

## **Thal Jute Mills Limited**

### **Annual Report 1997-98**

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#### **BOARD OF DIRECTORS:**

Rafiq M. Habib                      Chairman

Ali S. Habib

Mohamedali R. Habib

Mazhar Valjee                      Chief Executive

Sohail P. Ahmed

Nasim Beg                          N.I.T. Nominee

Behram Hasan                      I.C.P. Nominee

#### **AUDITORS:**

Hyder Bhimji & Co.

Chartered Accountants

#### **REGISTERED OFFICE:**

5th Floor, Al-Manzoor Building,

I.I. Chundrigar Road,

Karachi.

#### **MILLS:**

##### **Jute Operation:**

UNIT- 1

D. G. Khan Road,

Muzaffargarh.

##### **Auto Airconditioners Plant:**

UNIT - 2

Korangi, Karachi.

## **NOTICE OF MEETING**

NOTICE is hereby given that the thirty-second Annual General Meeting of the Shareholders of the Company will be held at the Auditorium of The Institute of Chartered Accountants of Pakistan, G-31/8, Kehkashan, Clifton, Karachi on Thursday, November 26, 1998 at 10.00 A.M. to transact the following business:-

### **ORDINARY BUSINESS:**

1. To receive and adopt the Audited Accounts for the year ended June 30, 1998 together with the Directors' and Auditors' Reports thereon.
2. To elect Directors in accordance with the provisions of section 178 of the Companies Ordinance 1984 for a period of three years commencing from January 31, 1999. The retiring Directors are Messers Rafiq M. Habib, Ali S. Habib, Mohamedali R. Habib, Mazhar Valjee, Sohail R Ahmed, Nasim Beg & Behram Hasan.
3. To approve payment of 15% final cash dividend making a total of 35% for the financial year ended June 30, 1998 as recommended by the Board of Directors.
4. To appoint Auditors for the year 1998-99 and to fix their remuneration.

### **SPECIAL BUSINESS:**

5. To approve the remuneration of (i) Chief Executive and (ii) Director.
6. To consider and approve a new object clause in memorandum of association to cover further expansion of the Engineering Operations in the automobile sector.

A Statement under Section 160(1)(b) of the Companies Ordinance 1984 pertaining to the Special Business is being sent to the Shareholders alongwith this Notice.

### **NOTES:**

i) The Share Transfer Books of the Company will remain closed from Thursday, November 19, 1998 to Thursday, November 26, 1998 (both days inclusive). Shares may be lodged for transfer with our Registrar M/s. Noble Computer Services (Pvt.) Limited, 2nd Floor, AI-Manzoor Building, I.I. Chundrigar Road, Karachi. The Shareholders are advised to notify the Registrar of any change in their addresses.

ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

## **STATEMENT UNDER SECTION 160 (1) (b)**

**OF THE COMPANIES ORDINANCE, 1984**

a) The approval of the Shareholders of the Company will be sought of the remuneration payable to Chief Executive and Director of the Company in accordance with their terms and conditions of service and if thought proper, to pass the following Resolution as Ordinary Resolution.

"RESOLVED that the Company be and hereby approves and authorises the payment of remuneration to (1) Mr. Mazhar Valjee, Chief Executive and (2) Mr. Sohail R Ahmed, Director of a total sum not exceeding Rupees five million per annum exclusive of the perquisites and retirement benefits which are admissible under the Company's Rules to Senior Executives for a period of three years commencing from January 31 1999."

b) A new object clause is proposed to be added to cover further expansion of the Engineering Operations in the automobile sector as stated in item 6 of the AGM Notice and to consider and pass with or without modification, the following Special Resolution:

RESOLVED that a new object clause 10-A be added at the end of object clause 10 of the Memorandum of Association of the Company to read as follows:

10A. "To erect, setup, maintain, construct, establish, own and manage an undertaking for the business of designing, development, manufacturing, marketing and sale, inter alia of cars, trucks, buses and other commercial, industrial and specialised vehicles including tractors, trailers, two, three and multi wheeled vehicles, their spare parts and accessories, and in connection therewith carry on research, development and engineering work, and develop techniques of manufacturing of items and toolings, methods of quality control and other technical information relating to the manufacture, assembly, distribution, marketing and sale of such vehicles, parts and accessories and such project to include all such facilities, plant and other auxiliaries necessary to meet the main object of the Company".

**THIRTY-SECOND REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED JUNE 30, 1998.**

The Shareholders,

The Directors are pleased to place before you the annual report of the Operations of the Company (Jute and Engineering Divisions), with the audited accounts for the year ended June 30, 1998. The consolidated financial results were - -

|                            | <b>1998</b>      | <b>1997</b>      |
|----------------------------|------------------|------------------|
|                            | <b>Rs. 000's</b> | <b>Rs. 000's</b> |
| Net profit before taxation | 108,418          | 6,521            |
| Provision for taxation     | (35,645)         | (3,858)          |
|                            | -----            | -----            |
| Net profit after taxation  | 72,773           | 2,663            |
|                            | =====            | =====            |

**Appropriations:**

|  |        |    |
|--|--------|----|
| Interim Dividend @ Rs. 1.00 per share        | 13,913 | -- |
| Proposed Final Dividend @ Rs. 0.75 per share | 10,435 | -- |
| Transfer to General Reserve                  | 48,760 | -- |

The earnings per share after tax was Rs. 5.23 against Rs. 0.19 of last year.

The sales turnover of the Company was shy of a billion rupees at Rs. 999 million during the year under review against Rs. 771 million of last year, registering an increase of Rs. 228 million that is 30%. The GP improved to Rs. 148 million for the year under review from Rs. 68 million of last year. The net profit before tax for the year was a handsome Rs. 108 million opposed to Rs. 6 million in the previous financial year. The profitability improved as a result of a several key factors having simultaneously turned favorable ·

\* Government of Pakistan, in the year, not only imported double its normal requirement of wheat but also started very early in the year. This resulted in higher and regular demand for jute sacks that facilitated:

1. Your management in going long in its purchases of raw jute, availing of the depressed prices of the fiber in the international markets. India and Bangladesh harvested larger than usual crops of raw jute in 1997-98.
2. Improvement in market share by increasing production of jute sacks.
3. Reduction in financial and other carrying costs.

\* Higher demand for auto airconditioners improved turnover of the Engineering division.

**JUTE OPERATIONS:****Sales Turnover:**

The sales turnover for the year under review was Rs. 689 million as against Rs. 526 million in the previous financial year i.e. an increase of Rs. 163 million or 31%.

**Production:**

The production for the year under review was 18,263 tons against 14,513 tons in the previous year thus reflecting an increase of 3,750 tons or 26% over the previous year. Increase in output was possible as a result of refurbishment and renovation of plant and machinery and due to various measures adopted to improve productivity of the plant and the workforce. The exercise of improving and refurbishing, as stated in last year's report, was initiated in 1996-97 and is progressing well.

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**Cost of Manufacture:**

The cost of raw jute registered a decrease of Rs. 18 million from Rs. 301 million (for 14,513 tons production) to Rs. 283 million (for 18,263 tons). Your management was able to take full advantage of the depressed prices in the international market, by making timely and efficient purchase of raw jute.

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The salaries, wages and benefits showed an increase from Rs. 114 million to Rs. 169 million due to the increase of 3,750 tons in production. Also the Company paid higher production and attendance incentives and additional productivity bonus to the workers.

The repairs and maintenance of plant & machinery showed an increase from Rs. 21 million to Rs. 36 million due to renovation and refurbishment (revamping) of plant and machinery.

**Administration & Selling Expenses:**

Administrative & selling expenses showed a marked increase of Rs. 5 million due to payment of retirement benefits to executives, review of salary of staff and additional bonus to officers and staff.

Utilities were higher due to payment of conservancy charges. Communications and travel cost were higher due to enhanced marketing efforts.

**ENGINEERING OPERATIONS:**

**Sales Turnover:**

The sales turnover improved from Rs. 244 million to Rs. 309 million an increase of Rs. 65 million or 26 percent. The number of auto airconditioners sold during the year were 10,807 against 7,864 sold in the previous financial year.

