



ANNUAL REPORT 2001



| Nishat Chunian Ltd

## Brief Profile

The Company was incorporated in 1990 as a public limited company with an equity investment of Rs. 100 million. A spinning mill having a capacity of 14,400 spindles was established at Bhai Pheru, Tehsil Chunian. It started commercial production on March 10, 1991. The capacity was enhanced to 17,280 spindles in 1992, and to 19,200 spindles in 1998. In 1998, the Company diversified its business interests by venturing into a weaving project with the installation of 99 air jet looms. A new state of the art spinning unit started production in November 2000, increasing the total spinning capacity to about 40,872 spindles. Subsequently weaving capacity has been increased in November 2001 to raise the total capacity to 176 air jet looms. The company is now equipped with the most modern manufacturing facilities in the country to produce high quality specialized products for its customers all over the world.

<b>02</b>	Company Information
<b>03</b>	Directors' Report
<b>06</b>	Financial History
<b>07</b>	Notice of Annual General Meeting
<b>08</b>	Auditors' Report
<b>09</b>	Balance Sheet
<b>11</b>	Profit and Loss Account
<b>12</b>	Cash Flow Statement
<b>13</b>	Statement of Changes in Equity
<b>14</b>	Notes to the Accounts
<b>32</b>	Pattern of Shareholding
<b>34</b>	Proxy Form

# COMPANY INFORMATION

## **Board of Directors:**

Mr. Muhammad Saleem  
Mr. Shahzad Saleem  
Mr. Yahya Saleem  
Mr. Shujaat Mirza  
Mr. Farid Fazal  
Syed Jawad Gillani  
Mr. Anis Wahab Zuberi

Chairman  
Chief Executive

Nominee NIT

## **Corporate Secretary:**

Mr. Farrukh Ifzal

## **Bankers to the Company:**

ABN AMRO Bank N.V  
American Express Bank  
Citi Bank N.A  
Credit Agricole Indosuez  
Faysal Bank Limited  
Habib Bank Limited  
PICIC Commercial Bank Limited  
Standard Chartered Bank  
Union Bank Limited  
United Bank Limited

## **Auditors:**

A. F. Ferguson & Company  
Chartered Accountants

## **Head Office:**

31-Q, Gulberg-II,  
Lahore, Pakistan.  
Phone :5761730-39  
Fax :5878696-97

## **Registered Office:**

31-Q, Gulberg-II,  
Lahore, Pakistan.  
Phone :5761730-39  
Fax :5878696-97

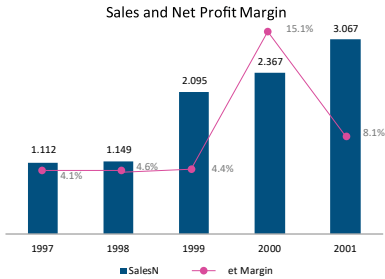
## **Mills:**

Spinning 1  
49th Kilometre, Multan Road,  
Bhai Pheru, Tehsil Chunian,  
District Kasur.

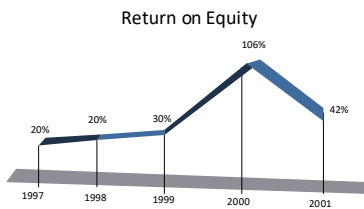
Spinning 2 & Weaving  
49th Kilometre, Multan Road,  
Kamogal, Tehsil Pattoki,  
District Kasur.

## Performance During 2000-2001

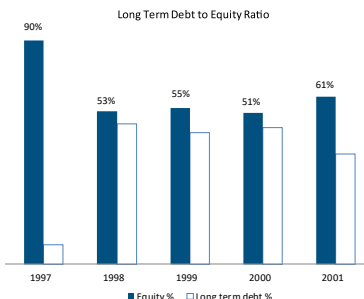
The period under review witnessed an increase in sales of 29% and a decrease in profits of 30% from the last year. The 5-year trend of sales and profits illustrates the cyclical nature of the business.



It can be seen that the year 2000 stands out in terms of profitability of the company and is not a representative year. The cotton prices touched the rock bottom of Rs. 1,200 per maund. We successfully leveraged our financial strength to purchase cotton in bulk at an average price of Rs. 1,500. Later the prices went up and we were able to benefit from our lower cost of cotton coupled with favourable market conditions. In terms of cotton prices and market conditions 2001 can be compared with 1999 and we can see that the sales and profits in 2001 are much higher than the comparative figures in 1999, although less favourable as compared to 2000.



