



ANNUAL REPORT 1999



Nishat Chunian Ltd

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ANNUAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 1999

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COMPANY INFORMATION

Board of Directors:

Mr. Shahzad Saleem

Mian Muhammad Omar

Mrs. Akhtar Jehan Begum

Mrs. Farhat Saleem

Mrs. Sughra Begum

Mian Raza Mansha

Mian Umer Mansha

(Chief Executive)

Corporate Secretary:

Mr. Farrukh Ifzal

Bankers to the Company:

ABN AMRO Bank N.V.

Citibank N.A.

American Express Bank Ltd.

Deutsche Bank

Credit Agricole Indosuez

Faysal Bank Ltd.

Bank of America NT & SA

Standard Chartered Bank

Hong Kong and Shanghai Banking Corporation Ltd.

Habib Bank Ltd.

United Bank Ltd.

Auditors:

A.F. Ferguson & 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:

Spinning

49th Kilometre, Multan Road,

Bhai Pheru, Tehsil Chunian,

District Kasur.

Weaving

49th Kilometre, Multan Road,

Kamogal, Tehsil Pattoki,

District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 10th Annual General Meeting of the Shareholders of NISHAT (CHUNIAN) LIMITED will be held at the Head office of the Company, 4-Happy Homes, 38-A, Main Gulberg, Lahore, on Friday, March 31, 2000 at 3.00 p.m. to transact the following business:-

1. To confirm the minutes of last General Meeting;
2. To receive and adopt audited accounts of the Company for the year ended September 30, 1999 together with Directors' and Auditors' reports thereon.
3. To approve 26% Cash Dividend (i.e. Rs. 2.60 per share) and 40% Bonus issue (i.e. two Bonus shares against five existing shares), as recommended by the Directors.
4. To appoint auditors for the year ending September 30, 2000 and fix their remuneration. The present Auditors M/s. A.F. Ferguson & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To elect seven Directors of the Company for a period of three years in accordance with the provisions of the Companies Ordinance, 1984, in the place of following retiring Directors.

| | | | |
|----|--------------------------------|----|---------------------------|
| 1. | Mr. Shahzad Saleem | 2. | Mian Muhammad Omar |
| 3. | Mrs. Akhtar Jehan Begum | 4. | Mrs. Farhat Saleem |
| 5. | Mrs. Sughra Begum | 6. | Mian Raza Mansha |
| 7. | Mian Umer Mansha | | |

The Board of Directors has fixed the number of elected Directors as seven. All retiring directors shall be eligible to offer themselves for re-election.

6. SPECIAL BUSINESS

To consider and pass the following Special Resolution:

“RESOLVED THAT the authorized capital of the company be and is hereby increased from Rs. 150,000,000 dividend into 15,000,000 Ordinary shares of Rs. 10/- each to Rs. 300,000,000 dividend into 30,000,000 Ordinary share of Rs. 10/- each. The new shares shall rank pari passu with the existing shares in all respects.

FURTHER RESOLVED THAT clause “V” of the Memorandum of Association and clause “7” of the Articles of Association of the company be amended accordingly:

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

It is proposed to increase the authorized capital of the company as above to enable the issue of shares as and when deemed necessary.

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

BOOKS CLOSURE

The Share Transfer Books of the Company will remain closed from 31, 2000 to April 07, 2000 (both days inclusive).

Lahore:
March 08, 2000

By Order of the Board
FARRUKH IFZAL
Corporate Secretary

NOTES:

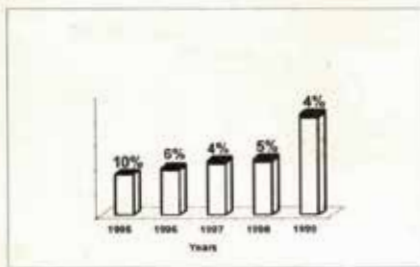
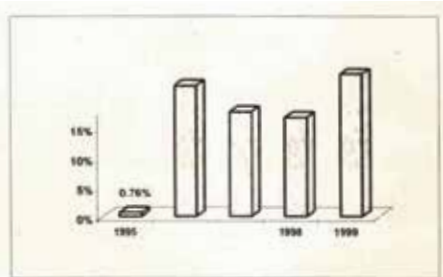
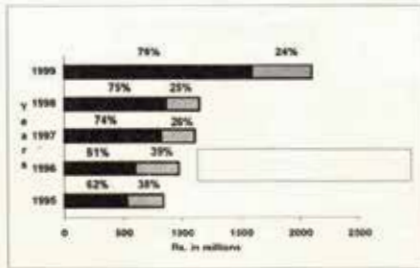
- i) The Cash Dividend will be paid and the Bonus shares will be issued to the shareholders, whose names will appear in the register of members as at the close of business on March 30, 2000.
- ii) All the members should bring their Original National Identity Card or Original Passport at the time of the Annual General Meeting to facilitate the identification.
- iii) Nominations from the members for the Office of Directors must be received at least 14 clear days before the time of the Annual General Meeting at the registered office during working hours.
- iv) A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting during working hours.
- v) Members are requested to immediately notify the change of address, if any.

OPERATING RESULTS

The period under review was an important year in the history of the company. By the grace of God, weaving unit completed its first year successfully and together with the spinning unit, the company earned a profit after tax of Rs. 91.594 million (1998: Rs. 51.610 million)

The sales increased by 82.40% mainly due to weaving unit whereas the administrative and selling expenses rose by 48% and 19% respectively. This shows our commitment to utilize all available resources effectively and get benefits of the large scale economies. Keeping in view the outstanding results the directors have recommended a cash dividend of 26% i.e. Rs. 2.60 per share and bonus share @ 40% i.e. 4 shares for every 10 shares. An amount of Rs. 54.000 million is also transferred to general reserves.

Another significant highlight of the current year's operating results is earning per share that rose to Rs. 6.36 per share from 3.58 per share in 1998. The consistent performance of the company in terms of its export volume, earning per share and return on equity is presented hereunder:



Considering persistent demand of wider width cloth in US and European markets, we have already added 29 wider width looms, one sizing machine and one warping machine to the weaving unit and were successful to explore these markets.

COTTON OUTLOOK

In the wake of higher local purchase prices during 1999, we still managed to procure quality cotton at lower prices as part of our coverage policy and gained considerable advantage over our competitors. In continuation of this policy and understanding the expected impact of bumper cotton crop requirement till the end of October 2000 at a rate much lower than the current market prices.

FUTURE OUTLOOK

Nishat (Chunian) Limited is committed in utilizing its available resources towards economic growth of the company. Keeping in view the expected healthy profits in the year 1999-2000 and our expanding market base, we have further decided to add 40 Picanole looms and 21,672 spindles to increase our production capacity. The planned spinning unit will be based on finer counts and its production would mainly be used to cater the demand of weaving unit. In the existing spinning unit, we are emphasizing on product diversification to have an edge over the competitors.

