

Crescent Jute Products Limited

Annual Report 1999

CONTENTS

Company Information
Notice of Annual General Meeting
Directors' Report to the Shareholders
Chief Executive's Review
Pattern of Share Holding
Auditors' Report
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Zahid Hussain (Chairman)
Mazhar Karim (Chief Executive)

(in alphabetic order)

A. H. Zaidi
A. Rashid M. Hanif
Anjum M. Saleem
Khalid Bashir
Anis Wahab Zuberi (Nominee NIT)
Riaz Masood
Sail Saif Khan (Nominee PICIC)
Shaukat Shafi

CORPORATE SECRETARIES:

Zaheer A. Shaikh
Rashid Sadiq

AUDITORS:

A. F. Ferguson & Co.,
Chartered Accountants

REGISTERED OFFICE:

83-Babar Block,
New Garden Town, Lahore
Tel: (042) 5881974-75
Fax: (042) 5881976
E-mail: rashid.sadiq@cressoft.com.pk

WORKS:

Jute Unit, Jaranwala,
Cotton Spinning Unit, Jaranwala.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 35th Annual General Meeting of the Shareholders of CRESCENT JUTE PRODUCTS LIMITED will be held on Friday December 31, 1999 at 9.00 a.m. at Registered Office, 83-Babar Block, New Garden Town, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1999 together with the Directors' and Auditors' Reports thereon.
2. To appoint Auditors for the year 1999-2000 and fix their remuneration.

BOOK CLOSURE

The share transfer books of the company will remain closed from December 30, 1999 to January 05, 2000 (both days inclusive).

By order of the Board

Registered Office:
83-Babar Block, New Garden Town, Lahore.
Tel: 5881974- 75, Fax No: 5881976
Email: rashid.sadiq@cressoftware.com.pk
Dated: December 07, 1999.

Rashid Sadiq
Corporate Secretary

Notes:

1. 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 later than 48 hours before the time for holding the Meeting.
2. Shareholders are requested to immediately notify the change in address, if any.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors have the pleasure in presenting their 35th Annual Report together with the Audited accounts of the Company for the year ended 30th June, 1999.

Your company's operations for the year resulted in a loss of Rupees 132,680,245 resulting in negative EPS Rs. 8.78.

REASONS FOR INCURRING LOSS

Higher cotton prices, continued depletion in the value of rupee, extra depreciation on revalued assets, inflation and acute shortage of working capital resulting in excessive borrowing and financial charges thereon are the major reasons for incurring loss for the year.

DEFAULT IN DEBTS, IF ANY

Overdue of First Crescent Modaraba Rupees 4.5 million, Habib Bank Limited Rupees 33.543 million, National Development Finance Corporation Rupees 5.0 million and Pakistan Industrial Credit & Investment Corporation Limited Rupees 10.108 million are reported in Credit Information Bureau Report as on 30th June, 1999. All the above dues have either been paid or re-scheduled.

THE MILLENNIUM BUG

Crescent Jute Products Limited has addressed the year 2000 compliance issue in relation to the computer hardware and software. Our hardware and Software in use are year 2000 compliant.

AUDITORS

The present Auditors Messrs. A.F. Ferguson & Company, Chartered Accountants retire and being eligible offer them for re-appointment.

REVIEW OF OPERATIONS

The Directors of the company endorse the contents of the Chief Executive Review of operations on the next pages, which deals with the Company's activities, its performance and future prospects.

The directors thank the Shareholders, Bankers and Customers who continue to extend their cooperation in days of our crisis.

For and on behalf of the Board

Lahore:
Dated: December 07, 1999.

(MAZHAR KARIM)
Chief Executive

CHIEF EXECUTIVE'S REVIEW

JUTE UNIT

In anticipation of lesser demand from Government Procurement Agencies, Production of Jute bags was curtailed to avoid further increase in financial charges. These agencies purchased 1321.035 bales of jute bags this year compared to 210.334 bales purchased in 1998. Production also suffered due to availability of raw material disturbed due to shortage of working capital. Production during the year decreased by 31%. Sales quantity decreased by 26%. Sales in monetary terms decreased by 155 million of which 90% is due to decrease in quantity and 10% is due to fall in prices. Average price of jute imported increased by 18%. The impact was doubled due to increase in \$ exchange rate that also increased by 18% during the year.

Operating expenses remained well within control.

COTTON UNIT

Mills remained closed for 89 shifts due to non-availability of cotton caused by shortage of working capital. Production decreased by 5.68%. Sales for the year decreased by 4%. Sales decreased by 12% due to decrease in quantity and increased by 8% due to improvement in sale rates. As for Cost of Production, Cotton Purchase rate increased by Rupees 4 per Kg. But level of other costs remained the same.

Administrative Expenses remained at same level. Selling expenses witnessed minor saving.

CONSOLIDATED

Profit before financial and other charges decreased from 89.8 million in 1998 to 15.8 million in 1999. On the other hand financial and other charges decreased from 181 million in 1998 to 162 million in 1999. Loss before tax increased to 126.7 million compared to loss of Rs. 91.29 million in 1998.

THE WAY FORWARD

Main problem of the company lies in shortage of working capital and excessive charge of financial expenses. A number of measures have been taken and implemented late this year under the reconstruction plan approved by the directors of the company. Some measures are under implementation. This will help in reducing the burden of financial charges to a great extent.

Lahore: December 07, 1999.

(MAZHAR KARIM)
Chief Executive

FORM '34'
PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT 30TH JUNE, 1999

<i>No. of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	
574	1	100	18972
511	101	500	132396
212	501	1000	148487
214	1001	5000	504904
64	5001	10000	464976
27	10001	15000	337230
11	15001	20000	196132
11	20001	25000	253306
7	25001	30000	199724
9	30001	35000	289491
2	35001	40000	74744
4	40001	45000	167180
2	45001	50000	96901
3	50001	55000	154788
1	55001	60000	55345
3	60001	65000	184877
2	65001	70000	132715
1	90001	95000	92812
1	95001	100000	97152
1	145001	150000	149724
1	150001	155000	151420
2	155001	160000	312335
2	200001	205000	405087
1	225001	230000	225366
1	260001	265000	263366
1	275001	280000	278266
1	305001	310000	309375
1	365001	370000	367224
1	535001	540000	538417
1	685001	690000	686489
1	1155001	1160000	1155660
1	1715001	1720000	1716683
1	2150001	2155000	2154713
1	2745001	2750000	2747211
-----			-----
1676			15063468
=====			=====

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	1622	3721480	24.705
investment Companies	3	287472	1.908
insurance Companies	9	726905	4.826
Joint Stock Companies	22	6137040	40.741
Financial Institutions	12	3703787	24.588
Others	8	48678	3.232
-----			-----