The profits have increased in absolute terms as well as in terms of net margin as compared to 1999. However the profit growth has been retarded due to the huge stuck up sales tax refunds with the tax authorities. The amount receivable from tax authorities on account of sales tax refund has ranged from Rs 38 million to Rs 162 million during the last two years. The average receivable was Rs 95 million in year ending September 30, 2001. At 14% per annum we had to bear the financial cost of Rs 13.3 million in the year under review. Sales have increased due to commissioning of a new spinning unit that started working in December 2000. The total turnover has increased at a higher rate than suggested by the increase in sales, as Rs 512 million were accounted for by the internal sales from spinning to weaving units in 2001, against an internal sale of Rs 238 million in 2000. If we include the internal sales, the total turnover in 2001 comes to Rs 3.58 billion against a comparative figure of Rs 2.61 billion in 2000. We have maintained an average return on equity of 44% from 1997 to 2001. The ROE for the current year is 42%. Our target is to maintain a long-term ROE of 30-40%.

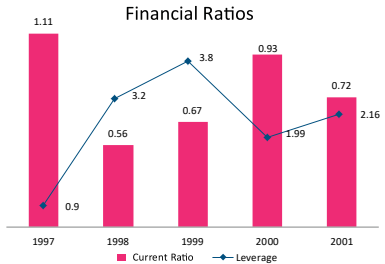


## Investments and sources of Financing

During the year under review, about Rs 475 million were invested in fixed assets to complete the new spinning unit in December 2000, and to import machinery for the expansion in the weaving unit that has been completed in November 2001. Depreciation cash flow of Rs 134 million, long term loan of Rs 134 million and profits for the year were used to finance this investment. The expansion in weaving has enhanced the capacity by 37% to 176 air jet looms, supplementing the spinning capacity of 40,872 spindles. The effect of this expansion will become visible in our sales in 2002. With the recent expansion in spinning and weaving we have become one of the leading textile composite units in the country.

## Financial Structure

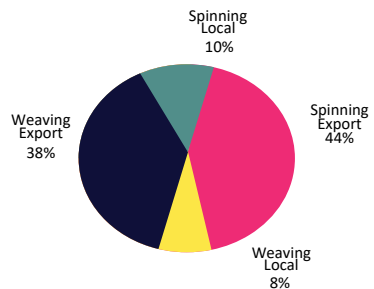
The financing norm in the textile industry is to use the revolving re-finance facility to finance long-term assets, because the re-finance facility is much cheaper than the long-term debt. Following this strategy, our current ratio dropped to a level of 0.56 in 1998. Since the seasonal and cyclical fluctuations expose the textile industry to higher risk, we have implemented a conservative financing strategy. We are shifting the borrowing from short-term to long-term to improve our current ratio and are reducing our leverage. Our target debt to equity ratio is 55:45, which is well within the 60:40 limit imposed by the Prudential Regulations of the State Bank of Pakistan. Hence we are restructuring our debt, while controlling our financial leverage. The illustration shows that we have kept our financial ratios in control during the last two years. Decisions for future investments have also been made subject to the constraints of the targeted financial ratios.



## Marketing

The major driver of profitability is an aggressive marketing strategy geared towards niche marketing with specialized products. Our quality products are supplemented by professional customer service to build long-term relationship with our customers. Our target is to maintain our export sales at 85% of total to maximize profits. We want to be among the top suppliers of quality textile products worldwide. The marketing strategy is backed by investments in technology and human resources. We are improving our organizational systems and processes, thus increasing efficiencies across the board.

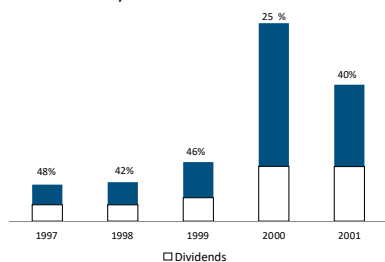
## Sales Breakup



## Dividend Policy

The government's policy implying distribution of 40% of current earnings or 50% of paid up capital as dividend, if reserves are higher than 50% of the paid up capital, discourages companies from retaining their earnings. This poses a hurdle to companies that want to invest in discourages savings and investments in an economy that already has a very low level of savings. Since the companies distribute their equity funds in the form of dividend, they have to rely on borrowings to finance their projects, that has a negative effect on their leverage and the current ratio. If a company earns higher returns than the market, it is more beneficial for the shareholders that the profits are retained in the company rather than distributed as dividends. The government policy is self-defeating as it hinders the growth of the economy while failing to safeguard the interest of the shareholders.

