

**Jubilee Spinning & Weaving Mills Limited**  
**Annual Report 1998**

*IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL*

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**BOARD OF DIRECTORS**

Ahsan M. Saleem  
Mazhar Karim (Chairman)  
Mohammad Arshad  
Mohammad Rafi (Chief Executive)  
Shams Rafi  
Shaukat Shafi  
Zahid Bashir

**Secretaries**

Zaheer A. Shaikh  
Rashid Sadiq

**Auditors**

Rahim Jan & Company  
Chartered Accountants

**Internal Auditors**

M. Yousuf Adil & Co.  
Chartered Accountants

**Legal Advisers**

A. K. Brohi & Co.  
Ghani Law Associates

**Bankers**

Bank of America NT & SA  
Habib Bank Limited  
Citibank N.A.  
Habib Credit & Exchange Bank Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan

**Registered Office**

83-Babar Block, New Garden Town, Lahore.

**Mills**

B-28, S.I.T.E., Karachi.

**Head Office**

3rd Floor, Finlay House,

I.I. Chundrigar Road, Karachi.

#### **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Twenty Fifth Annual General Meeting of the shareholders of JUBILEE SPINNING & WEAVING MILLS LIMITED will be held at Registered Office, 83-Babar Block, New Garden Town, Lahore on Wednesday the March 31, 1999 at 9:00 a.m. to transact the following business:-

1. To receive and adopt the Audited Accounts of the Company for the year ended September 30, 1998 together with the Director and Auditor's Reports thereon.
2. To appoint Auditors and fix their remuneration. The present Auditors M/s. Rahim Jan & Company. Chartered Accountants retire and being eligible, offer themselves for re-appointment.
3. To elect seven Directors of the Company, as fixed by the Board for a period of three years commencing from May 10, 1999 in accordance with the provisions of the Companies Ordinance, 1984 in place of retiring Directors namely:

- |                        |                      |
|------------------------|----------------------|
| 1. Mr. Ahsan M. Saleem | 2. Mr. Mazhar Karim  |
| 2. Mr. Muhammad Arshad | 4. Mr. Muhammad Rafi |
| 3. Mr. Shams Rafi      | 6. Mr. Shaukat Shafi |
| 4. Mr. Zahid Bashir    |                      |

All retiring directors shall be eligible to offer themselves for re-election.

#### **PARTICIPATION IN THE ANNUAL GENERAL MEETING:**

A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her behalf. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting.

Any person who seeks to contest election to the Office of Directors, whether he is a retiring Directors or otherwise, file with the company at its Registered Office not later than fourteen days before the date of meeting, a notice of his intention to offer himself for election as Director, together with his consent to act as a Director.

#### **BOOK CLOSURE:**

The Share Transfer Books of the Company will remain closed from March 25, 1999 to March 31, 1999 (both days inclusive).

ON BEHALF OF THE BOARD  
**ZAHHEER A. SHAIKH**  
CORPORATE SECRETARY

#### **REGISTERED OFFICE:**

83-Babar Block, New Garden Town,  
LAHORE:  
Phone No. (042) 5881974-75  
Fax No. (042) 5881976

Dated March 06, 1999

#### **DIRECTOR'S REPORT TO THE SHAREHOLDERS**

Your Directors are pleased to present the 25th Annual Report alongwith detailed notes for the year ended September 30, 1998.

Your company's trading for the year resulted in pre-tax loss of Rs. 94,146,893 after meeting all operational, administrative, financial and other expenses.

Break up of the same can be read under Profit & Loss Account 1998.

**1998**  
**Rupees**

Loss before taxation (94,146,893)

Provision for taxation	(3,780,682)
	-----
	(97,927,575)
Unappropriated profit brought forward	7,723,629
	-----
Accumulated loss carried forward	(90,203,946)
	=====

The present Auditors Messrs Rahim Jan & Co., retire and eligible, offer themselves for re-appointment.

Information required under section 236 (2) of the Companies Ordinance 1984 follows as "Review" on the next page.

Management express their appreciation to all categories of employees for their diligent performance, display of harmony and their continued efforts to improve the efficiency all round.

For and on behalf of the Board

**Mohammad Rafi**  
Chief Executive

March 06, 1999

#### **CHIEF EXECUTIVE'S REVIEW**

The management is pleased to present the accounts for the year ended September 30th, 1998.

The period under review was difficult one for your Company: Although sales revenue increased from Rs. 577.9 million to Rs. 662.9 million, the Company suffered a loss of Rs. 97.93 million after tax. This translates to a loss of Rs. 13.96 per share.

Various factors contributed to this loss. Raw material prices were significantly higher and selling prices were reduced due to an ongoing crisis in the textile industry. Other input costs such as dyes and chemicals, salaries and wages and utilities also posted increases. The domestic retail market remained severely depressed' and this had an adverse impact on sales of the Company's lawn and latha. All the above mentioned factors caused a liquidity crunch forcing the Company to increase borrowing. Due to an exorbitant mark-up rate, this increased borrowing further contributed to the Company's losses.

The management of the Company, in cooperation with its workers and bankers, has started an aggressive drive to lower all costs, increase efficiencies and improve the quality of all products. Some capital investment has been made to change the balance of the spinning division in order to provide flexibility and better quality. Though we have a long way to go before the Company's problems can be rectified, this strategy has led to improved performance and better margins.

The Company has taken all necessary steps to avoid any negative effects from millennium bug.

The Company's Board of Directors wished to place on record its appreciation for the dedicated services rendered by the employees of the Company. The Board would also like to thank the Company's bankers and other financiers for their cooperation during this difficult time.

For and on behalf of Board of Directors.

