

Suhail Jute Mills Limited

Annual Report 1999

Contents

Board of Directors

Notice of Meeting

Directors' Report to the Shareholders

Auditors' Report to the Members

Balance Sheet

Profit and Loss Account

Statement of Cash Flow

Notes to the Accounts

Pattern of Shareholding

Board of Directors

Chairman Mian Farooq Ahmad Shaikh

Managing/Direct Sohail Farooq Shaikh

Director Mian Rashid Ahmed Mussarrat
Mr. Muhammad Aslam Hayat Qureshi
Mr. Azam Jamil
Mrs. Sharmeen Azam Jamil
Mrs. Saddia Mohsin

Company Secret Muhammad Nadeem

Auditors Messerr's Anjum Asim Shahid & Co.
(Chartered Accountants)
Jinnah Avenue, Blue Area,
Islamabad.

Registered Office 125-Murree Road,
Rawalpindi.

Factory Kabul River Railway Station,
Mardan Road,
Nowshera, N.W.F.P.

NOTICE OF MEETING

Notice is hereby given that the 18th Annual General Meeting of the shareholders of Suhail Jute Mills Limited will be held at the Registered Office 125 Murree Road, Rawalpindi on Tuesday the 14th day of March, 2000 at 1230 hrs to transact the following business :-

1. To confirm the Minutes of 17th Annual General Meeting held on January 02, 1999.
2. To receive, consider and adopt the Balance Sheet and Profit and Loss

Account alongwith notes for the year ended 30th June, 1999 together with the Directors' and Auditors' report thereon.

3. To appoint Auditors for the year 1999-2000 and to fix their remuneration. M/S Anjum Asim Shahid & Co., Chartered Accountant have retired and being eligible offer themselves for re-appointment as Auditors of the Company.

4. To transact any other business with the permission of Chair.

By Order of the Board

RAWALPINDI

Dated: February 07, 2000

MUHAMMAD NADEEM

COMPANY SECRETARY

NOTE: (1) A member entitled to attend and vote at the meeting may appoint an other 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 at least 48 hours before the time of meeting,

(2) Shareholders are requested to notify the company of any change in their address.

(3) The Share Transfer Books of the company will remain closed. from 7th March 2000 to 14th March 2000 (Both days inclusive)

DIRECTORS REPORT TO THE SHARE HOLDERS

DEAR SHAREHOLDERS

The Directors of the Company welcome you to 18th Annual General Meeting of Suhail Jute Mills Ltd and present to you the audited accounts and the Auditors report for the year ended 30th June 1999.

PERFORMANCE

We feel pleasure to inform you that this year your company has made an operating profit before depreciation of Rs. 10.168 million. Last year profit was higher due to the reason of low prices of Raw Jute Internationally etc as was explained in previous years report.

However the over all lower profit before tax is due to accrual of Rs.7.5 million for gratuity and also abnormally high provision of depreciation on basis revalued assets of the company. We would like to highlight that the depreciation if charged on historical cost basis as explained in note 13.3 the Net profit will be higher by Rs.3.610 million.

Next year operations depends on Pak Rupees Exchange fluctuation and the Govt and its agencies jute goods procurement policy, inputs like electricity tariffs borrowing costs and sales tax etc as these factors play an important role. If condition remains stable normal profit can be expected in future.

RELATED MATTERS

Your Company's Net Worth is on sound footing as per prudential regulation parameters

National Banks of Pakistan and Habib Bank Ltd have lodged recovery suits against the company which are being contested along with the counter claims was explained in detail in previous year report. However the compromise outside the court without prejudice are in process with Habib Bank and National Bank of Pakistan.

A letter of credit was opened by National Bank of Pakistan 1994. National Bank of Pakistan did not accept the discrepant documents in connection with letter of credit opened in 1994. The ship supposed to carry the goods never docked nor was destined for Karachi. For reasons unknown, National Bank of Pakistan lost the recovery suits filed by the beneficiary banks in London (the company was not a party to the suit). The company has not accepted the liability under the Law.

The Bank in an effort to make good its loss arising due to losing of the case in London, the bank to pressurize the company did not renew its fourteen years old working capital financing and seek to recover it, resulting in low productivity and liquidity crunch. In spite of the company's best efforts to come of a settlement and have its working capital lines restored the bank has not responded in a positive manner.

If State Bank of Pakistan can take cognizance of wrongful practices adopted by the bank the company can be saved from sickness threatened by lack of Working Capital. The sickness is being created in spite of the fact that the Balance Sheet of the company meets all Prudential Regulation of the credit worthy.

As regards associated company borrowing/lending, arrangements are on reciprocal basis, which were in existence between the associated company and your company before the amendment of the ordinance pertaining to associated company. However Rs.0.266 million has been received back during the year in spite of the serious textile crisis. The associated company has approached for restructuring/revival of the industry under the State Bank of Pakistan scheme and latest being under the company law in pursuance of the Govt. Policy.

DIVIDEND / BONUS SHARES

As regards dividend, since 1996/97 we have been trying to declare dividend / Bonus Shares but because of financial institution refusal to give consent. Further more we did make request to CLA on 23-12-1996 for removing of the anomaly and difficulty coming in our way due to the unrealistic treatment of depreciation abnormally high due to the revaluation of assets given in the Balance Sheet by the auditors.

However recently the Security and Exchange Commission has taken a rationale and realistic step in the matter of deferred tax in its circular no. 16 of 1999 dated 09-09-1999 the deferred tax case is on similar lines to our request in connection with the treatment of depreciation. If the treatment of the depreciation on historical cost basis is allowed to be reflected and absorbed in profit/loss and the difference of revaluation effect of depreciation is absorbed in revaluation surplus would reflect more realistic treatment of depreciation and its effect on profit & loss and company thus will be able to give bonus / dividend.

CIB REPORT

There is one very important aspect due to which the Bank ability of a company suffers on account of alleged bank s liabilities which are not only subject of litigation but also have counter claims.

The disputed liabilities although are sub judice but banks are misusing the State Bank of Pakistan CIB by reporting a default unilaterally thus concealing the facts of the case.

GENERAL

The company is taking all possible steps including examination and upgradation of technical equipment's and computer hardware to ensure their Y2K compliance.

The Board of Directors would like to express their appreciation for the efforts and dedication of all officers, staff and workers of the company which enabled the management to run the company efficiently during the year.

AUDITORS

M/s Anjum Asim Shahid and Co. Chartered accountants, have retired and are eligible to offer themselves for re-appointment as Auditors of the company.

