

Bhanero Textile Mills Limited

Annual Report 1998

COMPANY INFORMATION

Board of Directors

CHIEF EXECUTIVE & DIRECTOR

DIRECTORS

Mohammad Salim

Mohammad Sharif
Mohammad Shaheen
Mohammad Shakeel
Khurram Salim
Furrukh Salim
Bilal Sharif
Zahid Ali H. Jamall (Nominee NIT)

COMPANY SECRETARY

Asif Mahmood
ACA, ACLS, AITM, ALCS

FINANCIAL MANAGER

Anwar Hussain
FCA

BANKERS

City Bank, N.A.
ABN Amro Bank Limited
United Bank Limited
National Development Finance Corporation
Muslim Commercial Bank Limited
American Express Bank 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

MILLS AT

Unit 1 is situated at Kotri
District Dadu, &
Unit II is situated at
Feroz Watwan,

Notice of Annual General Meeting

NOTICE is hereby given that 19th Annual General Meeting of the Shareholders of Bhanero Textile Mills Limited will be held on 26th March, 1999 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 19th March, 1998.
2. To receive, consider and adopt the audited accounts of the company for the year ended 30th September, 1998 together with the Auditors' and Directors' Reports thereon.
3. To approve the dividend as recommended by the Board of Directors, for the year ended 30th September, 1998.
4. To appoint Auditors for the year 1998-99 and fix their remuneration. The present Auditors M/s Mushtaq & Co. Chartered Accountants, being eligible, offer themselves for reappointment.
5. To elect seven directors as fixed by the Board for a term of three years in accordance with Section 178 of the Companies Ordinance, 1984. The name's of retiring directors are Mohammad Salim, Mohammad Sharif, Mohammad Shaheen, Mohammad Shakeel, Khurram Salim, Bilal Sharif Farrukh Salim, and Mr. Zahid Ali H. Jamall, Nominee Director of National Investment Trust Limited.
6. To transact any other business with the permission of the Chairman.

KARACHI: 26th February, 1999

(BY ORDER OF THE BOARD)

Asif Mahmood

ACA

COMPANY SECRETARY

NOTES:

1. The share transfer books of the Company will remain closed from 22nd March, 1999 to 31st March, 1999 (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. Any person seeking to contest in election to the office of the Director should file with company not later than fourteen (14) days before the date of the meeting, a notice of his/her intention to offer himself/herself for election as director.
4. Shareholders are requested to immediately notify the changes in address, if any,

Directors' Report to the Members

I, on behalf of the Board of Directors, welcome the members at the 19th Annual General Meeting and pleased to present the audited accounts with the auditors report thereon for the year ended September 30, 1998 for your consideration and approval.

FINANCIAL RESULTS

During the year under review, with the grace of Allah, your company has performed well in its operations inspire of the economic pressures. The company has earned a net profit after tax at Rs. 36,271,084/= against Rs. 32,737,642/= in the corresponding year. The allocation of profit for the year before tax is summarised as under:

Rupees
(in thousands)

Profit for the year before taxation	46,627
Provision for taxation	10,356

Profit after taxation	36,271
Unappropriated profit brought forward	180

Profit available for appropriation	36,451
Appropriations:	
Pro. posed cash dividend	6,000
Transfer to general reserve	30,450

	36,450

Unappropriated profit carried forward	1
	=====

The gross sales of the company have increased by Rs. 68.464 million as compared to last year's gross sales. The export sales of the company have also increased by Rs. 97.183 million over the last years export sales. The Selling & Distribution expenses have increased by Rs.3.494 million as compared to last year.

YEAR UNDER REVIEW

The economic condition of the country is not good, which is affecting all sort of business activities but the manufacturing concerns are effected badly especially the textile sector. A large number of textile units have become inoperative or are working on below the rated capacity. The local market of cotton yarn also remained very depressed due to the unfavourable economic conditions. The electricity charges are becoming a major factor to increase our cost of production.

FUTURE OUTLOOK

The economic conditions are not good and I am not so hopeful for the future of the textile sector unless the Government takes some remedial measures in this regard. The size of the cotton crop season 98-99 seems to be below the mark set for the local consumption. The shortfall has to be covered by the input from international markets.

EXPENSION PLAN

The management is fully aware of the necessity of balancing, modernization and expansion. The necessary BMR will be done as and when required during the year.