**Muhammad Rafi**  
Chief Executive

March 06, 1999

#### **SELECTED FINANCIAL AND**

**OPERATIONAL DATA****Application of Revenue Earned:**

	1998	1997	1996	1995	1994
SALE (Rupees in thousand)	662,895	577,916	497,059	496,138	405,868
	=====	=====	=====	=====	=====
	%	%	%	%	%
(IN TERM OF PERCENTAGE)	100.00	100.00	100.00	100.00	100.00
Cost of Sales	97.95	84.42	88.32	84.38	82.40
	-----	-----	-----	-----	-----
GROSS PROFIT	2.75	15.58	11.68	15.62	17.60
	-----	-----	-----	-----	-----
Administrative expenses	2.75	2.67	2.15	2.75	2.25
Selling & Distribution expenses	1.99	1.13	0.83	3.17	3.02
	-----	-----	-----	-----	-----
	4.74	3.80	2.98	5.92	5.27
	-----	-----	-----	-----	-----
OPERATING (LOSS)/PROFIT	(1.99)	11.78	8.70	9.70	12.33
Other Income	0.64	0.79	2.34	6.55	2.10
	-----	-----	-----	-----	-----
	(1.35)	12.57	11.04	16.25	14.43
	-----	-----	-----	-----	-----
Financial expenses	11.42	12.40	10.43	11.13	9.39
Non-operating expenses	0.33	0.06	0.00	0.06	0.47
Provision for diminution in the value of short-term investments	1.10	-	-	-	-
	-----	-----	-----	-----	-----
	(12.85)	12.46	10.43	11.19	9.86
	-----	-----	-----	-----	-----
(LOSS)/PROFIT BEFORE TAXATION	(14.20)	0.11	0.61	5.06	4.57
Taxation	(0.57)	0.66	(0.55)	(0.74)	(0.72)
	-----	-----	-----	-----	-----
(LOSS)/PROFIT AFTER TAXATION	(14.77)	0.77	0.06	4.32	3.85

**FINANCIAL RATIOS AT 30TH SEPTEMBER**

		1998	1997	1996	1995	1994
Gross Profit to Sales	%	2.75	15.58	11.68	15.62	17.60
Operating (Loss)/Profit to Sales	%	(1.99)	11.78	8.70	9.70	12.33
Pre-tax (Loss)/Profit to Sales	%	(14.20)	0.11	0.61	5.06	4.57
Pre-tax (Loss)/Profit to Capital	%	(134.17)	1.02	5.28	49.86	51.50
Pre-tax (Loss)/Profit to capital employed	%	(303.93)	0.51	2.46	20.26	18.07
(Loss)/Earning per share	Rs.	(13.96)	0.70	0.05	4.25	4.34
Bonus issue to capital	%	0.00	10.00	10.00	15.00	40.00
Break up value per share	Rs.	4.41	20.21	21.46	24.61	28.50
Debt/Equity Ratio		59/41	20/80	20/80	22/78	18/82
Current ratio		0.83:1	1.01:1	1.09:1	1.03:1	0.94:1

**BREAKUP OF SALARIES & BENEFITS**

(RUPEES IN THOUSANDS)

	1998	1997	1996	1995	1994
Salaries & Wages	62,627	51,271	46,050	42,359	38,860
Bonus	3,627	3,439	4,407	3,547	3,674
Gratuity provision	7,518	7,375	5,758	6,144	2,525
Social Security	2,180	1,792	1,823	1,724	1,611
Old Age Benefits	1,574	1,361	1,382	1,324	1,249
Education Cess	141	163	111	174	112
Group Insurance	631	582	305	634	620
Medical Expenses	587	504	400	320	256
Canteen subsidy	504	653	666	603	540

Other welfare charges	1,597	1,207	1,056	1,101	974
Total Benefits	18,359	17,076	15,908	15,571	11,561
Total Salaries, Wages & benefits	80,986	68,347	61,958	57,930	50,421

**AUDITORS' REPORT TO THE-MEMBERS**

We have audited the annexed balance sheet of Jubilee Spinning & Weaving Mills Limited as at September 30, 1998 and the related profit and loss account and 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 the Company's business; and

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 1998 and of the loss and the cash flow statement for the year then ended; and:

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

**Rahim Jan & Company**

KARACHI: Chartered Accountants

DATED: March 06, 1999

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

CAPITAL & LIABILITIES	Note	1998 Rupees	1997 Rupees
<b>SHARE CAPITAL</b>			
<b>AUTHORISED</b>			
20,000,000 Ordinary Shares of Rs. 10/- each		200,000,000	200,000,000
		=====	=====
Issued, subscribed & Paid-up	3	70,168,670	63,789,700
<b>RESERVES &amp; SURPLUS</b>			
Reserves	4	51,012,000	57,390,970
Accumulated (loss)/Unappropriated Profit		990,203,946)	7,723,629
		-----	-----
		(39,191,946)	65,114,599
		-----	-----
<b>SHARE HOLDERS' EQUITY</b>		30,976,724	128,904,299
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	5	70,000,000	-
<b>LIABILITIES AGAINST ASSETS</b>			
<b>ACQUIRED UNDER FINANCE LEASE</b>	6	45,245,240	32,341,867
<b>DEFERRED LIABILITIES</b>			

Gratuity	7	35,746,715	31,517,766
Taxation	8	12,976,944	12,976,944
		-----	-----
		48,723,659	44,494,710

**CURRENT LIABILITIES & PROVISIONS**

Current portion of long term liabilities	9	26,710,682	21,237,834
Short-term running finance-secured	10	359,797,545	308,214,685
Creditors, accrued and other liabilities	11	147,002,128	93,831,969
Provision for taxation	12	3,780,682	3,169,159
		-----	-----

537,291,037 426,453,647

**CONTINGENCIES & COMMITMENTS**

13 - -

732,236,660 632,194,523

=====

**PROPERTY & ASSETS****FIXED ASSETS - Tangible**

At Cost-Less Depreciation	14	255,538,676	134,913,451
---------------------------	----	-------------	-------------

**LONG TERM DEPOSITS**

8,963,175 7,491,533

**INVESTMENT - At Cost**

15 40,955,618 80,207,218

**LONG TERM LOANS**

16 2,490,884 1,803,324

**CURRENT ASSETS**

Stores and spares	17	19,219,746	20,124,383
Stock-in-trade	18	205,792,553	195,652,917
Trade debtors	19	32,756,979	61,817,253
Bills receivable	20	6,321,919	4,267,515
Loans and advances	21	8,462,456	22,622,505
Deposits, prepayments and other receivables	22	84,636,051	68,743,780
Short-term investments	23	65,160,565	33,184,737
Cash and. bank balances	24	1,938,038	1,365,907
		-----	-----

424,288,307 407,778,997

732,236,660 632,194,523

=====

NOTE: the above Balance Sheet and annexed Profit and Loss Account should be read in conjunction with the Notes to the accounts annexed hereto, which form an integral part of these accounts.