On the behalf of Board of Directors.

RAWALPINDI

Mian Farooq Ahmad Shaikh
CHAIRMAN

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Suhail Jute Mills 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:

1. An amount of Rs. 27,128,993 (1998: Rs. 25,511,718) is recoverable from an associated company, (Colony) Sarhad Textile Mills Limited (detailed in note 15 of the financial statements). The recoverability of this amount is dependent on the financial capability of the associated company.
2. Out of the total financial obligations of Rs. 148,312,120 (1998: Rs. 148,312,120) pertaining to National Bank of Pakistan and Habib Bank Limited, an amount of Rs. 119,916,511 (1998: Rs. 119,916,511) is reflected as "disputed and contingent financial liabilities" in the financial statements (detailed in notes 6 & 8 to the financial statements). The banks have disputed this and have gone into litigation with the company and are is yet unresolved.

Further, the company has also forwarded an application for settlement of the liabilities under the Debt Settlement Scheme of State Bank of Pakistan. In the absence of confirmation from the Banks as to the acceptability of the company's proposal or any other confirmation and on being unable to corroborate the underlying assumptions of the proposals as conceived and debt related

assertions as made by the management of the company we are unable to confirm the correctness of the accounting treatment and related disclosures given in note 6 to the financial statements.

We also draw attention to note 29 and except for the effects of the above and without further qualifying our opinion we report that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

b) in our opinion:

i) the balance sheet, 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 the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion, subject to the adjustments, if any, which may be required when the above matters are ultimately resolved, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and 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, 1999 and of the profit and of the cash flows for the year then ended; and

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

**Place: Islamabad ANJUM ASIM SHAHID & CO.
February 4, 2000 CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT JUNE 30, 1999

	<i>NOTE</i>	<i>1999</i> <i>(RUPEES)</i>	<i>1998</i> <i>(RUPEES)</i>
SHARE CAPITAL AND RESERVES			
Share capital	3	37,450,000	37,450,000
Revenue reserves	4	10,870,000	10,870,000
Accumulated loss		(10,871,920)	(13,082,986)
		-----	-----
		37,448,080	35,237,014

SURPLUS ON REVALUATION OF FIXED ASSETS	5	246,228,869	246,228,869
		-----	-----
		283,676,949	281,465,883
DISPUTED AND CONTINGENT FINANCIAL LIABILITIES	6	119,916,511	119,916,511
RESERVE FOR REDEEMABLE CAPITAL LONG TERM LOAN	7	--	--
	8	--	--
DEFERRED LIABILITY- GRATUITY	9	8,429,224	1,500,000
CURRENT LIABILITIES			
Current maturity	10	14,591,060	14,666,934
Short term borrowing from banks	11	16,395,609	16,482,989
Creditors, accrued and other liabilities	12	49,357,641	38,239,737
Provision for taxation		5,442,734	4,392,734
		-----	-----
CONTINGENCIES & COMMITMENTS	30	85,787,044	73,782,394
		-----	-----
		497,809,728	476,664,788
		=====	=====

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

**Mian Farooq Ahmad Shaikh
CHAIRMAN**

	<i>NOTE</i>	<i>1999 (RUPEES)</i>	<i>1998 (RUPEES)</i>
FIXED ASSETS- Tangible			
At cost or reassessed values	13	362,712,654	391,777,193
Less · Accumulated depreciation	13	118,850,718	110,845,328
		-----	-----
		243,861,936	280,931,865
REALIZABLE ASSETS	14	33,512,500	2,550,000
		-----	-----
		277,374,436	283,481,865
NON CURRENT ASSETS	15	51,867,966	50,050,345
CURRENT ASSETS			
Inventories	16	69,073,675	53,539,680
Trade debtors	17	2,321,968	2,522,404
Advances, deposits, prepayments and other receivables	18	20,876,318	19,394,384
Cash and bank balances	19	76,295,365	67,676,110
		-----	-----
		168,567,326	143,132,578

497,809,728
=====-----
476,664,788
=====

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

PROFIT & LOSS ACCOUNT
AS AT JUNE 30, 1999

	<i>NOTE</i>	<i>1999</i> <i>(RUPEES)</i>	<i>1998</i> <i>(RUPEES)</i>
SALES	20	142,357,169	207,654,691
COST OF SALES EXCLUDING DEPRECIATION	21	96,931,631	139,787,576
OPERATING EXPENSES		----- 45,425,538	----- 67,867,115
Administrative expenses	22	10,793,056	11,016,759
Selling and distribution expenses	23	2,212,847	3,942,211
Financial expenses	24	22,251,312	20,289,517
		----- 35,257,215	----- 35,248,487
OPERATING PROFIT BEFORE DEPRECIATION		----- 10,168,323	----- 32,618,628
Depreciation for the year	13	8,005,390	8,054,466
OPERATING PROFIT		----- 2,162,933	----- 24,564,162
Other income	25	8,769,766	7,910,385
PROFIT BEFORE EXTRAORDINARY AND PRIOR YEARS' ADJUSTMENTS		----- 10,932,699	----- 32,474,547
Extraordinary items		--	22,647,023
Gratuity-accrued	9	7,500,000	--
Prior years' adjustment		--	1,582,853
		----- 7,500,000	----- 24,229,876
PROFIT FOR THE PERIOD		----- 3,432,699	----- 8,244,671
Workers (profit) participation fund		(171,633)	(412,234)
PROFIT BEFORE TAXATION		----- 3,261,066	----- 7,832,437
Provision for taxation- Current		(1,050,000)	(2,797,466)
PROFIT FOR THE YEAR AFTER TAXATION		----- 2,211,066	----- 5,034,971
UNAPPROPRIATED LOSS BROUGHT FORWARD		(13,082,986)	(18,117,957)
ACCUMULATED LOSS CARRIED TO BALANCE SHEET		----- (10,871,920)	----- (13,082,986)
Earning per share (before extraordinary items, prior year adjustment & taxation)		----- 2.92	----- 8.67

Eating per share (after extraordinary items, prior year adjustment & taxation)	0.59	1.34
--	------	------