We remain committed to efficient operating systems and strong marketing efforts to counter the increased competitiveness in the global market to ensure better results. Moreover, this will enable us to ensure better returns to our shareholders.

ACKNOWLEDGEMENT

The results are due to the untiring efforts of our management team. We also wish to thank our bankers and our suppliers for their continued commitment and support.

The pattern of shareholdings as required by section 236 of the Companies Ordinance, 1984 is enclosed.

For and on behalf of the board

Lahore: March 04, 2000

MIAN MUHAMMAD OMAR
Director

| Particulars | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|
| Share Capital | 99,240,000 | 100,000,000 | 100,000,000 | 120,000,000 | 144,000,000 | 144,000,000 | 144,000,000 | 144,000,000 | 144,000,000 |
| Reserves | 10,481,815 | 16,893,291 | 28,384,231 | 86,729,975 | 64,306,324 | 86,987,617 | 110,626,611 | 162,237,099 | 194,791,729 |
| Shareholder's Fund | 109,721,815 | 116,893,291 | 128,384,231 | 206,729,975 | 208,306,324 | 230,987,617 | 254,626,611 | 306,237,099 | 338,791,729 |
| Long term Loan | 125,559,363 | 96,491,397 | 62,091,723 | 29,617,135 | | 2,513,017 | 1,884,762 | 251,256,507 | 277,292,919 |
| Other items | 55,062,437 | 71,138,958 | 80,668,842 | 87,042,494 | 50,656,591 | 32,224,361 | 24,880,585 | 19,174,610 | 3,563,108 |
| Current Liabilities | 205,410,634 | 188,519,199 | 234,899,021 | 200,045,194 | 242,494,359 | 235,244,930 | 201,965,020 | 702,241,679 | 1,015,989,151 |
| Total Liabilities | 386,032,434 | 356,149,554 | 377,659,586 | 316,704,823 | 293,150,950 | 269,982,308 | 228,730,367 | 972,672,796 | 1,296,845,178 |
| Capital & Liabilities | 495,754,249 | 473,042,845 | 506,043,817 | 523,434,798 | 501,457,274 | 500,969,925 | 483,356,978 | 1,278,909,895 | 1,635,636,907 |
| Fixed Capital Expenditure | 332,433,320 | 366,177,746 | 358,658,798 | 326,765,062 | 299,319,153 | 271,695,488 | 258,221,308 | 886,592,736 | 956,365,278 |
| Long term Deposits | 3,472,261 | 8,303,930 | 10,960,058 | 6,310,900 | 4,706,480 | 2,059,199 | 310,599 | 227,450 | 227,450 |
| Current Assets | 159,848,668 | 98,561,169 | 136,424,961 | 190,358,836 | 197,431,641 | 227,215,238 | 224,825,071 | 392,089,709 | 679,044,179 |
| Total Assets | 495,754,249 | 473,042,845 | 506,043,817 | 523,434,798 | 501,457,274 | 500,969,925 | 483,356,978 | 1,278,909,895 | 1,635,636,907 |
| Sales | | | | | | | | | |
| Export | 155,816,490 | 229,105,353 | 321,765,479 | 371,802,410 | 522,511,587 | 597,177,748 | 817,716,073 | 860,800,706 | 1,592,719,129 |
| Local | 48,640,219 | 192,709,823 | 198,021,598 | 291,459,064 | 316,403,223 | 374,010,276 | 293,820,725 | 287,750,432 | 502,238,939 |
| | 204,456,709 | 421,815,176 | 519,787,077 | 663,261,474 | 838,914,810 | 971,188,024 | 1,111,536,798 | 1,148,551,138 | 2,094,958,068 |
| Cost of goods sold | 162,080,965 | 338,447,912 | 409,932,161 | 500,836,121 | 746,093,674 | 798,573,284 | 925,520,151 | 965,179,672 | 1,732,482,871 |
| Gross profit | 42,375,744 | 83,367,264 | 109,854,916 | 162,425,353 | 92,821,136 | 172,614,740 | 186,016,647 | 183,371,466 | 362,475,197 |
| Financial & other charges | 17,123,922 | 54,485,476 | 66,037,170 | 56,633,942 | 47,619,168 | 91,422,420 | 91,225,330 | 93,243,009 | 185,936,176 |
| Profit after tax | 9,721,815 | 7,171,476 | 11,490,940 | 58,345,744 | 1,576,349 | 51,481,293 | 45,238,994 | 51,610,488 | 91,594,630 |
| Dividend | | | | | - | 28,800,000 | 21,600,000 | | 37,440,000 |
| No. of Shares | 2,930,333 | 10,000,000 | 10,000,000 | 11,166,667 | 14,400,000 | 14,400,000 | 14,400,000 | 14,400,000 | 14,400,000 |
| Earning per share | 3.32 | 0.72 | 1.15 | 5.22 | 0.11 | 3.58 | 3.14 | 3.58 | 6.36 |
| Return on equity | 8.86% | 6.14% | 8.95% | 28.22% | 0.76% | 22.29% | 17.77% | 16.85% | 27.04% |

We have audited the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at September 30, 1999, the profit and loss account, statement of changes in equity and the cash flow statement, together with the notes forming part thereof, and we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that :

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during 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, statement of changes in equity and 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 September 30, 1999, and of the profit, changes in equity and the cash flow for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Usher Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore : March 06, 2000.

A. F. FERGUSON & CO.
Chartered Accountants

BALANCE SHEET AS AT SEPTEMBER 30, 1999

| | NOTE | 1999 Rupees | 1998 Rupees |
|--|------|----------------------|----------------------|
| SHARE CAPITAL AND RESERVES | | | |
| Authorised Capital | | | |
| 15,000,000 ordinary shares of Rupees 10 each | | <u>150,000,000</u> | <u>150,000,000</u> |
| Issued, subscribed and paid up capital | 3 | 144,000,000 | 144,000,000 |
| Reserves | 4 | 194,400,000 | 162,000,000 |
| Unappropriated profit | | 391,729 | 237,099 |
| | | <u>338,791,729</u> | <u>306,237,099</u> |
| REDEEMABLE CAPITAL-SECURED | 5 | -- | 15,589,522 |
| LONG TERM LOANS-SECURED | 6 | 276,664,666 | 250,000,000 |
| DEBENTURES AND DEFERRED LIABILITY | | | |
| Debentures | 7 | 628,253 | 1,256,507 |
| Staff gratuity | | 3,563,108 | 3,585,088 |
| | | 4,191,361 | 4,841,595 |
| CURRENT LIABILITIES | | | |
| Current Portion of: | | | |
| Redeemable capital | 5 | -- | 5,996,706 |
| Long term loans | 6 | 163,335,334 | 50,000,000 |
| Debentures | 7 | 628,254 | 628,255 |
| Finances under mark up arrangements and other credit facilities-secured | 8 | 720,338,451 | 499,578,658 |
| Creditors, accrued and other liabilities | 9 | 94,247,112 | 146,038,060 |
| Proposed dividend | | 37,440,000 | -- |
| | | <u>1,015,989,151</u> | <u>702,241,679</u> |
| CONTINGENCIES AND COMMITMENTS | 10 | -- | -- |
| | | <u>1,635,636,907</u> | <u>1,278,909,895</u> |

The annexed notes form an integral part of these accounts.