KARACHI: March 06, 1999

**Mohammad Rafi**  
Chief Executive

**Shams Rafi**  
Director

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

	Note	1998 Rupees	1997 Rupees
Sales (Net)	25	662,895,385	577,915,922
Cost of Sales	26	(644,635,173)	(487,876,720)
		-----	-----
<b>GROSS PROFIT</b>		18,260,212	90,039,202
Administrative expenses	27	(18,226,384)	(15,448,744)
Selling and Distribution Expenses	28	(13,215,963)	(6,521,752)
		-----	-----
		(31,442,347)	(21,970,496)
		-----	-----
<b>OPERATING (Loss)/PROFIT</b>		(13,182,135)	68,068,706
Other Income	29	4,208,809	4,605,732

		-----	-----
		(8,973,326)	72,674,438
		-----	-----
Financial expenses	30	(75,723,918)	(71,662,693)
Non-operating expenses	31	(2,173,877)	(358,600)
Provision for diminution in the value of short-term invest		(7,275,772)	-
		-----	-----
		(85,173,567)	(72,021,293)
		-----	-----
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(94,146,893)	653,145
<b>PROVISION FOR TAXATION</b>	32	(3,780,682)	3,825,897
		-----	-----
<b>(LOSS)/PROFIT AFTER TAXATION</b>		(97,927,575)	4,479,042
Unappropriated profit from previous year		7,723,629	9,623,557
		-----	-----
		(90,203,946)	14,102,599
<b>APPROPRIATIONS:</b>			
Proposed Bonus shares issue		-	6,378,970
<b>ACCUMULATED (LOSS)/UNAPPROPRIATED</b>		-----	-----
<b>PROFIT CARRIED TO BALANCE SHEET</b>		(90,203,946)	7,723,629
		=====	=====

Mohammad Rafi  
Chief Executive

Shams Rafi  
Director

**CASH FLOW STATEMENT  
OR THE YEAR ENDED SEPTEMBER 30, 1998**

	1998	1997
	RUPEES	RUPEES
<b>A-CASH FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(94,146,893)	653,145
Adjustment for		
Depreciation	21,612,678	15,606,081
Provision for gratuity	7,518,642	7,374,723
Provision for diminution in value of short-term investment	7,275,772	-
(Gain)/Loss on disposal of fixed assets	(150,269)	(2,391,842)
Dividend income	(1,971,742)	(1,175,134)
Financial Charges	75,723,918	71,662,693
	-----	-----
	110,008,999	91,076,521
	-----	-----
Operating profit before working capital change	15,862,106	91,729,666
Changes in working capital		
(Increase)/Decrease in Current Assets		
Stores and spares	904,637	454,721
Stock-in-trade	(10,139,636)	(45,850,059)
Trade debtors	29,060,274	(27,381,365)
Bills receivable	(2,054,404)	(3,402,109)
Loans and advances	14,160,049	(15,188,440)
Deposits, prepayments and other receivables	(8,130,358)	14,693,172
Increase/(Decrease) in Current Liabilities		
Creditors accrued and other liabilities	42,653,714	(5,587,337)
	-----	-----
	66,454,276	(82,261,417)
	-----	-----
<b>Gash generated from operations</b>	82,316,382	9,468,249
<b>B-CASH FROM INVESTING ACTIVITIES</b>		
Proceeds of fixed assets sold	215,805	31,630,575

Dividend income	1,971,742	1,175,134
Fixed Capital Expenditure	(72,303,439)	(59,843,295)
Investment purchased		(17,000,000)
Long term deposit	(1,471,642)	(2,503,310)
Long term loans	(687,560)	(773,520)
	-----	-----
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(72,275,094)</b>	<b>(47,314,416)</b>

**C-CASH FROM FINANCING ACTIVITIES**

Fund from Finance lease	43,172,000	24,600,000
Payment of long term loans	(4,905,262)	(8,869,000)
Payment for gratuity	(3,289,693)	(4,066,842)
Taxes paid	(10,931,072)	(11,348,670)
Financial charges paid	(65,207,473)	(72,807,628)
Payment of lease liability	(19,890,517)	(11,316,851)
Increase in short term running finance	51,582,860	120,384,775
	-----	-----

**NET CASH OUT FLOW DUE TO FINANCING ACTIVITIES**

Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	9,469,157	36,575,784
	572,131	(1,270,383)

Cash and cash equivalents at beginning of the year	1,365,907	2,636,290
	-----	-----
Cash and cash equivalents at end of the year	1,938,038	1,365,907
	=====	=====

Mohammad Rafi  
Chief Executive

Shams Rafi  
Director

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

The following notes form integral part of the accounts presented herewith:

**1. THE COMPANY AND ITS OPERATION:**

The company was incorporated in Pakistan as a public limited company and its shares are quoted on stock exchanges in Pakistan. The principal activity of the company is to manufacture and sale of textile products.

**2. ACCOUNTING POLICIES:****2.1 Provision for Gratuity:**

The company operates an unfunded gratuity scheme covering all its employees. Provision at the balance sheet date is made annually to cover the liability on the basis of agreement with the bargaining agent and rules.

**2.2 Fixed Assets:**

Fixed Assets are valued at cost less accumulated depreciation except leasehold land and capital work-in-progress which are valued at cost.

