



ANNUAL REPORT 1996



| Nishat Chunian Ltd

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ANNUAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 1996

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# COMPANY INFORMATION

## Board of Directors

Mr. Yahya Saleem

Director /Chief Executive

Mian Muhammad Omer

Mrs. Akhtar Jehan

Mrs. Farhat Saleem

Mian Raza Mansha

Mian Umer Mansha

Mr. S.K. Jahangir

(Nominee N.I.T.)

Mr. Muhammad Azam

Rana Muhammad Mushtaq

## Corporate Secretary:

Mr. Farrukh Ifzal

## Bankers to the Company:

ABN AMRO BANK N.V.

CITIBANK N.A.

American Express Bank Ltd

Deutsche Bank

Banque Indosuez

Mashreq Bank PSC

United Bank Limited

Faysal Bank Ltd

Askari Commercial Bank Ltd

## Auditors:

M. Yousuf Adil & Company

Chartered Accountants:

## Head Office:

4-Happy Homes,

38-A Main Gulberg, Lahore.

Phone: 5761730-39

Telex: 47823 NISHT PK.

Fax: (042) 5711340

## Registered Office:

53-A, Lawrence Road, Lahore - Pakistan

Phone: 6367812-15

Telex: 47523 NISHT PK.

Fax: (042) 6367414

## Mills:

49 th Kilometre, Multan Road,

Bhai Pheru, Tehsil Chunian,

District Kasur.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 7<sup>th</sup> Annual general meeting of the members of **Nishat Chunian Limited** will be held on January 30, 1997 (Thursday) at 10:30 A.M. at the head office 4 happy Homes 38 A, Gulberg Lahore to transact the following business:-

1. To confirm the minutes of last Meeting.
2. To receive and adopt audited accounts for the years ended September 30, 1996 with together Directors and Auditors reports thereon.
3. To approve payment of cash Dividend. The Directors have recommended the cash dividend at the rate of Rs 2.00 per share (i.e. 20%).
4. To appoint auditors and fix their remuneration for the year 1996-97. The present Auditors M/s. Yousuf Adil and Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
5. **SPECIAL BUSINESS**

To approve the following Special Resolution, to amend clause 76 of the Articles of Association of the Company:

RESOLVED that clause 76 of Articles of Association of the company be and is hereby replaced with the following amended clause.

“A resolution in writing circulated to Directors and signed by majority of the Directors but not less than the quorum, or affirmed by them through telex or telegram shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted”

#### **STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984**

The change is required to resolve the urgent matters without going through a process of calling a directors meeting which require a specific time and the availability of the directors. The directors have no personal interest with the change. The Articles of Association of the company with the change has been kept at the head office, which can be inspected from 10:00 A.M. to 1:00 P.M. up to January 29, 1997.

6. To transact any other matter that may be brought forwards with the permission of the chair.

#### **BOOK CLOSURE**

The share Transfer books of the company will remain closed from January 30, 1997 to February 6, 1997 (both days inclusive).

By Order of The Boards

**Lahore:**  
December 30, 1996

**FARRUKH IFZAL**  
Corporate Secretary

#### **NOTES:**

- i) The members whose names appear in the register of members as at the close of business on January 29, 1997 will qualify for the payment of the Cash Dividend.
- ii) A member eligible to attend and vote at this meeting may appoint another member as his /her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the company's head office/registered office not later than 48 hours before the time for holding the meeting in working hours.
- iii) Members are requested to immediately notify the change of address if any.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors welcomes you to the 7th Annual General Meeting of the company and are pleased to present the audited accounts and annual report for the year ending on September 30 1996.

In the year under review your company further consolidated its balance sheet by recording remarkable results whereby it has earned a net profit of Rs.51.481 million (Rs 1.576 million last years) after charging current years taxation for Rs 5.669 million and depreciation for Rs. 40.947 million.

The year also saw the company achieve a record turnover of Rs 971.188 million an increase of 16% over last year as exports surged by 16% to Rs 614.880 million compared to Rs 528.199 million last years. Turnover is expected to cross the billion rupee marks in the current year.

Your company has continued its progress despite an external environment wherein the country, our economy and society at large have been ravaged by highest ever taxation, rampant inflation, political uncertainty and historically high cost of economic activity. To top it the year again saw highly violent swings to cotton supply. Cotton crop continued to be susceptible to pest attacks. A lot needs to be done to control this menace.

Despite these external shocks and continued currency of destabilizing factors, the Directors however continue to be "cautiously optimistic" regarding not only the textile sector but the entire economy as well. There are already signs of an emerging national consensus that textile sector, our biggest export earner, has to be consolidated and rid of defaulters and adventurers if this all important sector is to survive, let alone prosper, we believe that, like all other industry leaders your company, too, though operating in an uncertain environment, has to blaze its own trail of growth and prosperity independent of external factors.

We intend to continue strengthening our position as a leading manufacturer of quality yarn within an industry which desperately needs consolidation into fewer and bigger units. With reduced liabilities, after having paid off its supplier credit, a cheaper rupee and a stronger than ever balance sheet, your director intend to continue following the same path of aggressive cotton procurement, prudent marketing and financial management and foresee handsome results in the years to come.