## Payout to Shareholders



The average payout ratio for the last 5 years is 40%. In 2000, the long-term debt was increased significantly to finance the expansions in spinning and weaving units. Hence, the payout was decreased in order

to maintain our debt-to-equity ratio. This year the Board of Directors has recommended a cash dividend of 2.5 per share. An amount of Rs 148 million has been transferred to the general reserve.

### **Future Outlook**

Due to the changes in the structure of the textile industry and the abolition of export quotas by 2004, it will become increasingly difficult to maintain a competitive edge in semi-finished products. Hence we are focusing our efforts on specialising in value-added products. Different plans for vertical integration and product diversification are under consideration that will be materialized in the near future. 10,000 spindles are being added to the spinning unit-2. State of the art Reiter machinery will be installed that will produce better quality yarn through compact spinning.

In order to minimize dependence on out-side sources, we are planning to set up a captive power plant for the new and existing units, using the latest co-generation technology. This will not only ensure a reliable source of electricity, using the economical dual fuel system, but will also enable us to use the generated steam in our sizing units and -for air-conditioning, using heat recovery systems.

The pattern of shareholding as at September 30, 2001 is annexed.

For and on behalf of the board

Lahore: March 02, 2002

Shahzad Saleem  
Chief Executive

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
										<b>(Rupees in thousand)</b>
Capital	100,000	100,000	120,000	144,000	144,000	144,000	144,000	144,000	144,000	403,200
Reserves	16,894	28,384	86,730	64,306	86,988	110,627	162,237	194,792	192,289	340,409
Net Worth	116,894	128,384	206,730	208,306	230,988	254,627	306,237	338,792	595,489	743,609
Long term Liabilities	167,629	142,761	116,660	50,657	34,737	26,765	270,431	280,856	567,030	476,321
Current Liabilities	188,519	234,899	200,045	242,494	235,245	201,965	702,242	1,015,989	619,802	1,130,202
Total Equity & Liabilities	473,042	506,044	523,435	501,457	500,970	483,357	1,278,910	1,635,637	1,782,321	2,350,132
Fixed Assets	366,178	358,659	326,765	299,319	271,695	258,221	886,593	956,365	1,202,614	1,537,288
Long Term Deposits	8,303	10,960	6,311	4,707	2,059	311	227	227	527	545
Current Assets	98,561	136,425	190,359	197,431	227,216	224,825	392,090	679,048	579,180	812,298
Total Assets	473,042	506,044	523,435	501,457	500,970	483,357	1,278,910	1,635,637	1,782,321	2,350,132
Sales	421,815	519,787	663,261	838,915	971,188	1,111,537	1,148,551	2,094,958	2,367,018	3,066,830
Gross Profit	83,367	109,855	162,425	92,821	172,615	186,017	183,371	362,475	628,457	684,287
Operating Profit plus Other Income	60,657	77,528	125,212	54,421	148,573	144,251	156,465	290,531	533,773	523,634
Financial & Other charges	54,485	66,037	56,633	47,620	91,423	91,225	93,244	185,936	155,772	237,811
Taxation	(1,000)	0	10,232	5,225	5,669	7,787	11,611	13,000	20,504	36,903
Net Profit	7,172	11,491	58,347	1,576	51,481	45,239	51,610	91,595	357,497	248,920
Gross margin	19.8%	21.1%	24.5%	11.1%	17.8%	16.7%	16.0%	17.3%	26.6%	22.3%
Net Margin	1.7%	2.2%	8.8%	0.2%	5.3%	4.1%	4.5%	4.4%	15.1%	8.1%
Current Ratio	0.52	0.58	0.95	0.81	0.97	1.11	0.56	0.67	0.93	0.72
Current Ratio as per SBP Regulations	0.99	1.00	1.38	1.12	1.04	1.16	0.61	0.80	1.52	0.87
Leverage (Total Liab./Net Worth)	3.00	2.9	1.5	1.4	1.2	0.9	3.2	3.8	1.99	2.16
Long Term Debt : Equity	51:49	53:47	36:64	20:80	13:87	10:90	47:53	45:55	49:51	39:61
EPS	0.72	1.15	4.86	0.11	3.58	3.14	3.58	6.36	8.87	6.17
EPS (Adjusted for bonus shares)	0.72	1.15	5.83	0.16	5.15	4.52	5.16	9.16	35.75	24.89

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 12th Annual General Meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Registered Office of the Company, 31-Q, Gulberg II, Lahore, on March 30, 2002 (Saturday) at 09:00 a.m. to transact the following business:-

1. To confirm the minutes of last Annual General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended September 30, 2001 together with Directors' and Auditors' reports thereon.
3. To approve 25% Cash Dividend (i.e. Rs. 2.50/- per share) as recommended by the Board of Directors.
4. To appoint auditors for the year ending September 30, 2002 and to fix their remuneration. The present Auditors M/S A.F Ferguson & Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chair.