Depreciation is provided on written down value of the Fixed Assets at not less than the prescribed rates.

Depreciation on additions is charged for the full year and no depreciation is charged on disposals in the year of sale. Repairs and maintenance of Fixed Assets are charged to expenses as and when incurred.

Major renewals and replacements are capitalized.

Gains or losses on disposal of assets are transferred to profit and loss account.

**2.3 Assets subject to finance lease:**

These are stated at the lower of present value of minimum lease payments under the lease agreements or the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject



to finance lease is accounted for at net present value of liabilities. Assets so Acquired are amortized over their respective useful lives using rates of depreciation which are consistent for depreciable assets which are owned by the company.

Finance charge is allocated to accounting period in a manner so as to provide a constant periodic rate charge on the outstanding liability.

**2.4 Investment:**

Investments are valued at cost and no provision for temporary diminution in the value is recognized. Dividend income is accounted for on receipt basis.

**2.5 Stores, Spares and Stock-in-trade:**

Stores and Spares are valued at average cost.

Raw Materials, Finished Goods, Work in process, Waste and Cut Pieces are valued at lower of market value or average cost including production overheads but excluding fixed overheads.

Goods in transit are valued at cost.

**2.6 Foreign Currency:**

Assets and Liabilities in foreign currencies are translated into Pak rupees at the rate of exchange ruling on the transaction date. Exchange gains or losses are included in income currently.

**2.7 Taxes:**

Taxes payable currently are accounted for on the basis of current year's taxable income.

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

2.8 Revenue is recognized on the basis of despatch of goods to customers which is invoice date

**2.9 Cost:**

These accounts are prepared under historical cost convention.

	1998 Rupees	1997 Rupees
<b>3. ISSUED, SUBSCRIBED &amp; PAID-UP CAPITAL:</b>		
700 Ordinary Shares of Rs 10/- each issued for cash	7,000	7,000
1,500,000 Ordinary Shares of Rs. 10/- each issued for consideration other than cash	15,000,000	15,000,000
5,516,167 Ordinary Shares of Rs 10/- each issued as bonus shares	55,161,670	48,782,700
----- (1997:4,878,270)		-----
7,016,867	70,168,670	63,789,700
=====	=====	=====

**4. RESERVES AND SURPLUS:**

Revenue:		
Balance as on October 1st	57,390,970	56,811,060
Transferred to Share Capital as Bonus Shares	(6,378,970)	(5,799,060)
	-----	-----
	51,012,000	51,012,000
Proposed Bonus Share Issue	-	6,378,970
	-----	-----
	51,012,000	57,390,970
	=====	=====

**5. SURPLUS ON REVALUATION OF FIXED ASSETS**

Revaluation of land has been carried out as on September 30th 1998 by M/s. Iqbal A. Nanjee & Co. Surveyors and valuation consultants on the basis Of replacement value. Revaluation surplus has been credited to surplus on revaluation of fixed assets account.

	1998 Rupees	1997 Rupees
<b>6. LIABILITIES AGAINST ASSETS</b>		
<b>ACQUIRED UNDER FINANCE LEASE:</b>		
Opening Balance	48,674,439	35,391,290
Lease assets acquired during the year	43,172,000	24,600,000
	-----	-----
	91,846,439	59,991,290
Lease installments paid during the year	19,890,517	11,316,851
	-----	-----
	71,955,922	48,674,439
lease installments due within one year shown under current liabilities (Note No. 9)	26,710,682	16,332,572
	-----	-----
	45,245,240	32,341,867
	=====	=====

The purchase option is available to the company after payment of last installment and on surrender of deposit at the end of the lease periods.

The total lease rentals due under the lease agreements aggregate Rs. 90,530,012 (1997 :Rs. 63,179,182) and are payable in equal monthly, quarterly and half yearly installments under various lease agreements latest by 2002. Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of agreement the lessee is to pay entire rent for unexpired period. Financing rates of approximately 12 to 14.78 per cent per annum have been used as discounting factor.

The future minimum payments to which the company is committed as at September 30, 1998 are as under:

Year ending September 30,	Rupees	Rupees
1998	-	23,424,646
1999	37,886,918	18,461,633
2000	30,857,997	14,742,437
2001	19,560,847	6,550,466
2002	2,224,250	-
	-----	-----
	90,530,012	63,179,182
Financial charges allocated to future periods	18,574,090	14,504,743
	-----	-----
	71,955,922	48,674,439
	=====	=====

The liabilities are partly secured by deposit of Rs. 8,653,000 shown in long term deposits (1997: Rs. 7,181,358).

	1998 Rupees	1997 Rupees
<b>7. PROVISION FOR GRATUITY</b>		
Opening balance	31,517,766	28,209,885
Less: Payments during the year	3,289,693	4,066,842
	-----	-----
	28,228,073	24,143,043
Add: Provision for the year	7,518,642	7,374,723
	-----	-----
	35,746,715	31,517,766
	=====	=====
<b>8. DEFERRED TAXATION:</b>		
	12,976,944	12,976,944
	=====	=====

Due to heavy capitalization done in plant and machinery during the year increasing the accelerated depreciation the management expects that the timing differences will not reverse in foreseeable future and therefore no provision for deferred tax is considered necessary

#### 9. CURRENT PORTION OF LONG TERM LIABILITIES:

Long Term Loans	-	4,905,262
Liabilities against Assets Acquired under Finance Lease (Note No. 6)	26,710,682	16,332,572
	-----	-----
	26,710,682	21,237,834
	=====	=====

#### 10. SHORT TERM RUNNING FINANCE:

##### Secured:

Under mark up arrangements:

From Banking Companies	359,797,545	308,214,685
	=====	=====

Short term running finances obtained from banking companies form part of total credit facilities of Rupees 431 million (1997: Rupees 521 million). Mark-up is paid quarterly & annually at the rate paisas 39 to 55 per Rupees 1,000 per day. These finances are secured against hypothecation / pledge of inventories, post shipment documents, store and stocks, Cotton Yarn and Cloth meant for export under L/Cs and marketable shares. Credit facilities have scheduled to expired on September 30, 1998 however it has been renewed for another one year.