Y2K COMPLIANCE

We are pleased to inform you that we have already taken the necessary steps towards the Millennium Bug on computer system. We have replaced our computer system with the IBM AS-400 advance series and with the qualified staff we have overcome the problem of Millennium Bug.

PROFIT DISTRIBUTION

The directors of your company are pleased to recommend a payment of 20% cash dividend 'for the year under review. Your company feels that due to tough year ahead the company like to hold funds to meet any unforeseen circumstances.

AUDITORS

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

ELECTION OF DIRECTOR

The three years term of the present Board of Directors is going to be expired. The existing Board will retire in the forthcoming Annual General Meeting schedule to be held o 26th March, 1999. The Board has fixed the number of directors at seven.

PATTERN OF SHAREHOLDING

Statement showing pattern of holding of shares as at September 30, 1998 is annexed to this report.

THANKS AND GRATITUDE

Your Directors wish to express thanks to all staff and workers for their co-operation and in the performance of their duties. The directors are confident that with their continued support the company will reach new hights in future.

On behalf of the Board

Mohammad Salim
Chief Executive/Director

Karachi: 26th February, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of BHANERO TEXTILE MILLS LIMITED as at September 30, 1998 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 account 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 accounts and are further in accordance with the 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, investment 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, 1998 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.
- e) The company has made necessary arrangement to comply with the directive dated September 15, 1998 by the Corporate Law Authority in respect of the "millennium" problem year 2000 systems issue.

KARACHI: 26th February, 1999.

MUSHTAQ & COMPANY
Chartered Accountants

BALANCE SHEET AS AT SEPTEMBER 30, 1998

	NOTE	1998 RUPEES	1997 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	188,450,000	158,000,000
Un-appropriated profit		737	179,653

		-----	-----
		218,450,737	188,179,653
Redeemable capital	6	22,486,881	27,744,775
LONG TERM LIABILITIES			
Long term loans and debentures	7	30,346,973	31,346,973
Obligation under finance lease	8	494,151	5,811,546
Customs duty payable		1,252,787	1,252,787
Excise duty payable		9,600,875	9,600,875
		-----	-----
		41,694,786	48,012,181
DEFERRED LIABILITIES			
Staff retirement gratuity	9	8,508,970	6,217,527
Deferred taxation		6,017,056	6,017,056
		-----	-----
		14,526,026	12,234,583
CURRENT LIABILITIES:			
Short term bank loans	10	322,347,413	165,777,647
Current maturity of long term liabilities		11,570,139	26,314,932
Creditors, accrued expenses			
and other liabilities	11	111,766,951	87,305,609
Provision for taxation		19,379,700	16,852,070
Proposed dividend		6,000,000	15,000,000
		-----	-----
		471,064,203	311,250,258
CONTINGENCIES AND COMMITMENTS	12	-	-
		-----	-----
		768,222,633	587,421,450
		=====	=====
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS			
Operating assets	13	293,818,454	299,870,920
Capital work- in - progress	14	1,546,535	877,430
		-----	-----
		295,364,989	300,748,350
LONGTERM LOANS	15	313,655	224,669
LONGTERM INVESTMENTS	16	11,374,609	11,374,609
LONGTERM DEPOSITS		745,226	738,676
CURRENT ASSETS			
Stores, spares & loose tools	17	4,475,658	3,741,367
Stock in trade	18	62,109,950	50,070,742
Trade debts	19	267,528,896	102,144,463

Loans and Advances	20	75,807,967	89,578,386
Deposits, prepayments and other receivables	21	44,089,964	24,151,118
Cash and bank balances	22	6,411,719	4,649,070
		-----	-----
		460,424,154	274,335,146
		-----	-----
		768,222,633	587,421,450
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi: 26th February, 1999.