DIRECTOR

The two Directors have signed the accounts, as the Chief Executive is for the time being not in Pakistan.

BALANCE SHEET AS AT SEPTEMBER 30, 1999

| | NOTE | 1999 Rupees | 1998 Rupees |
|--|------|-----------------------------|----------------------|
| FIXED CAPITAL EXPENDITURE | | | |
| Operating fixed assets - tangible | 11 | 943,547,155 | 820,218,519 |
| Capital work in progress | 12 | <u>12,818,123</u> | <u>66,374,217</u> |
| | | 956,365,278 | 886,592,736 |
| LONG TERM DEPOSITS | | | |
| | 13 | 227,450 | 227,450 |
| CURRENT ASSETS | | | |
| Stores and spares | 14 | 26,747,851 | 14,871,613 |
| Stock-in trade | 15 | 176,685,515 | 85,883,147 |
| Trade debts | 16 | 163,371,017 | 193,845,027 |
| Advances, deposits, prepayments and other receivables | 17 | 263,361,861 | 94,492,011 |
| Cash and bank balances | 18 | 48,877,935 | 2,997,911 |
| | | 679,044,179 | 392,089,709 |
| | | <u>1,635,636,907</u> | <u>1,278,909,895</u> |

DIRECTOR

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | NOTE | 1999 Rupees | 1998 Rupees |
|-----------------------------------|------|----------------------|--------------------|
| Sales | 19 | 2,094,958,068 | 1,148,551,138 |
| Cost of goods sold | 20 | <u>1,732,482,871</u> | <u>965,179,672</u> |
| Gross Profit | | 362,475,197 | 183,371,466 |
| Administration expenses | 21 | <u>27,728,884</u> | <u>18,750,627</u> |
| Selling and distribution expenses | 22 | <u>48,012,023</u> | <u>40,339,294</u> |
| | | <u>75,740,907</u> | <u>59,089,921</u> |
| Operating profit | | 286,734,290 | 124,281,545 |
| Other income | 23 | <u>3,796,516</u> | <u>32,183,023</u> |
| | | 290,530,806 | 156,464,568 |
| Financial charges | 24 | <u>180,430,176</u> | <u>89,893,009</u> |
| Other charges | 25 | <u>5,506,000</u> | <u>3,350,000</u> |
| | | <u>185,936,176</u> | <u>93,243,009</u> |
| Profit before taxation | | 104,594,630 | 63,221,559 |
| Provision for taxation | 26 | <u>13,000,000</u> | <u>11,611,071</u> |
| Profit after taxation | | <u>91,594,630</u> | <u>51,610,488</u> |
| Earning per share - Basic | | <u>6.36</u> | <u>3.58</u> |

The annexed notes form an integral part of these accounts.

DIRECTOR

DIRECTOR

The two Directors have signed the accounts, as the Chief Executive is for the time being not in Pakistan.

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | NOTE | 1999 Rupees | 1998 Rupees |
|---|------|----------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 31 | (99,331,154) | 74,434,569 |
| Financial charges paid | | (188,393,972) | (73,658,651) |
| Taxes paid | | (24,996,682) | (21,308,021) |
| Gratuity paid | | (1,706,240) | (735,498) |
| Net cash (outflow)/inflow from operating activities | | 115,765,740 | (21,267,601) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (169,605,216) | (699,800,164) |
| Sale proceeds of fixed assets | | 3,286,100 | 60,065,410 |
| Decrease in long term deposits | | -- | 83,149 |
| Net cash (outflow)/inflow from investing activities | | (166,319,116) | (639,651,605) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Debentures repaid | | (628,254) | (628,255) |
| Payment of redeemable capital | | (21,586,228) | (5,047,306) |
| Payment of finance lease liabilities | | -- | (3,136,521) |
| Long term loans | | 140,000,000 | 300,000,000 |
| Dividend paid | | (10,580,431) | (20,933,962) |
| Net cash inflow/outflow from financing activities | | 107,205,087 | 270,253,956 |
| Net (decrease)/increase in cash and cash equivalents | | (174,879,769) | (390,665,250) |
| Cash and cash equivalents at beginning of the year | | (496,580,747) | (105,915,497) |
| Cash and cash equivalents at end of the year | 32 | (671,460,516) | (496,580,747) |

The annexed notes from an integral part of these accounts.

DIRECTOR

DIRECTOR

The two Directors have signed the accounts, as the Chief Executive is for the time being not in Pakistan.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | Share capital Rupees | Reserve for issue of bonus shares Rupees | General reserve Rupees | Accumulated profit Rupees | Total Rupees |
|---|----------------------------|---|------------------------------|---------------------------------|--------------------|
| Balance as at September 30, 1997 | 144,000,000 | -- | 110,000,000 | 626,611 | 254,626,611 |
| Net profit for the year | -- | -- | -- | 51,610,488 | 51,610,488 |
| Transfer to general reserve | -- | -- | 52,000,000 | (52,000,000) | -- |
| Balance as at September 30, 1998 | 144,000,000 | -- | 162,000,000 | 237,099 | 306,237,099 |
| Net profit for the year | -- | -- | -- | 91,594,630 | 91,594,630 |
| Transfer to general reserve | -- | -- | 54,000,000 | (54,000,000) | -- |
| Transfer to reserve for issue of bonus share | -- | 57,600,000 | (57,600,000) | -- | -- |
| 15% Special dividend paid for the year 1998 | -- | -- | (21,600,000) | -- | (21,600,000) |
| 26% Proposed dividend for the year 1999 | -- | -- | -- | (37,440,000) | (37,440,000) |
| Balance as at September 30, 1999 | <u>144,000,000</u> | <u>57,600,000</u> | <u>136,800,000</u> | <u>391,729</u> | <u>338,791,729</u> |

DIRECTOR

DIRECTOR

The two Directors have signed the accounts, as the Chief Executive is for the time being not in Pakistan.