Last but not least, your Directors are pleased to announce 20% cash dividend, its first, for its shareholders.

Your Directors would like to register their appreciation for the untiring efforts of the staff and management and the faith of its customers, bankers, other creditors and shareholders over the last many years which have resulted in continued profitability for the company.

The retiring auditors M/s M. Yousuf Adil & Company, Chartered Accountants being eligible offer themselves for reappointment.

The pattern of shareholding as required by section 236 of the companies Ordinance, 1984 is enclosed.

For and on behalf of the board  
**YAHYA SALEEM**  
Chief Executive/Director

Lahore:- December 30, 1996

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NISHAT (CHUNIAN) LIMITED** as at September 30, 1996 and the related profit and loss account and statement of changes in financial position together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

- (a) In our opinion, proper books of account have been kept by the company as required by 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 the 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 statement of changes in financial position, together with the notes forming parts thereof given the information required by the companies ordinance 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 1996 and of the profit and the changes in the financial position for the years then ended and.
- (d) In our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980

**Lahore:- December 30, 1996.**

**M. YOUSUF ADIL & CO.**  
Chartered Accountants

# BALANCE SHEET AS AT SEPTEMBER 30, 1996

CAPITAL AND LIABILITIES	NOTE	1996 Rupees	1995 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised</b>			
15,000,000 ordinary shares			
of Rupees 10/= each		<u>150,000,000</u>	<u>150,000,000</u>
<b>Issued, subscribed and paid up</b>	3	<u>144,000,000</u>	<u>144,000,000</u>
<b>Reserves</b>	4	<u>86,000,000</u>	<u>62,000,000</u>
<b>Unappropriated profit</b>		<u>987,617</u>	<u>2,306,324</u>
		<b>230,987,617</b>	<b>208,306,324</b>
<b>REDEEMABLE CAPITAL</b>	5	<b>26,633,534</b>	<b>30,881,750</b>
<b>DEBENTURES AND LONG TERM LOAN</b>			
Debentures	6	<u>2,513,017</u>	<u>--</u>
Long term loan	7	<u>--</u>	<u>--</u>
		<b>2,513,017</b>	<b>--</b>
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	8	<b>5,617,595</b>	<b>17,877,157</b>
<b>DEFERRED LIABILITY - Staff gratuity</b>		<b>2,454,306</b>	<b>1,897,684</b>
<b>CURRENT LIABILITIES</b>			
Short term borrowings	9	<u>148,172,538</u>	<u>138,236,974</u>
Current portion of long term liabilities	10	<u>17,136,033</u>	<u>66,451,671</u>
Creditors, accrued and other liabilities	11	<u>38,655,285</u>	<u>28,862,574</u>
Proposed dividend payable		<u>28,800,000</u>	
Taxation		<u>14,444,784</u>	<u>8,943,140</u>
		<b>247,208,640</b>	<b>242,494,359</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	<u>--</u>	<u>--</u>
		<b>515,414,709</b>	<b>501,457,274</b>

*The annexed notes form 1 to 32 an integral part of these accounts.*

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**CHIEF EXECUTIVE**

# BALANCE SHEET AS AT SEPTEMBER 30, 1996

PROPERTY AND ASSETS	NOTE	1996 Rupees	1995 Rupees
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating assets	13	271,695,488	290,195,940
Capital work-in- progress			
Building - civil works		--	9,123,213
		<b>271,695,488</b>	<b>299,319,153</b>
<b>LONG TERM DEPOSITS AND DEFERRED COST</b>	14	<b>4,706,480</b>	4,706,480
<b>CURRENT ASSETS</b>			
Stores,spares and loose tools	15	8,779,272	7,693,724
Stock-in-trade	16	22,887,384	35,226,979
Trade debts	17	117,031,237	34,263,169
Advances,deposits,prepayments and other receivables	18	26,498,913	22,840,941
Due from associated undertakings	19	61,646,338	93,207,995
Cash and bank balances	20	2,169,597	4,198,833
		<b>239,012,741</b>	<b>197,431,641</b>
		<b>515,414,709</b>	<b>501,457,274</b>

**DIRECTOR**



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	NOTE	1996 Rupees	1995 Rupees
<b>Sales</b>	21	<b>971,188,024</b>	838,914,810
<b>Cost of goods sold</b>	22	<b>798,573,284</b>	746,093,674
<b>Gross profit</b>		<b>172,614,740</b>	92,821,136
<b>Operating expenses</b>			
Administration	23	<b>13,582,066</b>	11,883,788
Selling	24	<b>40,955,698</b>	29,239,050
Financial	25	<b>59,964,022</b>	46,220,568
		<b>114,501,786</b>	87,343,406
<b>Operating profit</b>		<b>58,112,954</b>	5,477,730
<b>Other Income</b>	26	<b>2,065,740</b>	2,722,334
		<b>60,178,694</b>	8,200,064
<b>Other charges</b>	27	<b>3,028,513</b>	1,398,600
<b>Profit before Taxation</b>		<b>57,150,181</b>	6,801,464
<b>Taxation</b>	28	<b>5,668,888</b>	5,225,115
<b>Profit after Taxation</b>		<b>51,481,293</b>	1,576,349
<b>Unappropriated profit brought forward</b>		<b>2,306,324</b>	729,975
<b>Profit available for appropriations</b>		<b>53,787,617</b>	2,306,324
<b>Appropriations</b>			
proposed dividend 20%		<b>28,800,000</b>	..
Transfer to general reserve		<b>24,000,000</b>	..
		<b>52,800,000</b>	..
<b>Unappropriated profit carried forward</b>		<b>987,617</b>	2,306,324

The annexed notes form 1 to 32 form an integral part of these accounts.