TOTAL	1676	15063468	100.000
	=====	=====	=====
Others			
Abandoned Property	1	1106	0.007
Government Authorities	1	1	0.000
Modarabas	5	176302	1.171
Non Resident	1	309375	2.054
	-----	-----	-----
	8	486784	3.232
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Jute Products Limited as at June 30, 1999 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

b) in our opinion:

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

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

iii) the business conducted, investments made and 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 explanation given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999, and of the loss and cash flows for the year ended; and

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

Without qualifying our opinion we draw attention to note 2.1 to the accounts which states that these accounts have been prepared assuming that the company will continue as a going concern. As explained in note 2.1 to the accounts the company has suffered a loss of Rs. 132.2 million during the year and has accumulated losses of Rs. 601 million as at June 30, 1999. As of that date the company's current liabilities exceeded its current assets by Rs. 177 million. These factors raise doubt that the company may not be able to continue as a going concern. Management's plan in regard to this matter are also discussed in note 2.1 to the accounts. These accounts do not include any adjustments that might result from the outcome of this uncertainty.

Without qualifying our opinion, we draw attention to note 20 to the accounts which includes an amount receivable from an associated company aggregating Rs. 248.5 million. The recoverability of this amount is dependent on certain factors more fully explained in note 11.1 to the accounts. Pending the outcome of the matters referred to note 11.1, no provision that might result from the outcome of this uncertainty has been made in the accounts in respect of balance due.

Lahore:
December 08, 1999

A.F. Ferguson & Co.,
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
CAPITAL AND RESERVES			
Authorised capital			
20,000,000 ordinary shares of Rs 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital	3	150,634,680	150,634,680
Reserves	4	138,767,584	138,767,584
Accumulated (loss)		(600,953,394)	(468,728,150)
		-----	-----
		(311,551,130)	(179,325,886)
SURPLUS ON REVALUATION OF FIXED ASSETS			
	5	348,568,550	348,568,550
REDEEMABLE CAPITAL			
Long-term running finances - secured	6	35,256,481	69,900,612
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	7	--	118,851
DEBENTURES AND LONG TERM LOANS			
	8	173,508,191	133,256,731
CURRENT LIABILITIES			
Current portion of			
Long-term running finances	6	4,670,000	1,800,000
Liabilities against assets subject to finance lease	7	118,851	5,320,848
Debentures and long-term loans	8	46,282,442	53,616,651
Short-term running finances	9	225,781,437	473,734,529
Creditors, accrued and other liabilities	10	322,404,414	320,017,619
Provision for taxation	--	--	--
		-----	-----
		599,257,144	854,489,647
CONTINGENCIES AND COMMITMENTS			
	11		
		-----	-----
		845,039,236	1,227,008,505
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	12	418,698,491	457,069,738
Assets subject to finance lease	13	205,312	3,989,358
		-----	-----
		418,903,803	461,059,096
LONG-TERM INVESTMENTS			
	14	2,570,000	2,144,804
LONG-TERM SECURITY DEPOSITS AND DEFERRED COSTS			
	15	1,258,491	3,448,819
CURRENT ASSETS			
Stores and spares	16	22,995,441	27,038,014
Stock-in-trade	17	72,408,342	102,982,142
Shod term investments	18	41,145,681	291,168,348

Trade debts	19	7,757,206	7,999,750
Advances, deposits, prepayments and other receivables	20	272,803,955	325,821,005
Cash and bank balances	21	5,196,317	5,346,527
		-----	-----
		422,306,942	760,355,786
		-----	-----
		845,039,236	1,227,008,505
		=====	=====

The annexed notes from an integral part of these accounts.

MAZHAR KARIM
Chief Executive

KHALID BASHIR
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Sales	22	747,720,741	917,759,364
Cost of Sales	23	653,272,809	761,166,090
		-----	-----
Gross profit		94,447,932	156,593,274
Administration expenses	24	46,319,817	42,029,890
Selling and distribution expenses	25	17,048,891	30,880,155
		-----	-----
		63,368,708	72,910,045
Operating profit		31,079,224	83,683,229
Other income	27	4,684,661	6,134,620
		-----	-----
		35,763,885	89,817,849
Financial charges	28	162,465,216	169,643,458
Other charges	29	--	11,463,470
		-----	-----
		162,465,216	181,106,928
(Loss) before taxation		(126,701,331)	(91,289,079)
Taxation	30	5,523,913	4,600,000
		-----	-----
(Loss) after taxation		(132,225,244)	(95,889,079)
Accumulated (loss) brought forward		(468,728,150)	(372,839,071)
		-----	-----
Accumulated (loss) carried forward		(600,953,394)	(468,728,150)
		=====	=====

The annexed notes form an integral part of these accounts.

MAZHAR KARIM
Chief Executive

KHALID BASHIR
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Cash inflow/(outflow) from operating activities			
Cash generated from operations	31	148,347,795	152,155,321
Financial charges paid		142,647,885)	(133,160,872)
Income taxes paid		(6,680,766)	(7,955,658)
Long term security deposits and deferred costs		2,190,328	120,812
		-----	-----
Net cash inflow from operating activities		1,209,472	11,159,603
Cash inflow/(outflow) from investing activities			
Fixed capital expenditure		(1,768,085)	(3,288,617)
Proceeds/adjustments on sale of fixed assets		759,240	830,000
Proceeds on sale of investments		250,680,000	6,745,000
Dividends received		1,099,983	3,097,837
		-----	-----
Net cash inflow from investing activities		250,771,138	7,384,220
Cash inflow/(outflow) from financing activities			
Net repayments/adjustments of long term borrowings		1,143,120	119,792,019
Repayments of finance leases		(5,320,848)	(7,758,965)
		-----	-----
Net cash (outflow)/inflow from financing activities		(4,177,728)	112,033,054
		-----	-----
Net increase in cash and cash equivalents		247,802,882	130,576,877
Cash and cash equivalents at the beginning of year		(468,388,002)	(598,964,879)
		-----	-----
Cash and cash equivalents at the end of year	32	(220,585,120)	(468,388,002)
		=====	=====

MAZHAR KARIM
Chief Executive

KHALID BASHIR
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999

1. Legal status and nature of business

The company is incorporated in Pakistan and it is listed on the Karachi, Islamabad and Lahore Stock Exchanges. It is currently engaged in manufacture and sale of jute bags and cotton yarn.

1.1 Compliance with IAS

These accounts comply with the International accounting standards, as applicable, in Pakistan in all material respects.

2. Summary of significant policies**2.1 Basis of accounting**

The Company has incurred a net loss of Rs. 132.2 million for the year ended June 30, 1999 and has accumulated losses of Rs. 601 million as at that date. The company's current liabilities exceeded its current assets by Rs. 177 million.