### **BOOKS CLOSURE**

The Share Transfer Books of the Company will remain closed from March 23, 2002 to March 30, 2002 (both days inclusive), for the entitlement of Dividend.

**By Order of the Board**

**Lahore:**  
March 02, 2002.

**Farrukh Ifzal**  
Corporate Secretary

### **NOTES:**

- 1) The Cash Dividend will be paid to the shareholders, whose names will appear in the register of members as at the close of business on March 22, 2002.
- 2) A member eligible to attend, speak and vote at this meeting may appoint another member his/her Proxy to attend, speak and vote instead of him/her. Proxies in order to be effective must reach the company's office at 31 -Q, Gulberg II, Lahore, Pakistan, not later than 48 hours before the time of the meeting.
- 3) Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her National identity Card. Representatives of corporate members should bring the usual documents required for such purpose.
- 4) Members are requested to immediately notify the change of address, if any.



We have audited the annexed balance sheet of **NISHAT (CHUNIAN) LIMITED** as at 30 September 2001 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure of the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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 30 September 2001 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore : March 02, 2002.

**A.F. FERGUSON & CO.**  
Chartered Accountants

# BALANCE SHEET AS AT SEPTEMBER 30, 2001

	Note	2001 Rupees	2000 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 50,000,000 (2000: 50,000,000) ordinary shares of Rupees 10 each		<b>500,000,000</b>	50,000,000
Issued, subscribed and paid up share capital	3	<b>403,200,000</b>	403,200,000
Reserves	4	<b>340,000,000</b>	192,000,000
Unappropriated profit		<b>408,944</b>	289,145
		<b>743,608,944</b>	595,489,145
<b>LONG TERM LOANS - SECURED</b>	5	<b>470,805,556</b>	561,666,668
<b>DEFERRED LIABILITY</b>			
Staff gratuity	6	<b>5,515,539</b>	5,363,749
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans			
Long term loans	5	<b>195,694,446</b>	239,999,998
Debenture - secured	7	-	628,254
Finance under mark up arrangements and other credit facilities - Secured	8	<b>664,483,581</b>	162,660,606
Creditors, accrued and other liabilities	9	<b>169,223,735</b>	115,713,204
Proposed dividend		<b>100,800,000</b>	100,800,000
		<b>1,130,201,762</b>	619,802,062
<b>CONTINGENCIES AND COMMITMENTS</b>	10	-	-
		<b>2,350,131,801</b>	<b>1,782,321,624</b>

## BALANCE SHEET AS AT SEPTEMBER 30, 2001

	Note	2001 Rupees	2000 Rupees
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets- Tangible	11	1,327,475,155	934,315,115
Capital work-in-progress	12	209,813,094	268,298,973
		1,537,288,249	1,202,614,088
 LONG TERM DEPOSITS	 13	 545,450	 527,450
<b>CURRENT ASSETS</b>			
Stores and spares	14	62,119,232	61,207,618
Stock in trade	15	445,215,951	218,017,438
Trade debts	16	164,932,109	118,922,342
Advance, deposits, prepayments and other receivables	17	119,471,674	153,800,635
Cash and bank balances	18	20,559,136	27,232,053
		812,298,102	579,180,086
		2,350,131,801	1,782,321,624

The annexed notes from an integral part of these accounts.

Chief Executive

Director

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2001	2000
	Rupees	Rupees
Sales	19 <b>3,066,830,305</b>	2,367,018,383
Cost of goods sold	20 <b>2,382,542,999</b>	1,738,561,530
Gross profit	<b>684,287,306</b>	628,456,853
Administrative expenses	21 <b>41,350,921</b>	29,314,114
selling and Distribution expenses	22 <b>124,073,089</b>	69,338,303
	<b>165,424,010</b>	98,652,417
Operating Profit	<b>518,863,296</b>	529,804,436
Other income	23 <b>4,770,822</b>	4,281,596
	<b>523,634,118</b>	534,086,032
Financial charges	24 <b>215,859,338</b>	135,872,115
Other Charges	25 <b>21,951,762</b>	20,212,298
Financing costs	<b>237,811,100</b>	156,084,413
Profit before taxation	<b>285,823,018</b>	378,001,619
Provision for taxation	26 <b>36,903,219</b>	20,504,203
Profit after taxation	<b>248,919,799</b>	357,497,416
Unappropriated profit brought forward	<b>289,145</b>	391,729
Available for appropriation	<b>249,208,944</b>	357,889,145
Appropriations:		
Transfer to general reserve	<b>148,000,000</b>	55,200,000
Proposed dividend rupees 2.5 (2000.RS 2.5 per share)	-	201,600,000
Transfer to reserve for issue of bonus shares	<b>100,800,000</b>	100,800,000
	<b>248,800,000</b>	357,600,000
Unappropriated profit	<b>408,944</b>	289,145
Earnings per share	33 <b>6.17</b>	8.87