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

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

STATEMENT OF CASH FLOW
AS AT JUNE 30, 1999

<i>NOTE</i>	<i>1999</i> <i>(RUPEES)</i>	<i>1998</i> <i>(RUPEES)</i>
Cash flow from operational activities		
Profit for the year before taxation	3,261,066	7,832,437
Adjustment for items not involving movement of funds:		
Depreciation	8,005,390	8,054,466
Provision for gratuity	7,500,000	1,500,000
	-----	-----
	15,505,390	9,554,000
	-----	-----
Operating profit before working capital changes	18,766,456	17,386,903
(Increase)/decrease in current assets:		
Inventories	(15,533,995)	(5,316,430)
Trade debts	200,436	761,199
Advances, deposits, prepayments and other receivables	(1,481,934)	(991,530)
	-----	-----
	(16,815,492)	(5,546,761)
Increase/ (decrease) in current liabilities		
Creditors, accrued and other liabilities	11,117,903	(9,044,897)
	-----	-----
(Increase) / decrease in Non-current assets	11,117,903	(9,044,897)
Gratuity paid	(570,776)	--
Withholding tax refundable	(200,346)	(233,320)
	-----	-----
	(771,122)	(233,320)
	-----	-----
	10,346,781	(9,278,217)
Net cash from operating activities	(A)	2,561,925
Cash flow from investing activities		
Purchase of operating fixed assets	(1,897,961)	(1,311,628)
Due from associated undertaking	(1,617,275)	(1,778,280)
	-----	-----
Net cash used in investing activities	(B)	(3,089,908)
Cash flow from financing activities		
Adjustment of long term loan	--	14,458,989
Adjustment of disputed liabilities	--	22,647,023

Adjustment of short term borrowings		(87,380)	1,728,806
Repayment of long term loan		--	(2,000,000)
Repayment of redeemable capital		(75,874)	(226,535)
Proceeds/(payments) of finance lease		--	(132,118)
Net cash from financing activities	(C)	(163,254)	36,476,165
Net increase/(decrease) in cash and cash equivalents		8,619,255	35,948,182
Cash and cash equivalents at the beginning of the year		67,676,110	31,727,928
Cash and cash equivalents at the end of the year		76,295,365	67,676,110

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED JUNE 30, 1999

<i>Particulars</i>	<i>Share Capital (Rupees)</i>	<i>Revenue Reserve (Rupees)</i>	<i>Revaluation Reserves (Rupees)</i>	<i>Accumulated (Loss) (Rupees)</i>	<i>Total (Rupees)</i>
Balance as on June 30, 1997	37,450,000	10,870,000	246,228,869	(18,117,957)	276,430,912
Net gain or loss not recognized in the income statement	--	--	--	--	--
Net profit for the year	--	--	--	5,034,971	5,034,971
Balance as on June 30, 1998	37,450,000	10,870,000	246,228,869	(13,082,986)	281,465,883
Balance as on June 30, 1998	37,450,000	10,870,000	246,228,869	(13,082,986)	281,465,883
Net gain or loss not recognized in the income statement	--	--	--	--	--
Net profit for the year	--	--	--	2,211,066	2,211,066
Balance as on June 30, 1999	37,450,000	10,870,000	246,228,869	(10,871,920)	283,676,949

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

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

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

1. THE COMPANY AND ITS OPERATIONS

Suhail Jute Mills Limited ("the company") was incorporated in Pakistan in 1981 as a public limited company under the Companies Act, 1913. Its shares are quoted on all stock exchanges in Pakistan. The company is principally engaged in the business of manufacturing and sale of Jute products.

2. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the company's accounts:

2.1 Basis of accounting

These accounts have been prepared under the historical cost convention as modified by the adjustment of revaluation of fixed assets referred to in note # 5, 13 and 14.

2.2 Taxation

Current:

Provision for current taxation is based on current rates of tax after taking into account tax credits available, if any, in the Income Tax Ordinance, 1979.

Deferred:

The company accounts for deferred taxation on all material timing differences using the liability method. However, provision for deferred taxation is not accounted for in these financial statements if it can be established with reasonable certainty that these timing differences will not reverse in the foreseeable future.

2.3 Fixed capital expenditure and depreciation

Company owned assets

Fixed assets are principally stated at cost less accumulated depreciation, while the revalued assets are stated at revalued amounts less accumulated depreciation.

Capital work in progress is stated at cost. These costs are transferred to fixed assets as and when the assets are ready for use.

Depreciation is charged to income applying the reducing balance method. Full year's depreciation is charged on additions during the year and no depreciation is charged on the assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on retirement or disposal of fixed assets is included in current year income.

Exchange differences are depreciated subsequent to the year in which these are capitalized.

Leased assets

The company accounts for assets under finance lease by recording the asset and the related liability. The amounts are determined on the basis of the lower of fair value of the assets and the present value of

minimum lease payments.

Financial charges are charged to profit and loss account and are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability

Depreciation is charged at the same rates as company owned assets, so as to write off the assets over their estimated useful lives in view of the certainty of the ownership of the assets at the end of the lease.

In case of operating leases, lease rentals are charged to income currently.

2.4 Stores and spares

These are valued at moving average cost.

2.5 Stock in trade

These are valued at lower of cost and net realizable value, Cost of the major components of stocks are determined as follows:

Raw material	- On average cost basis
Work in process and finished goods	- Production cost and related overheads
Material in transit	- Material cost and other charges paid thereon

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.6 Debts

Known bad debts are written off, while debts considered doubtful of recovery are fully provided for:

2.7 Revenue recognition

Sales represent the invoiced value of goods despatched by the company to its customers during the year. Return on marketable securities is accounted for an receipt basis.

2.8 Deferred costs

These are written off over a maximum period of five years.

2.9 Staff retirement benefits

The company operates an unfunded gratuity scheme for all its permanent employees. Provision has been made in the accounts to cover the obligations under the scheme based on one month's last drawn gross salary for each completed year.

2.10 Rates of exchange

a) Assets and liabilities denominated in foreign currencies are translated into rupees at the exchange rates ruling at the balance sheet date or at the rate of the foreign exchange cover, where applicable. Exchange differences arising there from are capitalized.

b) Exchange difference arising on account of purchase and sales of goods and services are taken to profit and loss account or capitalized according to the nature of the transaction.

2.11 Investments

Realizable assets are stated at cost or reassessed values.