These factors raise doubts that the company will be able to continue as a going concern. In order for the company to continue as a going concern the management approved a plan for restructuring the company which involved.

- Sale of certain assets
- Arrangement of additional financing facilities
- Conversion of short term debt to long term debt

As part of the plant long term loan payable to PICIC has been restructured. In addition the shareholding in Crescent Ujala Limited has been disposed off. As a result these accounts have been prepared on the assumption that based on the management's plan for restructuring the company will continue as a group companies and consequently do not include adjustments that might result should be company not be able to continue as a going concern.

2.2 Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets referred in note 2.5.

2.3 Taxation

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

The company accounts for deferred taxation, using the liability method, on all major timing differences.

2.4 Staff retirement benefit

The company operates an approved pension scheme for all officers of its jute unit. The actuarial valuation of the scheme is carried out once in two years with the most recent valuation being carried out as at June 30, 1999. The fair value of fund's assets and liabilities at the latest valuation date were Rs. 1.092 million and Rs. 29.288 respectively. Monthly contribution to fund the future liabilities is to be made to this fund on the basis of actuarial recommendation at the rate of 16 percent of basic salaries, while the deficit is to be amortised over ten years. Accrued benefit cost method with projected salaries based on the following significant assumption, is used for valuation of this fund.

- Expected rate of increase in salary level 10 percent per annum
- Expected rate of return of 12 percent per annum on active and 9 percent per annum on pensioners fund

The company operates and approved defined contribution provident fund for all permanent employees. During the year Rs. 1.7 million (1998: Rs. 1.4 million) has been recognised as an expense by the company.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
3. Issued, Subscribed and paid up capital		
7,023,741 (1998: 7,023,741) ordinary shares of Rs. 10 each fully paid in cash	70,237,410	70,237,410
8,039,727 (1998: 8,039,727) ordinary shares of Rs. 10 each issued as fully paid bonus shares	80,397,270	80,397,270
	-----	-----
	150,634,680	150,634,680
	=====	=====

4. RESERVES

Movement and composition of reserves is as follows:

Capital reserve		
Share premium account	35,767,584	35,767,584

Plant modernisation reserve	25,500,000	25,500,000
General reserve	77,500,000	77,500,000
	-----	-----
	138,767,584	138,767,584
	=====	=====

5. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of certain assets of the company referred to in note 2.5 and note 12.3 to these accounts.

6. LONG-TERM RUNNING FINANCES

Running finance		
- 1 Unsecured	36,876,481	66,850,612
- 2 Secured	3,050,000	4,850,000
	-----	-----
	39,926,481	71,700,612
Less: Current portion shown undercurrent liabilities	4,670,000	1,800,000
	-----	-----
	35,256,481	69,900,612
	=====	=====

Finance 1 has been obtained from an associated financial institution and is repayable in 48 unequal monthly installments. Mark-up is charged at the rate of Re 0.52 per Rs 1,000 per diem.

Finance 2 has been obtained from a commercial bank and balance is repayable in approximately 20 equal monthly installments. Mark-up is charged at the rate of Re 0.41 per Rs 1,000 per diem. Mark-up is payable quarterly. The finance is secured by hypothecation of stocks and current assets.

	1999	1998
	Rupees	Rupees
7. Liabilities against assets subject to finance lease		
Present value of minimum lease rental payments	118,851	5,439,699
Less: Current portion shown under current liabilities	118,851	5,320,848
	-----	-----
	--	118,851
	=====	=====

The value of the minimum lease rental payments has been discounted at an implicit interest rate of 21.5% to arrive at its present value. The balance rentals due under the lease agreements aggregate to Rs 121,952 (1998: Rs 5,440,688) and are payable in equal monthly installments from July 1999 to December 1999. Taxes repair and insurance costs are to be borne by the lessee, in case of termination of the agreement the lessee is to pay the entire rent for the unexpired period of the lease agreement. The lease agreements are renewable at the option of the lesser and on such terms as may be agreed upon. The liability is partly secured by deposit of Rs 40,100 (1998: Rs 2,604,100)included in current assets.

8. Debentures and long term loans - secure

Debentures - secured note 8.1	989,792	1,484,688
Long term loans - secured note 8.2	218,800,841	185,388,694
	-----	-----
	219,790,633	186,873,382
Less: Current maturity shown under current liabilities:		
- Debentures	494,896	494,896
- Long term loans - note 8.2	45,787,546	53,121,755

-----	-----
46,282,442	53,616,651
-----	-----
173,508,191	133,256,731
=====	=====

8.1 Debentures - secured

The custom debentures are payable in two equal annual installments by November 2000. The surcharge on the balance outstanding is payable annually at 14% per annum. Debentures are secured against a bank guarantee furnished by a financial institution on behalf of the company.

8.2 Long-term loans

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
These are composed of		
1. Secured - Loan A	51,368,648	51,368,648
- Loan B	40,344,879	46,699,656
- Loan C	22,000,000	--
	-----	-----
	113,713,527	98,068,304
2. Secured	36,600,000	--
3. Unsecured	47,941,117	61,124,272
4. Unsecured	20,546,197	26,196,118
	-----	-----
	218,800,841	185,388,694
Less: Current maturity shown under current liabilities	45,787,546	53,121,755
	-----	-----
	173,013,295	132,266,939
	=====	=====

Subsequent to the year end loan 1 which had been obtained from a financial institution was restructured, Under the revised restructuring arrangements repayment of principal amount of loan A will commence from June 2000 and shall be repaid in 8 equal half yearly installments alongwith interest of 14% per annum.

Repayment of principal amount of loan B will commence from April 2000 on a revise basis and shall be repaid in 44 monthly installments alongwith interest of 16% per annum.

Loan C which has been converted from short term facility is repayable in 36 monthly installments commencing from July 1999 alongwith interest of 18% per annum chargeable from April 1999.

In case of default of any two consecutive monthly installments and or any half yearly installment of the above loan, the financial institution may withdraw the whole restructuring arrangements and reinstate loan liabilities retrospectively.

In the event of failure to pay principal or interest on the due dates additional interest is chargeable at 5-7% per annum.

Under the terms and conditions of the loan, company without prior written consent of financial institution cannot declare or pay any dividend or issue bonus shares or advance any fund by way of loan or investment in its subsidiaries, associated undertakings or to its directors.

It is secured by an equitable mortgage of the company's properly situated in Jaranwala and a first charge over all fixed and current assets of the company.

Loan 2 has been obtained from a commercial bank and was converted from a short term running finance into a demand finance in March 1999. It is repayable in 24 equal monthly installments alongwith interest of 16% per annum commencing July 1999. It is secured by a second charge over the fixed and a ranking charge over the current assets of the company.

In case if two consecutive installments are not paid on due dates the facility shall stand cancelled automatically.