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

# CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>CASH FROM OPERATING ACTIVITIES</b>		
Profit before Taxation	57,150,181	6,801,464
Adjustment for:		
Depreciation	40,947,025	41,121,391
Provision for gratuity	1,326,049	888,048
Deferred cost amortised	--	520,420
Profit on disposal of fixed assets	(94,828)	(1,664,201)
Gratuity paid	(769,427)	(439,415)
Financial Charges	59,964,022	46,220,568
	<u>101,372,841</u>	<u>86,646,811</u>
<b>Operating profit before changes in working capital</b>	<b>158,523,022</b>	<b>93,448,275</b>
<b>Changes in working capital</b>		
(Increase) / decrease in current assets		
Stores,spares and loose tools	(1,085,548)	132,323
Stock-in-trade	12,339,595	(20,074,023)
Trade debts	(82,768,068)	(12,914,489)
Advances,deposits,prepayments and other receivables	(3,657,972)	(10,131,461)
Due from associated undertakings	31,561,657	31,571,431
Increase / (decrease) in current liabilities		
Creditors,accured and other liabilites	10,205,760	(9,306,460)
Net (Increase) / decrease in working capital	(33,404,576)	(20,722,679)
Financial charges paid	(60,377,071)	(44,838,048)
Taxes paid	(167,244)	(3,217,654)
<b>Net cash from operating activities</b>	<b>64,574,131</b>	<b>24,669,894</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceed from disposal of fixed tax	946,510	6,296,860
Fixed capital expenditure	(14,175,042)	(18,308,141)
<b>Net cash used in investing activities</b>	<b>(13,228,532)</b>	<b>(12,011,281)</b>

## CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Debentures issued	3,141,272	--
Redemption of of Redeemable capital	(23,575,637)	(18,009,542)
Redemption of of debentures	(1,481,554)	(4,339,062)
Repayment of long term loan	(28,135,581)	(28,135,526)
Repayment of lease liability	(13,258,899)	(12,024,963)
Long term deposit and deferred costs	--	1,084,000
Increase / (decrease) in short term bank borrowings	9,935,564	44,423,065
<b>Net cash used in financing activities</b>	<b>(53,374,835)</b>	<b>(17,002,028)</b>
<b>NET (DECREASE)INCREASE IN CASH AND BANK BALANCES</b>	<b>(2,029,236)</b>	<b>(4,343,415)</b>
<b>CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR</b>	<b>4,198,133</b>	<b>8,542,248</b>
<b>CASH AND BANK BALANCES AT THE END OF THE YEAR</b>	<b>2,169,597</b>	<b>4,198,833</b>

CHIEF EXECUTIVE

DIRECTOR

FOR THE YEAR ENDED SEPTEMBER 30, 1996

## 1. STATUS AND ACTIVITIES

The company is limited by shares incorporated in Pakistan and its shares are quoted on stock exchanges at Karachi & Lahore. The principal business of the company is manufacture and sale of yarn. The mill is located at Bhai Pheru, Tehsil Chunian, District Kasur in the province of Punjab.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting convention

These accounts have been prepared under "Historical Cost Convention" except as modified by certain exchange differences as stated in Note 2.4.

### 2.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the liability under the scheme.

### 2.3 Taxation

#### Current

Provision for current taxation is based on taxable income at current tax rates after taking into accounts tax rebates and tax credits available if any.

#### Deferred

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

### 2.4 Operating assets

Operating assets, except freehold land, are stated at cost less accumulated depreciation, Freehold land is stated at cost.

Exchange differences and exchange risk coverage fee in respect of foreign currency loans obtained for acquisition of operating assets are incorporated in the cost of relevant assets.

Depreciation is charged to income on the reducing balance method at the rates specified in the operating assets note.

Depreciation on day to day additions during the year is charged on the basis of whole year. However, depreciation for proportionate period of use is charged on capitalization of major project cost. No depreciation is charged on deletions during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets are included in current income

## 2.5 Capital work in progress

All costs / expenditure related to specific assets, incurred during project implementation period are collected under this head. These are transferred to assets as and when assets are available for use.

## 2.6 Accounting for lease

The Company accounts for asset required under finance lease by recording the assets and related liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Assets are amortized over the shorter of the lease term or useful life.

## 2.7 Deferred costs

These are amortized to income over a maximum period of five years from the year of deferment.