Mohammad Salim
Chief Executive

Mohammad Shakeel
Director

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED SEPTEMBER 30, 1998**

	NOTE	1998 RUPEES	1997 RUPEES
Sales (Net)	23	1,157,488,320	1,090,709,300
Cost Of Sales	24	946,030,431	891,654,164
		-----	-----
Gross Profit		211,457,889	199,055,136
OPERATING EXPENSES			
Administrative	25	25,560,526	22,163,181
Selling and distribution	26	32,423,624	28,929,458
		-----	-----
		57,984,150	51,092,639
		-----	-----
Operating profit		153,473,739	147,962,497
Other income	27	422,268	836,209
		-----	-----
		153,896,007	148,798,706
		-----	-----
Financial charges	28	104,814,950	102,362,345
Workers' profit participation fund		2,454,052	2,321,818
		-----	-----
		107,269,002	104,684,163
		-----	-----
Profit before taxation		46,627,005	44,114,543
TAXATION			
- Current Year	29	10,355,921	9,023,779
- Prior Year		-	2,353,122
		-----	-----
		10,355,921	11,376,901
		-----	-----
Profit after taxation		36,271,084	32,737,642

Unappropriated profit brought forward	179,653	442,011
	-----	-----
Profit available for appropriation	36,450,737	33,179,653
APPROPRIATIONS		
Proposed dividend	60,000,001	15,000,000
Transferred to general reserve	30,450,000	18,000,000
	-----	-----
	36,450,000	33,000,000
	-----	-----
Un-appropriated profit carried forward	737	179,653
	=====	=====

The annexed notes form an integral part of these accounts.

	Mohammad Salim	Mohammad Shakeel
Karachi: 26th February, 1999	Chief Executive	Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	1998	1997
	RUPEES	RUPEES
A. CASH FROM OPERATING ACTIVITIES		
Profit before taxation	46,627,005	44,114,543
Adjustment for depreciation	32,515,216	32,837,404
Provision for gratuity	3,384,041	3,032,035
Excise duty	-	(1,608,653)
Financial charges	104,814,950	102,362,345
Loss/(Gain) on disposal of fixed assets	39,603	(19,443)
Dividend income	(378,821)	(757,636)
Interest income	(57,520)	-
	-----	-----
Operating profit before working capital changes	140,317,469	135,846,052
	-----	-----
(Increase)/decrease in current assets		
Stocks, stores and spares	(12,773,499)	(9,977,554)
Trade debts	(165,384,433)	(11,819,078)
Loan and advances	13,770,419	24,397,357
Advances, deposits prepayments and other receivables	(12,799,820)	(2,361,796)
	-----	-----
	(177,187,333)	238,929
(Decrease)/Increase in current liabilities		

Short term Bank loans	156,569,766	(11,659,216)
Creditors, accrued and other liabilities	3,119,997	17,259,096
Workers' profit participation fund	137,465	746,694
	-----	-----
	159,827,228	6,346,574
	-----	-----
Cash generated from operations	169,584,369	186,546,098
 Payment for:		
Taxes	(14,967,317)	(10,101,987)
Gratuity paid	(1,092,598)	(1,164,046)
Financial charges paid	(83,619,713)	(97,776,698)
	-----	-----
	(99,679,628)	(109,042,731)
 NET CASH FROM OPERATING ACTIVITIES	 69,904,741	 77,503,367
	=====	=====
	 1998	 1997
	RUPEES	RUPEES
 B. CASH FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	355,000	376,500
Fixed capital expenditure	(27,526,455)	(39,620,487)
Decrease in long term loans	(88,986)	2,742,142
Long term deposits & advances	(6,550)	(6,801)
Interest received	57,520	-
Dividend received	378,821	757,636
	-----	-----
NET CASH FROM INVESTING ACTIVITIES	(26,830,650)	(35,751,010)
	-----	-----
	43,074,091	41,752,357
 C. CASH FROM FINANCING ACTIVITIES		
Payment of redeemable capital	(13,982,850)	(11,995,129)
Repayment of long term loans	(2,546,117)	(13,320,427)
Repayment of liability against assets Subject to finance lease	(9,791,115)	(8,594,909)
Dividend paid	(14,991,360)	(7,495,365)
	-----	-----
NET CASH FROM FINANCING ACTIVITIES	(41,311,442)	(41,405,830)
Net increase in cash and cash equivalents	1,762,649	346,527
	-----	-----
Cash and cash equivalents at beginning of the year	4,649,070	4,302,543
 Cash and cash equivalents at end of the year	 6,411,719	 4,649,070
	=====	=====

Mohammad Salim

Chief Executive

Mohammad Shakeel

Director

Karachi: 26th February, 1999

**NOTES TO THE ACCOUNTS FOR THE YEAR
ENDED SEPTEMBER 30, 1998**

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 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 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 re-

newals and improvements are capitalised. Gains and losses on disposal of assets are included in income currently.