Loan 3 and 4 has been obtained from associated companies. The balance alongwith mark-up is repayable in 10 equal quarterly installments. Interest is charged at 14.5% per annum.

9. Short term running finances and other credit facilities - secured

Running finances under mark up arrangements obtained from:

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
- Banks and financial institutions	218,431,340	473,734,529
- Associated financial institutions	7,350,097	--
	-----	-----
	225,781,437	473,734,529
	=====	=====

Finances available from banks and financial institutions including associated financial institution amounts to Rs 225 million (1998: Rs 492.1 million). Mark-up on finances obtained from banks and financial institutions including associated financial institution is charged at rates ranging from Re 0.49 to Re 0.60 per Rs 1,000 per diem or part thereof on the balance outstanding.

The aggregate shod term running finances and other credit facilities from banks, financial institutions including associated financial institution are secured by hypothecation of current assets, pledge of investments and stocks, guarantees from banks and a second floating charge over the present and future immovable property of the company.

Of the aggregate facility of Rs 60 million (1998: Rs 80 million) for opening letters of credit and Rs 5 million (1998: Rs 56.7 million) for guarantees, the amount utilized at June 30, 1999 was Rs 38.6 million (1998: Rs 47.8 million) and Rs 1.3 million (1998: Rs 56.57 million) respectively.

10. Creditors, accrued and other liabilities

Creditors	46,431,664	50,440,932
Accrued liabilities	21,930,654	28,672,709
Bills payable	39,832,041	42,821,426
Deposits, interest free repayable on demand	697,965	727,370
Advances from customers	531,300	228,930
Interest/mark-up payable on	--	4,571,662
- Long term running finance	869,528	1,411,115
- Shod term running finance	80,725,650	71,524,360
- Long term loan	3,603,805	3,524,877
- Crescent Foundation	4,680,000	--
Excise duty	13,499,189	14,900,020
Custom duties and surcharge	--	134,964
Due to associated companies	33,067,804	58,187,231
Sales tax payable	2,727,621	221,995
Loan from provident fund	30,470,000	30,470,000
Mark-up accrued on loan from provident fund	15,007,865	8,609,165
Workers' participation fund	558,785	558,785
Unclaimed dividends	341,410	341,436
Due to Cres Foundation	26,000,000	--

Others	1,429,133	2,670,642
	-----	-----
	322,404,414	320,017,619
	=====	=====

11. Contingencies and commitments

11.1 Included in amounts due from associated undertakings in note 20 is a sum of Rs 248 million receivable from an associated company. The associated company to whom these sums were advanced was executing certain construction contracts for WAPDA.

The associated company is projecting an approximate loss of Rs 100 million at the settlement of claims resulting from those contracts. This loss has been arrived at after considering the following:

	<i>(Rupees in million)</i>
Legal suits and claims filed against WAPDA	158
Realisable value of the assets	50

The recoverability of the amount due from the associated company is dependent upon its ability to successfully realise these amounts and recoupment of the balance loss of approximately Rs. 100 million through new contracts. In case the amounts referred to above are not realised, it is expected that the associated company's share capital will be restructured through injection of further capital by its shareholders to reimburse the amounts due to this company. Pending the outcome of these matters, it is not possible at this stage to estimate the loss or provision, if any, required against the amount due from the associated company.

12. Fixed assets - tangible

12.1 The following is a statement of the tangible fixed assets

	<i>Revalued amount/ Cost as at July 1,1998</i>	<i>Additions Adjustments/ (deletions)</i>	<i>Revalued Amount/ Cost as at June 30,1999</i>	<i>Accumulated Depreciation as at July 1, 1998</i>	<i>Depreciation Depreciation (deletions)</i>	<i>Depreciation Charge for The year</i>	<i>Accumulated Depreciation As at June 30, 1999</i>	<i>Book value as at June 30,1999</i>	<i>Annual Rate of Depreciation %</i>
RUPEES									
Freehold land	37,407,907	--	37,407,907	--	--	--	--	37,407,907	--
Building on freehold land	128,720,501	--	128,720,501	24,456,895	--	10,426,362	34,883,257	93,837,244	10
Building on leasehold land	2,420,443	--	2,420,443	1,218,026	--	120,242	1,338,268	1,082,175	5-10
Plant and machinery	352,689,944	3,732,718	356,422,662	67,011,090	--	28,941,156	95,952,246	260,470,416	10
Non-operating looms	1,497,611	--	1,497,611	1,042,465	--	--	1,042,465	455,146	--
Electrical installation	20,427,302	623,000	21,050,302	4,710,070	--	2,014,400	6,724,470	14,325,832	10-33
Furniture and fixture	16,667,008	412,085	17,079,093	8,607,641	--	847,146	9,454,787	7,624,306	10
Vehicles	12,120,228	733,000	11,838,703	7,835,019	(365,648)	873,867	8,343,238	3,495,465	
	-----	-----	-----	-----	-----	-----	-----	-----	
Rupees in 1999	571,950,944	5,500,803 (1,014,525)	576,437,222	114,881,206	(365,648)	43,223,173	157,738,731	418,698,491	
	=====	=====	=====	=====	=====	=====	=====	=====	
Rupees in 1998	569,913,181	3,288,617 (1,250,854)	571,950,944	68,099,820	(945,031)	47,726,417	114,881,206	457,069,738	
	=====	=====	=====	=====	=====	=====	=====	=====	

Included in additions are assets aggregating Rs 3,732,718 (1998: Rs Nil) which were originally acquired under a finance lease and have been transferred to fixed assets during the year at the end of their lease term.

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

		1999	1998
		Rupees	Rupees
Cost of goods sold	- note 23	41,017,170	45,141,121
Administration expenses	- note 24	2,206,003	2,585,296
		-----	-----
		43,223,173	47,726,417
		=====	=====

12.3 Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

	Cost as at	Accumulated	Book value
	June 30, 1999	Depreciation	as at
	June 30, 1999	as at	June 30, 1999
Freehold land	1,629,303	--	1,629,303
Building on freehold land	21,406,303	5,801,107	15,605,196
Plant and machinery	164,337,568	44,535,480	119,802,088
Electrical installation	8,535,223	2,504,798	6,030,425

12.4 Disposal of fixed assets

Detail of certain assets disposed off during the year

Particulars of assets	Cost	Accumulated	Book value	Sale	Sold to	Mode of
	Rupees	Depreciation	Rupees	proceeds		disposal
		Rupees		Rupees		
Vehicles	225,000	187251	37,749	120,000	Dr. Nayab Shaukat	Negotiation
	38,100	28,112	9,988	38,100	Mr. Liaquat	-do-
	751,425	150,285	601,140	601,140	Premier Insurance	Insurance
					Company Ltd	claim
	-----	-----	-----	-----		
	1,014,525	365,648	648,877	759,240		
	=====	=====	=====	=====		