1. LEGAL STATUS AND NATURE OF BUSINESS

Nishat (Chunian) Limited is a Public Limited Company incorporated under the Companies Ordinance, 1984 and is listed on the Lahore and Karachi Stock Exchanges. The Company is engaged in the manufacture and sale of cotton yarn and fabric. The company commenced its commercial production of fabric from September, 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the "Historical Cost Convention" modified by capitalisation of exchange differences referred to in note 2.7.

2.2 Taxation

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

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

However, provision for the current year is not considered necessary in view of available tax losses.

2.3 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all its employees. Annual provision is made in the accounts to cover the company's obligations.

2.4 Fixed capital expenditure

Operating fixed assets except freehold land and capital work-in-progress are stated at cost less accumulated depreciation. Cost in relation to certain plant and machinery signifies historical cost and exchange differences referred to in note 2.7.

Depreciation on all other operating fixed assets is charged to profit on the reducing balance method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 11.

The full annual rate of depreciation is applied to the cost of additions, except major additions or extension to production facilities, while no depreciation is charged on assets deleted during the year. Major additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the year.

The net exchange differences relating to an asset at the end of each year are amortised in equal instalments over its remaining useful life.

Minor renewals or replacements, maintenance, repairs and profit or loss on disposal of fixed assets are included in profit currently. Major renewals and improvements are capitalized.

2.5 Stores and spares

These are valued at moving average cost. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.6 Stock in trade

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value. Cost of raw materials represents:

- Spinning: annual average cost
- Weaving: moving average cost

Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Goods purchased for resale are stated at lower of cost based on FIFO and net realizable value.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

2.7 Foreign Currencies

All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date and in the case of forward contracts at the committed rates.

Exchange differences on loans utilized for the acquisition of plant and machinery are capitalized upto the date of commissioning of the assets.

All other exchange differences are included in profit currently.

2.8 Revenue recognition

Sales are recognized on the dispatch/shipment of goods to customers.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 Rupees | 1998 Rupees |
|---|---------------------------|---------------------------|
| 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | |
| 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 issued as fully paid bonus shares | <u>24,000,000</u> | <u>24,000,000</u> |
| | <u>144,000,000</u> | <u>144,000,000</u> |
| 4. RESERVES | | |
| General reserves | | |
| At the beginning of the year | 162,000,000 | 110,000,000 |
| Dividend paid | (21,600,000) | -- |
| Transfer from profit and loss account | 54,000,000 | 52,000,000 |
| Transfer to reserve for issue of bonus shares | <u>(57,600,000)</u> | <u>--</u> |
| | 136,800,000 | 162,000,000 |
| Reserve for issue of bonus shares | | |
| Transfer from general reserve | 57,600,000 | -- |
| | <u>194,400,000</u> | <u>162,000,000</u> |
| 5. REDEEMABLE CAPITAL | | |
| Secured-(Non participatory) | | |
| Term finance certificates | -- | 21,586,228 |
| Less: Current portion shown under current liabilities | <u>--</u> | <u>5,996,706</u> |
| | <u>--</u> | <u>15,589,522</u> |

This represents Term Finance Certificates issued to National Investment Trust during 1992. Return on Term Finance Certificates was payable half yearly at a rate of 18% per annum. The principal amount of the certificates was primarily redeemable in 18 equal semi annual installments of Rs. 4.812 million each. The entire amount has been repaid during the year.

The certificates were secured by an equitable mortgage of factory land and building and hypothecation of present and future movable and immovable assets of the company.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

6. LONG TERM LOANS-SECURED

| Loan | Lender | 1999 Rupees | 1998 Rupees | Rate of Interest | Number of installments | Interest payable |
|-------|---|--------------------|--------------------|---------------------|---|---------------------|
| 1. | Hong Kong & Shanghai Banking Corporation | 90,000,000 | -- | 16.50% | Six half yearly Installments 2000-2002 | Quarterly |
| 2. | United Bank Ltd. | 100,000,000 | -- | 17.00% | Six quarterly Installments 1999-2001 | Quarterly |
| 3. | Citibank NA | 104,166,667 | 125,000,000 | *STFB+1.70% | Seven half yearly installments 1999-2002 | Quarterly |
| 4. | ABN AMRO Bank | 145,833,333 | 175,000,000 | *STFB+1.70% | Six half yearly installments 1999-2001 | Quarterly |
| | | <u>440,000,000</u> | <u>300,000,000</u> | | | |
| Less: | Current portion shown under current liabilities | <u>163,335,334</u> | <u>50,000,000</u> | | | |
| | | <u>276,664,666</u> | <u>250,000,000</u> | | | |

* Short term federal bonds

Loan 1

Loan 1 is secured by a first pari passu hypothecation charge over stocks and book debts of the company to the extent of Rs. 135 million and a specific charge for Rs. 117 million on plant and machinery (29 looms) financed by Hong Kong & Shanghai Banking Corporation.

Loan 2

Loan 2 is secured by a first pari passu charge on the fixed assets of spinning unit to the extent of Rs. 135 million. A first pari passu hypothecation charge on stocks, stores and spares and book debts to the extent of Rs. 62.5 million is also available to the bank to cover all facilities obtained by the company.

Loan 3

Loan 3 is secured by a joint pari passu charge over the fixed assets of the weaving unit of the company with bank's share of Rs. 178 million.

Loan 4

Loan 4 is secured by a first pari passu charge on present and future fixed assets of the weaving unit to the extent of Rs. 250 million.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 Rupees | 1998 Rupees |
|--|-----------------------|-------------------------|
| 7. DEBENTURES (Non convertible) - Secured | | |
| Custom debentures | 1,256,507 | 1,884,762 |
| Less: Current maturity shown under current liabilities | <u>628,254</u> | <u>628,255</u> |
| | <u>628,253</u> | <u>1,256,507</u> |

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

8. FINANCES UNDER MARK-UP ARRANGEMENTS AND OTHER CREDIT FACILITIES - SECURED

| | | |
|---------------------------------------|---------------------------|---------------------------|
| Short term running finance - note 8.1 | 27,813,451 | 242,132,658 |
| Export finances - note 8.2 | <u>692,525,000</u> | <u>155,435,000</u> |
| - Preshipment/SBP refinance | -- | <u>102,011,000</u> |
| - Post shipment | <u>692,525,000</u> | <u>257,446,000</u> |
| | <u>720,338,451</u> | <u>499,578,658</u> |