Export refinance has been obtained from banking companies under State Bank of Pakistan's export refinance scheme on which a service charge @ 11% & 8% per annum is payable.

#### 11. CREDITORS, ACCRUED & OTHER LIABILITIES:

Creditors	28,586,958	1,828,414
Utilities Bills Payable	14,748,261	22,136,449
Salaries, Wages and Benefits	7,394,632	6,653,880
Others	23,026,503	17,104,955
Advances from Customers	5,495,322	686,902
Due to Associated Undertakings	47,514,201	37,369,782
Mark-up on secured Loans	15,125,703	3,707,955
Workers profit participation fund (Note 11.1)	198,175	199,125
Unclaimed dividend	598,664	599,658
Miscellaneous	1,078,232	309,372

	1998	1997
	Rupees	Rupees

##### Government Demands:

Excise Duty	2,441,675	2,441,675
Export Duty - Guarantees	793,802	793,802
	-----	-----
	3,235,477	3,235,477
	-----	-----
	147,002,128	93,831,969
	=====	=====

##### 11.1 Workers' Profit Participation Fund:

Opening Balance	199,125	231,777
Less: Payments during the year	28,465	62,546
	-----	-----
	170,660	169,231
Add: Interest for the year	27,515	29,894
	-----	-----
	198,175	199,125
	=====	=====

**12. PROVISION FOR TAXATION**

The company has filed appeal against the assessment order for the year 1989-90, 1992-93, 1993-94, 1996-97 and the assessment year 1998-99 is pending with Income Tax authorities.

**13. CONTINGENCIES AND COMMITMENTS:**

- i) Letters of Credit other than for Capital expenditure Rs. NIL (1997: Rs. 0.420 million).
- ii) Commitments in respect of Capital expenditure Rs. 120 million (1997: RS. 20.382).
- iii) An award for US\$ 140,878.29 has been declared against the Company by the Technical Appeal Committee of Liverpool Cotton Association Limited, U.K. which has not been accepted by the Company and is contesting the award.

**14. FIXED ASSETS - Tangible**

PARTICULARS	COST					Rate %	DEPRECIATION				Written down value as at September 30, 1998
	As at September 30, 1997	Additions	Sales/ Adjustment	Revaluation	As at September 30, 1998		As at September 30, 1997	During the year	Sales/ Adjustment	As at September 30, 1998	
<b>Company Owned:</b>											
Lease hold Land	-	-	-	70,000,000	70,000,000	-	-	-	-	-	70,000,000
Building on Lease-hold Land	22,379,377	4,184,066	-	-	26,563,443	10	11,571,581	1,499,186	-	13,070,767	13,492,676
Plant and Machinery	172,481,342	38,949,587	-	-	211,430,929	10	112,407,628	9,479,500	(4,228,300)	126,115,428	85,315,501
Electric Installation and Equipment	2,773,664	-	-	-	2,773,664	10	1,810,525	96,314	-	1,906,839	866,825
Gas Installation	162,387	-	-	-	162,387	10	127,800	3,459	-	131,259	31,128
Factory Tools and Equipment	533,075	182,375	-	-	715,450	15	406,122	46,399	-	452,521	262,929
Vehicles	6,135,299	651,616	200,000	-	6,586,915	20	3,610,844	587,654	(37,800)	4,236,298	2,350,617
Office Equipment	554,195	-	-	-	554,195	15	363,967	28,534	-	392,501	161,694
Furniture and Fixture	1,337,214	26,250	-	-	1,363,464	10	835,057	52,841	-	887,898	475,566
Telephone Installation	429,180	9,000	-	-	438,180	10	197,140	24,077	-	221,487	216,693
Guns	2,608	-	-	-	2,608	10	2,257	35	-	2,292	316
Office Machine and Electrical appliance	4,445,087	1,084,129	-	-	5,529,216	15	2,605,166	438,608	-	3,043,774	2,485,442
	211,233,428	45,087,023	200,000	70,000,000	326,120,451		133,938,357	12,256,607	(4,266,100)	150,461,064	175,659,387
<b>Under Lease:</b>											
Machinery	70,112,584	39,570,000	15,602,584	-	94,080,000	10	13,578,910	8,472,939	4,228,564	17,823,549	76,256,451
Vehicles	1,201,000	3,602,000	353,000	-	4,450,000	20	477,544	828,944	172,264	1,134,224	3,315,776
Office Machine & Electrical Appliance	500,000	-	-	-	500,000	15	138,750	54,188	-	192,938	307,062
	71,813,584	43,172,000	15,955,584	-	99,030,000		14,195,204	9,356,071	4,400,564	19,150,711	79,879,289
1998	283,047,012	88,259,023	16,155,584	70,000,000	425,150,451		148,133,561	21,612,678	134,464	169,611,775	255,538,676
1997	257,150,044	62,188,025	36,291,057	-	283,047,012		138,605,445	15,606,081	6,077,965	148,133,561	134,913,451

14.1 Land has been acquired on annual lease (rental) basis from Sindh Industrial Estate Limited.

	1998 RUPEES	1997 RUPEES
Allocation of depreciation for the year:		
Cost of Goods Manufactured	20,280,956	14,843,458
14.2 Administrative & Other Expenses	1,331,722	762,623
	21,612,678	15,606,081

14.3 Surplus on revaluation undertaken as at September 30, 1998 of land has been arrived at on the basis of current value:

14.4 Had there been no revaluation the related figures of land at September 30, 1998 would have been Rs. Nil.

14.5 Revaluation of land is carried out by and independent valuer of M/s. Iqbal A. Najee & Co. as on September 30, 1998 which created a surplus of Rs. 70,000,000/= This amount is included in the assets with a corresponding amount appearing as surplus on revaluation' of fixed assets (Refer Note No. 5) to company with the requirement of section 235 of the companies ordinance, 1994.