**Cost of Manufacture:**

The cost of raw material increased from Rs. 195 million to Rs. 232 million due to increased number of airconditioners manufactured during the year. The salaries & wages increased marginally. Stores & spares and repairs & maintenance increased substantially due to installation and coming on stream of tube making plant and clutch compressor assembly equipment and some initial hiccups. Fuel & power showed a reduction of Rs. 1 million due to reduction in fixed charges. Depreciation witnessed an increase from Rs. 3 million to Rs. 7 million due to additions to plant and machinery and jigs and fixtures.

**Administration & Selling Expenses:**

The administration and selling expenses have registered a marginal increase due induction of personnel in the Sales Department and due to the revision of salaries.

**CONSOLIDATED FINANCIAL EXPENSES/OTHER INCOME:**

Financial expenses reduced from Rs. 23 million to Rs. 11 million that is over 52% reduction mainly due to better financial management of the improved cash flow.

**OTHER INCOME:**

Other income for the year under review accrued on account of profit on short-term investments, income from rental of property, dividend on investments and sale of fixed assets.

**LAND & BUILDING UNIT III:**

The Unit III land and factory building at Korangi, Karachi remained unsold despite efforts by the Management.

**FUTURE PLANS & PROSPECTS:**

**Jute Division**

Outlook for the current year is not bright for reasons listed below ·

1. There is a decline in the demand for jute sacks, while output of the industry has increased over the previous years.

Estimates for import of wheat by the Government and the private sector are varying, but are much less than the year under review.

2. International prices of Raw Jute have registered an increase due to unprecedented floods in Bangladesh and a smaller jute crop in India. Depreciation of the Pak Rupee against the US Dollar will also create adverse impact on raw material cost.

3. Cash flow will be adversely affected this year as buyers are placing orders only for their bare minimum demand. The requirement of the State Bank to deposit 30% cash margin against Letters of Credit has enhanced need for borrowings. Both these factors will result in higher financial and carrying costs.

4. Imports of raw material are dependent on the regular availability of foreign exchange which, at present, appears uncertain.

#### **Engineering Division:**

Based on experience of selling 7,844 units in 1996-97 and then 10,807 units of air conditioners in 1997-98 the Engineering Division has budgeted to sell 13,000 units in 1998-99. Sales are, however, dependent on the auto market, which has lately started to record reduced bookings due to deteriorating economic conditions in the Country.

The recent strengthening of the Japanese Yen and expected devaluation of the Pak Rupee will affect the cost of car airconditioners adversely and may result in the erosion of the profitability of the Division. As stated earlier availability of Foreign Exchange in the later part of the year is also uncertain at present.

#### **DIRECTORS:**

The present Directors shall stand retired on January 30, 1999 and elections shall be held as per the provisions of section 178 of the Companies Ordinance 1984. The Board of Directors welcomes Mr. Nasim Beg on the Board as nominee of NIT and wishes to acknowledge valuable contribution made by retiring nominee Director of NIT Mr. A. K. M. Sayeed.

#### **YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM:**

The financial accounts of the Company were being maintained on IBM AS 400 system using BPCS software. The software not being Y2K compliant the Company has commenced migration of financial accounts to a Y2K compliant PC based software. The two systems will run parallel for a few months to ensure smooth shift-over. Accounts of the Thal Engineering Division are already being maintained on PC using Y2K Compliant software.

#### **AUDITORS:**

The present auditors of the Company Messers Hyder Bhimji and Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

#### **PATTERN OF SHAREHOLDINGS:**

The pattern of shareholdings as at June 30, 1998 is attached to this report. ~

#### **APPRECIATION:**

The Board places on record its appreciation of the hard and diligent work put in by the workers, staff and executives of the Company and the wonderful working environment that prevails in both the Divisions of the Company.

**PATTERN OF SHAREHOLDINGS AS ON JUNE 30, 1998**

| <b>Number of Shareholders</b> | <b>Size of Shareholdings</b> |    | <b>Total</b>       |         |
|-------------------------------|------------------------------|----|--------------------|---------|
|                               | <b>Rs. 5/- Each</b>          |    | <b>Shares Held</b> |         |
| 1,438                         | 1                            | -- | 100                | 55,032  |
| 1,300                         | 101                          | -- | 500                | 322,759 |
| 398                           | 501                          | -- | 1,000              | 292,298 |
| 408                           | 1,001                        | -- | 5,000              | 844,404 |
| 40                            | 5,001                        | -- | 10,000             | 285,527 |
| 11                            | 10,001                       | -- | 15,000             | 134,786 |
| 12                            | 15,001                       | -- | 20,000             | 210,787 |
| 5                             | 20,001                       | -- | 25,000             | 114,790 |
| 2                             | 25,001                       | -- | 30,000             | 57,052  |
| 1                             | 30,001                       | -- | 35,000             | 30,434  |
| 1                             | 35,001                       | -- | 40,000             | 38,445  |
| 1                             | 40,001                       | -- | 45,000             | 42,500  |
| 2                             | 45,001                       | -- | 50,000             | 97,592  |
| 4                             | 50,001                       | -- | 55,000             | 216,332 |
| 2                             | 55,001                       | -- | 60,000             | 116,411 |
| 2                             | 65,001                       | -- | 70,000             | 132,300 |
| 1                             | 70,001                       | -- | 75,000             | 74,300  |
| 2                             | 75,001                       | -- | 80,000             | 155,000 |
| 1                             | 80,001                       | -- | 85,000             | 80,500  |
| 2                             | 100,001                      | -- | 105,000            | 206,000 |
| 1                             | 105,001                      | -- | 110,000            | 107,000 |
| 1                             | 110,001                      | -- | 115,000            | 112,000 |
| 1                             | 120,001                      | -- | 125,000            | 123,830 |
| 1                             | 135,001                      | -- | 140,000            | 137,500 |
| 1                             | 140,001                      | -- | 145,000            | 140,921 |
| 2                             | 145,001                      | -- | 150,000            | 294,644 |
| 1                             | 150,001                      | -- | 155,000            | 155,000 |
| 1                             | 155,001                      | -- | 160,000            | 157,559 |
| 2                             | 160,001                      | -- | 165,000            | 326,979 |
| 1                             | 165,001                      | -- | 170,000            | 169,811 |
| 1                             | 170,001                      | -- | 175,000            | 174,979 |
| 1                             | 175,001                      | -- | 180,000            | 175,760 |
| 1                             | 180,001                      | -- | 185,000            | 180,593 |
| 1                             | 185,001                      | -- | 190,000            | 186,116 |
| 2                             | 190,001                      | -- | 195,000            | 380,466 |
| 1                             | 205,001                      | -- | 210,000            | 208,976 |
| 1                             | 210,001                      | -- | 215,000            | 213,500 |
| 1                             | 245,001                      | -- | 250,000            | 250,000 |
| 1                             | 260,001                      | -- | 265,000            | 263,741 |
| 1                             | 295,001                      | -- | 300,000            | 300,000 |
| 1                             | 300,001                      | -- | 305,000            | 301,871 |

|   |         |    |         |           |
|---|---------|----|---------|-----------|
| 1 | 365,001 | -- | 370,000 | 369,118   |
| 1 | 465,001 | -- | 470,000 | 466,478   |
| 1 | 710,001 | -- | 715,000 | 712,472   |
| 1 | 840,001 | -- | 845,000 | 842,447   |
| 4 | 910,001 | -- | 915,000 | 3,654,265 |

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|       |              |  |            |
|-------|--------------|--|------------|
| 3,665 | <b>TOTAL</b> |  | 13,913,265 |
|-------|--------------|--|------------|

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| Categories of Shareholders | Number       | Shares Held       | Percentage %  |
|----------------------------|--------------|-------------------|---------------|
| 1. Individuals             | 3,605        | 6,246,700         | 44.90         |
| 2. Investment Companies    | 5            | 372,946           | 2.68          |
| 3. Insurance Companies     | 7            | 833,512           | 5.99          |
| 4. Joint Stock Companies   | 16           | 363,893           | 2.62          |
| 5. Financial Institutions  | 7            | 746,590           | 5.37          |
| 6. Modaraba Companies      | 5            | 9,069             | 0.07          |
| 7. Foreign Investors       | 6            | 4,063,406         | 29.21         |
| 8. Co-operative Societies  | 4            | 74,603            | 0.54          |
| 9. Charitable Trusts       | 7            | 169,737           | 1.22          |
| 10. Others                 | 3            | 1,032,819         | 7.42          |
| <b>TOTAL</b>               | <b>3,665</b> | <b>13,913,275</b> | <b>100.00</b> |

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of THAL JUTE MILES LIMITED, as at June 30, 1998 and the related Profit and Loss Account for the year then ended and the Statement of Changes in Financial Position (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 purpose 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 Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



c) in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Statement of Changes in Financial Position (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, 1998 and of the profit and the Changes in Financial Position (Cash Flows) for the year then ended; and

d) in our opinion, Zakat deductible at source, under Zakat and Ushr Ordinance, 1980 was deducted by the Company under the Central Zakat Fund established under section 7 of that Ordinance.