Leased:

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.

2.11 Revenue Recognition

Sales are recorded on despatch of goods to customers.

1998	1997
RUPEES	RUPEES

3. AUTHORISED CAPITAL

3,000,000 (1997: 3,000,000)		
Ordinary Shares of Rs. 1 0/- each	30,000,000	30,000,000
	=====	=====

4. ISSUED, SUBSCRIBED AND

PAID-UP CAPITAL

1,762,500 (1997: 1,762,500)		
ordinary shares of Rs. 10/- each		
fully paid in Cash	17,625,000	17,625,000

1,237,500 (1997: 1,237,500)		
Ordinary Shares of Rs. 10/- each		
fully paid as Bonus Shares	12,375,000	12,375,000
	-----	-----
	30,000,000	30,000,000
	=====	=====

5. REVENUE RESERVES

General:

Opening balance	158,000,000	140,000,000
Add: Appropriation from profit		
and loss account	30,450,000	18,000,000
	-----	-----
	188,450,000	158,000,000
	=====	=====

6. REDEEMABLE CAPITAL (Secured)

	N.I.T.	SLIC	1998 RUPEES	1997 RUPEES
As at October 1, 1997	9,557,386	32,170,239	41,727,625	53,722,754
Paid during the year	(9,557,386)	(4,425,464)	(13,982,850)	(11,995,129)
	-----	-----	-----	-----
	-	27,744,775	27,744,775	41,727,625
Less: Current Maturity	-	5,257,894	5,257,894	13,982,850
	-----	-----	-----	-----
As at September 30, 1998	-	22,486,881	22,486,881	27,744,775
	=====	=====	=====	=====

The redeemable capital from State Life Insurance Corporation of Pakistan (SLIC) is secured by first charge on all the present and future movable and immovable properties of the Unit-2, ranking pari-passu.

The TFCs issued to SLIC representing purchase price of Rs. 139,885,664/- bearing mark-up at the rate of 22% is repayable in equal twenty four half yearly installments during 1990 to 2002.

However a rebate of four percent is allowed on timely payment.

7. LONGTERM LOANS AND DEBENTURES (Secured)

Taxes, repairs and maintenance, insurance and other costs relating to the leased assets are to be borne by the Company. The IRR works out @20.62% per annum. (1997: 18% to 22% per annum).

	1998	1997
	RUPEES	RUPEES
9. STAFF RETIREMENT GRATUITY		
Opening balance	6,217,527	4,349,538
Less: Payments during the year	1,092,598	1,164,046
	-----	-----
	5,124,929	3,185,492
Add: Provision for the year	3,384,041	3,032,035
	-----	-----
	8,508,970	6,217,527
	=====	=====

**10. SHORT TERM BANK LOANS
(SECURED)**

SBP-Export refinance	93,900,000	61,600,000
Export post shipment loans	111,365,666	30,035,789
Bank running finance	117,081,747	74,141,858
	-----	-----
	322,347,413	165,777,647
	=====	=====

10.1 The above finance are available from various commercial banks aggregate upto Rs. 1.173 Billion (1997: Rs. 412 Million) at mark up rate ranging from 7% to 18% per annum. These facilities are expiring on different dates.

10.2 The agreements are secured by pari passu hypothecation charge and pledge of stock and. lien on export bills under collection and by way of personal guarantee of sponsoring directors of the company.

**11. CREDITORS, ACCRUED EXPENSES
AND OTHER LIABILITIES**

Trade creditors		19,873,382	15,625,318
Accrued expenses		31,221,453	28,510,500
Mark-up accrued on long term loans		873,714	729,282
Mark-up accrued on short term loans		32,218,780	11,167,972
Workers' profit participation fund	(11.1)	2,540,704	2,403,239
Workers' welfare fund		62,729	62,729
Due to associated undertakings		18,313,071	13,522,763
Unclaimed dividend		47,990	39,350
Sales tax payable		4,387,634	4,679,684
Collector of custom - imports	(21.1)	910,068	373,449
Others		1,317,426	10,191,323
		-----	-----
		111,766,951	87,305,609