- 8.1** Short term running finances are available from commercial banks under mark-up arrangements amounting to Rs. 230 million (1998: Rs. 495 million). The rates of mark-up range from Re. 0.3014 to Re. 0.4246 per Rs. 1,000 per diem or part thereof on the balance outstanding. The aggregate short term finances are secured by hypothecation of all present and future current assets of the company.
- 8.2** The company has obtained export finance facilities aggregating to Rs. 700 million (1998: Rs. 317 million) from commercial banks. Mark-up is payable quarterly at the rates ranging from Re. 0.1918 to Re. 0.4246 per Rs. 1,000 per diem. Export finance is secured by lien on export bills and hypothecation of all present and future current assets of the company ranking pari passu to the charge referred to in note 8.1.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 | 1998 |
|---|--------------------------|--------------------|
| | Rupees | Rupees |
| 9. CREDITORS, ACCRUED AND OTHER LIABILITIES | | |
| Creditors | 25,047,478 | 49,519,951 |
| Accrued liabilities | 15,732,298 | 12,852,308 |
| Advances from liabilities | 14,393,599 | 3,537,774 |
| Mark-up on: | | |
| Short term running finances and other credit facilities | 11,438,376 | 16,628,149 |
| Redeemable capital | -- | 485,691 |
| Debentures | 156,527 | 236,050 |
| Long term loans | 9,620,538 | 11,829,347 |
| Retention money | 562,380 | 1,066,056 |
| Workers' profit participation fund - note 9.1 | 5,506,000 | 3,350,000 |
| Due to associated undertaking - Nishat Mills Ltd. | 20,668 | 45,086,641 |
| Unclaimed Dividend | 11,685,607 | 666,038 |
| Others | 83,641 | 780,055 |
| | <u>94,247,112</u> | <u>146,038,060</u> |

The maximum aggregate amount due to associated company at any month during the year was:

- Nishat Mills Ltd. Rs. 59,862,268 (1998: Rs. 45,086,641).

9.1 Workers' profit participation fund

| | | |
|-------------------------------------|-------------------------|------------------|
| Opening balances as at October 1 | 3,350,000 | 2,817,087 |
| Provision for the year | 5,506,000 | 3,350,000 |
| Interest for the year | 179,728 | 109,694 |
| | <u>9,035,728</u> | <u>6,276,781</u> |
| Less: Payments made during the year | <u>3,529,728</u> | <u>2,926,781</u> |
| Closing Balances | <u>5,506,000</u> | <u>3,350,000</u> |

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

i) During last year the company imported refrigeration system on which custom duties and sales tax were exempted vide SRO 27(1)/98 dated January 17, 1998, SRO 230(1)/97 dated March 29, 1997 along with CGO 12/81 on the grounds that these items are not manufactured in Pakistan. However, custom authorities subsequently contended that since these items are being manufactured in Pakistan, therefore, duties are leviable. The company thereafter issued bank guarantees aggregating Rs. 15,702,322 and filed a writ petition before the Honourable Lahore High Court which in turn has granted a stay against the recovery.

However, no provision has been made in these accounts for the aforementioned amount as in management's view, there are meritorious grounds for a decision in the company's favour.

ii) During the year the Deputy commissioner of Income Tax (DCIT) raised an order under section 156 of the Income Tax Ordinance, 1979 in respect of the assessment years 1994-95 through 1997-98 primarily on the grounds that in finalising the assessments of the above years the DCIT had taken certain income of the company under export sales and thereby applied a lower tax rate to it. Under the same section the DCIT also raised a demand for those years on the grounds that mark up income had also not been taxed at the gross amount. Based on the DCIT's contention that these mistakes are apparent from

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

record, therefore, rectifiable a demand aggregating to Rs. 36,385,434 has been raised against the company. This demand includes additional tax of Rs. 4,442,309.

No provision has been made against the demand raised by DCIT for these years or for the assessment years 1998-99 and 1999-2000 where if the same basis is followed demand of Rs. 10,498,988 could be raised on the grounds that there are meritorious grounds that the ultimate decision would be in the company's favour.

10.2 Commitments in respect of capital expenditure Rs Nil (1998: Rs. 88.40 million).

11. OPERATING FIXED ASSETS - TANGIBLE

11.1 The following is a statement of the tangible fixed assets.

| | Cost as at September 30, 1998 | Additions/ (deletions) | Cost as at September 30, 1999 | Accumulated depreciation as at September 30, 1998 | Charge for the year/ (Depreciation on deletion) | Accumulated depreciation as at September 30, 1999 | Book value as at September 30, 1999 | Rate % |
|-------------------------|-------------------------------------|---|-------------------------------------|---|--|---|--|-----------|
| Land | 16,478,543 | 709,175 | 17,187,718 | -- | -- | -- | 17,187,718 | |
| Building | 98,169,156 | 95,383,719 | 193,552,875 | 43,136,660 | 15,041,622 | 58,178,282 | 135,374,593 | 10 |
| Plant & Machinery | 845,950,360 | 120,777,843 (4,187,872) | 962,540,331 | 132,845,464 | 77,312,099 (2,349,079) | 207,808,484 | 754,731,847 | 10 |
| Furniture and fixtures | 1,838,563 | 972,905 | 2,811,468 | 717,735 | 209,373 | 927,108 | 1,884,360 | 10 |
| Vehicles | 13,321,350 | 954,221 | 13,213,591 | 5,077,973 | 1,719,231 | 6,336,665 | 6,876,926 | 20 |
| Office equipments | 3,524,773 | 1,179,955 | 4,704,728 | 1,006,884 | 369,784 | 1,376,668 | 3,328,060 | 10 |
| Electrical installation | 32,048,504 | 2,070,451 (56,000) | 34,062,955 | 9,108,695 | 2,495,426 -467 | 11,603,654 | 22,459,301 | 10 |
| Tools and equipment | 1,329,609 | 1,113,041 | 2,442,650 | 548,928 | 189,372 | 738,300 | 1,704,350 | 10 |
| Rupees 1999 | 1,012,660,858 | 223,161,310 (5,305,852) | 1,230,516,316 | 192,442,339 | 97,336,907 -2,810,085 | 286,969,161 | 943,347,155 | |
| Rupees 1998 | 448,680,668 | 640,706,662 (76,726,472) | 1,012,660,858 | 197,740,075 | 35,445,601 -40,743,337 | 192,442,339 | 820,218,519 | |

Included in additions are assets with book value aggregating Rs. Ni (1998: Rs. 6,752,254) which were originally acquired under a finance lease and have been transferred to fixed assets during the year at the end of their lease term.

Additions to building, plant and machinery and electrical installations include interest amounting to Rs. 2,196,986 (1998: Rs. 33,787,796).