**HYDER BHIMJI & CO.**

Chartered Accountants

Karachi: October 21, 1998.

**BALANCE SHEET AS AT JUNE 30, 1998**

|  |   | <b>1998</b>      | <b>1997</b>      |
|--|---|------------------|------------------|
|  |   | <b>Rs. 000's</b> | <b>Rs. 000's</b> |
| <b>SHARE CAPITAL:</b>                      |   |                  |                  |
| <b>Authorised</b>                          |   |                  |                  |
| 20,000,000 Ordinary Shares of Rs. 5/- each |   | 100,000          | 100,000          |
|  |   | =====            | =====            |
| <b>Issued, Subscribed and Paid-up</b>      | 3 | 69,566           | 69,566           |
| <b>Reserves</b>                            | 4 | 130,000          | 81,240           |
| <b>Unappropriated Profit</b>               |   | 2,351            | 2,686            |
|  |   | 201,917          | 153,492          |
| <b>DEFERRED LIABILITIES</b>                | 5 | 23,398           | 20,166           |
| <b>CURRENT LIABILITIES</b>                 |   |                  |                  |
| Short Term Borrowings                      | 6 | 17,561           | 136,822          |
| Creditors, Accrued and Other Liabilities   | 7 | 215,596          | 140,384          |
| Taxation                                   |   | 38,096           | 4,911            |
| Proposed Dividend                          |   | 10,435           | --               |
|  |   | -----            | -----            |
|  |   | 281,688          | 282,117          |
| <b>CONTINGENCIES &amp; COMMITMENTS</b>     | 8 | -----            | -----            |
|  |   | 507,003          | 455,775          |
|  |   | =====            | =====            |

**TANGIBLE FIXED ASSETS:**

|  |    |         |         |
|--|----|---------|---------|
| Operating Assets   | 9  | 103,403 | 100,585 |
| Capital Work-in-Progress                                 | 10 | 82      | 13,576  |
|  |    | -----   | -----   |
|  |    | 103,485 | 114,161 |
| <b>LONG TERM INVESTMENTS</b>                             | 11 | 23,854  | 23,854  |
| <b>LONG TERM LOANS, ADVANCES<br/>AND DEPOSITS</b>        | 12 | 1,675   | 1,092   |
| <b>CURRENT ASSETS:</b>                                   |    |         |         |
| Stores, Spares and Loose Tools                           | 13 | 31,334  | 35,773  |
| Stock-in-Trade   | 14 | 130,561 | 188,554 |
| Trade Debts (Unsecured Considered Good)                  |    | 71,385  | 57,388  |
| Shod Term Investments                                    | 15 | 85,438  | --      |
| Advances, Deposits, Prepayments<br>and Other Receivables | 16 | 36,192  | 33,671  |
| Cash and Bank Balances                                   | 17 | 23,079  | 1,282   |
|  |    | -----   | -----   |
|  |    | 377,989 | 316,668 |
|  |    | -----   | -----   |
|  |    | 507,003 | 455,775 |
|  |    | =====   | =====   |

Note: The annexed notes form an integral part of these financial statements

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1998

|                         | Note<br>No. | 1998<br>Rs. 000's | 1997<br>Rs. 000's |
|-------------------------|-------------|-------------------|-------------------|
| Sales                   | 18          | 999,916           | 771,634           |
| Cost of Sales           | 19          | (851,843)         | (703,077)         |
|                         |             | -----             | -----             |
| <b>GROSS PROFIT</b>     |             | 148,073           | 68,557            |
| Administrative Expenses | 20          | 28,946            | 23,274            |
| Selling Expenses        | 21          | 6,857             | 5,721             |
|                         |             | -----             | -----             |
|                         |             | (35,803)          | (28,995)          |
|                         |             | -----             | -----             |
| <b>OPERATING PROFIT</b> |             | 112,270           | 39,562            |
| Other Income            | 22          | (14,678)          | (7,957)           |
| Financial Expenses      | 23          | 11,274            | 23,558            |
| Other Charges           | 24          | 7,256             | 398               |
|                         |             | -----             | -----             |

|  |    |          |          |
|--|----|----------|----------|
|  |    | (3,852)  | (15,999) |
|  |    | -----    | -----    |
| Profit for the year                          |    | 108,418  | 23,563   |
| Extra Ordinary Expenses                      | 25 | --       | (17,042) |
|  |    | -----    | -----    |
| <b>PROFIT BEFORE TAXATION</b>                |    | 108,418  | 6,521    |
| Provision for Taxation                       |    |          |          |
| Current                                      |    | (35,776) | (3,858)  |
| Deferred                                     |    | 131      | --       |
|  |    | -----    | -----    |
| <b>PROFIT AFTER TAXATION</b>                 |    | 72,773   | 2,663    |
| Unappropriated Profit Brought Forward        |    | 2,686    | 23       |
|  |    | -----    | -----    |
|  |    | 75,459   | 2,686    |
| Appropriations                               |    |          |          |
| Interim Dividend @20% (1997: Nil)            |    | 13,913   | --       |
| Proposed Final Dividend @ 15% (1997: Nil)    |    | 10,435   | --       |
| Transfer to General Reserve                  |    | 48,760   | --       |
|  |    | -----    | -----    |
|  |    | (73,108) | --       |
|  |    | -----    | -----    |
| <b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b> |    | 2,351    | 2,686    |
|  |    | =====    | =====    |

Note: The annexed notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 1998**

|   | <b>1998</b>      | <b>1997</b>      |
|---|------------------|------------------|
|   | <b>Rs. 000's</b> | <b>Rs. 000's</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>    |                  |                  |
| Profit before Taxation                          | 108,418          | 6,521            |
| <b>Adjustments for:</b>                         |                  |                  |
| Depreciation                                    | 15,735           | 11,660           |
| Financial Charges                               | 11,274           | 23,558           |
| Gratuity  | 4,676            | --               |
| Profit on Sale of Fixed Assets                  | (3,145)          | (2,252)          |
|   | -----            | -----            |
|   | 28,540           | 32,966           |
|   | -----            | -----            |
| Operating Profit before Working Capital changes | 136,958          | 39,487           |
| <b>Changes in Working Capital:</b>              |                  |                  |

**(Increase)/Decrease in Current Assets:**

|   |          |           |
|---|----------|-----------|
| Stores, Spares and Loose Tools                        | 4,439    | 2,942     |
| Stock-in-Trade  | 57,993   | (105,707) |
| Trade Debts (Unsecured Considered Good)               | (13,997) | (38,404)  |
| Shod Term Investments                                 | (85,438) | 15,000    |
| Advances, Deposits, Prepayments and Other Receivables | (3,220)  | (5,044)   |