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	1998 RUPEES	1997 RUPEES
11.1 Workers' profit participation fund		
Opening balance	2,403,239	1,656,545
Interest on fund	450,607	132,524
	-----	-----
	2,853,846	1,789,069
Less: Payment during the year	2,767,194	1,707,648
	-----	-----
	86,652	81,421
Contribution for the year	2,454,052	2,321,818
	-----	-----
	2,540,704	2,403,239
	=====	=====

12. CONTINGENCIES AND COMMITMENTS**12.1 Contingent Liabilities**

a) The customs duties amounting to Rs. 21 904 million (1997: Rs. 21.904 Million). The company has obtained bank guarantees from various financial institutions in favour of collector of customs against the levy of the above custom duty.

b) The Excise duty on loans which has been levied by the finance Act 1992 has been challenged by the company in the Hounourable 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 (1997: Rs. 9.601 million) which has already been provided.

12.2 Capital Commitments:

There are no capital commitments as on 30th September, 1998.

13. OPERATING ASSETS

Particulars	COST			As at 30-09-98	Rate	DEPRECIATION				
	As at 01-10-97	Additions	Disposal/ Adjustment			As at 01-10-97	Disposal/ Adjustment	For the year	As at 30-09-1998	W.D.V. AS AT 30-09-1998
Own Assets:										
Land										
Lease-Hold	433,414	-	-	433,414	-	-	-	-	-	433,414
Free Hold	3,100,805	154,810	-	3,255,615	-	-	-	-	-	3,255,615
Factory Building										
Lease-Hold	28,930,108	4,201,618	-	33,131,726	10%	14,103,687	-	1,902,804	16,006,491	17,125,235
Free Hold	47,089,022	-	-	47,089,022	10%	21,752,625	-	2,533,640	24,286,265	22,802,757
Non Factory Building										

Lease-Hold	4,896,028	-	-	4,896,028	05%	2,200,355	-	134,784	2,335,139	2,560,889
Free Hold	14,358,803	-	-	14,358,803	05%	3,533,729	-	541,254	4,074,983	10,283,820
Plant & Machinery	407,193,171	16,483,597	-	423,676,768	10%	198,090,686	-	22,558,608	220,649,294	203,027,474
Factory Equipment	12,552,162	-	-	12,552,162	10%	6,643,540	-	590,862	7,234,402	5,317,760
Office Equipment	10,356,661	1,091,064	-	11,447,725	10%	3,296,441	-	815,128	4,111,569	7,336,156
Furniture & Fixture	2,514,131	316,064	-	2,830,817	10%	1,161,099	-	166,972	1,328,071	1,502,746
Vehicles	10,097,559	4,609,575	(394,603)	14,312,531	20%	5,044,647	-	1,853,577	6,898,224	7,414,307

Rupees	541,521,864	26,857,350	(394,603)	567,984,611		255,826,809	-	31,097,629	286,924,438	281,060,173
=====										
Assets subject										
To finance lease:										
Plant & Machinery	17,501,071	-	-	17,501,071	10%	3,325,203	-	1,417,587	4,742,790	12,758,281

Rupees	17,501,071	-	-	17,501,071		3,325,203	-	1,417,587	4,742,790	12,758,281

Total Rupees 1998:	559,022,935	26,857,350	(394,603)	585,485,682		259,152,012	-	32,515,216	291,667,228	293,818,454
=====										
Total Rupees 1997:	520,335,261	39,798,674	(1,111,000)	559,022,935		227,068,555	(753,943)	32,837,404	259,152,015	299,870,920
=====										

	1998	1997
	RUPEES	RUPEES

13.1 Depreciation has been allocated to:

Manufacturing	29,679,539	30,639,371
Administrative	2,835,677	2,198,033
	-----	-----
	32,515,216	32,837,404
	=====	=====

13.2 Detail of disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain/ (Loss)	Mode of Disposal	Sold to
Vehicles							
LXE-6967	394,603	-	394,603	355,000	(39,603)	Insurance Claim	M/s. Adamjee Insurance Company Limited Adamjee Insurance Building, I.I. Chundrigar, Road, Karachi.

	1998	1997
	RUPEES	RUPEES

14. CAPITAL WORK IN PROGRESS

Building and other civil work	1,068,859	877,430
Plant and machinery	477,676	-
	-----	-----
	1,546,535	877,430
	=====	=====

15. LONGTERM LOANS

To Employees:

Unsecured, considered good	8,938,837	7,225,169
Less: current portion	(8,625,182)	(7,000,500)
	-----	-----
	313,655	224,669
	=====	=====

These represent interest free loan given to employees and are repayable over 2 to 4 years. Included in the above are amounts aggregating Rs. 76,450/- (1997: Rs. 64,000/-) which are repayable after three years.