The annexed notes form an integral part of these accounts.

Chief Executive

Director

# CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	Note	2001 Rupees	2000 Rupees
<b>Cash flow from operating activities</b>			
Cash generated from operations	31	427,123,681	737,987,903
Financial charges paid		(197,790,325)	(137,457,752)
Taxes Paid		(32,986,334)	(28,893,553)
Gratuity paid		<u>(2,634,948)</u>	<u>(885,826)</u>
<b>Net cash inflow from operating activities</b>		193,712,074	570,750,772
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		<u>(475,344,841)</u>	<u>(351,841,442)</u>
Sale proceeds fixed assets		8,805,852	4,102,890
Decrease in long deposits		<u>(18,000)</u>	<u>(300,000)</u>
<b>Net Cash (outflow) from investing activities</b>		(466,556,989)	(348,038,552)
<b>Cash flow from financing activities</b>			
Debentures repaid		<u>(628,254)</u>	<u>(628,253)</u>
Long term loans		<u>(135,166,664)</u>	<u>361,666,666</u>
Dividend paid		<u>(99,856,059)</u>	<u>(47,718,670)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(235,650,977)</u>	<u>313,319,743</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(508,495,892)	536,031,963
<b>Cash and cash equivalents at beginning of the year</b>		<u>(135,428,553)</u>	<u>(671,460,516)</u>
<b>Cash and cash equivalents at end of the year</b>	32	<u>(643,924,445)</u>	<u>(135,428,553)</u>

The annexed notes form an integral part of these accounts.

Chief Executive

Director

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	Share capital Rupees	General reserve Rupees	Reserve for Issue of bonus shares Rupees	Accumulated profit Rupees	Total Rupees
Balance as at 30 September 1999	144,000,000	57,600,000	136,800,000	391,729	338,791,729
Net profit for the year	-	-	-	357,497,416	357,497,416
Transfer to general reserve	-	-	55,200,000	(55,200,000)	-
25,920,000 ordinary shares of Rs 10 each issued as fully paid bonus shares	259,200,000	-	-	-	259,200,000
Nominal value of bonus shares issued	-	(57,600,000)	-	(201,600,000)	(259,200,000)
Dividend -Final Rs 2.5 per share	-	-	-	(100,800,000)	(100,800,000)
Balance as at September 30, 2000	403,200,000	-	192,000,000	289,145	595,489,145
Net profit for the year	-	-	-	248,919,799	248,919,799
Transfer to general reserve	-	-	148,000,000	(148,000,000)	-
Dividend -Final Rs 2.5 per share	-	-	-	(100,800,000)	(100,800,000)
Balance as at September 30, 2001	403,200,000	-	340,000,000	408,944	743,608,944

Chief Executive

Director

FOR THE YEAR ENDED SEPTEMBER 30, 2001

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

Nishat (Chunian) Limited is a 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 yarn and fabric.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred to in note 2.8.

These accounts have been prepared in accordance with the requirements of Companies Ordinance, 1984 and International Accounting Standards (IAS), as applicable in Pakistan in all material respects.

### **2.2 Taxation**

#### **Current**

The provision of current taxation is based on taxable income at the current rates of taxation after taking into accounts available tax before rebates credits; If any.

#### **Deferred**

The Company accounts for deferred taxation, using the liability method, on all major temporary differences. However, provision for the current year is not considered necessary in view of that company is filling its income tax return under section 80CC of the Income Tax Ordinance, 1979.

### **2.3 Staff retirement benefits**

#### **Gratuity**

The company provides for statutory gratuity for all its employees serving at factory. Annual provision is made in the accounts to cover the company's obligations.

#### **Provident fund**

The Company also operates an unapproved contributory provident fund scheme for its head office employees. Equal monthly contributions are made both by the company and employees to the fund accordance with the fund rules.