**Increase/(Decrease) in Current Liabilities:**

|  |        |           |
|--|--------|-----------|
| Creditors, Accrued and Other Liabilities | 80,709 | 7,393     |
|  | -----  | -----     |
|  | 40,486 | (123,820) |
|  | -----  | -----     |

|                                  |         |          |
|----------------------------------|---------|----------|
| Cash from / (used in) operations | 177,444 | (84,333) |
|                                  | -----   | -----    |

|                          |          |          |
|--------------------------|----------|----------|
| Financial Charges paid   | (17,167) | (24,127) |
| Dividend paid            | (13,517) | --       |
| Gratuity paid            | (1,313)  | (4,082)  |
| Income tax (paid)/refund | (2,591)  | 939      |
|                          | -----    | -----    |

|  |          |          |
|--|----------|----------|
|  | (34,588) | (27,270) |
|  | -----    | -----    |

|  |         |           |
|--|---------|-----------|
| Net cash from / (used in) operating activities (A) | 142,856 | (111,603) |
|  | -----   | -----     |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |          |          |
|--|----------|----------|
| Fixed Capital Expenditure              | (10,465) | (23,079) |
| Long Term Loans, Advances and Deposits | 116      | 1,482    |
| Proceed from disposal of Assets        | 8,551    | 5,584    |
|  | -----    | -----    |

|   |         |          |
|---|---------|----------|
| Net cash used in investing activities (B) | (1,798) | (16,013) |
|   | -----   | -----    |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |           |         |
|---|-----------|---------|
| (Decrease) / Increase in Shod Term Borrowings | (119,261) | 121,904 |
|   | -----     | -----   |

|  |           |         |
|--|-----------|---------|
| Net Cash (used in)/from financing activities (c) | (119,261) | 121,904 |
|  | -----     | -----   |

|   |        |         |
|---|--------|---------|
| <b>INCREASE / (DECREASE)IN CASH (A+B+C)</b> | 21,797 | (5,712) |
|---|--------|---------|

**CASH AND BANK BALANCE AT THE  
BEGINNING OF THE YEAR**

|  |       |       |
|--|-------|-------|
|  | 1,282 | 6,994 |
|  | ----- | ----- |

**CASE AND BANK BALANCE AT THE  
END OF THE YEAR**

|  |        |       |
|--|--------|-------|
|  | 23,079 | 1,282 |
|  | =====  | ===== |

**NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED JUNE 30, 1998**

## **1. THE COMPANY AND ITS OPERATIONS:**

The Company was incorporated on January 31, 1966 as a Public Company limited by shares and is quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing of Jute Goods and assembly and manufacture of auto airconditioners. The jute operation is at Muzaffargarh and auto airconditioners operation is at Korangi - Karachi.

## **2. SIGNIFICANT ACCOUNTING POLICIES:**

### **2.1 Accounting Convention:**

The Financial Statements of the Company have been prepared under the 'historical cost convention'.

### **2.2 Staff Retirement Benefits:**

The Company operates Provident Fund Scheme for its employees eligible for the benefits. However, prior to the introduction of the Provident Fund Scheme, employees were covered under the unfunded gratuity scheme.

### **2.3 Taxation:**

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credit and rebates, available, if any.

The Company has provided for deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

### **2.4 Tangible Fixed Assets:**

Operating assets except Land are stated at cost less accumulated depreciation. Land is stated at cost.

Depreciation is charged on reducing balance method at the rates specified in the fixed assets note. Full year's depreciation is charged on assets acquired during the year while no depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacement are capitalised. Profit or loss on disposal of fixed assets is included in the income currently.

### **2.5 Capital Work in Progress:**

All cost / expenditure connected with the assets, incurred during the implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

### **2.6 Investments:**

Investment in shares is stated at cost. No adjustment for market value as on the balance sheet date is made in the accounts. ~::~

**2.7 Stores, Spares & Loose Tools:**

Stores and spares in hand are valued at average cost and in transit at cost accumulated upto the balance sheet date. Loose tools are stated at cost.

**2.8 Stock-in-Trade:**

Raw Materials in stock are valued at average cost and in transit at actual. Finished goods are valued at lower of the average cost and net realisable value. Work-in-Process is valued at average cost of raw materials plus a portion of the conversion cost.

**2.9 Trade Debts:**

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

**2.10 Accounting for Leases:**

Lease rentals for assets acquired under operating lease arrangements are charged in arriving at Profit.

**2.11 Foreign Currency Translation:**

Assets and Liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange ruling at the balance sheet date and in case of forward contracts at the committed rates. In case where forward cover is not obtained provision for expected exchange rate fluctuation is made. Gains and losses on exchange are charged to income.

**2.12 Revenue Recognition:**

Sales are recorded on despatch of goods to buyers. Dividend income is recorded when declared.

|   | <b>1998</b>      | <b>1997</b>      |
|---|------------------|------------------|
|   | <b>Rs. 000's</b> | <b>Rs. 000's</b> |
| <b>3. ISSUED, SUBSCRIBED &amp; PAID-UP CAPITAL:</b>                   |                  |                  |
| 10,783,850 Ordinary Shares of Rs. 5/- each fully paid issued for Cash | 53,919           | 53,919           |
| 3,129,425 Ordinary Shares of Rs. 5/- each paid issued as Bonus Shares | 15,647           | 15,647           |
| -----   | -----            | -----            |
| 13,913,275  | 69,566           | 69,566           |
| =====   | =====            | =====            |

**4. RESERVES:****General Reserve-Revenue**

|  |        |        |
|--|--------|--------|
| Balance at beginning of the year         | 68,000 | 68,000 |
| Transferred from Profit and Loss Account | 48,760 | --     |
|  | -----  | -----  |

|  |         |        |
|--|---------|--------|
|  | 116,760 | 68,000 |
| <b>Capital Reserve:</b>  |         |        |
| Difference of Paid-up Capital of former Pakistan Jute & Synthetics Limited | 13,240  | 13,240 |
|  | -----   | -----  |
|  | 130,000 | 81,240 |
|  | =====   | =====  |

**5. DEFERRED LIABILITIES:**

|              |        |        |
|--------------|--------|--------|
| For Taxation | 12,369 | 12,500 |
| For Gratuity | 11,029 | 7,666  |
|              | -----  | -----  |
|              | 23,398 | 20,166 |
|              | =====  | =====  |

**6. SHORT TERM BORROWINGS:**

|  |        |         |
|--|--------|---------|
| Secured-Utilized under Mark-up arrangement |        |         |
| From Banks                                 | 17,561 | 136,822 |
|  | =====  | =====   |

The Company has short-term running finance facility of Rs. 257 million (1997 - Rs. 257 million) from various banks at mark-up ranging from 44 paise to 59 paise per Rs. 1,000 per day. The facilities are secured by way of charge against hypothecation of the Company's Stock-in-Trade, Book Debts, Stores, Spares, Loose Tools.

**7. CREDITORS, ACCRUED AND OTHER LIABILITIES:**

|  |         |         |
|--|---------|---------|
| Creditors                                | 4,805   | 14,778  |
| Bills Payable                            | 124,759 | 70,572  |
| Accrued Liabilities                      | 49,996  | 20,811  |
| Unclaimed Salaries                       | 2,482   | 1,969   |
| Royalty                                  | 1,167   | 2,048   |
| Accrued Mark-up on Short Term Borrowings | 1,298   | 7,191   |
| Dividend                                 | 396     | --      |
| Sales Tax                                | 9,321   | --      |
| Other Liabilities (Note No. 7.1)         | 21,372  | 23,015  |
|  | -----   | -----   |
|  | 215,596 | 140,384 |
|  | =====   | =====   |

|                  |                  |
|------------------|------------------|
| <b>1998</b>      | <b>1997</b>      |
| <b>Rs. 000's</b> | <b>Rs. 000's</b> |

**7.1 OTHER LIABILITIES:**

|   |       |        |
|---|-------|--------|
| Withholding Income Tax                              | 434   | 537    |
| Security Deposits                                   | 2,293 | 2,063  |
| Workers' Profit Participation Fund (Note No. 7.1.1) | 7,486 | 2,064  |
| Advance from Customers                              | 2,991 | 10,308 |
| Unclaimed Dividends                                 | 457   | 457    |

|                   |        |        |
|-------------------|--------|--------|
| Due to Jute Mills | 4,626  | 7,083  |
| Others            | 3,085  | 503    |
|                   | -----  | -----  |
|                   | 21,372 | 23,015 |
|                   | =====  | =====  |