13. Assets subject to finance lease

The following is a statement of assets acquired under finance leases:

	Revalued		Revalued	Accumulated	Transfer/		Accumulated	Book value	Annual
	amount/		Amount	Amortization	Deletions	Amortization	Amortization	As at	Rate
	Cost as at	Additions/	Cost as at/	as at	During	Charge for the	as at June 30,	June 30,	Of
	July 1, 1998	(transfers)	June 30,	July 1, 1998	the year	year	1999	1998	Depreciation
			1999						%
Plant & machinery	4,608,294	(4,600,294)	--	875,576	(875,576)	--	--	--	10
Vehicles	401,000	--	401,000	144,360	--	51,328	195,688	205,312	20
	-----	-----	-----	-----	-----	-----	-----	-----	
Rupees in 1999	5,009,294	(4,608,294)	401,000	1,019,936	(875,576)	51,328	195,688	205,312	
	=====	=====	=====	=====	=====	=====	=====	=====	
Rupees in 1998	5,009,294	--	5,009,294	541,029	--	478,907	1,019,936	3,989,358	

	1999	1998
	Rupees	Rupees
13.1 Amortization during the year has been allocated as follows:		
Cost of goods sold - note 24	--	414,747
Administration expenses - note 25	51,328	64,160
	-----	-----
	51,328	478,907
	=====	=====
14. Long-term investments - at cost		
Unquoted		
In subsidiary company		
Crescent Financial Services (Pvt) Ltd.		
Nil (1998: 2480) fully paid ordinary shares of Rs. 1000 each.	--	2,480,000
In associated undertakings		
Crescent Venture International Limited		
157,000 (1998: 157,000) fully paid ordinary shares of Rs 10 each Equity held 31.4% (1998: 31.4%) Value of investment based on the net assets shown in the un-audited accounts for the year ended June 30, 1999 Rs 1,740,973 (1998: Rs 1,758,284)	1,570,000	1,570,000
Crescent Group Services (Pvt) Limited		
220,000 (1998: 220,000) fully paid ordinary shares of Rs 10 each Equity held 19% (1998: 19%) Value of investment based on the net assets shown in the un-audited accounts for the year ended June 30, 1999 Rs Nil (1998: Rs Nil)	2,200,000	2,200,000
In others		
Crescent Modaraba Management Company (Pvt) Limited		
100,000 (1998: 100,000) fully paid ordinary shares of Rs 10 each (Chief Executive Mr Aamir Iftikhar Khan) Less: Provision for permanent diminution in the value of investments	1,000,000	1,000,000
	(2,200,000)	(2,625,196)
	-----	-----
	2,570,000	4,624,804
	=====	=====
15. Long term deposits and deferred costs		
Long term deposits	1,258,491	3,448,819
Deferred costs		
- Export quota	--	4,522,041
Amortisation charge for year	--	(452,204)
	-----	-----
	--	--
	-----	-----
	1,258,491	3,448,819
	=====	=====
16. Stores and spares		
Store and Spares [including in transit Rs 815,080 (1998: Rs 261,540)]	30,245,904	34,585,312
Less: Provision for obsolescence	(7,250,463)	(7,547,298)
	-----	-----

22,995,441	27,038,014
=====	=====

Most of the items of stores and spares are of interchangeable nature and cannot be distinguished until their actual consumption.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
17. Stock-in-trade		
Raw materials [including in transit Rs 32,433,461 (1998: Rs 16,604,750)]	49,140,098	63,220,154
Work-in-process	8,571,808	11,996,590
Finished goods	13,767,333	31,589,626
Waste cotton	929,103	1,011,846
	-----	-----
	72,408,342	107,818,216
Less: Provision for obsolescence including Rs Nil for finished goods (1998 Rs 3,414,796)	--	(4,836,074)
	-----	-----
	72,408,342	102,982,142
	=====	=====
18. Short term investments		
In associated undertakings		
Quoted		
Shakarganj Mills Limited		
2,623,084 (1998: 2,623,084) fully paid ordinary shares of Rs 10 each Equity held 9.80% (1998: 9.80%) Market value 19,673,130 (1998: 27,542,382)	29,866,595	29,866,595
Premier Insurance Company of Pakistan		
45,193 (1998: 45,193) fully paid ordinary shares of Rs 10 each Market value Rs 293,755 (1998: 242,686)	690,966	690,966
Crescent Sugar Mills & Distillery Limited		
72,828 (1998: 72,828) fully paid ordinary shares of Rs 10 each Market value Rs 473,382 (1998: Rs 582,624)	1,598,883	1,598,883
Crescent Boards Limited		
16,666 (1998: 16,666) fully paid ordinary shares of Rs 10 each Market value Rs 24,166 (1998: Rs 45,832)	173,244	173,244
The Crescent Textile Mills Limited		
111,288 (1998: 105,989) fully paid ordinary shares of Rs 10 each Market value Rs 834,660 (1998: Rs 874,409)	1,856,329	1,856,329
Crescent Steel and Allied Products Limited		
366,662 (1998: 366,662) fully paid ordinary shares of Rs. 10 each Market value Rs.. 5,499,930 (1998: 8,799,888)	2,234,540	3,234,540
Pakistan Industrial Leasing Corporation Limited		
528,054 (1998: 440,045) fully paid ordinary shares of Rs 10 each Market value Rs 2,640,270 (1998: Rs 4,180,428)	7,728,912	7,728,912

Unquoted -

Crescent Ujala Ltd

330,000 (1998: 25,150,000) fully paid ordinary share of Rs 10 each
 Value of investment based on net assets of the company shown
 in the audited accounts as at September 30, 1998 Rs 2,531,905
 (1998: Rs 238,112,518)

3,300,000 251,500,000

In others

Crescent Investment Bank Limited

690,000 (1998: 690,000) fully paid ordinary shares of Rs 10 each
 Market value Rs 5,865,000 (1998: Rs 4,140,000)

12,297,857 12,297,857

Crescent Spinning Mills Limited

639,500 (1998: 639,500) fully paid ordinary shares of Rs 10 each
 Market value Rs 3,133,550 (1998: Rs 3,357,375)

6,395,000 6,395,000

ICI Pakistan Limited

67,970 (1998: 67,970) fully paid ordinary shares of Rs 10 each
 Market value Rs 601,535 (1998: 822,436)

764,308 764,308

Shahzad Textile Mills Limited

60 (1998: 60) fully paid ordinary shares of Rs 10 each
 Market value Rs 282 ,(1998: Rs 270)

400 400

	-----	-----
	67,907,034	316,107,034
Provision for diminution in the value of investments	(26,761,353)	(27,418,686)
	-----	-----
	41,145,681	288,688,348
	=====	=====

Of these, investment of cost of Rs. 39.4 million are pledged as securities for short-term running finances referred to in note 9 of these accounts.

