524	120,270
Advance from associated undertakings (Net)	3,023,132	1,933,498
	-----	-----
	9,255,073	7,181,960
Mark-up:		
Long term loans	9,181,078	11,283,098
Short term running finance	76,008,648	45,243,915
	-----	-----
	85,189,726	56,527,013
Excise duty	3,209,823	2,675,065
Bank charges and commission	4,704,597	3,872,875
Zakat	3,126	2,229
	-----	-----
	102,362,345	70,259,142
	=====	=====

29. TAXATION

29.1 Provision for the current year has been made in these accounts amounting to Rs. 9,023,779/- (1996: Rs. 6,619,753/-)

29.2 Income Tax assessments of the company have been finalised upto assessment year 1997-98 (Income year ended at 30th September, 1996).

29.3 Provision for deferred tax liability has not been made as major timing differences are not likely to reverse in the foreseeable future. The deferred tax liability due to the timing differences if providing would amount to Rs. 39.676 Million as on 30th September, 1997 (1996 Rs. 39.372 Million)

30. DIRECTORS REMUNERATION

The detail of payments made during the year are as follows:

	1997 RUPEES			1996 RUPEES		
	Chief Executive	Director	Total	Chief Executive	Director	Total
Managerial Remuneration	194,483	194,483	388,966	194,463	194,483	388,966
House Rent Allowance	87,517	87,517	175,034	87,537	87,517	175,034
	-----	-----	-----	-----	-----	-----

	282,000	282,000	564,000	282,000	282,000	564,000
No. of persons	(1)	(1)	(2)	(1)	(1)	(2)

30.1 All directors and chief executive are also provided with free use of company's maintained cars and

	1997	1996
	RUPEES	RUPEES

31. TRANSACTION WITH ASSOCIATED UNDERTAKINGS:

	---	5,500
Purchases	8,363,864	5,076,508
Interest expenses	5,340,732	3,143,010
Interest income	74,969,116	15,742,748
Electric Billing		

32. PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	34,560	34,560
Average number of spindles worked	34,560	34,560
Number of shifts worked per day	3	3
Installed capacity after conversion into 20's Kgs	11 264,400	11,264,400
Actual production after conversion into 20 counts yarn Kgs.	11,264,264	11,113,543

Shortfall is due to stoppage of machines owing to frequent changes of count and quality of yarn.

33. COMPARATIVE FIGURES

Figures have been re-arranged and regrouped wherever necessary for the purpose of comparison.

Figures have been rounded off to the nearest rupee.

PATTERN OF SHARE HOLDINGS AS AT 30-09-1997

NUMBER OF SHARE HOLDERS	SHAREHOLDERS		TOTAL SHARES HELD
	FROM	TO	
211	1	100	21,100
45	101	500	14,400
9	501	1,000	8,200
15	1,001	5,000	36,300
2	10,001	15,000	28,542
1	15,001	20,000	18,800
2	20,001	25,000	43,984
1	25,001	30,000	29,872
1	40,001	45,000	42,780
3	50,001	55,000	154,074
3	60,001	65,000	181,600
1	70,001	75,000	70,500
1	75,001	80,000	80,000
4	95,001	100,000	397,664
3	155,001	160,000	475,100
3	160,001	165,000	482,183
2	245,001	250,000	498,701
1	415,001	420,000	416,200
-----			-----
308			3,000,000
=====			=====

PATTERN OF SHARE HOLDING AS AT 30-09-1997

CATEGORIES SHARE HOLDERS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
Individuals	303	2,364,300	78.81%
Investment Companies	1	50,200	1.67%
Insurance Companies	2	89,300	2.98%
Joint Stock Companies	--	--	--
Financial Institutions	2	496,200	16.54%
Modaraba Companies	--	--	--
Foreign Investors	--	--	--
Co-operative Societies	--	--	--
Charitable Trusts	--	--	--
Others	--	--	--
	-----	-----	-----
TOTAL	308	3,000,000	100.00%