**7.1.1 WORKERS' PROFIT PARTICIPATION FUND:**

|   |       |       |
|---|-------|-------|
| Balance at the beginning of the year                        | 2,064 | 1,831 |
| Add: Interest for the year shown under<br>Financial Charges | 330   | 293   |
|   | ----- | ----- |
|   | 2,394 | 2,124 |
| Less: Paid during the year                                  | (692) | (405) |
|   | ----- | ----- |
|   | 1,702 | 1,719 |
| Add: Allocation for the current year                        | 5,784 | 345   |
|   | ----- | ----- |
|   | 7,486 | 2,064 |
|   | ===== | ===== |

**8. CONTINGENCIES AND COMMITMENTS:****8.1 Contingencies:**

|  |       |        |
|--|-------|--------|
| a) Social Security and Employees Old Age contribution claimed<br>by the Institutions on certain Allowances not acknowledged as<br>debt by the Company. The appeal is pending in the Court of Law | --    | 10,035 |
| b) Sales Tax claim raised by the Custom & Excise Department<br>not acknowledged as debt  | --    | 3,519  |
| c) Letter of guarantees issued by banks on behalf of the Company   | 3,735 | 13,676 |

**8.2 Commitments:**

|   |         |         |
|---|---------|---------|
| a) Letter of credits outstanding for raw material | 120,193 | 106,579 |
| b) Commitments in respect of Technical Assistance | 1,680   | 2,373   |

c) Commitments in respect of Operating Lease Rentals as on June 30, 1998

| Years | Rs. 000's |
|-------|-----------|
| 1998  | 1,318     |
| 1999  | 3,423     |



|      |       |
|------|-------|
| 2000 | 2,875 |
| 2001 | 1,513 |
|      | ----- |
|      | 9,129 |
|      | ===== |

**9. OPERATING ASSETS :**

|                            | COST                      |           |           |                           | R<br>A<br>T<br>E<br><br>% | DEPRECIATION              |                 |           | Written<br>Down<br>Value<br>as at<br>June 30,<br>1998 |                           |
|----------------------------|---------------------------|-----------|-----------|---------------------------|---------------------------|---------------------------|-----------------|-----------|---|---------------------------|
|                            | As at<br>July 01,<br>1997 | Additions | Sales     | As At<br>June 30,<br>1998 |                           | As at<br>July 01,<br>1997 | For the<br>year | On Sales  |   | As at<br>June 30,<br>1998 |
|                            | Rs. 000's                 | Rs. 000's | Rs. 000's | Rs. 000's                 |                           | Rs. 000's                 | Rs. 000's       | Rs. 000's |   | Rs. 000's                 |
| Land - Freehold            | 1,506                     | --        | --        | 1,506                     | --                        | --                        | --              | --        | --  | 1,506                     |
| - Leasehold                | 2,251                     | --        | --        | 2,251                     | --                        | --                        | --              | --        | --  | 2,251                     |
| Building on Freehold Land: |                           |           |           |                           |                           |                           |                 |           |   |                           |
| Factory Building           | 42,884                    | 457       | --        | 43,341                    | 10%                       | 28,208                    | 1,513           | --        | 29,721  | 13,620                    |
| Non Factory Building       | 11,200                    | --        | --        | 11,200                    | 5%                        | 5,991                     | 260             | --        | 6,251   | 4,949                     |
| Railway Siding             | 792                       | --        | --        | 792                       | 5%                        | 604                       | 9               | --        | 613   | 179                       |
| Plant & Machinery          | 187,557                   | 11,174    | 18,838    | 179,893                   | 10%                       | 126,403                   | 6,836           | 14,888    | 118,351   | 61,542                    |
| Vehicles                   | 12,934                    | 1,053     | 1,573     | 12,414                    | 20%                       | 8,254                     | 1,012           | 897       | 8,369   | 4,045                     |
| Office & Mills Equipments  | 7,899                     | 347       | --        | 8,246                     | 15%                       | 5,479                     | 418             | --        | 5,897   | 2,349                     |
| Computers Equipment        | 9,760                     | 1,702     | 991       | 10,471                    | 33%                       | 6,505                     | 1,544           | 714       | 7,335   | 3,136                     |
| Furniture & Fittings       | 9,050                     | 829       | 108       | 9,771                     | 15%                       | 4,420                     | 720             | 60        | 5,080   | 4,691                     |
| Jigs & Fixture             | 881                       | 8,396     | 650       | 8,627                     | 40%                       | 264                       | 3,423           | 195       | 3,492   | 5,135                     |
| Total-1998                 | 286,714                   | 23,958    | 22,160    | 288,512                   |                           | 186,128                   | 15,735          | 16,754    | 185,109   | 103,403                   |
| Total-1997                 | 268,576                   | 31,389    | 13,251    | 286,714                   |                           | 184,388                   | 11,660          | 9,919     | 186,129   | 100,585                   |

**9.1 Depreciation charged for the year has been allocated as follows:**

|                          | 1998<br>Rs. 000's | 1997<br>Rs. 000's |
|--------------------------|-------------------|-------------------|
| Manufacturing            | 14,417            | 10,439            |
| Administrative & selling | 1,318             | 1,221             |
|                          | -----             | -----             |
|                          | 15,735            | 11,660            |
|                          | =====             | =====             |

**9.2 In view of accelerated decline and wear and tear in computer equipment, furniture & fittings**

and jigs & fixture, the rates of charging depreciation have been enhanced from 15% to 33%, 10% to 15% and 30% to 40% respectively to write them off within their useful lives with effect from July 01, 1997.

### 9.3 DETAILS OF FIXED ASSETS SOLD:

| Particulars         | Original Cost<br>Rs. 000's | Accumulated Depreciation<br>Rs. 000's | Written Down Value<br>Rs. 000's | Selling Price<br>Rs. 000's | Profit/<br>(Loss)<br>Rs. 000's | Mode of Sale    | Particulars of Buyers                     |
|---------------------|----------------------------|---------------------------------------|---------------------------------|----------------------------|--------------------------------|-----------------|---|
| <b>Machinery</b>    |                            |                                       |                                 |                            |                                |                 |   |
| Machinery           | 707                        | 568                                   | 139                             | 658                        | 519                            | Tender          | Mohammad Saleem-Muzaffargarh.             |
| Machinery           | 15,404                     | 12,102                                | 3,302                           | 4,771                      | 1,469                          | Tender          | Inamur Rehman/Nazeer Ahmed.               |
| Machinery           | 151                        | 128                                   | 23                              | 45                         | 22                             | Tender          | Mohammad Bashir-Multan.                   |
| Machinery           | 188                        | 149                                   | 39                              | --                         | (39)                           | Tender          | Mohammad Bashir - Multan.                 |
| Machinery           | 1,874                      | 1,615                                 | 259                             | 665                        | 406                            | Tender          | Muhammed Jamil Hussain-Karachi.           |
| Machinery           | 355                        | 296                                   | 59                              | 65                         | 6                              | Tender          | -do-                                      |
| Machinery           | 160                        | 30                                    | 130                             | 144                        | 14                             | Tender          | Madina Jute Mills - Muzaffargarh.         |
| Machinery           |                            |                                       |                                 |                            |                                |                 |   |
|                     | 18,839                     | 14,888                                | 3,951                           | 6,348                      | 2,397                          |                 |   |
| <b>Vehicle</b>      |                            |                                       |                                 |                            |                                |                 |   |
| Vehicle             | 85                         | 80                                    | 5                               | 5                          | --                             | Negotiation     | Mr. Aminullah Khan - Employee.            |
| Vehicle             | 260                        | 149                                   | 111                             | 115                        | 4                              | Negotiation     | Mr. Sajad Jafri - Ex-Employee.            |
| Vehicle             | 40                         | 27                                    | 13                              | 42                         | 29                             | Insurance Claim | Habib Insurance Co. Ltd. - Karachi.       |
| Vehicle             | 185                        | 154                                   | 31                              | 146                        | 115                            | Negotiation     | Mr. Ghulam Shabbir - Ex-Employee.         |
| Vehicle             | 26                         | --                                    | 26                              | 100                        | 74                             | Negotiation     | Mr. Mushtaq Ahmed- Ex-Employee.           |
| Vehicle             | 505                        | 399                                   | 106                             | 400                        | 294                            | Insurance Claim | Habib Insurance Co. Ltd. - Karachi.       |
| Vehicle             | 12                         | 8                                     | 4                               | 192                        | 188                            | Negotiation     | Ms. Marzia - Karachi.                     |
| Vehicle             | 272                        | 54                                    | 218                             | 250                        | 32                             | Insurance Claim | Habib Insurance Co. Ltd. - Karachi.       |
| Vehicle             | 62                         | 12                                    | 50                              | 65                         | 15                             | Insurance Claim | Habib Insurance Co. Ltd. - Karachi.       |
| Vehicle             | 68                         | 14                                    | 54                              | 72                         | 18                             | Insurance Claim | Habib Insurance Co. Ltd. - Karachi.       |
| Vehicle             | 59                         | --                                    | 59                              | 62                         | 3                              | Insurance Claim | Habib Insurance Co. Ltd. - Karachi.       |
|                     | 1,574                      | 897                                   | 677                             | 1,449                      | 772                            |                 |   |
| Furniture & Fixture | 108                        | 60                                    | 48                              | 67                         | 19                             | Negotiation     | Various Parties                           |
| Office Equipment    |                            |                                       |                                 |                            |                                |                 |   |
| Office Equipment    | 5                          | --                                    | 5                               | 5                          |                                | Insurance Claim | EFU General Insurance Co. Ltd. - Karachi. |
| Office Equipment    | 59                         | 23                                    | 36                              | 32                         | (4)                            | Negotiation     | Various Parties                           |
| Office Equipment    | 925                        | 691                                   | 234                             | --                         | (234)                          |                 | Write-off                                 |
|                     | 989                        | 714                                   | 275                             | 37                         | (238)                          |                 |   |