## 2.8 Stores, spares and loose tools

These are valued at cost calculated on moving average basis except goods in transit which are valued at cost.

## 2.9 Stock in Trade

These are valued at lower of average cost and net realizable value applying the following basis.

Raw material	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realisable value

## 2.10 Trade Debts

Known bad debts are written off and provision is made for debts considered doubtful.

## 2.11 Foreign Currency Transaction

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, except those covered under forward exchange contracts which are translated at cover rate. Exchange differences, except as stated in Note 2.4 are included in current income.

## 2.12 Revenue Recognition

Sales are recorded on dispatch / shipment of goods.

	1996 Rupees	1995 Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID-UP</b>		
12,000,000 Ordinary shares of Rs 10/- each fully paid in cash	120,000,000	120,000,000
2,400,000 Ordinary shares of Rs 10/- each fully paid as bonus shares		
	<u>24,000,000</u>	<u>24,000,000</u>
	<u>144,000,000</u>	<u>144,000,000</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>4. Reserves</b>		
<b>Capital</b>		
Balance at the beginning of the year	--	24,000,000
Transferred from profit and loss account	--	--
	<u>          </u>	<u>          </u>
	--	24,000,000
Transfer to share capital	--	(24,000,000)
	<u>          </u>	<u>          </u>
	--	--
Revenue - General		
Balance at the beginning of the year	<b>62,000,000</b>	62,000,000
Transferred from profit and loss account	<b>24,000,000</b>	--
	<u>          </u>	<u>          </u>
	<b>86,000,000</b>	62,000,000
	<u>          </u>	<u>          </u>
	<b>86,000,000</b>	62,000,000
<b>5. REDEEMABLE CAPITAL</b>		
<b>Secured- Non participatory</b>		
Term finance certificate (5.1)	<b>34,457,387</b>	37,466,929
Morabaha finance (5.2)	<b>20,000,000</b>	35,000,000
	<u>          </u>	<u>          </u>
	<b>54,457,387</b>	72,466,929
Payment during the year	<b>(23,575,637)</b>	(18,009,542)
	<u>          </u>	<u>          </u>
	<b>30,881,750</b>	54,457,387
Payable within one year shown under current liabilities	<b>(4,248,216)</b>	(23,575,637)
	<u>          </u>	<u>          </u>
	<b>26,633,534</b>	30,881,750

**5.1** These have been issued to National Investment Trust. These are secured against equitable mortgage, floating charges hypothecation of the Company's present and future properties ranking pari passu with the charge created to secure finance (Refer note 5.2) and supplier's credit (Refer Note 7).

The Financing has been made by purchase of assets valuing Rs. 40 million. The sale price of Rs.84.192 million is payable in 18 half yearly instalments. The first two instalments of Rs.3.6 million each and 16 equal instalments of Rs 4.812 million each commencing from February 15,1993.

**5.2** The finance is secured against equitable mortgage floating charge hypothecation of the Company's present and future properties including current assets ranking pari passu with the charge created to secure term finance certificates (Refer note 5.1) and supplier's credit (Refer Note 7)

The Financing has been made by purchase of raw material valuing Rs. 35 million. The sale price of Rs.42.831 million is repayable at Rs.21.918 million in 5 quarters and of Rs.20.912 million at the end of 6th quarter commencing from September 29,1994.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>6. DEBENTURES</b>		
<b>Non convertible - Secured</b>		
Opening balance (6.1)	1,481,554	5,820,616
Issued during the year (6.2)	<u>3,141,272</u>	<u>..</u>
	4,622,826	5,820,616
Redeemed during the year	<u>(1,481,554)</u>	<u>(4,339,062)</u>
	3,141,272	1,481,554
Payable within one year shown under current liabilities	<u>(628,255)</u>	<u>(1,481,554)</u>
	<u>2,513,017</u>	<u>..</u>

- 6.1 These represent debentures issued in favour of Collector of Customs by Nishat Mills Limited in lieu of deferred payment of custom charges on plant and machinery imported by them and sold to the Company under agreement of sale dated March 09, 1991. The debentures are secured by bank guarantees arranged by Nishat Mills Limited.

The Principle amount of debentures is redeemable after a grace period of two and a half years from the date of their issue in six half yearly equal instalments.

These are subject to surcharge @ 11% per annum.

- 6.2 These represent debentures issued in favour of Collector of Customs by Nishat Mills Limited in lieu of deferred payment of custom charges on plant and machinery imported by them and sold to the Company under agreement of sale dated March 09, 1991. The debentures are secured by bank guarantees arranged by Nishat Mills Limited.

The principal amount of debentures is redeemable after a grace period of one year from the date of their issue in five annual equal instalment.

These are subject to surcharge @ 14% per annum.

## 7. LONG TERM LOAN

### Supplier's credit

Opening balance	28,135,581	56,271,107
Paid during the year	<u>(28,135,581)</u>	<u>(28,135,526)</u>
	--	28,135,581
Payable within one year shown under current liabilities	<u>--</u>	<u>(28,135,526)</u>
	<u>--</u>	<u>--</u>

The credit represents cost of plant and machinery imported from Tomen Corporation, Japan for the total sum of Japanese Yen 1,077 million arranged through United Bank Limited and is secured against first equitable mortgage on company's present and future properties ranking pari passu with the charge created to secure redeemable capital (Refer Note 5.1 & 5.2).