FOR THE YEAR ENDED SEPTEMBER 30, 2001

## **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 2.8.

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 11.1.

The full annual rate of depreciation is applied to the costs of additions, except major additions or extension to existing facilities, while no depreciation is charged on assets deleted during the year. Major additions or extension to existing 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 installments over its remaining useful life.

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

## **2.5 Capital work in progress**

Capital work in progress is shown at cost. These costs are transferred to fixed assets as and when assets are available for intended use.

## **2.6 Stores and spares**

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

## **2.7 Stock in trade**

These are stated at the lower of cost and net realisable value except for waste stock which is valued at net realisable 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 realisable value.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

## **2.8 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.



# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

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

All other exchange differences are included in profit currently.

## 2.9 Borrowing cost

Borrowing costs are charged to income currently. However, interest, mark up and other charges on finances utilised are capitalised upto the date of commissioning of respective fixed assets, acquired out of such finances.

## 2.10 Revenue recognition

Sales are recognised on the despatch of goods to customers.

	2001 Rupees	2000 Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
12,000,000 ordinary shares of Rs 10 each fully paid in cash	120,000,000	120,000,000
<u>28,320,000</u> ordinary shares of Rs 10 each issued as fully paid bonus shares	<u>283,200,000</u>	<u>283,200,000</u>
<u>40,320,000</u>	<u>403,200,000</u>	<u>403,200,000</u>

## 4. Reserves

Movement in and composition of reserves is as follows

### Capital

#### Reserve for issue of bonus shares

At beginning of the year	-	57,600,000
Nominal value of bonus shares issued	<u>-</u>	<u>(57,600,000)</u>

### Revenue

#### General Reserves

At beginning of the year	<u>192,000,000</u>	<u>136,800,000</u>
Transferred from profit and loss account	<u>148,000,000</u>	<u>55,200,000</u>
	<u>340,000,000</u>	<u>192,000,000</u>
	<u>340,000,000</u>	<u>192,000,000</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

## 5. Long term loans - Secured

Loan Lender	2001 Rupees	2000 Rupees	Rate of Interest per annum	Number of Installment	Interest payable
1. ABN AMRO Bank - 2	134,000,000	-	**SBP discount rate + 1.5% subject to a floor of 14.5%.	Eight equal half yearly installments ending May 01, 2006	Half yearly
2. Citibank NA	20,833,335	62,500,001	*STFB rate + 1.70%	One half yearly installment ending March 31, 2002	Quarterly
3. Citibank NA - 2	36,666,667	110,000,000	*STFB rate + 2.25% subject to a floor of 14.75%.	One half yearly installment ending March 24, 2002	Quarterly
4. United Bank Limited - 2	100,000,000	100,000,000	**SBP Discount rate + 2.25% subject to a floor of 13.25%.	Nine quarterly installments ending October 27, 2003	Quarterly
5. Syndicate loans:					
- ABN AMRO Bank	100,000,000	100,000,000	**SBP Discount	Eight half yearly	Half yearly
- Habib Bank Limited	150,000,000	150,000,000	rate + 2%	installments ending	
- Gulf Commercial Bank Limited	75,000,000	75,000,000	subject to a floor of	September 20,	
- Faysal Bank Limited	50,000,000	50,000,000	14.5%.	2005	
	375,000,000	375,000,000			
6. United Bank Limited	-	66,666,666	Treasury bill rate + 2.50% subject to a floor of 15% and ceiling of 19%		Quarterly
7. ABN AMRO Bank	-	87,499,999	* STFB rate + 1.70%		Quarterly
	<b>666,500,002</b>	<b>801,666,666</b>			
Less : Current portion shown under current liabilities	<b>195,694,446</b>	<b>239,999,998</b>			
	<b>470,805,556</b>	<b>561,666,668</b>			

\* Short Term Federal bonds

\*\* State Bank of Pakistan

### Loan 1 to 5

These are secured by first pari passu hypothecation charge on all present and future fixed assets of the company and an equitable mortgage of the Company's land to the extent of Rs 1,071 million.