#### 14.6 DISPOSAL OF FIXED ASSETS

Description	Cost	Accumulated Depreciation	Written down value	Sales Proceeds	Profit/(Loss)	Sold to	Mode of Sale
	Rs.	Rs.	Rs.	Rs.	Rs.		
<b>VEHICLE</b>							
1998	200,000	134,464	65,536	215,805	150,269	M/s. Kalb & Co. (Pvt) Ltd.	Negotiation
1997	35,316,698	6,077,965	29,238,733	31,630,575	2,391,842		

#### 15. INVESTMENT-AT COST:

Name of Company	Ordinary Shares each Rupees	1998		1997	
		No. of Shares	Cost Rupees	No. of Shares	Cost Rupees
<b>Quoted:</b>					
<b>Associated Undertakings</b>					
Crescent Jute Products Ltd. (Equity held 11.42 %)	10	1716683	13,733,415	1716683	13,733,415
Crescent Boards Ltd.	10	154585	1,476,530	154585	1,476,530
The Crescent Textile Mills Limited	10	143673	1,047,295	136832	1,047,295
Shams Textile Mills Limited	10	174033	2,155,275	174033	2,155,275
Shakarganj Mills Limited	10	898551	7,234,349	816865	7,234,349
Elite Textiles Mills Limited	10	94080	510,935	94080	510,935
The Premier Insurance Co. of Pakistan Ltd.	5	46846	35,140	46846	35,140
Crescent Steel and Allied Products Limited	10	-	-	230000	1,388,400
Crescent Investments Bank Limited	10	-	-	2071906	24,363,200
			26,192,939		51,944,539
<b>Others</b>					
Crescent Spinning Mills Limited	10	-	-	40000	400,000
			26,192,939		52,344,539
<b>Unquoted:</b>					
<b>Associated undertakings</b>					
Crescent Ventures International Ltd. (NOTE 15.1)	10	150000	1,500,000	150000	1,500,000
Crescent Group Services (Pvt) Ltd. (NOTE 15.2)	10	110000	1,100,000	110000	1,100,000
Taxmac Services (Pvt) Ltd. (NOTE 15.3)	10	52000	520,000	52000	520,000
Crescent Greenwood Ltd. (NOTE 15.4)	10	414267	4,142,679	414267	4,142,679
Jubilee Energy (Pvt) Ltd.	10	-	-	1060000	10,600,000
Crescent Industrial Chemicals Ltd. (NOTE 15.5)	10	750000	7,500,000	1000000	10,000,000
			14,762,679		27,862,679
			40,955,618		80,207,218

Market value on September 30, 1998 of quoted companies was Rs. 19,419,647 (1997: Rs. 58,009,613)

15.1 Last available audited accounts dated 30th June 1998 value of investments on the basis of break-up

value of shares Rs. 1,662,000. Equity held 30.03% (Chief Executive, Anjum M. Saleem).

15.2 Last available audited accounts dated 30th June 1997 value of investments on the basis of break-up value of shares Rs. (9,163,429). Equity held 4.104% (Chief Executive, Mr. Humayun Mazhar Karim).

15.3 Last available audited accounts dated 30th June 1998 value of investments on the basis of break-up value of shares Rs. 561,288. Equity held 26% (Chief Executive, Mr. Kazuo Kamio).

15.4 Last available audited accounts dated 30th September 1997 value of investments on the basis of break-up value of shares Rs. 1,831,060. Equity held 30% (Chief Executive, Mr. Nasir Shafi).

15.5 Last available audited accounts dated 30th June, 1998 value of investments on the basis of break-up value of shares Rs. 7,500,000. Equity held 0.91% (Chief Executive, Mr. Tariq Shafi).

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>

**16. LONG TERM LOANS:**

**CONSIDERED GOOD - Interest Free:**

Loan to employees - Secured (Note 16.1)	6,223,591	3,798,083
Less: Current maturity (Note 21)	3,772,912	2,052,698
	-----	-----
	2,450,679	1,745,385
Loan to employees Motor Vehicles - Secured (Note 16.2)	57,435	83,363
Less: Current Maturity (Note 21)	17,230	25,424
	-----	-----
	40,205	57,939
	-----	-----
	2,490,884	1,803,324
	=====	=====

16.1 This represents loans to employees for their domestic needs and are secured against their accumulated gratuity.

16.2 The vehicles are registered in the name of company and the loan is recovered in installments.

**17. STORES AND SPARES - AT COST:**

Stores	9,382,378	10,271,963
Spares	9,741,592	9,643,736
Loose tools	95,776	204,776
In-transit	-	3,908
	-----	-----
	19,219,746	20,124,383
	=====	=====

**18. STOCK-IN-TRADE - AT COST:**

Raw Materials	26,919,783	25,317,414
Work-in-process	78,359,968	93,920,170
Finished goods	99,286,909	76,190,661
Waste and cut pieces	449,319	224,672
In-transit	776,574	-
	-----	-----
	205,792,553	195,652,917
	=====	=====

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>

**19. TRADE DEBTORS - Unsecured  
(Considered flood)**

Sundry debtors	32,756,979	61,817,253
	=====	=====

**20. BILLS RECEIVABLE:**

Export bills receivable - secured against L/Cs	6,321,919	4,267,515
	=====	=====

**21. LOANS AND ADVANCES:**

**Considered good-secured:**

Loan to employees - Motor vehicles (Note 16)	17,230	25,424
Advance to employees	-	732,000
Loan to employees (Note 16)	3,772,912	2,052,698
	-----	-----
	3,790,142	2,810,122

**Considered good-unsecured:**

Advance to suppliers and others	4,672,314	19,812,383
	-----	-----
	8,462,456	22,622,505
	=====	=====

**22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES:**

**Considered good-unsecured**

Other deposits	9,257,501	10,893,773
Prepayments	409,314	232,264
Due from associated undertakings	39,120,300	37,072,925
Advance tax	13,918,020	6,156,107
Other receivable	11,907,689	10,383,975

**Due from Government:**

Export and Excise Rebate	4,839,965	3,456,677
Others-sales tax	4,650,796	15,593
	-----	-----
	9,490,761	3,472,270

**Others:**

Mark-up/Insurance claims	532,466	532,466
	-----	-----
	84,636,051	68,743,780
	=====	=====

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 40,846,146 (1997: Rs. 49,859,268).