16. LONGTERM INVESTMENTS-COST

QUOTED:

Taha Spinning Mills Limited 50,000 Ordinary Shares of Rs. 10/- each (1997: 50,000 ordinary shares)	(16.1)	500,000	500,000
National Development Leasing Corporation 530,3511 Ordinary Shares of Rs. b/= each (1997: 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, 1998 was Rs. 6.50/- per share i.e. Rs.325,000/- (1997: Rs. 437,500/-).

16.2 The market value of the shares as on 30th September, 1998 was Rs. 4.45 per share i.e. Rs.2,360,062/- (1 997: Rs. 4,495,310/-).

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

	1998	1997
	RUPEES	RUPEES
17. STORES, SPARES AND LOOSE TOOLS		
Stores	412,747	370,643
Spares	4,023,240	3,330,585

Loose Tools	39,671	40,139
	-----	-----
	4,475,658	3,741,367
	=====	=====

18. STOCK-IN-TRADE

Raw material	15,574,704	25,342,811
Work in process	11,808,390	4,472,353
Finished goods	32,138,204	17,926,394
Packing material	2,588,652	2,329,184
	-----	-----
	62,109,950	50,070,742
	=====	=====

19. TRADE DEBTS

Foreign bills receivable (Secured)	205,520,248	52,243,984
Local (Unsecured - considered good)	62,008,648	49,900,479
	-----	-----
	267,528,896	102,144,463
	=====	=====

20. LOANS AND ADVANCES

Loans:		
Unsecured, considered good to employees	8,625,182	7,000,500
Advances:		
Associated undertakings (20.1)	66,601,261	82,367,326
Others	581,524	210,560
	-----	-----
	75,807,967	89,578,386
	=====	=====

20.1 The maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 86.705 million (1997: 119.806 million) The interest has been charged at average prevailing bank rate.

	1998	1997
	RUPEES	RUPEES
21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Unsecured, considered good)		
Trade deposits	334,795	554,141
Other deposits	285,707	285,707
Balance with statutory authorities	1,692	1,692
Advance income tax	23,152,479	16,013,453
Interest receivable	134,443	80,435
L/C in transit	2,122,893	6,635
Collector of custom (Re-export) 21.1	910,068	373,449
Sales tax refundable	6,123,026	1,116,103

Other receivables	11,024,861	5,719,503
	-----	-----
	44,089,964	24,151,118
	=====	=====

21.1 It represents post dated cheques and indemnity bonds issued in favour of collector of custom in lieu of custom duty and sales tax on the import of packing material for re-export within one year.

	1998	1997
	RUPEES	RUPEES

22. CASH AND BANK BALANCES

Cash in hand	49,551	28,471
At bank, in current accounts	6,362,168	4,620,599
	-----	-----
	6,411,719	4,649,070
	=====	=====

23. SALES (NET)

- Export	617,594,781	520,411,776
- Local	549,527,084	579,284,489
- Waste	9,112,558	8,074,679
	-----	-----
	1,176,234,423	1,107,770,944
Less: Excise duty	-	43,372
Commission and brokerage	18,746,103	17,018,272
	-----	-----
	18,746,103	17,061,644
	-----	-----
	1,157,488,320	1,090,709,300
	=====	=====

	1998	1997
	RUPEES	RUPEES

24. COST OF SALES

Raw Material consumed	(24.1)	699,180,402	662,318,851
Packing Material consumed		21,357,220	19,099,597
Stores and spares consumed		15,052,491	17,354,668
Salaries, wages and other benefits		61,077,152	54,686,881
Processing charges		23,019,220	6,578,129
Fuel and power		111,258,598	85,237,286
Insurances		2,978,569	3,967,138
Repairs and maintenance		1,867,322	3,179,052
Travelling and conveyance		218,107	189,192
Postage, Telephone & Fax		606,784	491,562