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

The foreign currency value has been converted in Pak Rupees @ Japanese Yen 1 = Rs. 0.153698 which is the rate booked and covered by State Bank of Pakistan against payment of exchange risk cover fee @ 6.8 % per annum.

The loan is subject to interest at the rate of 6 % per annum

	1996 Rupees	1995 Rupees
<b>8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
<b>Secured</b>		
Opening balance	31,136,056	43,161,019
Paid during the year	<u>(13,258,899)</u>	<u>(12,024,963)</u>
	17,877,157	31,136,056
Payable within one year shown under current liabilities	<u>(12,259,562)</u>	<u>(13,258,899)</u>
	<u>5,617,595</u>	<u>17,877,157</u>

These represent plant & machinery acquired from First Grindlays Modaraba, Orix Leasing Pakistan Limited and National Development Leasing Corporation Limited.

Other Significant financial terms & conditions are as under:

	Lease I	Lease II	Lease III	Lease IV	Lease V
Principal & financial charges (Rs.)	35,757,016	18,857,500	4,960,768	11,165,937	17,798,153
Instalments payments rest	Quarterly	Quarterly	Quarterly	Quarterly	Monthly
Each Instalment (Rs.)	1,775,378	935,875	246,308	544,444	293,866
Number of instalments	20	20	20	20	20
Commenced from	Sept, 1992	June, 1992	Jan, 1993	Jan, 1993	Dec, 1992
Applicable rate of finance	19.51%	19.09%	19.51%	20.09%	19.33%

The future minimum lease payment which the Company is committed as at September 30, 1996 are as under:

Year Ending September 30,	Rupees
1997	16,432,183
1998	<u>3,010,175</u>
	19,442,358
Financial charges allocated to future period	<u>(1,565,201)</u>
	<u>17,877,157</u>



# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>9. SHORT TERM BORROWING</b>		
<b>Secured - Under mark-up arrangements</b>		
From banking companies		
Cash finance (9.1)	41,879,538	132,636,974
Export finance (9.2)	106,293,000	5,600,000
	<u>148,172,538</u>	<u>138,236,974</u>
<b>9.1</b> These are secured against pledge of raw cotton, demand promissory notes of the Company and personal guarantee of Directors.		
These are subject to mark - up ranging from 44 to 49 paisas per Rs. 1000/- per day Total credit limit is Rs. 672 million (1995: Rs. 505 million).		
<b>9.2</b> These are secured against hypothecation of entire present and future current assets of the Company, lien on the export bills and personal guarantee of Directors.		
These are subject to mark - up ranging from 33 to 35 paisas per Rs. 1000/- per day The total credit limit is Rs.115 million (1995: Rs. 93 million).		
<b>10. CURRENT PORTION OF LONG TERM TENABILITIES</b>		
Redeemable capital	4,248,216	23,575,637
Debenture	628,255	1,481,554
suppliers credit	--	28,135,581
Liabilities against assets subject to finance lease	12,259,562	13,258,899
	<u>17,136,033</u>	<u>66,451,671</u>
<b>11. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors	6,715,533	6,184,797
Accrued expenses	18,251,498	10,994,392
Advance from customers	1,019,265	989,544
Retentions	931,523	1,081,523
Capital expenditure payable	227,135	247,057
Financial charges on secured:		
Redeemable capital	694,840	775,292
Debenture	370,341	60,228
Long term loan	--	501,281
Lease finance	189,230	317,718
Mark-up / excise / duty on secured short term borrowings	7,209,919	7,222,860
Worker's profit participation fund (11.1)	3,028,513	378,180
With - holding taxes	17,488	109,702
	<u>38,655,285</u>	<u>28,862,574</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>11.1 Workers' Profit Participation Fund</b>		
Opening balance	378,180	3,657,890
Mark- up on funds utilized in company's business	42,459	185,938
	<u>420,639</u>	<u>3,843,828</u>
Allocation for the year	3,028,513	378,180
	<u>3,449,152</u>	<u>42,222,008</u>
Amount paid to workers on behalf of the fund	420,639	3,843,828
	<u>3,028,513</u>	<u>378,180</u>

## 12. CONTINGENCIES & COMMITMENTS

### Contingencies

The company is not contingently for any sum of money, (1995:Rs. 1.200 million) against retrospective increase in minimum wages of unskilled workers challenged in court of law.