|                |        |        |       |       |       |             |                                 |
|----------------|--------|--------|-------|-------|-------|-------------|---------------------------------|
| Jigs & Fixture | 650    | 195    | 455   | 650   | 195   | Negotiation | AN Engineering & Co. - Karachi. |
| 1998           | 22,160 | 16,754 | 5,406 | 8,551 | 3,145 |             |                                 |
| 1997           | 13,251 | 9,919  | 3,332 | 5,584 | 2,252 |             |                                 |

**1998**  
**Rs. 000's**

**1997**  
**Rs. 000's**

**10. CAPITAL WORK-IN-PROGRESS:**

|                                       |    |        |
|---------------------------------------|----|--------|
| Fabrication of Equipment and Machines | 82 | 13,576 |
|                                       | 82 | 13,576 |

**11. LONG TERM INVESTMENTS**

In Fully Paid-up Ordinary Shares of Joint Stock Companies:

| No. of<br>Shares<br>1998 | No. of<br>Shares<br>1997 | Paid-up<br>Value per<br>Share<br>Rs. | Quoted ·<br>Associated Undertakings: | 1998<br>Rs. 000's | 1997<br>Rs. 000's |
|--------------------------|--------------------------|--------------------------------------|--------------------------------------|-------------------|-------------------|
| 1,630,000                | 1,630,000                |                                      | 10Indus Motor Company Limited        | 16,300            | 16,300            |
| 131,414                  | 131,414                  |                                      | 5Pakistan Papersack Corp. Ltd.       | 90                | 90                |
| 314,226                  | 273,240                  |                                      | 5Dyno Pakistan Limited               | 900               | 900               |
| 555,600                  | 463,000                  |                                      | 5Habib Insurance Company Ltd.        | 561               | 561               |
| 750,000                  | 750,000                  |                                      | 5Agriauto Industries Limited         | 4,031             | 4,031             |
|                          |                          |                                      |                                      | 21,882            | 21,882            |
|                          |                          |                                      | <b>Others:</b>                       |                   |                   |
| 157,141                  | 157,141                  |                                      | 5Balochistan Glass Limited           | 714               | 714               |
| 2,500                    | 2,500                    |                                      | 10Dost Mohammed Cotton Mills Ltd.    | 18                | 18                |
| 403,252                  | 358,447                  |                                      | 5Habib Sugar Mills Limited           | 1,239             | 1,239             |
| 326                      | 326                      |                                      | 10Glaxo Wellcome (Pakistan)Ltd.      | 1                 | 1                 |
|                          |                          |                                      |                                      | 1,972             | 1,972             |
|                          |                          |                                      |                                      | 23,854            | 23,854            |

Aggregate market value of the shares of Quoted Companies as on June 30, 1998 is Rs. 25.110

million (June 30, 1997 - Rs. 38.538 million).

|   | <b>1998</b>      | <b>1997</b>      |
|---|------------------|------------------|
|   | <b>Rs. 000's</b> | <b>Rs. 000's</b> |
| <b>12. LONG TERM LOANS, ADVANCES AND DEPOSITS:</b>                              |                  |                  |
| <b>(Unsecured - Considered Good)</b>  |                  |                  |
| Loan to Employees (12.1)  | 1,509            | 1,727            |
| Less: Receivable within twelve months shown under Short Term Loans and Advances | (583)            | (1,282)          |
|   | -----            | -----            |
|   | 926              | 445              |
| Long Term Security Deposits   | 749              | 647              |
|   | -----            | -----            |
|   | 1,675            | 1,092            |
|   | =====            | =====            |

12.1 This include Rs. 280,223 (1997: Rs. 105,790) outstanding for a period exceeding three years. The maximum aggregate amount due from Executives at the end of any month during the year was Rs. 248,794 (1997: Rs. 995,590).

### **13. STORES, SPARES AND LOOSE TOOLS:**

|             |        |        |
|-------------|--------|--------|
| Stores      |        |        |
| In hand     | 6,536  | 6,881  |
| In Transit  | 332    | 441    |
| Spares      | 24,264 | 28,249 |
| Loose Tools | 202    | 202    |
|             | -----  | -----  |
|             | 31,334 | 35,773 |
|             | =====  | =====  |

### **14. STOCK-IN-TRADE:**

|                 |         |         |
|-----------------|---------|---------|
| Raw Material:   |         |         |
| In hand         | 61,541  | 116,055 |
| In Transit      | 23,096  | 4,299   |
| Work-in-Process | 15,343  | 22,062  |
| Finished Goods  | 30,581  | 46,138  |
|                 | -----   | -----   |
|                 | 130,561 | 188,554 |
|                 | =====   | =====   |

### **15. SHORT TERM INVESTMENTS:**

With Banks in Shod Term Deposit

Mark-up ranges from 10% to 12% p.a.

85,438 --

=====

## 16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER

### RECEIVABLES:

|                                      |        |        |
|--------------------------------------|--------|--------|
| Current Portion of Loan to Employees | 583    | 1,282  |
| Advances to                          | -----  | -----  |
| Employees                            | 249    | 672    |
| Sales Tax                            | --     | 3,237  |
| Income Tax                           | 18,537 | 8,091  |
| Suppliers                            | 9,149  | 12,839 |
| Expenses                             | 343    | 538    |
| Others                               | 291    | 357    |
|                                      | -----  | -----  |
|                                      | 28,569 | 25,734 |
| Security Deposits                    | 4,403  | 3,961  |
| Short Term Prepayments               | --     | 348    |
| Other Receivables                    | 2,637  | 2,346  |
|                                      | -----  | -----  |
|                                      | 36,192 | 33,671 |
|                                      | =====  | =====  |

The loan & advances are unsecured considered good.

Advances include Nil (1997: Nil) due from Associated Undertakings.