Vehicle running expenses		913,678	918,181
Rent, rates and taxes		111,097	162,900
Depreciation	(13.1)	29,679,539	30,639,371
Other manufacturing expenses		258,099	126,241
		-----	-----
		967,578,278	884,949,049
Opening Work-in-Process		4,472,353	4,941,091
Closing Work-in-Process		(11,808,390)	(4,472,353)
		-----	-----
		(7,336,037)	468,738
		-----	-----
Cost of goods manufactured		960,242,241	885,417,787
		-----	-----
Opening finished goods		17,926,394	24,162,771
Closing finished goods		(32,138,204)	(17,926,394)
		-----	-----
		(14,211,810)	6,236,377
		-----	-----
		946,030,431	891,654,164
		=====	=====

24.1 RAW MATERIAL CONSUMED

Opening stock		25,342,811	8,831,196
Purchase of Raw Material		689,412,295	678,830,466
		-----	-----
		714,755,106	687,661,662
Less: Closing stock		(15,574,704)	(25,342,811)
		-----	-----
		699,180,402	662,318,851
		=====	=====

	1998	1997
	RUPEES	RUPEES

25. ADMINISTRATIVE EXPENSES

Directors' Remuneration	(30)	564,000	564,000
Salaries and other benefits		9,711,353	8,180,396
Printing and stationery		678,412	629,957
Rent, rates and taxes		679,066	1,007,708
Postage, telephone and fax		5,116,112	5,134,876
Travelling and conveyance		22,727.04	1,782,982
Legal and professional charges		272,321	245,467
Auditors' remuneration-Audit fee		70,000	70,000
Fine & Penalties	(25.1)	85,169	50,560
Vehicles running and maintenance		1,511,916	1,051,966
Repairs and maintenance		793,173	482,820
Charity and donations	(25.2)	550,000	345,600
Depreciation	(13.1)	2,835,677	2,198,033
Other expenses		420,623	418,816

-----	-----
25,560,526	22,163,181
=====	=====

25.1 It represents penalties imposed by State Bank of Pakistan on export refinance loan.

25.2 None of the directors or their spouses had any interest in the charity and donation paid during the year.

1998	1997
RUPEES	RUPEES

26. SELLING AND DISTRIBUTION EXPENSES

Freight and octroi - export sales	18,039,543	18,117,507
Freight and octroi - local sales	12,994,750	8,604,626
Other selling expenses	1,389,331	2,207,325
	-----	-----
	32,423,624	28,929,458
	=====	=====

1998	1997
RUPEES	RUPEES

27. OTHER INCOME

Gain/(loss) on disposal of fixed assets	(39,603)	19,443
Dividend income	378,821	757,636
Scrap sale	25,530	-
Interest income	57,520	-
Others	-	59,130
	-----	-----
	422,268	836,209
	=====	=====

28. FINANCIAL CHARGES

Interest on:		
Finance lease		2,164,084
Workers' Profit Participation Fund	(11.1)	450,607
Associated undertakings (Net)		(768,650)

		1,846,041

		9,255,073

Markup on:		
Long term loans		6,623,714
Short term loans		94,407,100

		101,030,814

		85,189,726

Excise duty		-
		3,209,823

Bank charges and commission	1,936,282	4,704,597
Zakat	1,813	3,126
	-----	-----
	104,814,950	102,362,345
	=====	=====

29. TAXATION

29.1 Provision for the current year has been made in these accounts amounting to Rs. 10,355,921/- (1997: Rs. 9,023,779/-)

29.2 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 provided, would amount to Rs. 48.460 million as on 30th September, 1998 (1997: Rs. 39.372 million).

30. DIRECTORS REMUNERATION

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

	1998 RUPEES			1997 RUPEES		
	Chief Executive	Director	Total	Chief Executive	Director	Total
Managerial Remuneration	194,483	194,483	388,966	194,483	194,483	388,966
House Rent Allowance	87,517	87,517	175,034	87,517	87,517	175,034
	-----	-----	-----	-----	-----	-----
	282,000	282,000	564,000	282,000	282,000	564,000
	=====	=====	=====	=====	=====	=====
No. of person	(1)	(1)	(2)	(1)	(1)	(2)

30.1 Chief Executive and all directors are also provided with free use of company's maintained cars and telephones at residence.