**23. SHORT-TERM INVESTMENTS**

Name of Company	Ordinary Shares each Rupees	1998		1997	
		No. of Shares	Cost Rupees	No. of Shares	Cost Rupees
<b>Quoted:</b>					
<b>Associated Undertakings</b>					
Crescent Sugar Mills and Distillery Limited	10	459868	3,190,550	418062	3,190,550
Crescent Investment Bank Limited	10	2279906	40,379,200	208000	16,016,000
Crescent Steel and Allied Products Limited	10	1005100	5,286,000	644000	3,897,600
PICIC	10	82313	580,587	82313	580,587
			-----		-----
			49,436,337		23,684,737
			-----		-----
<b>Others</b>					
Crescent Spinning Mills Limited	10	290000	2,900,000	250000	2,500,000
			-----		-----
			52,336,337		26,184,737
Less: Provision for diminution in the value of short-term investments			(7,275,772)		-

<b>Unquoted:</b>		-----	-----
		45,060,565	26,184,737
		-----	-----
<b>Associated undertakings</b>			
Jubilee Energy (Pvt) Ltd.	10	1060000	10,600,000
Crescent Industrial Chemicals Ltd.	10	250000	2,500,000
			-----
		13,100,000	-
		-----	-----
<b>Unquoted:</b>			
<b>Associated undertakings</b>			
<b>Advance against shares</b>			
Jubilee Energy (Pvt) Ltd.		4,900,000	4,900,000
Crescent Group Services (Pvt) Ltd.		1,100,000	1,100,000
Crescent Modaraba Management Co. Ltd.		1,000,000	1,000,000
		-----	-----
		7,000,000	7,000,000
		-----	-----
		65,160,565	33,184,737
		=====	=====

Market value on September 30, 1998 of quoted companies was Rs. 45,060,565 (1997: 26,859,846)

	1998	1997
	Rupees	Rupees
<b>24. CASH AND BANK BALANCES:</b>		
Cash in hand	425,298	314,756
With Bank - Current Account	1,512,740	1,051,151
	-----	-----
	1,938,038	1,365,907
	=====	=====

	1998	1997
	Rupees	Rupees
<b>25. SALES:</b>		
Yarn	425,066,886	433,072,482
Fabric	246,890,166	145,015,983
Waste	649,074	8,416,106
	-----	-----
	672,606,126	586,504,571
<b>Add: Rebate on exports</b>	3,679,193	1,305,809
	-----	-----
	676,285,319	587,810,380
<b>Less:</b>		
Export duty, Sales tax	1,011,534	737,487
Discount on sales	5,916,523	4,776,791
Commission on sales	6,461,877	4,380,180
	-----	-----
	13,389,934	9,894,458
	-----	-----
	662,895,385	577,915,922
	=====	=====

<b>26. COST OF SALES:</b>		
Finished stock opening	76,415,333	65,164,779
Add: Cost of goods manufactured (Note 26.1)	577,740,382	457,895,789
	-----	-----
	654,155,715	523,060,568
<b>Less: Finished stock closing (including waste and Cut Pieces)</b>	99,736,228	76,415,333
	-----	-----



	554,419,487	446,645,235
Add: Finished goods purchased	90,215,686	41,519,115
	-----	-----
	644,635,173	488,164,350
Less: Free supplies and own use of cloth	-	287,630
	-----	-----
	644,635,173	487,876,720
	=====	=====

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>

**26.1 Cost of goods manufactured:**

Raw material consumed (Note: 26.2)	348,892,682	307,735,005
Dyes and Chemicals	8,559,110	12,395,980
Packing materials	7,048,910	5,880,425
Processing & weaving charges	17,472,418	5,419,974
Salaries, wages and benefits	69,958,956	58,911,232
Stores and spares	16,413,344	15,183,996
Repairs and maintenance	1,293,644	1,483,306
Rent, rates and taxes	1,524,127	1,728,046
Power and Fuel	64,054,712	56,004,031
Insurance	3,183,647	3,305,219
Depreciation	20,280,956	14,843,458
Other manufacturing expenses	3,497,674	2,995,717
Work-in-process:		
Opening	93,920,170	65,929,570
Closing	(78,359,968)	(93,920,170)
	-----	-----
	15,560,202	(27,990,600)
	-----	-----
	577,740,382	457,895,789
	=====	=====

**26.2 Raw material consumed:**

Stock-Opening	25,317,414	18,708,509
Add: Purchases	350,495,051	314,343,910
	-----	-----
	375,812,465	333,052,419
Less: Closing	26,919,783	25,317,414
	-----	-----
	348,892,682	307,735,005
	=====	=====

**27. ADMINISTRATIVE EXPENSES:**

Salaries, allowances and benefits	11,026,645	9,435,651
Directors meeting fee	3,000	4,000
Travelling, conveyance and entertainment	1,910,136	2,017,080
Rent, rates and taxes	444,007	61,180
Printing and stationary	740,573	569,231
Postage, telegrams, telephones and telex	903,641	715,642
Electricity and gas	425,912	242,000
Insurance	34,034	122,885
Subscription and periodicals	326,001	233,060
Repairs and maintenance	185,268	181,150
General expenses	80,033	15,264
Auditors remuneration (Note: 27.1)	49,500	49,500
Legal & Professional charges	765,912	1,055,862
Depreciation	1,331,722	746,239
	-----	-----
	18,226,384	15,448,744
	=====	=====