19. Trade debts

Trade debts

- Considered good 9,461,500 7,999,750
 - Considered doubtful -- 666,179

	-----	-----
	9,461,500	8,665,929
Less: Provision for bad and doubtful debts	(1,704,294)	(666,179)
	-----	-----
	7,757,206	7,999,750
	=====	=====

20. Advances, deposits, prepayments and other receivables

Advances to employees - considered good

377,124 687,368

Advances to suppliers -considered good

581,801 2,564,932

Less: Provision for doubtful debts

-- 1,285,352

	-----	-----
	581,801	1,279,580
	-----	-----

Deposits - trade and others	2,776,500	7,385,410
Short-term prepayments	491,821	1,097,636
Guarantees, margin deposits, letter of credit - opening charges etc.	182,270	1,946,043
Insurance claim	996,515	218,752
Due from associated companies - note 20.1	252,818,577	284,444,608
Claims receivable from Government		
- Octroi	1,061,315	2,006,996
- Income tax	3,102,422	1,945,549
Sales tax	365,282	246,169
Other receivables	10,050,328	24,562,894
	-----	-----
	272,803,955	325,821,005
	=====	=====

Due from associated companies		
Crescent Group Services (Pvt) Ltd.	248,565,879	250,889,249
Crescent Knitwear Ltd.	1,933,936	1,794,991
Crescent Textile Mills Ltd.	--	12,995,296
Crescent Group (Pvt) Ltd	--	2,880
Crescent Tech (Pvt) Ltd	--	71,733
Crescent Ujala Ltd.	2,318,762	18,690,459
	-----	-----
	252,818,577	284,444,608
	=====	=====

20.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs 321,981,161(1998: Rs 284,444,608)

21. Cash and bank balances

Balances with banks on current accounts	4,531,346	5,038,749
Cash in hand	664,971	307,778
	-----	-----
	5,196,317	5,346,527
	=====	=====

22. Sales

Sales are exclusive of sales tax of Rs 106,594,743 (1998: Rs 114,864,605).

23. Cost of goods sold

Raw and packing materials consumed	420,813,768	462,237,246
Stores and spares consumed	20,347,534	26,480,620
Fuel and power	65,730,016	76,480,357
Wages, allowances and benefits	76,702,341	100,538,015
Repairs and maintenance	6,408,206	11,444,267
Insurance	3,433,333	3,368,643
Jute development expenses	--	62,123
Cotton cess	318,034	309,430
Depreciation- note 12.1	41,017,170	45,141,121
Amortisation of assets subject to finance lease	--	414,747
Amortisation of deferred costs	--	452,204
Provision for slow moving and obsolete store	--	4,644,423
Provision for slow moving and obsolete stock	--	1,836,074
Other expenses	587,385	229,802
	-----	-----
	635,357,787	733,639,072
Decrease in work-in-process	3,424,782	1,998,300

Cost of goods manufactured	638,782,569	735,637,372
Decrease in finished goods	14,490,240	25,528,718
	-----	-----
	653,272,809	761,166,090
	=====	=====

24. Administration expenses

Salaries, allowances and benefits	22,537,970	21,743,076
Rent, rates and taxes	1,013,042	871,619
Repairs and maintenance	1,624,136	2,346,866
Insurance	853,205	1,042,799
Printing and stationery	592,807	655,428
Postage, telephone and telegram	1,984,311	2,039,249
Vehicle running expenses	4,859,471	4,386,080
Travelling, conveyance and entertainment	3,144,640	4,069,811
Subscriptions	50,400	50,400
Legal and professional charges- note 24.1	1,357,016	823,530
Depreciation - note 12.1	2,206,003	2,585,296
Amortisation of assets subject to finance lease - note 13.1	51,328	64,160
Corporate service charges	2,229,999	800,000
Provision. for doubtful debts	1,704,294	--
Bad debts written off	3,059,280	--
Other expenses	1,346,878	1,906,719
Less: Recoveries from associated company	(2,294,963)	(1,355,143)
	-----	-----
	46,319,817	42,029,890
	=====	=====

24.1 Legal and professional charges

Legal and professional charges include the following in respect of auditor's services:

Statutory audit	125,000	125,000
Accounting service charges	25,000	25,000
Out of pocket expenses	50,000	50,000
	-----	-----
	200,000	200,000
	=====	=====

25. Selling and distribution expenses

Salaries, allowances and benefits	2,301,815	1,938,083
Forwarding and other expenses	14,369,462	25,711,804
Insurance	182,895	78,558
Provision for doubtful debts	--	310,123
Export rebate receivable written off	--	2,618,080
Others	194,719	223,507
	-----	-----
	17,048,891	30,880,155
	=====	=====

26. Summarised working results of lines of business representing more than 20% of the total turnover of the company.

<i>Jute</i>		<i>Cotton</i>		<i>Others</i>		<i>Total</i>	
<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>

	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Sales	386,259,073	541,435,633	361,461,67	376,323,731	--	--	747,720,741	917,759,364
Cost of goods sold - note 26.1	288,891,539	366,687,679	364,381,270	392,190,133	--	2,288,278	653,272,809	761,166,090
	97,367,534	174,747,954	(2,919,602)	(15,866,402)	--	(2,288,278)	94,447,932	156,593,274
Administration Expenses - note 26.2	35,428,250	30,757,139	10,891,567	11,169,117	--	103,634	46,319,817	42,029,890
Selling and distribution Expenses - note 26.3	15,852,038	26,601,512	1,196,853	1,350,440	--	2,928,203	17,048,891	30,880,155
	51,280,288	57,358,651	12,088,420	12,519,557	--	3,031,837	63,368,708	72,910,045
Operating profit/(loss)	46,087,246	117,389,303	(15,008,022)	(28,385,959)	--	(5,320,115)	31,079,224	83,683,229