	1998 RUPEES	1997 RUPEES
--	----------------	----------------

31. TRANSACTION WITH ASSOCIATED UNDERTAKINGS:

Purchases	4,359,680	-
Interest expenses	4,872,699	8,363,864
Interest income	5,641,349	5,340,732
Electric expenses	108,462,821	74,969,116

32. PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	34,560	34,560
Total number of spindles worked	34,560	34,560

Number of shifts worked per day	3	3
Installed capacity after conversion into 20's count (Kgs)	11,264,400	11,264,400
Actual production after conversion into 20's count (Kgs)	11,990,976	11,264,264

33. GENERAL

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 30-09-1998**

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL SHARES HELD
	FROM	TO	
210	1	100	21,000
39	101	500	12,100
8	501	1,000	7,500
17	1,001	5,000	39,400
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
-----			-----
302			3,000,000
=====			=====

PATTERN OF SHARE HOLDINGS AS AT 30-09-1998

CATEGORIES SHARE HOLDERS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
2. Investment Companies	1	50,200	1.673
3. Insurance Companies	2	89,300	2.977
4. Joint Stock Companies	-	-	-
5. Financial Institutions	2	496,200	16.540
6. Modaraba Companies	-	-	-

7. Foreign Investors	-	-	-
8. Co-operative Societies	-	-	-
9. Charitable Trusts	-	-	-
10. Others	-	-	-
	-----	-----	-----
TOTAL	302	3,000,000	100.000
	=====	=====	=====

YEAR WISE STATISTICAL SUMMARY

ASSETS EMPLOYED

RS. IN THOUSANDS

	1998	1997	1996	1995
FIXED ASSETS	295,365	300,748	294,322	293,424
INVESTMENTS AND LONG TERM LOANS & DEPOSITS	12,433	12,338	15,074	3,327
CURRENT ASSETS	460,424	274,335	279,534	169,256
	-----	-----	-----	-----
TOTAL ASSETS EMPLOYED	768,222	587,420	588,930	466,007
	=====	=====	=====	=====

FINANCED BY

SHAREHOLDER'S EQUITY	218,451	188,179	170,442	153,154
REDEEMABLE CAPITAL	22,487	27,744	41,727	53,722
LONG TERM LIABILITIES	41,694	48,012	70,133	58,399
DEFERRED LIABILITIES	14,526	12,235	10,366	10,542
CURRENT LIABILITIES	471,064	311,250	296,262	190,190
	-----	-----	-----	-----
TOTAL FUND INVESTED	768,222	587,420	588,930	466,007
	=====	=====	=====	=====

PROFIT & LOSS

TURNOVER (NET)	1,157,488	1,090,709	919,530	829,811
GROSS PROFIT	211,458	199,055	140,416	99,840
OPERATING PROFIT	153,473	147,962	99,736	61,742
FINANCIAL CHARGES	104,814	102,362	68,654	46,936
PROFIT BEFORE TAXATION	46,627	44,114	30,063	22,028
PROFIT AFTER TAXATION	36,271	32,737	24,787	14,155
CASH DIVIDEND	6,000	15,000	7,500	5,250
TRANSFER TO RESERVES	30,450	18,000	26,000	0
PROFIT C/F	1	179	442	9,154

RATIO ANALYSIS ON ACCOUNTS

PROFITABILITY

	1998	1997	1996
	%	%	%
GROSS PROFIT	18.27	18.25	15.27
OPERATING PROFIT	13.26	13.57	10.85
PROFIT BEFORE TAX	402	404	327
NET PROFIT AFTER TAX	313	300	270
NET PROFIT TO SHARE HOLDER EQUITY	16.60	17.40	14.54
NET PROFIT TO TOTAL ASSETS	472	5.58	421
INCREASE IN SALES	612	18.82	10.81
MATERIAL TO NET SALES	60.40	60.72	62.42
ADMINISTRATIVE EXPENSES TO NET SALES	220	203	136
SELLING EXPENSES TO NET SALES	2.80	2.65	306
FINANCIAL CHARGES TO NET SALES	905	938	747
INCOME TAX TO GROSS SALES	89	0.83	70

SHORT TERM SOLVENCY OVERALL VALUATION & ASSESSMENT

	1998	1997	1996
WORKING CAPITAL RATIO	1:1	0.96:1	1.03:1
EQUITY RATIO	28.43	32.09	28.94
DEBT RATIO	71.56	67.91	71.06
BREAKUP VALUE PER SHARE	72.81	62.73	56.81
DIVIDEND PER SHARE	200	500	250