	1998 Rupees	1997 Rupees
<b>27.1 Auditor's Remuneration:</b>		
Statutory audit	45,000	45,000
Workers' Profit Participation fund audit	4,500	4,500
	-----	-----
	49,500	49,500
	=====	=====

**28. SELLING AND DISTRIBUTION EXPENSES:****Local Sales:**

Advertisement	5,834,616	2,015,045
Salaries and benefits	130,970	-
Freight and Octroi	194,755	-

**Export Sales:**

Freight	5,375,454	3,237,840
Forwarding	858,991	597,939
Bank Charges	791,304	670,928
Samples	29,873	-
	-----	-----
	7,055,622	4,506,707
	-----	-----
	13,215,963	6,521,752
	=====	=====

**29. OTHER INCOME:**

Profit on sale of fixed assets	150,269	2,391,842
--------------------------------	---------	-----------

## Dividend Income from associated undertakings:

Crescent Steel & Allied Products Ltd.	1,748,000	1,140,000
The Crescent Textile Mills Ltd.	171,040	35,134
The Premier Insurance Co. of Pakistan Ltd.	52,702	-
	-----	-----
	1,971,742	1,175,134
Miscellaneous	2,086,798	1,038,756
	-----	-----
	4,208,809	4,605,732
	=====	=====

	1998 Rupees	1997 Rupees
--	----------------	----------------

**30. FINANCIAL EXPENSES:**

Interest/mark up on:		
Bank borrowings	62,430,700	59,667,983
Workers' profit participation fund	27,515	29,894
Long Term Loans	197,949	1,318,101
Lease Expenses & Interest	11,226,832	5,851,759
Bank charges, Excise commission and others	1,840,922	4,794,956
	-----	-----
	75,723,918	71,662,693
	=====	=====

**31. NON-OPERATING EXPENSES:**

Donations		
Prime Minister N.D.R. Fund.	-	352,400
Prime Minister Self Reliance Fund	5,000	-
Others	(31.1) 5,000	6,200

## Adjustment relating to previous years

Organization shares	2,163,877	-
	-----	-----
	2,173,877	358,600
	=====	=====

31.1 The directors or their spouses have no interest in the donee companies.

**32. PROVISION FOR TAXATION**

Minimum tax/presumptive tax	(3,780,682)	(3,169,159)
Deferred tax	-	6,995,056
	-----	-----
	(3,780,682)	3,825,897
	=====	=====

**33. TRANSACTIONS WITH ASSOCIATED**

**UNDERTAKINGS DURING THE YEAR:**

Services rendered	61,191,765	62,712,202
Services obtained	24,194,535	19,964,355
Purchase of goods and power	105,772,037	95,764,916
Sale of property and assets	16,995,828	50,078,486
Insurance premium	3,978,051	4,122,238
Rent paid	-	1,800,000
Interest received	17,410,335	16,072,825
Interest paid	5,833,696	6,273,735

Purchases/sales of goods and services are made at prevailing market prices.

**34. REMUNERATION OF DIRECTORS & EXECUTIVES:**

	1998		1997	
	Chief Executive	Executive	Chief Executive	Executive
Managerial remuneration	2,820,720	3,561,723	2,622,240	2,321,928
Provision for gratuity	839,577	500,143	1,201,296	300,085
Rent and Utilities	750,445	111,129	600,847	55,850
	-----	-----	-----	-----
Rupees:	4,410,742	4,172,995	4,424,383	2,677,863
	=====	=====	=====	=====
Member	1	6	1	5
	=====	=====	=====	=====

In addition they are provided with free use of Company cars and residential telephones.

The aggregate amount charged in the accounts for the year as meeting fee to Directors Rs. 3,000 (1997: Rs. 4,000).

**35. PLANT CAPACITY AND PRODUCTION**

**Spinning:**

		1998	1997
Rated capacity converted at 20 counts	Kg.	8,137,674	8,137,674
Production converted at 20 counts	Kg.	7,434,065	7,323,907
Number of shifts worked per day	No.	3	3
Total number of shifts worked during the year	No.	1,071	1,083

**Weaving:**

Rated capacity converted at 50 picks	Sq. Mtr.	13,263,201	13,263,201
Production converted at 50 picks	Sq. Mtr.	13,902,441	6,511,945
Number of shifts worked per day	No.	3	3
Total number of shifts worked during the year.	No.	1,071	1,083

**36. FIGURES:**

- a) In these accounts, figures have been rounded off to the nearest rupee.
- b) Previous year's figures have been re-arranged wherever necessary to facilitate comparison.

Mohammad Rafi  
Chief Executive

Shams Rafi  
Director

Form '34'

## PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT 30TH SEP 1998

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
343	1	100	13785
432	101	500	107429
125	501	1000	87396
186	1001	5000	406242
29	5001	10000	217573
15	10001	15000	189724
17	15001	20000	303225
13	20001	25000	288137
9	25001	30000	252561
5	30001	35000	159012
6	35001	40000	231794
6	40001	45000	257547
3	45001	50000	137612
2	50001	55000	104327
5	55001	60000	291930
2	60001	65000	123970
1	65001	70000	67788
3	70001	75000	210609
5	75001	80000	381393
2	80001	85000	164115
1	85001	90000	88673
2	90001	95000	187552
1	95001	100000	98494
1	100001	105000	100278
1	110001	115000	110651
1	115001	120000	116623
1	120001	125000	124722
1	130001	135000	132008
2	180001	185000	362818
1	195001	200000	199146
1	285001	290000	285357
1	355001	360000	357974
1	380001	385000	382079
1	470001	475000	474323
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1225			7016867
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Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1182	4773786	68.03
Investment Companies	1	76879	1.10
Insurance Companies	4	285040	4.06
Joint Stock Companies	26	1126007	16.05
Financial Institutions	9	745626	10.62
Others	3	9529	0.14
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<b>TOTAL</b>	1225	7016867	100.00
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Others			
Abandoned Property	2	402	0.01
Modaraba	1	9127	13
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<b>TOTAL</b>	3	9529	0.14
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