	<i>1999</i> <i>(RUPEES)</i>	<i>1998</i> <i>(RUPEES)</i>
3 SHARE CAPITAL		
Authorized:		
5,000,000 (1998: 5,000,000) ordinary shares of Rs. 10 each	50,000,000	50,000,000
	=====	=====
Issued, subscribed and paid up:		
3,245,000 (1998: 3,245,000) ordinary shares of Rs. 10 each issued for cash	32,450,000	32,450,000
500,000 (1998: 500,000) ordinary shares of Rs. 10 each issued for consideration other than cash	5,000,000	5,000,000
	-----	-----
	37,450,000	37,450,000
	=====	=====
4. REVENUE RESERVES		
These are made up as follows:		
- General reserve	3,380,000	3,380,000
- Dividend equatization reserve	7,490,000	7,490,000
	-----	-----
	10,870,000	10,870,000
	=====	=====
5. SURPLUS ON REVALUATION OF FIXED ASSETS		
Surplus on revaluation of land		
- Land at Mill site (Note 5.1)	7,067,886	7,067,886
- Land at Kabul River station near (Note 5.2)	29,167,447	29,167,447
	-----	-----
Surplus on revaluation of buildings, plant and machinery	209,993,536	209,993,536
	-----	-----
	246,228,869	246,228,869
	=====	=====

5.1 The surplus arising from revaluation of mill's land by the directors during the accounting year 1992 was based on the valuation certificates of the Revenue Authorities of N.W.F.P. which amounted to Rs. 7,067,886. The cost of land before revaluation was Rs. 432,114 and was revalued by the directors on the basis of the prevailing market conditions.

5.2 Land at Kabul River Station near the factory appearing at cost of Rs. 1,795,053 was revalued at Rs. 30,962,500 by M/s Razzaq Umrani & Co. Lahore at the then prevailing market rates during the accounting year ended 30th June, 1992. In the opinion of the directors, this represents the fair value of the land.

1999
(RUPEES)

1998
(RUPEES)

6. DISPUTED AND CONTINGENT**FINANCIAL LIABILITIES**

National Bank of Pakistan	(Note 6.1)	33,079,608	33,079,608
Habib Bank Limited	(Note 6.2)	86,836,903	86,836,903
		-----	-----
		119,916,511	119,916,511
		=====	=====

The company has identified certain financial liabilities of National Bank of Pakistan and Habib Bank Limited which are not acceptable to the company on grounds that the circumstances do not justify such liabilities to be chargeable to the account of the company. Accordingly such liabilities have been disputed. The company while providing for such liability has separated these amounts to be disclosed as a disputed and contingent liability.

The company has also undertaken and applied for settlement of its defaulted liabilities with National Bank of Pakistan and Habib Bank Limited under the scheme of settlement announced by the State Bank of Pakistan under its BPRD Circular Letter No. 26 dated 11 November 1998. The management is of the point of view that a considerable part of the outstanding liabilities are to be waived through settlement under this scheme. As such the company while providing for such liabilities has separated such amounts to be disclosed as a liability contingent upon the finalization of the settlement under the State Bank Scheme and consequently has included it in disputed and contingent liability.

The liabilities covered hereunder relate to National Bank of Pakistan and Habib Bank Limited are as follows:-

		<i>1999</i>	<i>1998</i>
		<i>(RUPEES)</i>	<i>(RUPEES)</i>
6.1 National Bank of Pakistan			
Cash finance	(Note 6.1.1)	7,880,725	7,880,725
Bills of exchange	(Note 6.1.2)	2,551,860	2,551,860
Forced Liability- L/C No. 382/40/8	(Note 6.1.3)	22,647,023	22,647,023
		-----	-----
		33,079,608	33,079,608
		=====	=====

6.1.1 The above amount reflects the banks claim on various accounts including excessive / compounded markup, unverified transactions and unrelated entries in the concerned facility, which the company is contesting. This cash finance facility is under sale / purchase markup (NIB) arrangement, which expired on December 31, 1996 and was subsequently not renewed.

6.1.2 The above amount reflects the banks claim on markup charged on Import Letter of Credit / Bills of Exchange against which the company is contesting.

6.1.3 The Bank has debited the company's accounts in respect of costs arising from a decision involving litigation between the Bank and a negotiating bank in London relating to non-acceptance / return of

discrepant documents of the letter of credit opened in 1994 by the Bank through its Nowshera Cantonment branch on behalf of the company. Initially the cost charged to the account of the company amounted to Rs. 11.139 million during 1996-97 which was subsequently increased to Rs. 21.057 million in 1997-98 due to additional charges. Since the company is not a direct party to the litigation and since the costs arose as a consequence of the Bank's inability to take corrective action timely, therefore, the company does not accept such liability including any consequential or additional costs or markup and contests this being charged to their account.

6.1.4 The National Bank of Pakistan has filed a suit under which it has claimed for all outstanding liabilities (including claims identified in Note 11) of Rs. 49.48 million together with interest at various rates till the date of decree and recovery of decretal amount which the company is contesting.

6.2 Habib Bank Limited

Long term loan

(Note 6.2.1)

1999
(RUPEES)

1998
(RUPEES)

86,836,903

86,836,903

=====

=====

6.2.1 The above amount reflects the Bank's claim for capitalized mark up /interest, excise duty and other financial charges, which the company has been contesting on the grounds that the same comprises of compounded mark up/interest and other un justified charging entries. Furthermore, the company has moved an application for settlement of such outstanding liabilities under the State Bank of Pakistan scheme for settlement of liabilities, without prejudice to the company's rights and the pending litigation. Consequently the amount stated above is considered as disputed and is subject to settlement with the Bank.

6.2.2 The Bank has filled a suit for the recovery of the total amount due to them which includes the amount shown above. This is defined in more detail in Note 8 below.

7. RESERVE FOR REDEEMABLE CAPITAL

7.1 The redeemable capital represents Participation Term Certificates (PTCs) the total disbursed amount of which was Rs. 14,300,000. The PTCs were repayable in sixteen semi annual installments, beginning from 30th December, 1984 and ending in December 1992.

7.2 The company has already settled with Bankers Equity Limited, the consortium leader under the provisions of State Bank of Pakistan circular No. 19 & 21 dated 5th & 7th June, 1997 along with some other members to the extent of 70% of the PTC issue.

7.3 The outstanding claims of the remaining members amounting to Rs. 1,360,000 remains unsettled and has been provided for through provision of Rs. 2,591,060 (1998: Rs. 2,666,934) reflected in the

current liabilities. The difference between the claim and the amount provided is to cater for any additional cost arising at the time of final settlement with the financial institutions.

7.4 Under the trust deed and investment agreement, the syndicate investment and any accrual to it whether represented by PTCs or otherwise are secured by first fixed mortgage of all present and future land and building belonging directly or indirectly to the company and all plants, equipment and machinery that are installed at present or that may be installed in future. The PTCs are also secured by a floating charge on the company's undertaking and all its assets and property both present and future. The first fixed mortgage and the floating charge shall rank pari passu with the mortgage and charge created in favour of Habib Bank Limited.