### Commitments

There was no capital commitment as at the balance sheet date

## 13. OPERATING ASSETS

PARTICULARS	Cost as at Oct.01, 1995	Additions/ (Disposal) during the year	Cost as at Sep.30, 1996	Accumulated Depreciation as at Sep. 30, 1996	Written Down Value as at Sep.30, 1996	Depreciation for the Year	Rate %
<b>Company owned</b>							
Land	2,737,572	1,544,380	4,281,952	--	4,281,952	--	--
Building	75,863,872	9,409,875	85,273,747	33,052,699	52,221,048	5,802,339	10
Plant & Machinery	296,675,338	9,949,831 (44,500)	306,580,669	126,302,480	180,278,189	20,030,910	10
Electric installations	17,115,523	--	17,115,523	7,076,919	10,038,604	1,115,401	10
Tools & equipments	1,010,054	--	1,010,054	429,158	580,896	64,544	10
Furniture & fixtures	1,513,093	18,662 (20,500)	1,511,255	572,695	938,560	104,284	10
Office equipments	1,940,129	565,582 (171,610)	2,334,101	549,459	1,784,642	198,294	10
Transport vehicles	6,775,593	1,809,925 (974,166)	7,611,352	3,341,235	4,270,117	1,067,529	20
	<u>403,631,174</u>	<u>23,298,255</u> (1,210,776)	<u>425,718,653</u>	<u>171,324,645</u>	<u>254,394,008</u>	<u>28,383,301</u>	
<b>Under lease</b>							
Machinery	67,297,652	--	67,297,652	49,996,172	17,301,480	12,563,724	
1996 - Rupees	470,928,826	23,298,255 (1,210,776)	493,016,305	221,320,817	271,695,488	40,947,025	
1995 - Rupees	468,211,784	9,309,273 (6,592,231)	470,928,826	180,732,886	290,195,940	41,121,390	

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>13.1 Depreciation for the year has been allocated as under</b>		
Cost of goods sold	39,576,918	39,784,226
Administration expenses	<u>1,370,107</u>	<u>1,337,164</u>
	<u><b>40,947,025</b></u>	<u>41,121,390</u>

## 13.2 Disposal of Fixed Assets

Description	Cost	Accumulated Depreciation	Bank Value	Proceed from Disposal	Made of Disposal	Particulars of Purchaser
Plant & Machinery	44,500	19,698	24,802	44,500	Negotiation	Greentech Pakistan Limited
Furniture & fixtures	20,500	3,895	16,605	20,500	Negotiation	C/o Employees Nishat (Chunian) Ltd.
Office equipments	171,610	24,280	147,330	74,910	Negotiation	Various
Transport vehicles	974,166	311,221	662,945	806,650	Negotiation	Nishat Mills Ltd D.G Khan Cement Ltd Ch. Shahid Anwar CVSH, Lahore C/o Employees Umer Fabrics Ltd.
<b>1996 - Rupees</b>	<u>1,210,776</u>	<u>359,094</u>	<u>851,682</u>	<u>946,560</u>		
<b>1995 - Rupees</b>	<u>6,592,231</u>	<u>1,959,572</u>	<u>4,632,659</u>	<u>6,296,860</u>		