### 17. CASH AND BANK BALANCES:

|                     |        |       |
|---------------------|--------|-------|
| Cash in hand        | 339    | 331   |
| Balances with Banks | -----  | ----- |
| In Current Accounts | 22,740 | 951   |
| In PLS Account      | --     | --    |
|                     | -----  | ----- |
|                     | 22,740 | 951   |
|                     | -----  | ----- |
|                     | 23,079 | 1,282 |
|                     | =====  | ===== |

|                          | JUTE     |          | ENGINEERING |          | TOTAL     |          |
|--------------------------|----------|----------|-------------|----------|-----------|----------|
|                          | 1998     | 1997     | 1998        | 1997     | 1998      | 1997     |
|                          | Rs. '000 | Rs. '000 | Rs. '000    | Rs. '000 | Rs. '000  | Rs. '000 |
| <b>18. SALES:</b>        |          |          |             |          |           |          |
| Sales-Local              | 808,596  | 632,059  | 358,333     | 306,036  | 1,166,929 | 938,095  |
|                          | -----    | -----    | -----       | -----    | -----     | -----    |
| Less: Sales Tax          | 94,009   | 91,975   | 39,387      | 43,220   | 133,396   | 135,195  |
| Octroi, Freight & Excise | 15,096   | 13,080   | 7,299       | 17,772   | 22,395    | 30,852   |
| Warranty Claims          | --       | --       | 1,582       | --       | 1,582     | --       |
| Bad & Doubtful Debts     | 8,478    | --       | --          | --       | 8,478     | --       |

|        |           |           |          |          |           |           |
|--------|-----------|-----------|----------|----------|-----------|-----------|
| Others | 1,072     | 337       | 90       | 77       | 1,162     | 414       |
|        | -----     | -----     | -----    | -----    | -----     | -----     |
|        | (118,655) | (105,392) | (48,358) | (61,069) | (167,013) | (166,461) |
|        | -----     | -----     | -----    | -----    | -----     | -----     |
|        | 689,941   | 526,667   | 309,975  | 244,967  | 999,916   | 771,634   |
|        | =====     | =====     | =====    | =====    | =====     | =====     |

**19. COST OF SALES:**

|                               |         |         |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| Raw Material Consumed (19.1)  | 283,083 | 301,175 | 232,107 | 195,644 | 515,190 | 496,819 |
| Salaries, Wages and Benefits  | 169,370 | 114,323 | 11,537  | 10,235  | 180,907 | 124,558 |
| Stores, Spares and Lubricants | 19,792  | 11,622  | 1,407   | 213     | 21,199  | 11,835  |
| Repairs and Maintenance       | 36,540  | 21,832  | 3,289   | 1,592   | 39,829  | 23,424  |
| Power and Fuel                | 40,451  | 32,231  | 1,945   | 2,978   | 42,396  | 35,209  |
| Rent, Rates and Taxes         | 230     | 374     | 315     | 178     | 545     | 552     |
| Vehicle Running & Maintenance | 1,420   | 1,492   | 936     | 828     | 2,356   | 2,320   |
| Insurance                     | 1,121   | 1,173   | 994     | 878     | 2,115   | 2,051   |
| Communication                 | 939     | 923     | 1,529   | 1,145   | 2,468   | 2,068   |
| Travelling and Conveyance     | 798     | 1,024   | 1,797   | 1,565   | 2,595   | 2,589   |
| Entertainment                 | 8       | 125     | 76      | 82      | 84      | 207     |
| Printing and Stationery       | 448     | 620     | 20      | 19      | 468     | 639     |
| Legal & Professional          | 932     | 1,272   | 889     | 985     | 1,821   | 2,257   |
| Royalty                       | --      | --      | 2,667   | 2,048   | 2,667   | 2,048   |
| Depreciation                  | 6,761   | 7,227   | 7,656   | 3,212   | 14,417  | 10,439  |
| Others                        | 81      | 71      | 429     | 171     | 510     | 242     |
|                               | -----   | -----   | -----   | -----   | -----   | -----   |
|                               | 561,974 | 495,484 | 267,593 | 221,773 | 829,567 | 717,257 |

## Work-in-Process

|                    |          |          |         |         |          |          |
|--------------------|----------|----------|---------|---------|----------|----------|
| Opening            | 17,322   | 22,412   | 4,740   | --      | 22,062   | 22,412   |
| Closing            | (15,343) | (17,322) | --      | (4,740) | (15,343) | (22,062) |
|                    | -----    | -----    | -----   | -----   | -----    | -----    |
|                    | 1,979    | 5,090    | 4,740   | (4,740) | 6,719    | 350      |
|                    | -----    | -----    | -----   | -----   | -----    | -----    |
| Manufacturing cost | 563,953  | 500,574  | 272,333 | 217,033 | 836,286  | 717,607  |

## Finished Goods

|         |          |          |         |         |          |          |
|---------|----------|----------|---------|---------|----------|----------|
| Opening | 43,988   | 31,608   | 2,150   | --      | 46,138   | 31,608   |
| Closing | (29,623) | (43,988) | (958)   | (2,150) | (30,581) | (46,138) |
|         | -----    | -----    | -----   | -----   | -----    | -----    |
|         | 14,365   | (12,380) | 1,192   | (2,150) | 15,557   | (14,530) |
|         | -----    | -----    | -----   | -----   | -----    | -----    |
|         | 578,318  | 488,194  | 273,525 | 214,883 | 851,843  | 703,077  |
|         | =====    | =====    | =====   | =====   | =====    | =====    |

**19.1 Raw Material Consumed:**

|                     |          |          |          |          |          |           |
|---------------------|----------|----------|----------|----------|----------|-----------|
| Opening Stock       | 85,165   | 25,667   | 30,890   | 2,212    | 116,055  | 27,879    |
| Purchases           | 242,308  | 360,673  | 218,368  | 224,322  | 460,676  | 584,995   |
| Less: Closing Stock | (44,390) | (85,165) | (17,151) | (30,890) | (61,541) | (116,055) |
|                     | -----    | -----    | -----    | -----    | -----    | -----     |
|                     | 283,083  | 301,175  | 232,107  | 195,644  | 515,190  | 496,819   |
|                     | =====    | =====    | =====    | =====    | =====    | =====     |

**20. ADMINISTRATIVE EXPENSES:**

|  |        |        |       |       |        |        |
|--|--------|--------|-------|-------|--------|--------|
| Salaries, Allowances and Benefits      | 10,041 | 7,960  | 6,241 | 5,090 | 16,282 | 13,050 |
| Vehicle Running                        | 1,671  | 1,370  | 422   | 742   | 2,093  | 2,112  |
| Printing and Stationery                | 325    | 396    | 235   | 225   | 560    | 621    |
| Rent, Rates and Taxes                  | 437    | 303    | 112   | 93    | 549    | 396    |
| Utilities                              | 1,335  | 449    | 100   | 117   | 1,435  | 566    |
| Insurance                              | 43     | 43--   | --    |       | 43     | 43     |
| Entertainment                          | 281    | 341    | 238   | 94    | 519    | 435    |
| Subscription                           | 301    | 252--  | --    |       | 301    | 252    |
| Communication                          | 1,159  | 590    | 477   | 339   | 1,636  | 929    |
| Advertisement & Publicity              | 67     | 68--   | --    |       | 67     | 68     |
| Repairs and Maintenance                | 1,153  | 1,430  | 79    | 147   | 1,232  | 1,577  |
| Travelling and Conveyance              | 1,700  | 762    | 582   | 618   | 2,282  | 1,380  |
| Legal and Professional                 | 300    | 344    | 33    | 79    | 333    | 423    |
| Auditors' Remuneration (Note No. 20.1) | 99     | 104--  | --    |       | 99     | 104    |
| Depreciation                           | 1,058  | 859    | 221   | 322   | 1,279  | 1,181  |
| Charity and Donation (Note No. 20.2)   | 110    | 55     | 5     | 15    | 115    | 70     |
| Others                                 | 86     | 67     | 35--  |       | 121    | 67     |
|  | -----  | -----  | ----- | ----- | -----  | -----  |
|  | 20,166 | 15,393 | 8,780 | 7,881 | 28,946 | 23,274 |
|  | =====  | =====  | ===== | ===== | =====  | =====  |

**20.1 Auditors' Remuneration**

|                        |       |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|-------|
| Audit Fees             | 80    | 80    | --    | --    | 80    | 80    |
| Out of Pocket Expenses | 19    | 24    | --    | --    | 19    | 24    |
|                        | ----- | ----- | ----- | ----- | ----- | ----- |
|                        | 99    | 104   | --    | --    | 99    | 104   |
|                        | ===== | ===== | ===== | ===== | ===== | ===== |

20.2 None of the Directors and their spouses had any interest in the donees' fund except Mr. Rafiq M. Habib & Mr. Ali S. Habib are the Trustees of Mohamedali Habib Welfare Trust who was paid a donation of Rs. 90,000 (1997: Rs. 37,500). Mrs. Rafiq M. Habib is also a trustee of Anjuman-e-Behood-Samat-e-Itfah who was paid a donation of Rs. 6,000 (1997: Rs. 2,500).