### Loan 6 to 7

These have been repaid during the year.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2001 Rupees	2000 Rupees
<b>6 Staff gratuity</b>		
Opening balance as at October 1	5,363,749	3,563,108
Provision during the year	<u>2,786,738</u>	<u>2,686,467</u>
	8,150,487	6,249,575
Less : Payment during the year	<u>2,634,948</u>	<u>885,826</u>
Closing balance as at September 30	<u><u>5,515,539</u></u>	<u><u>5,363,749</u></u>

## 7 Debentures (non convertible) - secured

Custom debentures	-	628,254
Less: Current maturity shown under current liabilities	<u>-</u>	<u>628,254</u>
These have been repaid during the year	<u>-</u>	<u>-</u>

## 8. Finances under mark-up arrangements and other other credit facilities - secured

Short term running finances	note 8.1 313,332,248	52,920,606
Export finances - preshipment/SBP refinance	note 8.2 351,151,333	109,740,000
	<u>664,483,581</u>	<u>162,660,606</u>

**8.1** Short term running finances are available from commercial banks under mark-up arrangements amounting to Rs 435 million (2000: Rs 445 million). The rates of mark-up range from Re 0.3288 to Re 0.6027 per Rs 1,000 per diem or part thereof on the balance outstanding. In the event, the company fails to pay the balances on the expiry of the quarter, year or earlier demand, additional mark-up is to be computed at the rates ranging from Re 0.1726 to Re 0.2055 per Rs 1,000 per diem or part thereof on the balance unpaid. The aggregated 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 791.3 million (2000: RS 585 million) from commercial banks. Mark-up is payable quarterly at the rates ranging from Re 0.2192 to Re 0.4247 per Rs 1,000 per diem. In the event, the company fails to pay the balances on the expiry of the quarter, year or earlier demand, additional mark-up is to be computed at the rates ranging from Re 0.1726 to Re 0.2055 per Rs 1,000 per diem or part thereof on the balances unpaid. 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.

**8.3** Out of the aggregate facility of Rs 500 million (2000: Rs 420 million) for opening letter of credit and Rs 60 million (2000: Rs 325 million) for guarantees, the amount utilised at September 30, 2001 was Rs 76.5 million (2000: Rs 78 million) and Rs 2.2 million (2000 : Rs 31 million ) respectively. The facilities are secured by 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, 2001

		<b>2001</b>	<b>2000</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>9. Creditors, accrued and other liabilities</b>			
Creditors	- note 9.1	<b>38,493,153</b>	30,713,525
Accrued Liabilities		<b>66,053,355</b>	32,820,809
Advances from customers	- note 9.2	<b>3,955,879</b>	7,285,860
Mark-up on:			
- Short term running finances and other credit facilities - Secured		<b>25,646,419</b>	7,539,963
- Debentures - secured		-	79,522
- Long term loans - secured		<b>12,052,395</b>	12,010,316
Retention money		<b>4,296,348</b>	1,078,426
Due to associated undertaking - Nishat Mills Limited	- note 9.3	-	<b>2,317,122</b>
Workers profit participation fund	- note 9.5	<b>15,059,619</b>	19,900,028
Income tax deducted at source		<b>332,923</b>	535,056
Unclaimed dividend		<b>2,350,878</b>	1,406,937
Others		<b>982,766</b>	25,640
		<b><u>169,223,735</u></b>	<b><u>115,713,204</u></b>
<b>9.1</b>	The maximum aggregate amount due to associated company - Nishat Mills limited at the end of any month during the period upto June 13, 2001 was Rs 8,514,879 (2000: Rs Nil).		
<b>9.2</b>	The maximum aggregate amount due to associated company - Nishat Mills limited at the end of any month during the period upto June 13, 2001 was RS 889,854 (2000: RS 6,170,726).		
<b>9.3</b>	The maximum aggregate amount due to associated company - Nishat Mills limited at the end of any month during the period upto June 13, 2001 was Rs 2,762,434 (2000: Rs 3,974,162).		
<b>9.4</b>	Nishat Mills Limited ceased to be an associated undertaking from June 13, 2001.		
<b>9.5 Workers' Profit Participation fund</b>			
Opening balance as at October 1		<b>19,900,028</b>	5,506,000
Provision for the year		<b>15,059,619</b>	19,900,028
Interest for the year		<b>301,315</b>	335,661
		<b><u>35,260,962</u></b>	<u>25,741,689</u>
Less: Payments made during the year		<b><u>20,201,343</u></b>	<u>5,841,661</u>
Closing balance as at September 30		<b><u>15,059,619</u></b>	<u>19,900,028</u>

## **10 Contingencies and commitments**

### **10.1 Contingencies**

- (i) The inspecting Additional Commissioner of Income Tax (IAC) through a consolidated assessment order under section 62/132/156 of the Income Tax Ordinance, 1979 for the assessment year 1994-95 through 1997-98 has taxed the gross amount of interest income earned in the respective years under section 30 of the Income Tax Ordinance, 1979. No expenditure has been allowed by the assessing officer there against. Consequently, a tax demand aggregating to Rs 9,278,472 has been raised. The company has filed an appeal before the Commissioner of Income Tax (Appeals) against the order of the IAC.