## 14. LONG TERM DEPOSIT AND DEFERRED COST

Security deposit	<b>4,706,480</b>	4,706,480
Deferred cost		
Preliminary expenses	--	354,364
Share issue expenses	--	485,056
	--	520,420
Amortization during the year	--	(520,420)
	--	--
	<u><b>4,706,480</b></u>	<u>4,706,480</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>15.. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	4,327,459	2,428,453
Spares	4,451,813	5,191,873
Loose tools	--	13,364
Store in transit	--	60,034
	<u>8,779,272</u>	<u>7,693,724</u>
<b>16. STOCK IN TRADE</b>		
Raw material	13,266,751	20,317,389
Work in process	5,017,041	4,679,907
Finished goods	3,572,889	8,080,939
Waste	1,030,703	2,148,744
	<u>22,887,384</u>	<u>35,226,979</u>
<b>17. TRADE DEBTS</b>		
Foreign - Secured	55,170,859	7,179,221
Local - Unsecured- Considered good	61,860,378	27,083,948
	<u>117,031,237</u>	<u>34,263,169</u>
<b>18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances - Considered good	801,656	530,188
Employees	920,345	21,345
Contractors	2,099,915	1,636,598
Suppliers	76,994	556,836
Excise duty	14,954,669	9,093,951
Tax deposit	260,504	238,504
Bank margin deposit	6,848,876	9,310,306
Deposit	239,658	1,447,613
Prepayments	296,296	5,600
Other receivables	<u>26,498,913</u>	<u>22,840,941</u>
<b>19. DUE FROM ASSOCIATED UNDERTAKINGS</b>		
Unsecured- Considered goods	61,646,338	93,207,995
It carries mark-up @ 50 paisas Per Rs. 1000/- per day.		
<b>20. CASH AND BANK BALANCES</b>		
Cash in hand	161,601	285,279
Cash at bank - In current accounts	2,007,996	3,913,554
	<u>2,169,597</u>	<u>4,198,833</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>21. SALES</b>		
Yam		
Export	614,880,402	528,199,602
Local	355,785,202	315,276,961
Waste - local	19,491,165	10,179,417
	<b>990,156,769</b>	<b>853,655,980</b>
Less:		
Excise duty	5,254,842	8,660,811
Sales tax	2,010,389	1,363,077
Commision on :		
Export sales	17,702,654	5,688,015
Local sales	467,454	857,035
	<b>25,435,339</b>	<b>16,568,938</b>
	<b>964,721,430</b>	<b>837,087,042</b>
Doubling income	6,466,594	1,827,768
	<b>971,188,024</b>	<b>838,914,810</b>
<b>22. COST OF GOODS SOLD</b>		
Raw material consumed (22.1)	589,880,377	614,299,448
Packing material	18,430,945	14,413,399
Stores & Spares	7,492,827	5,002,711
Salaries,wages & benefits	25,130,361	23,469,188
Fuel & power	48,922,477	40,947,895
Insurance	746,453	693,823
Depreciation	39,576,918	39,784,226
Others	5,746,916	3,389,100
	<b>735,927,274</b>	<b>741,999,790</b>
Work in process		
Opening	4,679,907	3,756,901
Closing	(5,017,041)	(4,679,907)
	<b>(337,134)</b>	<b>(923,006)</b>
Cost of goods manufactured	<b>735,590,140</b>	<b>741,076,784</b>
Finished yam purchased	57,357,053	10,402,998
	<b>792,947,193</b>	<b>751,479,782</b>
Finished goods		
Opening	10,229,683	4,843,575
Closing	(4,603,592)	(10,229,683)
	<b>5,626,091</b>	<b>(5,386,108)</b>
	<b>798,573,284</b>	<b>746,093,674</b>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>22.1 Raw Material</b>		
Opening stock	<b>20,317,389</b>	6,552,480
Purchase	<b>585,297,819</b>	628,064,357
	<b>605,615,208</b>	634,616,837
Sale	<b>(2,468,080)</b>	..
Closing stock	<b>(13,266,751)</b>	(20,317,389)
	<b>598,880,377</b>	614,299,448
<b>23. ADMINISTRATION EXPENSES</b>		
Directors' remuneration	<b>492,000</b>	600,000
Staff salaries & benefits	<b>2,854,976</b>	2,329,415
Printing & stationery	<b>367,371</b>	623,739
Vehicles running & maintenance	<b>786,314</b>	495,678
Travelling & conveyance	<b>2,608,866</b>	1,999,559
Postage & telephone	<b>2,195,009</b>	1,691,339
Fee & Subscription	<b>326,965</b>	420,455
Utilities	<b>426,057</b>	142,055
Insurance	<b>554,339</b>	444,933
Office maintenance	<b>169,968</b>	374,496
Repairs & maintenance	<b>683,972</b>	425,214
Entertainment	<b>156,370</b>	255,459
Audit fee	<b>55,000</b>	45,000
Advertisement	<b>60,371</b>	12,925
Depreciation	<b>1,370,107</b>	1,337,164
Other	<b>474,381</b>	570,357
	<b>13,582,066</b>	11,883,788
<b>24. SELLING EXPENSES</b>		
Ocean freight	<b>29,847,777</b>	22,423,082
Freight & octroi	<b>6,557,858</b>	4,351,049
Forwarding & others	<b>455,063</b>	2,464,919
	<b>40,955,698</b>	29,239,050
<b>25. FINANCIAL CHARGES</b>		
Mark - up on redeemable capital	<b>5,967,911</b>	6,546,743
Surcharge on debentures	<b>391,578</b>	383,951
Interest on long term loans	<b>2,206,391</b>	5,805,019
Finance charges on leases	<b>4,187,024</b>	6,366,468
Mark - up on short term borrowings	<b>33,966,347</b>	19,704,092
Mark - up on worker's profit participation fund	<b>42,459</b>	185,938
Bank charges, commission & excise duty	<b>13,202,312</b>	7,228,357
	<b>59,964,022</b>	46,220,568

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

	1996 Rupees	1995 Rupees
<b>26. OTHER INCOME</b>		
Gain on sale of fixed assets	94,828	1,664,201
Sale of scrap	1,876,463	911,513
Other	94,449	146,620
	<u>2,065,740</u>	<u>2,722,334</u>
<b>27. OTHER CHARGES</b>		
Amortization of deferred cost	--	520,420
Worker's profit participation fund	3,028,513	378,180
Donation (27.1)	--	500,000
	<u>3,028,513</u>	<u>1,398,600</u>

27.1 No director and his spouse had any interest in the donee's fund

## 28. TAXATION

### Current

Income tax assessments of the company have been finalized up to assessment year 1994-95 (accounting year 1992-93) resulting into assessed losses of Rs. 89.470 million. Returned profit for the assessment year 1996-97 (accounting year 1994-95) is Rs. 0.952 million. In view of available tax losses no provision for normal taxation is required. However, tax on turn over and export proceeds as required under the Income Tax Ordinance, 1979 has been made.