**21. SELLING EXPENSES:**

|                                   |       |       |       |       |       |       |
|-----------------------------------|-------|-------|-------|-------|-------|-------|
| Salaries, allowances and Benefits | 3,155 | 2,631 | 878   | 581   | 4,033 | 3,212 |
| Vehicle Running Expenses          | 469   | 535   | 40    | 88    | 509   | 623   |
| Utilities                         | 389   | 208   | --    | --    | 389   | 208   |
| Rent, Rates & Taxes               | 221   | 74    | --    | --    | 221   | 74    |
| Communication                     | 485   | 609   | --    | --    | 485   | 609   |
| Advertisement & Publicity         | --    | --    | 551   | 146   | 551   | 146   |
| Travelling and Conveyance         | 347   | 419   | 98    | --    | 445   | 419   |
| Entertainment                     | 62    | 110   | 6     | --    | 68    | 110   |
| Printing & Stationery             | 29    | 26    | --    | --    | 29    | 26    |
| Legal & Professional              | 30    | --    | --    | --    | 30    | --    |
| Depreciation                      | 39    | 40    | --    | --    | 39    | 40    |
| Others                            | 55    | 252   | 3     | 2     | 58    | 254   |
|                                   | ----- | ----- | ----- | ----- | ----- | ----- |
|                                   | 5,281 | 4,904 | 1,576 | 817   | 6,857 | 5,721 |
|                                   | ===== | ===== | ===== | ===== | ===== | ===== |

**22. OTHER INCOME**

|                         |        |       |       |       |        |       |
|-------------------------|--------|-------|-------|-------|--------|-------|
| Dividend Income         |        |       |       |       |        |       |
| Associated Undertakings | 3,896  | 3,778 | --    | --    | 3,896  | 3,778 |
| Others                  | --     | 1     | --    | --    | --     | 1     |
|                         | -----  | ----- | ----- | ----- | -----  | ----- |
|                         | 3,896  | 3,779 | --    | --    | 3,896  | 3,779 |
| Profit on               |        |       |       |       |        |       |
| Short Term Investment   | 1,489  | 106   | 539   | 8     | 2,028  | 114   |
| Sale of Fixed Assets    | 2,882  | 2,252 | 263   | --    | 3,145  | 2,252 |
| Properly Rent           | 3,933  | 171   | --    | --    | 3,933  | 171   |
| Interest Income         | 1,216  | --    | --    | --    | 1,216  | --    |
| Sale of Scrap           | --     | 602   | --    | --    | --     | 602   |
| Insurance Claim         | --     | 868   | --    | --    | --     | 868   |
| Others                  | 78     | 30    | 382   | 141   | 460    | 171   |
|                         | -----  | ----- | ----- | ----- | -----  | ----- |
|                         | 13,494 | 7,808 | 1,184 | 149   | 14,678 | 7,957 |
|                         | =====  | ===== | ===== | ===== | =====  | ===== |

**1998**  
**Rs. 000's**

**1997**  
**Rs. 000's**

**23. FINANCIAL EXPENSES:**

|                                 |        |        |
|---------------------------------|--------|--------|
| Mark-up on Shod Term Borrowings | 5,679  | 17,920 |
| Lease Rentals                   | 3,163  | 2,283  |
| Bank Charges & Commission       | 785    | 2,437  |
| Others                          | 1,647  | 918    |
|                                 | -----  | -----  |
|                                 | 11,274 | 23,558 |



**24. OTHER CHARGES:**

|                                    |       |       |
|------------------------------------|-------|-------|
|                                    | ===== | ===== |
|                                    | 5,784 | 344   |
| Workers' Profit Participation Fund | 1,472 | 54    |
| Workers' Welfare Fund              | ----- | ----- |
|                                    | 7,256 | 398   |
|                                    | ===== | ===== |

**25. EXTRA ORDINARY EXPENSES:**

|   |       |        |
|---|-------|--------|
| Cost of employees retrenchment of<br>Jute Operation - Karachi Unit                  | --    | 5,521  |
| Dismantling and Transportation Cost of<br>Machinery to Muzaffargarh                 | --    | 1,100  |
| Exchange Loss on Import Bills Due to<br>Unusual Fluctuation in Exchange Rate Parity | --    | 10,421 |
|   | ----- | -----  |
|   | --    | 17,042 |
|   | ===== | =====  |

**26. REMUNERATION OF DIRECTORS AND EXECUTIVES:**

| PARTICULARS                    | CHIEF EXECUTIVE   |                   | DIRECTOR          |                   | EXECUTIVES        |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                | 1998<br>Rs. 000's | 1997<br>Rs. 000's | 1998<br>Rs. 000's | 1997<br>Rs. 000's | 1998<br>Rs. 000's | 1997<br>Rs. 000's |
| Managerial Remuneration        | 892               | 636               | 1,196             | 310               | 9,277             | 7,839             |
| Contribution to Provident Fund | 51                | 36                | 69                | 18                | 524               | 428               |
| Utilities                      | 155               | 111               | 83                | 139               | 1,032             | 400               |
| Medical Expenses               | 106               | 102               | 44                | 44                | 617               | 376               |
|                                | -----             | -----             | -----             | -----             | -----             | -----             |
|                                | 1,204             | 885               | 1,392             | 511               | 11,450            | 9,043             |
|                                | -----             | -----             | -----             | -----             | -----             | -----             |
| Number of persons              | 1                 | 1                 | 1                 | 1                 | 37                | 40                |
|                                | =====             | =====             | =====             | =====             | =====             | =====             |

26.1 The Chief Executive and Director have been provided with the free use of Company maintained Cars.

26.2 Four (1997: Five) Directors have been paid fees of Rs. 3,000 (1997 - Rs. 3,500) for attending Board Meetings.

|                  |                  |
|------------------|------------------|
| <b>1998</b>      | <b>1997</b>      |
| <b>Rs. 000's</b> | <b>Rs. 000's</b> |

**27. TRANSACTION WITH ASSOCIATED UNDERTAKINGS:**

|                        |       |       |
|------------------------|-------|-------|
| Insurance Premium Paid | 6,461 | 7,558 |
| Sale/Services Charges  | 2,227 | 596   |
| Dividend Received      | 3,896 | 3,778 |

**28. Taxation****Current:**

Income tax assessment of the Company has been finalized upto the assessment year 1997-98 (Income year 1996-97).

**Deferred**

The liability of deferred taxation as on the balance sheet date has been provided for in full.

**29. Capacity and Production:**

|                      | Jute Products   |                 | Auto Air Conditioning |               |
|----------------------|-----------------|-----------------|-----------------------|---------------|
|                      | 1998<br>M. Tons | 1997<br>M. Tons | 1998<br>Units         | 1997<br>Units |
| Annual Capacity      | 21,500          | 21,500          | 21,000                | 21,000        |
| Actual Production    | 18,263          | 14,513          | 10,781                | 7,937         |
| Reason for shortfall | Low demand      |                 | Low demand            |               |

**30. Total Assets Segmented By Divisions:**

| Segments              | 1998        |        | 1997        |        |
|-----------------------|-------------|--------|-------------|--------|
|                       | Rs. in '000 | %      | Rs. in '000 | %      |
| Jute                  | 343,990     | 67.85  | 327,107     | 71.77  |
| Auto air-conditioning | 163,013     | 32.15  | 128,668     | 28.23  |
|                       | -----       |        | -----       |        |
|                       | 507,003     | 100.00 | 445,775     | 100.00 |
|                       | =====       |        | =====       |        |

**31. GENERAL:**

31.1 Figures have been rounded off to the nearest of thousand of Rupees.

31.2 Previous year's figures have been re-arranged and re-classified wherever necessary for the

purpose of comparison