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

| | | 1999 Rupees | 1998 Rupees |
|-----------------------|-----------|-------------------|-------------------|
| Cost of goods sold | - note 20 | 95,038,519 | 33,045,740 |
| Administration expens | - note 21 | 2,298,388 | 2,399,861 |
| | | 97,336,907 | 35,445,601 |

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

11.3 Disposal of operating fixed assets

Details of fixed assets sold during the year.

| Particulars of the assets | Sold to | Cost Rupees | Accumulated depreciation Rupees | Book value Rupees | Sales proceeds Rupees | Mode of disposal |
|----------------------------|--|------------------|---------------------------------------|--------------------------|--------------------------|---------------------|
| Vehicles | Outsider | | | | | |
| | Ms Naureen Anwar | 685,000 | 460,539 | 224,461 | 485,100 | Negotiation |
| | Security General Insurance Company Limited | 376,980 | -- | 376,980 | 400,000 | Theft claim |
| Plant and machinery | Associated | | | | | |
| | Nishat Mills Ltd. | 4,187,872 | 2,349,079 | 1,838,793 | 2,345,000 | Negotiation |
| | Outsider | | | | | |
| | Umer Fabric Ltd. | 56,000 | 467 | 55,533 | 56,000 | Negotiation |
| | | <u>5,305,852</u> | <u>2,810,085</u> | <u>2,495,767</u> | <u>3,286,100</u> | |
| | | | | 1999 Rupees | 1998 Rupees | |
| 12. | CAPITAL WORK IN PROGRESS | | | | | |
| | Civil works | | | 8,924,433 | 66,374,217 | |
| | Advances to customer | | | <u>3,893,690</u> | -- | |
| | | | | <u>12,818,123</u> | 66,374,217 | |
| 13. | LONG TERM DEPOSITS | | | | | |
| | Security deposits | | | <u>227,450</u> | <u>227,450</u> | |
| 14. | STORES AND SPARES | | | | | |
| | Stores | | | <u>13,665,324</u> | 4,860,671 | |
| | Spares | | | <u>13,082,527</u> | <u>10,010,942</u> | |
| | | | | <u>26,747,851</u> | <u>14,871,613</u> | |

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 | 1998 |
|---|---------------------------|---------------------------|
| | Rupees | Rupees |
| 15. STOCK IN TRADE | | |
| Raw materials [includes in transit Rs Nil (1998: Rs 5,701,109)] | 95,287,501 | 32,875,288 |
| Work in process | 30,387,146 | 14,482,293 |
| Finished goods | 50,159,978 | 37,547,286 |
| Waste | 850,890 | 978,280 |
| | <u>176,685,515</u> | <u>85,883,147</u> |
| 16. TRADE DEBTS - Considered good | | |
| Export - Secured | 157,039,084 | 189,491,106 |
| Local - unsecured | 6,331,933 | 4,353,921 |
| | <u>163,371,017</u> | <u>193,845,027</u> |
| <p>Trade debts include amounts due from associated company (Nishat Mills Limited) Rs. Nil (1998; Rs 1.10 million) and the maximum aggregate amount outstanding at the end of any month during the year was Rs 44.07 million (1998: Rs 3.31 million).</p> | | |
| 17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | |
| Advances - considered good to: | | |
| Employees | 2,596,765 | 1,505,515 |
| Suppliers | 46,366,052 | 15,441,911 |
| Contractors | 25,000 | 6,569,699 |
| Short term deposits | 1,644,303 | 740,358 |
| Prepayments | 93,125 | 276,175 |
| Letter of credit - margins, deposits, opening charges etc. | 136,530,022 | 27,610,381 |
| Income tax refundable | 27,770,735 | 15,774,053 |
| Balances with statutory authorities for Sales tax | 36,080,731 | 23,432,351 |
| Other receivables | 12,255,128 | 3,141,568 |
| | <u>263,361,861</u> | <u>94,492,011</u> |
| 18. CASH AND BANK BALANCES | | |
| Balances with banks on current accounts | 48,331,140 | 2,405,022 |
| Cash in hand | 546,795 | 592,889 |
| | <u>48,877,935</u> | <u>2,997,911</u> |

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 Rupees | 1998 Rupees |
|--|----------------------|----------------------|
| 19. SALES | | |
| Export | 1,594,397,117 | 873,810,421 |
| Local | 476,920,730 | 268,492,050 |
| Waste | <u>23,708,666</u> | <u>16,618,369</u> |
| | <u>2,095,026,513</u> | <u>1,158,920,840</u> |
| Less: Commission to selling agents | | |
| Export sales | <u>18,093,122</u> | <u>13,009,715</u> |
| Local sales | <u>1,774,107</u> | <u>292,258</u> |
| | <u>19,867,229</u> | <u>13,301,973</u> |
| | <u>2,075,159,284</u> | <u>1,145,618,867</u> |
| Doubling income | 3,383,650 | 2,135,500 |
| Export rebate | <u>16,415,134</u> | <u>796,771</u> |
| | <u>2,094,958,068</u> | <u>1,148,551,138</u> |
| Sales are net of sales tax aggregating to Rs 78,814,002 (1998: Rs 33,561,603). | | |
| 20. COST OF GOODS SOLD | | |
| Raw and packing material consumed | 1,321,814,993 | 744,016,004 |
| Stores and spares consumed | 51,984,328 | 12,154,776 |
| Salaries, wages and benefits | 61,208,266 | 37,839,146 |
| Fuel and power | 116,237,207 | 72,857,804 |
| Insurance | 2,587,435 | 1,744,074 |
| Depreciation | 95,038,519 | 33,045,740 |
| Repair and maintenance | 2,506,400 | 1,357,250 |
| Others | <u>4,848,297</u> | <u>2,238,048</u> |
| | <u>1,656,225,445</u> | <u>905,252,842</u> |
| Opening work in process | 14,482,293 | 5,541,421 |
| Transferred from trial run | -- | 6,141,700 |
| Closing work in process | <u>(30,387,146)</u> | <u>(14,482,293)</u> |
| | <u>1,640,320,592</u> | <u>902,453,670</u> |
| Opening stocks: | | |
| Finished goods | <u>37,547,286</u> | <u>8,160,677</u> |
| Waste | <u>978,280</u> | <u>613,106</u> |
| Transferred from trial run | <u>--</u> | <u>22,065,685</u> |
| | <u>38,525,566</u> | <u>30,839,468</u> |
| | <u>1,678,846,158</u> | <u>933,293,138</u> |
| Closing stocks: | | |
| Finished goods | <u>(50,159,978)</u> | <u>(37,547,286)</u> |
| Waste | <u>(850,890)</u> | <u>(978,280)</u> |
| | <u>(51,010,868)</u> | <u>(38,525,566)</u> |
| | <u>1,627,835,290</u> | <u>894,767,572</u> |
| Cost of goods purchased for resale | <u>104,647,581</u> | <u>70,412,100</u> |
| | <u>1,732,482,871</u> | <u>965,179,672</u> |