26.1 Cost of goods sold

Raw and packing materials consumed	140,429,387	176,249,418	280,384,381	285,987,828	--	--	420,813,768	462,237,246
Stores and spares consumed	11,322,674	15,728,106	9,024,860	10,752,514	--	--	20,347,534	26,480,620
Fuel and power	27,668,728	35,144,933	38,061,288	41,335,424	--	--	65,730,016	76,480,357
Wages, allowances and benefits	63,228,387	87,732,288	13,473,95	12,805,727	--	--	76,702,341	100,538,015
Repairs and maintenance	5,469,839	9,770,433	938,367	1,673,834	--	--	6,408,206	11,444,267
Insurance	2,045,583	2,171,797	1,387,750	1,196,846	--	--	3,433,333	3,368,643
Jute development expenses	--	62,123	--	--	--	--	--	62,123
Cotton cess	8,646	--	309,388	309,430	--	--	318,034	309,430
Depreciation	14,895,156	16,116,661	26,122,014	29,024,460	--	--	41,017,170	45,141,121
Amortisation of assets, subject to finance lease	--	414,747	--	--	--	--	--	414,747
Amortisation of deferred cost	--	--	--	--	--	452,204	--	452,204
Provision for slow moving and obsolete store	--	4,644,423	--	--	--	--	--	4,644,423
Provision for slow moving and obsolete stock	--	--	--	--	--	1,836,074	--	1,836,074
Excise duty	--	--	--	--	--	--	--	--
Other expenses	587,125	215,402	260	14,400	--	--	587,385	229,802
	265,655,525	348,250,331	369,702,262	383,100,463	--	2,288,278	635,357,787	733,639,072
(Increase)/decrease in work-in-process	2,103,088	2,799,189	1,321,694	(800,889)	--	--	3,424,782	1,998,300
Cost of goods manufactured	267,758,613	351,049,520	371,023,956	382,299,574	--	2,288,278	638,782,569	735,637,372
(Increase)/decrease in finished goods	21,132,926	15,638,159	(6,642,686)	9,890,559	--	--	14,490,240	25,528,718
	288,891,539	366,687,679	364,381,270	392,190,133	--	2,288,278	653,272,809	761,166,090

26.2 Administration expenses

	<i>Jute</i>		<i>Cotton</i>		<i>Others</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>

Salaries, allowances and benefits	18,057,405	18,042,297	4,480,565	3,661,958	--	38,821	22,537,970	21,743,076
Rent, rates and taxes	886,732	759,461	126,310	70,670	--	41,488	1,013,042	871,619
Repairs and maintenance	1,351,976	1,551,808	272,160	795,058	--	--	1,624,136	2,346,866
Insurance	800,445	996,878	52,760	45,921	--	--	853,205	1,042,799
Printing and stationery	326,135	414,207	266,672	241,221	--	--	592,807	655,428
Postage, telephone and telegram	1,575,717	1,641,650	408,594	397,599	--	--	3,144,640	4,069,811
Vehicle running expenses	3,973,814	3,697,609	885,657	688,471	--	--	4,859,471	4,386,080
Travelling, conveyance and entertainment	2,155,747	3,066,850	988,893	1,002,961	--	--	3,144,640	4,069,811
Subscriptions	50,400	50,400	--	--	--	--	50,400	50,400
Legal and professional charges	1,074,413	628,130	282,603	195,400	--	--	1,357,016	823,530
Depreciation	989,158	1,076,123	1,216,845	1,485,848	--	23,325	2,206,003	2,585,296
Amortisation of assets subject to finance lease	25,664	32,080	25,664	32,080	--	--	51,328	64,160
Corporate service charges	1,114,999	400,000	1,115,000	400,000	--	--	2,229,999	800,000
Provision for doubtful debts	1,704,294	--	--	--	--	--	1,704,294	--
Bad debts written off	3,059,280	--	--	--	--	--	3,059,280	--
Other expenses	627,434	621,367	719,444	1,285,352	--	--	1,346,878	1,906,719
Less: Recoveries from associated company	(2,294,963)	(2,171,321)	--	816,178	--	--	(2,294,963)	(1,355,143)
	35,428,250	30,757,139	10,891,567	11,169,117	--	103,634	46,319,817	42,029,890

26.3 Selling and distribution expenses

Salaries, allowances and benefits	2,013,482	1,689,747	288,333	248,336	--	--	2,301,815	1,938,083
Forwarding and other expenses	13,481,087	24,619,785	888,375	1,092,019	--	--	14,369,462	25,711,804
Insurance	172,810	685,473	10,085	10,085	--	--	182,895	78,558
Provision for doubtful debts	--	--	--	--	--	310,123	--	310,123
Export rebate receivable								
Written off	--	--	--	--	--	2,618,080	--	2,618,080
Others	184,659	223,507	10,060	--	--	--	194,719	223,507
	15,852,038	26,601,512	1,196,853	1,350,440	--	2,928,203	17,048,891	30,880,155

1999
Rupees

1998
Rupees

27. Other income

Mark up on:

Bank deposits	1,653	--
Balances with associated undertakings	1,467,169	443,128
Dividend income- Associated undertakings- note 27.1	1,099,983	3,097,837
Profit on sale of fixed assets	110,363	524,177
Provisions no longer considered necessary	1,082,529	--
Miscellaneous	922,964	2,069,478
	4,684,661	6,134,620

27.1 Dividend income from associated undertakings

It is composed of the following:

Crescent Steel and Allied Products Limited	916,655	637,674
Premier Insurance Company of Pakistan Limited	50,842	33,895
The Crescent Textile Mills Limited	132,486	126,178
Pakistan Industrial Leasing Corporation Limited	--	2,300,090
	-----	-----
	1,099,983	3,097,837
	=====	=====

28. Financial charges

Interest on long-term loans - secured	15,730,049	17,908,406
Surcharge on custom debentures - secured	163,248	230,639
Mark up on:		
Balances with associated undertakings	5,570,768	10,755,600
Employees' Provident Fund	431,090	418,624
Loan from Provident Fund	6,398,700	6,703,400
	-----	-----
	12,400,558	17,877,624
Interest / Mark up on		
Long-term loans and running finances	31,947,729	11,735,664
Short-term running finances	99,960,980	116,785,301
	-----	-----
	131,908,709	128,520,965
Financial charges on assets subject to finance lease	95,896	935,654
Bank guarantee	950,428	1,184,365
Bank charges	740,703	1,058,305
Miscellaneous	475,625	1,927,500
	-----	-----
	162,465,216	169,643,458
	=====	=====

29. Other charges

Donations	--	285,500
Provision for diminution in the value of investments - note 14 and 18	--	8,338,032
Loss on sale of investment	--	2,839,938
	-----	-----
	--	11,463,470
	=====	=====

30. Taxation

For the year - current	3,800,000	4,600,000
Prior year - current	1,723,913	--
	-----	-----
	5,523,913	4,600,000
	=====	=====

In view of available tax losses no provision for current taxation is required. The provision for current taxation represents the minimum tax due under section 80(D) of the Income Tax Ordinance, 1979.

For purposes of current taxation the tax losses available for carry forward at June 30, 1999 are estimated at approximately Rs 498 million (1998: Rs 460 million). In view of available tax losses, no provision is considered necessary for deferred taxation.