### Deferred

Tax effect of major timing differences after taking account available tax losses come to debit balance for which no provision is made

## 29. REMUNERATION TO DIRECTORS & EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS & EXECUTIVES		TOTAL	
	1996 Rupees	1995 Rupees	1996 Rupees	1995 Rupees	1996 Rupees	1995 Rupees
Remuneration	112,000	112,000	1,203,358	929,765	1,315,358	1,041,765
House rent	50,400	50,400	541,510	417,832	591,910	468,232
Conveyance	..	..	7,200	10,800	7,200	10,800
utilities	5,600	5,600	76,150	56,403	81,750	62,003
	<u>168,000</u>	<u>168,000</u>	<u>1,828,218</u>	<u>1,414,800</u>	<u>1,996,218</u>	<u>1,582,800</u>

No. of persons                    1                    1                    8                    7

The Chief Executive and one director also provided with free use of Company's cars. The monetary value of the benefits amounts to Rs. 67,042/= (1995:140,797/-).

### 30. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

The Company purchased from and sold to associated undertakings materials, goods and services in aggregate sum of Rs. 46.857 million (1995 - Rs. 7.251 million) and Rs. 271.716 million (1995 - Rs. 105.452 million) respectively.

Maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 61.646 million (1995 - 154.492 million).

### 31. PLANT CAPACITY & ACTUAL PRODUCTION

	1996	1995
Number of spindles installed	17,280	17,280
Number of spindles worked	17,280	17,280
Number of shifts per day	3	3
Installed capacity after conversion into 20 count (Kgs.)	5,525,165	5,525,165
Actual production of yarn after conversion into 20 count (Kgs.)	5,131,415	5,021,068

Under utilization of capacity is due to processing of coarser counts.

### 32. FIGURES

- Have been rounded off to the nearest rupee.
- Of prior year have been re-arranged wherever necessary for the purpose of comparison.

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



FORM - 34  
THE COMPANIES ORDINANCE, 1984  
PATTERN OF HOLDING OF SHARES  
HELD BY THE MEMBERS AS AT SEPTEMBER 30, 1996

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
90	1	100	5492
1290	101	500	243716
1146	501	1000	754252
263	1,001	1500	329780
40	1,501	2000	71984
86	2,001	2500	202540
32	2,501	3000	92560
9	3,001	3500	30020
30	3,501	4000	108400
12	4,001	4500	51360
17	4,501	5000	81120
9	5,001	5500	47680
35	5,501	6000	209660
1	6,001	6500	6480
4	6,501	7000	26852
15	7,001	7500	107880
3	7,501	8000	23400
6	8,001	8500	50160
3	8,501	9000	25800
2	9,001	9500	18792
3	9,501	10000	29560
28	10,001	15000	336740
16	15,001	20000	281376
7	20,001	25000	164456
2	25,001	30000	55760
3	35,001	40000	111480
1	40,001	45000	43320
4	55,001	60000	238320
1	60,001	65000	64800
1	70,001	75000	75000
1	75,001	80000	77640
1	90,001	95000	93500
1	95,001	100000	96000
1	190,001	195000	192000
1	220,001	225000	222480
1	305,001	310000	305840
1	395,001	400000	399960
1	520,001	525000	521508
1	535,001	540000	540000
1	555,001	560000	558120
2	595,001	600000	1200000
1	1,735,001	1740000	1740000
1	1,770,001	1775000	1773612
1	2,790,001	2795000	2790600
3174			14400000

Categories of Shareholders	Number of Shareholders	Share Held	Percentage%
Individuals	3,150	7930140	55.07
Investment Companies	6	834848	5.8
Insurance Companies	3	406680	2.82
Joint Stock Companies	8	3108120	21.59
Financial Institutions	5	1812872	12.59
Modaraba Company	1	1500	0.01
Foreign Company	1	305840	2.12
	3174	14400000	100

**PROXY FORM**

The Corporate Secretary,  
NISHAT (CHUNIAN) LIMITED  
4- Happy Homes,  
38-A, Main Gulberg,  
Lahore.

I/We \_\_\_\_\_

of \_\_\_\_\_ being a member(s) of

NISHAT (CHUNIAN) LIMITED, and holder of \_\_\_\_\_ ordinary shares

as Per Share Register Folio No. \_\_\_\_\_

hereby appoint Mr. /Mrs. / Miss \_\_\_\_\_

of \_\_\_\_\_ or failing him /her Mr. /Mrs. / Miss

\_\_\_\_\_ of \_\_\_\_\_

(being member of company) as my/our Proxy to attend, act and vote for me /us and on my/ our behalf at the Annual General meeting of the Company to be held at the Head Office of the Company at 4-Happy Homes, 38-A, Main Gulberg, Lahore on Tuesday, March 31, 1998 at 10.00 a.m. and at every adjournment thereof:

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 1998

Signed by the said \_\_\_\_\_ in presence of

\_\_\_\_\_  
Witness Signature



Signature

**NOTES:**

- 1. Proxies, in order to be effective, must be received at the company's Head Office/Registered Office not less than 48 hours before the meeting duly stamped, signed and witnessed.
- 2. Signature must agree with the specimen signature registered with the Company.
- 3. No person shall act as proxy unless he/she is member of the Company.



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Email: [info@nishat.net](mailto:info@nishat.net)  
[www.nishat.net](http://www.nishat.net)  
[www.facebook.com/NishatChunianGroup](https://www.facebook.com/NishatChunianGroup)