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 Rupees | 1998 Rupees |
|--|--------------------|-------------------|
| 21. ADMINISTRATION EXPENSES | | |
| Salaries, allowances and benefits | 8,293,321 | 5,864,814 |
| Printing and stationery | 483,056 | 255,653 |
| Vehicles running expenses | 966,631 | 560,517 |
| Traveling and conveyance | 6,063,826 | 3,894,419 |
| Postage and telephone | 4,203,511 | 2,152,565 |
| Fee and subscription | 1,048,027 | 469,159 |
| Electricity , gas and water | 836,644 | 575,898 |
| Insurance | 1,263,067 | 975,965 |
| Office expenses | 29,943 | 63,450 |
| Repairs and maintenance | 495,108 | 240,611 |
| Entertainment | 222,475 | 109,233 |
| Audit fee | 165,000 | 150,000 |
| Advertisement | 215,042 | 169,853 |
| Depreciation | 2,298,388 | 2,399,861 |
| Other expenses | 1,144,845 | 868,629 |
| | <u>27,728,884</u> | <u>18,750,627</u> |
| 22. SELLING AND DISTRIBUTION EXPENSES | | |
| Ocean freight | 27,129,474 | 27,699,921 |
| Freight and octroi | 9,020,919 | 6,377,548 |
| Forwarding and other expenses | 11,861,630 | 6,261,825 |
| | <u>48,012,023</u> | <u>40,339,294</u> |
| 23. OTHER INCOME | | |
| Profit on sale of fixed assets | 790,333 | 24,082,275 |
| Profit on FDR | 97,047 | 141,744 |
| Sale of scrap | 1,673,160 | 2,497,325 |
| Exchange gain | 273,548 | -- |
| Mark up on balance with associated undertaking | -- | 4,771,531 |
| Liabilities no longer payable written back | -- | 467,538 |
| Miscellaneous | 962,428 | 222,610 |
| | <u>3,796,516</u> | <u>32,183,023</u> |
| 24. FINANCIAL CHARGES | | |
| Mark-up on loan from associated undertaking | 3,771,774 | -- |
| Mark-up on redeemable capital | 2,297,026 | 4,463,130 |
| Mark-up on running finances | 41,954,466 | 36,986,759 |
| Mark-up on export finances | | |
| - Preshipment | 53,687,647 | 17,001,781 |
| - Postshipment | 6,442,053 | 19,900,955 |
| Mark-up on term finance | 12,276,731 | 1,418,225 |
| Surcharge on debentures | 184,344 | 272,301 |
| Interest on long term loans - secured | 48,187,243 | 4,150,685 |
| Financial charge on leased assets | -- | 36,864 |
| Interest on workers' profit participation fund | 179,728 | 109,694 |
| Bank and other charges | 11,449,164 | 5,552,615 |
| | <u>180,430,176</u> | <u>89,893,009</u> |

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 Rupees | 1998 Rupees |
|------------------------------------|--------------------------|-------------------|
| 25. OTHER CHARGES | | |
| Workers' profit participation fund | <u>5,506,000</u> | <u>3,350,000</u> |
| 26. PROVISION FOR TAXATION | | |
| Current year | 13,000,000 | 8,391,318 |
| Prior year | -- | 3,219,753 |
| | <u>13,000,000</u> | <u>11,611,071</u> |

In view of available tax losses the provision for current taxation represents the tax due under section 80CC of the Income Tax Ordinance, 1979. For purposes of current taxation the tax losses available for carry forward as at September 30, 1999 are estimated at approximately Rs. 89.310 million (1998: Rs. 51.50 million), including assessed tax losses of Rs. 7.276 million (1998: Rs. 18.89 million). Included in taxation for prior years is an amount of authorities which has been contested by the company.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts of the year for remuneration, including certain benefits, to the Chief Executive and Executives of the company is as follows:

| | Chief Executive | | Executive | |
|-------------------------------|-----------------------|----------------|-------------------------|------------------|
| | 1999 Rupees | 1998 Rupees | 1999 Rupees | 1998 Rupees |
| Number of persons | 1 | 1 | 23 | 10 |
| Managerial remuneration | 398,400 | 365,733 | 4,781,935 | 3,313,382 |
| Contribution to gratuity fund | -- | -- | 485,849 | 225,514 |
| Housing | 179,280 | 164,580 | 1,987,685 | 1,472,014 |
| Conveyance | -- | -- | 69,727 | 21,210 |
| Utilities | 19,920 | 18,287 | 183,515 | 152,367 |
| | <u>597,600</u> | <u>548,600</u> | <u>7,508,711</u> | <u>5,184,487</u> |

The company also provides some of them with free transport and residential telephones.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

28. TRANSACTED WITH ASSOCIATION UNDERTAKINGS

The company purchased from and sold to associated undertakings goods and services aggregating to Rs. 26.312 million (1998: Rs. 72.06 million) and Rs. 158.408 million (1998: Rs. 180.346 million) respectively.

29. FINANCIAL ASSETS AND LIABILITIES

| | Interest/mark up bearing | | | Non Interest/mark up bearing | | | Grand total Rupees |
|---|-------------------------------------|--------------------------------------|----------------------|-------------------------------------|--------------------------------------|---------------------|-----------------------|
| | Maturity upto one year Rupees | Maturity after one year Rupees | Sub total Rupees | Maturity upto one year Rupees | Maturity after one year Rupees | Sub total Rupees | |
| Financial assets | | | | | | | |
| Trade debts | -- | -- | -- | 163,371,017 | -- | 163,371,017 | 163,371,017 |
| Advances, deposits, prepayments and other receivables | -- | -- | -- | 1,650,661 | -- | 1,650,661 | 1,650,661 |
| Cash and bank | -- | -- | -- | 48,877,935 | -- | 48,877,935 | 48,877,935 |
| | <u>--</u> | <u>--</u> | <u>--</u> | <u>213,899,613</u> | <u>--</u> | <u>213,899,613</u> | <u>213,899,613</u> |
| Financial liabilities | | | | | | | |
| Long term loans | 163,335,334 | 276,664,666 | 440,000,000 | -- | -- | -- | 440,000,000 |
| Debentures | 628,253 | 628,254 | 1,256,507 | -- | -- | -- | 1,256,507 |
| Finances under mark up arrangement | 720,018,985 | -- | 720,018,985 | -- | -- | -- | 720,018,985 |
| Creditors, accrued and other liabilities | -- | -- | -- | 71,826,678 | -- | 71,826,678 | 71,826,678 |
| | <u>883,982,572</u> | <u>277,292,920</u> | <u>1,161,275,492</u> | <u>71,826,678</u> | <u>--</u> | <u>71,826,678</u> | <u>1,233,102,170</u> |

29.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 213, 899,613, financial assets which are subject to credit risk amount to Rs. 172,640,483. To manage exposure to credit risk, the company applies credit limits to its customers.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

29.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks covered partially through forward foreign exchange contracts.