8. LONG TERM LOAN

Habib Bank Limited

		<i>1999</i> <i>(RUPEES)</i>	<i>1998</i> <i>(RUPEES)</i>
Total loan outstanding claimed by the Bank.	(Note 8.1)	12,000,000	86,377,914
Interest and excise duty capitalized by the Bank.		--	14,458,989
		-----	-----
		12,000,000	100,836,903
Loan considered disputed / contingent by company	(Note 6.2/8.2)	--	(86,836,903)
		-----	-----
Amount considered payable for settlement under the State Bank of Pakistan scheme of settlement.	(Note 8.2)	12,000,000	14,000,000
Amount paid under SBP settlement scheme	(Note 8.2)	--	(2,000,000)
		-----	-----
		12,000,000	12,000,000
Balance payable - transferred to current maturity.	(Note 10)	12,000,000	(12,000,000)
		-----	-----
		--	--
		=====	=====

8.1 This amount represents the total outstanding in respect of eleven independent loans provided to the company during 1985 to 1990 by Habib Bank Limited on mark up basis with the aggregate principal amount of Rupees 34.464 million plus capitalized markup / interest and other costs till to date of Rs. 4.875 million. Subsequently in 1991 the balances outstanding on such loans was consolidated to form one forced loan, payable in 20 equal semi annual installments of Rs. 5.76 million each commencing from June 1991 and carries mark up @ 14% per annum. As against twenty semi annual installments the company could pay only five installments uptill 1993.

Thereafter, in 1995 the Bank have given consent to a grace period of two years till June 30 1997, conditional upon payment of Rs. 10 million in five semi annual installments of Rs. 2.000 million each. The repayment of the balance outstanding as on June 30, 1997 was to be finalized after rendition in accounts and taking into consideration the cash flow position of the company as at that date, vide letter No. AHQ/CBS/1727 dated July 25, 1995. Meanwhile the State Bank of Pakistan has introduced a debt settlement scheme under its circular No. 19 dated June 05, 1997 for which the company has applied on June 25, 1997 for settlement of its debts.

8.2 This amount represents the liabilities disputed by the company and the amount of liabilities expected to be waived through settlement under the State Bank of Pakistan scheme for settlement of liabilities issued under its BPRD circular letter No. 27 dated November 11, 1998. Consequently the amount considered payable to for attaining final settlement in respect of the liabilities relating to Habib Bank Limited under this scheme is calculated at Rs. 14,000,000 (for all eleven loans). As pat of the settlement the company has made payment of Rs. 1,500,000 (1998 Rs. 2,000,000) as deposit under the State Bank of Pakistan Scheme introduced in 1997 through BPRD circular letter No. 19 dated June 5, 1997 read with BPRD circular No. 36 dated July 17, 1997 without prejudice to the company's rights and the pending litigation whereas these payments have not been acknowledged and cleared by the bank.

8.3 The Bank has filed a law suit of Rs. 98.836 million against the company for the recovery of the total amount, which the company is contesting on the grounds that it includes compounded mark up/Interest and un justified charging entries as well as amounts to be waived through settlement under the State Bank of Pakistan scheme for settlement of outstanding debts.

8.4 The loan is secured against equitable mortgage on the present and future fixed assets of the factory.

9. DEFERRED LIABILITY- Gratuity

The Company has provided an amount of Rs. 7,500,000 (1998: Rs. 1,500,000) for fettered gratuity as on June 30, 1999. Previously gratuity was accounted for on payment basis. This year the entire amount of gratuity has been accounted for in order to bring the provision for gratuity in line with the requirements of the statue and the policy of the company.

10 CURRENT MATURITY

Overdue installments of

Long-term loan:

Redeemable capital

(Note 7)

1999
(RUPEES)

1998
(RUPEES)

12,000,000	12,000,000
2,591,060	2,666,934
-----	-----
14,591,060	14,666,934
=====	=====

11. SHORT TERM BORROWING FROM BANKS

National Bank of Pakistan

Cash Finance	(Note 11.1)	7,085,796	7,085,796
Bills of Exchange	(Note 11.2)	9,309,813	9,309,813
ABN Amro Bank		--	87,380
		-----	-----
		16,395,609	16,482,989
		=====	=====

11.1 This represents facility of cash finance amounting to Rs. 14,966,521 which was under mark-up basis @ 19.7% per annum and is secured against hypothecation of raw jute, finished goods, work-in-process and stores & spares. The company has disputed this liability to the extent of Rs. 7,880,725 as explained more fully in Note 6.1.1 above. The balance of Rs. 7,085,796 (1998: Rs. 7,085,796) is stated as the accepted liability. This facility has expired on December 31, 1996 and since then has not been renewed. The company has applied under State Bank of Pakistan Incentive Scheme as modified in 1998 for settlement, without prejudice to the company's rights and the pending litigation. Moreover, the company have made payments of Rs. 1,771,324 to the bank for the settlement of its obligations under the above scheme. These payments have not been acknowledged and cleared by the bank.

11.2 This represents bills of exchange relating to letters or credit of Rs. 11,861,673. The company has disputed this liability to the extent of Rs. 2,551,860 as explained more fully in Note 6.1.2 above. The balance of Rs. 6,982,359 (1998: Rs. 9,309,813) is stated as the accepted liability. The company has applied for settlement under the State Bank of Pakistan Incentive Scheme, without prejudice to the company's rights and the pending litigation.

11.3 The National Bank of Pakistan has filed a suit under which it has claimed for all outstanding liabilities (including claims identified in Note 6.1) of Rs. 49.48 million together with interest at various rates till the date of decree and recovery of decretal amount which the company is contesting.

1999
(RUPEES)

1998
(RUPEES)

12 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	(Note 12.1)	14,035,490	24,716,585
Accrued expenses		7,395,498	6,951,362
Security deposit	(Note 12.2)	1,500	1,500
Customers advances		1,741,370	2,727,853
Accrued mark-up on loans		21,149,995	--
Workers' (Profit) participation fund	(Note 12.3)	2,571,375	2,133,104
Dividend unclaimed		7,935	7,935
Sales tax payable		526,576	--
Taxes payable		766,736	603,753
Others		1,161,166	1,097,645
		-----	-----
		49,357,641	38,239,737
		=====	=====

12.1 These includes liabilities on account of deferred letters of credit of Rs. 11.476 million (1998: Rs. 22.316 million).