1999 **1998**
Rupees **Rupees**

31. Cash generated from operations

(Loss)/profit before tax	(126,701,331)	(91,289,079)
Adjustments for non cash charges and other items		
Depreciation on fixed assets	43,223,173	47,726,417
Amortisation of leased assets	51,328	478,907
Amortization of deferred costs	--	452,204
Profit on sale of fixed assets	(110,363)	(524,177)
Loss/(Profit) on sale of short term investments	--	2,839,938
Provision for bad and doubtful debts	1,704,294	1,595,475
Bad debts directly written-off	3,059,280	--
Financial charges	162,465,216	169,643,458
Dividend income	(1,099,983)	(3,097,837)
Provisions no longer considered necessary	(1,082,529)	--
Provision for slow moving stock	--	1,836,074
Provision for obsolete stores	--	4,644,423
Provision for diminution in value of investments	--	8,338,032
Working capital changes - note 31.1	66,838,710	9,511,486
	-----	-----
	148,347,795	152,155,321
	=====	=====

31.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	4,042,573	(177,198)
Stock in trade	30,573,800	6,891,532
Trade debts	(1,461,750)	14,912,880
Advances, deposits, prepayments and other receivables	51,114,623	(41,823,380)
	-----	-----
	84,269,246	(20,196,166)
(Decrease)/increase in current liabilities		
Creditors accrued and other liabilities	(17,430,536)	29,707,652
	-----	-----
Net effect of working capital changes	66,838,710	9,511,486
	=====	=====

32. Cash and cash equivalents

Cash and cash equivalents comprise of the following items as included in the balance sheet.

Cash and bank balances	5,196,317	5,346,527
Short term running finances	(225,781,427)	(473,734,529)
	-----	-----
	(220,585,120)	(468,388,002)
	=====	=====

33. Remuneration of chief executive, directors and executives

33.1 The aggregate amount charged in the accounts for remuneration, including certain benefits to the chief executive, working directors and other executives of the company was as follows:

<i>Chief Executive</i>		<i>Directors</i>		<i>Other executives</i>	
<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>

Number of persons	1	1	3	3	34	22
Managerial						
Remuneration	1,853,444	1,721,250	2,296,370	2,079,240	7,370,064	5,028,845
House allowance	--	--	983,567	912,210	2,592,905	1,787,343
Contribution to provident fund	185,344	172,125	229,637	207,924	633,954	424,222
Utilities	410,502	470,045	229,613	192,300	725,651	502,926
Medical expenses					146,309	73,302
Servants' salary	42,000	42,000	42,000	42,000	--	--
Other expenses	6,776	9,276	30,569	21,276	79,804	32,517
	2,498,066	2,414,696	3,811,756	3,454,950	11,548,687	7,849,155

In addition the Chief Executive and a Director is provided with free use of the company cars and residential telephones. Furthermore, the Chief Executive is also provided with free furnished accommodation. Other executives are provided with free use of company cars.

33.2 Remuneration to other directors

The aggregate amount charged in the accounts for the year for fee to 2 directors (1998: 2 directors) was Rs. 5,500 (1998: Rs 5,500)

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
34. Transaction with associated under takings		
Sales and services	26,759,847	85,928,150
Purchases	--	8,048,333
Mark up charged to associated companies/undertakings	1,467,169	443,128
Mark up charged by associated companies/undertakings	5,570,768	10,755,600

35. Statement of changes in equity

	<i>Share Capital</i>	<i>Reserves</i>	<i>Accumulated Loss</i>	<i>Total</i>
Balance as at June 30, 1997	150,634,680	138,767,584	(372,839,071)	(83,436,807)
Loss for the year	--	--	(95,889,079)	(95,889,079)
Balance as at June 30, 1998	150,634,680	138,767,584	(468,728,150)	(179,325,886)
Loss for the year	--	--	(132,225,244)	(132,225,244)
Closing balance as at June 30, 1999	150,634,680	138,767,584	(600,953,394)	(311,551,130)

36. Financial assets and liabilities

	<i>Interest bearing</i>			<i>Non Interest bearing</i>			<i>Total</i>
	<i>Within one year</i>	<i>Over one year</i>	<i>Sub total</i>	<i>Within one year</i>	<i>Over one year</i>	<i>Sub total</i>	
<i>Assets</i>							
Investments	--	--	--	9,600,367	1,000,000	10,600,367	10,600,367
Security deposits	--	--	--	--	1,258,491	1,258,491	1,258,491

Trade debts	--	--	--	7,757,206	--	7,757,206	7,757,206
Advances, deposits and other receivables	--	--	--	267,589,003	--	267,589,003	267,589,003
Cash and bank	--	--	--	5,196,317	--	5,196,317	5,196,317
	-----	-----	-----	-----	-----	-----	-----
	--	--	--	290,142,893	2,258,491	292,401,384	292,401,384
	=====	=====	=====	=====	=====	=====	=====
Liabilities							
Long term running finance	4,670,000	35,256,481	39,926,481	--	--	--	39,926,481
Liabilities against finance lease	118,851	--	118,851	--	--	--	118,851
Debentures	46,282,442	173,508,191	219,790,633	--	--	--	219,790,633
Shod term running finance	225,781,437	--	225,781,437	--	--	--	225,781,437
Creditors, accrued and other liabilities	146,348,983	--	146,348,983	158,738,536	--	292,401,384	305,087,519
Contingencies and commitments	--	--	--	260,399,879	--	260,399,879	260,399,879
	-----	-----	-----	-----	-----	-----	-----
	423,201,713	208,764,672	631,966,385	419,138,415	--	419,138,415	1,051,104,800
	=====	=====	=====	=====	=====	=====	=====

36.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 46,218 thousands, the financial assets which are subject to credit risk amounted to Rs. 45,553 thousands. The company believes that it is not exposed to major concentration of credit risk.

36.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Company obtains forward cover to manage foreign currency risks.

36.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except long term investments which are stated at cost.

37. Segment assets

Segment wise aggregate assets are as follows:

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Jute unit	566,560,169	899,272,853
Cotton unit	278,479,067	327,115,574
Others	--	620,078
	-----	-----
	845,039,236	1,227,008,505
	=====	=====

38. Plant capacity and actual production

	<i>Capacity based on 3 shift working in Kgs.</i>		<i>Actual production Kgs.</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Jute project				
Sacking including twine	18,500,000	18,500,000	8,343,804	10,622,602
Hessian	4,500,000	4,500,000	779,324	402,198

Cotton project in 20's count

Jaranwala	4,750,974	4,750,974	3,688,596	3,664,663
-----------	-----------	-----------	-----------	-----------

39. Earning per share

1999 **1998**

Net loss for the year	Rupees	(132,225,244)	(95,889,079)
Number of shares outstanding during the year		15,063,468	15,063,468
Earning per share	Rupees	(8.78)	(6.37)

40. Corresponding figures

Prior year figures have been re-arranged wherever necessary, for the purposes of comparison.

MAZHAR KARIM
Chief Executive

KHALID BASHIR
Director