29.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

| | 1999 | 1998 |
|---|------------|-----------|
| 30. PLANT CAPACITY AND ACTUAL PRODUCTION | | |
| Spinning | | |
| Number of spindles installed | 19,200 | 19,200 |
| Number of spindles worked | 19,059 | 17,825 |
| Number of shifts per day | 3 | 3 |
| Capacity after conversion into 20 count (Kgs.) | 6,556,291 | 6,164,444 |
| Actual production of yarn after conversion into 20 count (Kgs.) | 5,969,500 | 5,884,295 |
| Under utilisation of available capacity is due to processing of coarser counts. | | |
| Weaving | | |
| Number of looms installed | 128 | 99 |
| Number of shifts per day | 3 | 3 |
| Capacity after conversion into 50 picks - yards | 56,105,553 | 3,952,800 |
| Actual production of fabric after conversion into 50 picks - yards | 44,750,338 | 2,388,168 |

Under utilisation of available capacity was due to the following reasons:

- change of articles.
- width loss due to the specification of the cloth.

| | 1999 Rupees | 1998 Rupees |
|---|-------------------------------------|---------------------|
| 31. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 104,594,630 | 63,221,559 |
| Add/(less) adjustment for non cash charges and other items: | | |
| Depreciation | 97,336,907 | 35,445,601 |
| Profit on sale of fixed assets | (790,333) | (24,082,275) |
| provision for gratuity | 1,684,259 | 1,026,229 |
| Financial charges | 180,430,176 | 89,893,009 |
| Working capital changes | - note 31.1 <u>(283,924,485)</u> | <u>(91,069,554)</u> |
| | <u>99,331,154</u> | <u>74,434,569</u> |

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | 1999 | 1998 |
|---|--------------------------------------|----------------------|
| | Rupees | Rupees |
| 31.1 Working Capital Changes | | |
| (Increase)/decrease in current assets | | |
| Stores and spares | (11,876,238) | (4,700,331) |
| Stock in trade | (90,802,368) | (50,407,643) |
| Trade debts | 30,474,010 | (60,144,461) |
| Advances, deposits, prepayments and other receivables excluding taxes refundable | <u>(156,873,168)</u> | <u>(49,655,619)</u> |
| | <u>(229,077,764)</u> | <u>(164,908,054)</u> |
| Increase/(decrease) in current liabilities | | |
| Creditors, accrued and other liabilities | <u>(54,846,721)</u> | <u>73,838,500</u> |
| | <u>(283,924,485)</u> | <u>(91,069,554)</u> |
| 32. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | - note 18 48,877,935 | 2,997,911 |
| Finances under mark-up arrangements and other credit facilities | - note 8 <u>(720,338,451)</u> | <u>(499,578,658)</u> |
| | <u>(671,460,516)</u> | <u>(496,580,747)</u> |
| 33. EARNING PER SHARE | | |
| Net profit for the year | 91,594,630 | 51,610,488 |
| Average ordinary shares in issue during the year ended September 30, 1999: 14,400,000 (1998: 14,400,000) | | |
| Earning per share - Basic | 6.36 | 3.58 |
| 34. NUMBER OF EMPLOYEES | | |
| Number of employees as at year end | 1,376 | 1,371 |
| 35. CORRESPONDING FIGURES | | |
| Corresponding figures for 1998, where necessary, have been re-arranged for purposes of comparison. | | |

DIRECTOR

DIRECTOR

The two Directors have signed the accounts, as the Chief Executive is for the time being not in Pakistan.

FORM - 34
THE COMPANIES ORDINANCE, 1984
PATTERN OF HOLDING OF SHARES
HELD BY THE MEMBERS AS AT SEPTEMBER 30, 1999

| No. of Shareholders | Shareholding | | Total Shares Held |
|-----------------------------------|-------------------------------|--------------------|---------------------|
| | From | To | |
| 512 | 1 | 100 | 31896 |
| 1221 | 101 | 500 | 255104 |
| 891 | 501 | 1000 | 613036 |
| 174 | 1001 | 1500 | 223324 |
| 48 | 1501 | 2000 | 89856 |
| 54 | 2001 | 2500 | 126972 |
| 34 | 2501 | 3000 | 97520 |
| 11 | 3001 | 3500 | 36320 |
| 21 | 3501 | 4000 | 77700 |
| 10 | 4001 | 4500 | 43500 |
| 27 | 4501 | 5000 | 132040 |
| 8 | 5001 | 5500 | 42468 |
| 17 | 5501 | 6000 | 101060 |
| 6 | 6001 | 6500 | 38136 |
| 5 | 6501 | 7000 | 34720 |
| 9 | 7001 | 7500 | 64800 |
| 5 | 7501 | 8000 | 39400 |
| 4 | 8001 | 8500 | 33140 |
| 5 | 8501 | 9000 | 43300 |
| 11 | 9501 | 10000 | 108720 |
| 22 | 10001 | 15000 | 273852 |
| 8 | 15001 | 20000 | 146756 |
| 3 | 20001 | 25000 | 69140 |
| 3 | 25001 | 30000 | 76700 |
| 3 | 30001 | 35000 | 96500 |
| 1 | 35001 | 40000 | 36000 |
| 3 | 50001 | 55000 | 158820 |
| 4 | 55001 | 60000 | 238320 |
| 1 | 60001 | 65000 | 64800 |
| 1 | 70001 | 75000 | 72240 |
| 1 | 75001 | 80000 | 77500 |
| 1 | 90001 | 95000 | 93180 |
| 1 | 100001 | 105000 | 102000 |
| 1 | 220001 | 225000 | 222480 |
| 2 | 295001 | 300000 | 597700 |
| 1 | 380001 | 385000 | 382508 |
| 1 | 400001 | 405000 | 400160 |
| 1 | 535001 | 540000 | 540000 |
| 1 | 555001 | 560000 | 558120 |
| 2 | 795001 | 800000 | 1600000 |
| 1 | 965001 | 970000 | 969000 |
| 1 | 1260001 | 1265000 | 1260612 |
| 1 | 1335001 | 1340000 | 1340000 |
| 1 | 2790001 | 2795000 | 2790600 |
| 3138 | | | 14400000 |
| Categories of Shareholders | Number of Shareholders | Shares Held | % Percentage |
| Individuals | 3109 | 8056760 | 55.95% |
| Investment Companies | 6 | 1478848 | 10.95% |
| Insurance Companies | 3 | 406380 | 2.82% |
| Joint Stock Companies | 11 | 3143020 | 21.83% |
| Financial Institutions | 4 | 1271392 | 8.83% |
| Modaraba Companies | 4 | 43500 | 0.30% |
| Foreign Company | 1 | 100 | 0.00% |
| | 3138 | 14400000 | 100.00% |



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