12.2 These represents securities from dealers. The deposit do not carry any interest and are payable on demand

12.3 Workers (Profit) Participation Fund

	<i>1999</i> <i>(RUPEES)</i>	<i>1998</i> <i>(RUPEES)</i>
Opening Balance	2,133,104	1,529,660
Allocation for the year	171,633	412,234
Interest for the year	266,638	191,210
	-----	-----
	2,571,375	2,133,104
	=====	=====

The fund balance has been utilized by the company for its own purpose and interest @ 2.5% above the bank rate has been credited to the fund.

13. FIXED ASSETS

	<i>COST OR REVALUATION</i>			<i>RATE</i>	<i>DEPRECIATION</i>			<i>Written down value as on 30th June-99 (Rupees)</i>
	<i>As on 1st July 98 (Rupees)</i>	<i>Addition/ (deletion) (Rupees)</i>	<i>As on 30th June 99 (Rupees)</i>		<i>As on 1st-July 98 (Rupees)</i>	<i>For the year (Rupees)</i>	<i>As on 30th June-99 (Rupees)</i>	
Free hold land	38,551,531	(30,962,5000	7,589,031	--	--	--	--	7,589,031
Building on freehold land	41,734,118	--	41,734,118	3%	13,092,614	859,245	13,951,859	27,782,259
Plant & machinery	307,244,880	1,698,682	308,943,562	3-15%	94,972,911	6,912,355	101,885,266	207,058,296
Tools and equipment	156,142	--	156,142	10%	116,967	3,918	120,885	35,257
Electric fittings	199,312	--	199,312	10%	147,406	5,185	152,651	46,661
Furniture & Fixtures	742,305	34,326	776,631	10%	500,154	27,648	527,802	248,829
Office equipment	537,415	164,953	702,368	10%	212,989	48,938	261,927	440,441
Weight & measures	491,782	--	491,782	10%	360,617	13,116	373,733	118,049
Motor vehicles	20,092,419	--	2,092,419	20%	1,421,059	134,272	1,555,331	537,088
Fire fighting equipment	23,130	--	23,130	10%	16,584	655	17,239	5,891
Library books	4,159	--	4,159	30%	3,967	58	4,025	134
	-----	-----	-----		-----	-----	-----	-----
Total 1999	391,777,193	1,897,961 (30,962,500)	362,712,654		110,845,328	8,005,390	118,850,718	243,861,936
	=====	=====	=====		=====	=====	=====	=====
Total 1998	359,503,064	32,274,129	391,777,193		102,790,862	8,054,466	110,845,718	280,931,865
	=====	=====	=====		=====	=====	=====	=====

13.1 The deletion in freehold land represents the reclassification of a particular land at Kabal River Station from fixed assets to realizable assets. Also refer to note 14 below.

13.2 Necessary details regarding revaluation are as under:-

Original

W.D.V. at

<i>PARTICULARS</i>	<i>Year of Revaluation</i>	<i>Cost of Assets</i>	<i>the time of revaluation</i>	<i>Revalued Amount</i>	<i>Surplus on Revaluation</i>
Mills Land	1999	2,227,167	2,227,167	38,462,500	36,235,333
Building	1995	17,953,472	7,601,354	31,382,000	23,780,646
Plant & Machinery	1995	119,135,655	45,659,110	231,872,000	186,212,890
Total		139,316,294	55,487,631	301,716,500	246,228,869

13.3 Depreciation

	<i>1999 (RUPEES)</i>	<i>1998 (RUPEES)</i>
On historical cost	4,394,676	4,684,090
On revaluation increment	3,610,714	3,370,376
	8,005,390	8,054,466

14. REALIZABLE ASSETS

Opening Balance	2,550,000	33,512,500
Transferred from / (to) fixed assets	30,962,500	(30,962,500)
	33,512,500	2,550,000

The last year classification of land at Kabal River Station in fixed assets is reversed during the current year.

15. NON CURRENT ASSETS

	<i>1999 (RUPEES)</i>	<i>1998 (RUPEES)</i>
Due from associated undertaking on account of Borrowings	(Note 15.1)	13,343,680
Mark up		13,785,313
		27,128,993
Withholding tax refundable	(Note 15.2)	24,738,973
		51,867,966

15.1 This represents the amount due from the associated undertaking, (Colony) Sarhad Textile Mills Limited. The company has reciprocal arrangements of lending and borrowing with its associated undertaking at an interest rate of 14% per annum. The whole of these borrowings have been made prior to the amendment made in Section 208 of the Companies Ordinance, 1984. However, Rs. 0.263 million (1998: Rs. 0.122 million) have been paid during the year by the associated undertaking. The maximum balance due from the associated undertaking during the year was Rs. 27.129 million (1998 Rs. 25.512 million).

Due to the textile crisis since 1992 (Colony) Sarhad Textile Mills Limited

is under restructuring/rescheduling, therefore the status of the above arrangements can be finalized only after the completion of the restructuring/rescheduling arrangements with the financial institutions.

15.2 This amount represents withholding tax deducted at source from assessment years 1992-93 to 1997-98. Income Tax authorities have raised demand of Rs. 21,512,275 for the said assessment years, which is under appeals and final adjustments are pending to date. (See note: 28). Moreover, the tax authorities have set aside the cases for de-novo consideration of the assessing officer and withheld the refunds.

		1999 (RUPEES)	1998 (RUPEES)
16. INVENTORIES			
Stores and spares	(Note 16.1)	10,079,151	9,572,277
Stock in trade	(Note 16.2)	58,994,524	43,967,403
		-----	-----
		69,073,675	53,539,680
		=====	=====
16.1 Stores and spares			
Stores		2,374,247	2,140,914
Spares		7,704,256	7,429,859
Stores in transit		648	1,504
		-----	-----
		10,079,151	9,572,277
		=====	=====
16.2 Stock in trade			
Raw Material		18,583,130	21,663,730
Work in process		6,172,400	4,531,829
Finished Goods		33,658,000	17,112,500
Raw Material in transit		580,994	659,344
		-----	-----
		58,994,524	43,967,403
		=====	=====
17. TRADE DEBTORS - Unsecured			
Trade debtors - Considered good		2,321,968	2,522,404
Trade debtors - Considered bad		302,181	--
		-----	-----
		2,624,149	2,522,404
Less: Bad debts written off		(302,181)	--
		-----	-----
		2,321,968	2,522,404
		=====	=====
18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE			
Advances (considered good) to:			
Employees		738,145	655,817
Others		307,290	417,707
Deposits		7,300,700	3,461,242

Prepayments		71,954	160,959
Sales tax refundable		--	698,261
Due from associated undertaking	(Note 18.1)	10,633,176	8,707,136
Other receivables - (considered good)		1,825,053	5,293,262
		-----	-----
		20,876,318	19,394,384

18.1 The maximum balance due from the associated undertaking during the year was Rs. 10.663 million (1998 Rs. 8.707 million).

		1999 (RUPEES)	1998 (RUPEES)
19. CASH AND BANK BALANCES			
Cash in hand		62,404,241	28,654,553
Cash at bank		13,532,048	37,542,620
		-----	-----
in current accounts		75,936,289	66,197,173
		-----	-----
in deposit accounts		76,295,365	67,676,110
		=====	=====
20. SALES			
Jute Twine		6,152,350	1,515,320
Gunny bags		125,861,460	196,648,999
Hessian cloth		23,411,262	31,438,700
Rice bags		11,700,900	10,687,720
		-----	-----
		167,125,972	240,290,739
Less			
Commission		--	323,155
Sales Tax		21,108,621	26,699,002
Forwarding and other expenses		3,660,182	5,613,891
		-----	-----
		24,768,803	32,636,048
		-----	-----
		142,357,169	207,654,691
		=====	=====

		1999 (RUPEES)	1998 (RUPEES)
21. COST OF SALES EXCLUDING DEPRECIATION			
Opening work in process		4,531,829	6,931,445
Raw material consumed	(Note 21.1)	68,159,555	79,461,175
Stores and spares		10,778,778	11,417,244
Salaries and wages		19,096,569	24,790,329
Bonus and welfare		2,788,837	3,649,534
Fuel and power		10,914,817	12,190,511
Repair and maintenance		1,869,724	1,622,437
Insurance		907,241	1,077,730
Bad debts written off	(Note 17)	302,181	--
Other costs		300,000	300,000
		-----	-----
		119,649,531	141,440,405

Less: Closing work in process	(6,172,400)	(4,531,829)
Cost of goods manufactured	113,477,131	136,908,576
Adjustment of finished goods:		
Opening stock	17,112,500	19,991,500
Closing stock	(33,658,000)	(17,112,500)
	(16,545,500)	2,879,000
	96,931,631	139,787,576

21.1 Raw material consumed

Opening stock	21,663,730	12,600,450
Add: Purchases	65,078,955	88,524,455
	86,742,685	101,124,905
Less: Closing stock	(18,583,130)	(21,663,730)
	68,159,555	79,461,175

22. ADMINISTRATIVE EXPENSES

Salaries and allowances	4,222,823	3,870,598
Directors' meeting fee	6,000	6,000
Travelling	624,679	930,781
Motor vehicle running expenses	948,046	998,779
Entertainment	315,897	432,762
Printing and stationery	498,477	576,451
Postage, telegrams and telephones	1,144,645	1,388,352
News papers & periodicals	24,677	21,928
Rent, rates and taxes	1,088,263	1,136,535
Electricity	631,108	552,420
Fees & subscription	146,837	136,353
Donations (Note 22.1)	43,159	41,065
Professional charges	377,461	342,420
Audit and professional services (Note 22.2)	81,700	65,140
Miscellaneous	639,284	517,175
	10,793,056	11,016,759

22.1 None of the directors or their spouses had any interest in the donees fund

22.2 Audit and professional services

Audit fee	65,000	50,000
Out of pocket expenses	16,700	15,140
	81,700	65,140

23. SELLING AND DISTRIBUTION EXPENSES

Advertisement	58,200	109,709
---------------	--------	---------

Loading / unloading expenses	2,154,647	3,832,502
	-----	-----
	2,212,847	3,942,211
	=====	=====

24. FINANCIAL EXPENSES

Interest on:		
Long term loan	11,903,755	14,220,851
Workers (profit) participation fund	266,638	191,210
Mark up on bank borrowings	9,255,659	4,352,274
Excise duty	414,542	458,470
Bank charges	410,718	1,060,254
Leasing charges	--	6,458
	-----	-----
	22,251,312	20,289,517
	=====	=====

25. OTHER INCOME

Return on associated undertaking	1,879,903	1,900,762
Interest earned on deposits	6,444,922	6,002,446
Miscellaneous Income	444,941	7,177
	-----	-----
	8,769,766	7,910,385
	=====	=====

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	<i>Interest bearing</i>			<i>Non-Interest bearing</i>			
	<i>Less than one year (Rupees)</i>	<i>More than one year (Rupees)</i>	<i>Total (Rupees)</i>	<i>Less than one year (Rupees)</i>	<i>More than one year (Rupees)</i>	<i>Total (Rupees)</i>	<i>Total (Rupees)</i>
Financial Assets							
Non-current assets	--	13,343,680	13,343,680	--	13,785,313	13,785,313	27,128,993
Trade debtors	--	--	--	2,321,968	--	2,321,968	2,321,968
Advances deposits prepayments & other receivables	--	--	--	20,804,364	--	20,804,364	20,804,364
Cash and bank	13,532,048	--	13,532,048	62,763,317	--	62,763,317	76,295,365
	-----	-----	-----	-----	-----	-----	-----
	13,532,048	13,343,680	26,875,728	85,889,648	13,785,313	99,674,961	126,550,689
	-----	-----	-----	-----	-----	-----	-----
Effective interest rate	13%	14%	13%	--	--	--	13%
	=====	=====	=====	=====	=====	=====	=====

Financial Liabilities

Disputed & contingent liabilities	--	--	--	--	119,916,511	119,916,511	119,916,511
Redeemable capital	--	--	--	--	2,591,060	2,591,060	2,591,060
Long term loans	12,000,000	--	12,000,000	--	--	--	12,000,000
Short term borrowings	16,395,609	--	16,395,609	--	--	--	16,395,609
Creditors, accrued & other liabilities	--	2,571,375	2,571,375	45,492,954	--	45,492,954	48,064,329

	28,395,609	2,571,375	30,966,984	45,492,954	122,507,571	168,000,525	198,967,509
Effective interest rate	17%	12.5%	16.6%	--	--	--	16.6%
Gap	(14,863,561)	10,772,305	(4,091,257)	40,396,695	(108,722,258)	(68,325,563)	(72,416,820)

26.1 Fair value of the financial assets and liabilities

The carrying values of the financial assets and liabilities reflected in the financial statements approximates there fair value except disputed and contingent liabilities, redeemable capital and long term loans which are disputed and the fair value of which is dependent on the final decision of the court. Refer notes 6,, 7 and 8 to the accounts.

26.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter part failed completely to perform as contracted. The following assets of the company are exposed to credit risks:

	<i>1999</i> (RUPEES)	<i>1998</i> (RUPEES)
Trade debtors	2,321,968	2,522,404
Non current assets	51,867,966	50,050,345
Other receivables (joint office expenses due from associated undertaking)	10,663,176	8,707,136
	----- 64,853,110 =====	----- 61,279,885 =====

Due from associated company is exposed to credit risk because of the reasons explained in note 15. 1 of the financial statements. The company controls its credit risk by ascertainment of the credit worthiness of customers and monitoring of debts through continuous follows up.

27. REMUNERATION AND BENEFITS OF DIRECTORS, MANAGING DIRECTOR AND EXECUTIVES

	<i>1999</i>			<i>1998</i>		
	<i>Directors</i>	<i>Managing Director</i>	<i>Executives</i>	<i>Directors</i>	<i>Managing Director</i>	<i>Executives</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Fee	6,000	--	--	6,000	--	--
Remuneration	240,000	960,800	360,000	142,758	479,160	360,000
Allowances /	--	--	--	--	--	--
Reimbursement	108,000	634,723	--	64,242	362,388	--
Provident Fund	--	--	21,600	--	--	21,600
Rupees	----- 354,000 -----	----- 1,595,523 -----	----- 381,600 -----	----- 213,000 -----	----- 841,548 -----	----- 381,600 -----

Number

1

1

1

1

1

1

=====

=====

=====

=====

=====

=====

The Managing Director was provided with a company maintained car and telephone facility at his residence.

28. TRANSACTIONS WITH AN ASSOCIATED UNDERTAKING

Aggregate transactions with an associated undertaking during the year were as follows:

	<i>1999</i> (RUPEES)	<i>1998</i> (RUPEES)
Purchases	137,586	134,583
Sales	50,000	19,350
Return on lending	1,879,903	1,900,762

Purchases have been made from (Colony) Sarhad Textile Mills Limited at average cost to them and sees at normal selling prices.

29. TAXATION

The Income Tax assessments of the company were made upto and including the assessment year 1997-98 and total demand raised by department was Rs. 21.512 million. The assessments have been set aside for all years by the commissioner of Income Tax Appeals for reconsideration/reassessments. The final tax liability of company is contingent on the reassessment of all the years pending in tax department. The management is hopeful that the decision at all forums will be in 'their favour. The total withholding tax paid by the company is Rs. 24.738 million and tax liability including the previous demands raised by the Income Tax Authorities and for the Assessment years 1998-99 and 1999-2000 of Rs. 1.750 million becomes Rs. 23.262 million which is still below the withholding tax deductions of the company. In the opinion of the management, the provision for taxation is adequate to meet the tax liability of the company.

The deferred tax liability arising due to the accelerate tax depreciation allowance is insignificant and accordingly no provision for deferred taxation have been made in these accounts

30. CONTINGENCIES & COMMITMENTS

30.1 Certain banks have issued guarantees on behalf of the company in the ordinary course of business.

30.2 The National Bank of Pakistan has filed a suit for Rs. 49.48 million for the recovery of its all outstanding claims namely short term finance, bills of exchange and force liability relating to cotton letter of credit. The suit also includes claim for mark up @ Rs. 0.54 per Rs. 1,000 per day on cash finance, Rs. 0.60 per Rs. 1,000 per day on the bills of exchange and Rs. 0.55 per Rs. 1,000 per day on demand finance and the litigation expenses with effect from May 01, 1998 till the date of decree and recovery of the decretal amount. The company has approached the bank without prejudice to its rights and the pending litigation, through a letter dated

November 11, 1998 for settlement in pursuance of State Bank of Pakistan incentive scheme, circulars and directives of June 05, 1998 as modified in November 1998. As the outcome of the case is not precisely, determinable at this stage.

30.3 The company is defendant in a lawsuit filed by Habib Bank Limited for the recovery of long term loan. The ultimate outcome of the matter can not be precisely determined.

	<i>1999</i>	<i>1998</i>
31. PRODUCTION DATA		
Capacity (in kgs)on 360 days basis	6,000,000	6,000,000
	-----	-----
Production achieved (KG)		
Sacking cloth	3,285,360	4,652,010
Hessian cloth	568,490	650,457
Twine	365,863	--
	-----	-----
	4,219,713	5,302,467
	=====	=====

31.1 It may be noted that determination of production capacity of a Jute Mill varies widely with the pattern of production and number of shifts worked. Higher production was achievable but suffered due to non-availability of working capital which was withdrawn arbitrarily by National Bank of Pakistan, the case is under litigation and out of court settlement is under progress without prejudice to our rights.

32. GENERAL

Figures have been rounded off to the nearest rupee.

Figures of the previous year have been re-arranged, wherever necessary, for the purposes of comparison.

Mian Farooq Ahmad Shaikh
CHAIRMAN

Sohail Farooq Shaikh
MANAGING DIRECTOR/CHIEF EXECUTIVE

PATTERN OF SHARE HOLDINGS AS AT 30TH JUNE 1999

<i>No. of shareholders</i>				<i>share held</i>				<i>Total share held</i>
441	From	1	to	100	Shares		44,100	
132	From	101	to	500	Shares		44,800	
94	From	501	to	1,000	Shares		80,602	
79	From	1,001	to	5,000	Shares		169,300	
15	From	5,001	to	10,000	Shares		99,200	
1	From	10,001	to	15,000	Shares		11,500	
3	From	15,001	to	20,000	Shares		52,700	
2	From	25,001	to	30,000	Shares		54,300	

1	From	70,001	to	75,000	Shares	74,300
1	From	80,001	to	85,000	Shares	84,198
4	From	305,001	to	310,000	Shares	1,240,000
1	From	495,001	to	500,000	Shares	500,000
1	From	1,285,001	to	1,290,000	Shares	1,290,000
-----						-----
775						3,745,000
=====						=====

Categories of shareholder

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	767	3,198,900	85.42
Investment Companies	2	5,400	0.14
Insurance Companies	1	200	0.01
Joint Stock Companies	2	502,000	13.41
Financial Institutions	1	9,000	0.24
Surriya Farooq Charitable Foundation	1	20,000	0.53
Punjab Cooperative Board for Liquidation	1	9,500	0.25
	-----	-----	-----
	775	3,745,000	100
	=====	=====	=====