No provision has been made against the demand raised by the assessing officer, as according to the management of the company, there are meritorious grounds that the ultimate decision would be in the company's favour.

- (ii) Post dated cheques not provided in the accounts have been issued by the company in favour of the collector of sales Tax in respect of refunds received, but not yet verified by the Sales Tax Authorities amount to Rs 3,698,409.

### **10.2 Commitments**

- (i) Commitments in respect of capital expenditure are Rs 110.58 million (2000: Rs 110 million).
- (ii) Letters of credit other than capital expenditure Rs 3.79 million (2000: Rs 0.281 million).

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

## 11. Operating fixed assets - tangible

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

	Cost as at October 30, 2000	Additions/ (Deletions)	Cost as at September 30, 2001	Accumulated depreciation As at September 30, 2000	Charge for the year / (depreciation on deletions)	Accumulated depreciation As at September 30, 2001	Book Value as at September 30, 2001	- Depreciation Rate %
Land	31,917,958	8,785,528 (1,575,365)	39,128,121	-	-	-	39,128,121	-
Building	210,810,426	114,104,066	324,914,492	73,441,497	22,659,533	96,101,030	228,813,462	10
Plant and machinery	1,011,605,240	362,701,782 (5,002,927)	1,369,304,095	286,979,649	99,632,328 (1,353,056)	385,258,921	984,045,174	10
Furniture and fixture	3,759,553	2,488,656 (679,866)	5,568,343	1,210,352	407,046	1,617,398	3,950,945	10
Vehicles	15,837,076	17,193,748 (2,743,472)	30,287,352	6,883,462	4,996,527 (830,265)	11,049,724	19,237,628	20
Office equipment	6,423,255	1,559,302 (79,500)	7,903,057	1,881,327	600,548	2,481,875	5,421,182	10
Electrical installations	34,821,552	14,127,190	48,948,742	13,809,544	3,174,703	16,984,247	31,964,495	10
Tools and equipment	4,455,951	12,870,448	17,326,399	1,110,065	1,302,186	2,412,251	14,914,148	10
<b>Rupees 2001</b>	<b>1,319,631,011</b>	<b>533,830,720</b> <b>(10,081,130)</b>	<b>1,843,380,601</b>	<b>385,315,896</b>	<b>132,772,871</b> <b>(2,183,321)</b>	<b>515,905,446</b>	<b>1,327,475,155</b>	
<b>Rupees 2000</b>	<b>1,230,516,316</b>	<b>96,360,590</b> <b>(7,245,895)</b>	<b>1,319,631,011</b>	<b>286,969,161</b>	<b>101,497,030</b> <b>(3,150,295)</b>	<b>385,315,896</b>	<b>934,315,115</b>	

Addition to building, plant and machinery and electrical installation include interest amounting to Rs 21,434 (2000: Rs Nil).

11.2 Depreciation charges for the year has been allocated as follows:

	2001 (Rupees in thousand)	2000
Cost of goods sold	- note 20	127,417,051
Administration expenses	- note 21	5,355,820
		98,705,861
		2,791,169
		<u>132,772,871</u>
		<u>101,497,030</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

## 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	Sale proceeds Rupees	Donation Rupees	Mode of Disposal
	<b>Outsiders</b>						
Land	Fawad Textile Mills Limited	1,046,190	-	1,046,190	1,275,000	-	Negotiation
	Mian Muhammad Yahya Trust	529,175	-	529,175	-	529,175	Donation
Plant and machinery	Granada Textile Mills Limited	5,002,927	1,356,056	3,649,871	5,010,100	-	Negotiation
Furniture and fixtures	Mr. Zahid Ahmad	213,152	-	213,152	213,152	-	-do-
	Mian Muhammad Yahya Trust	466,714	-	466,714	-	466,714	Donation
Vehicles	Mr. Javaid Aftab	56,600	38,053	18,547	38,100	-	Negotiation
	Mr. Muhammad Ashfaq	376,000	-	376,000	315,000	-	-do-
	Mian Faisal Azmet	845,385	499,115	346,270	560,000	-	-do-
	Mr. Tahir Iqbal Kyani	455,840	91,168	364,672	380,000	-	-do-
	Security General Insurance company Limited	1,009,647	201,929	807,718	935,000	-	Insurance claim
Others		79,500	-	79,500	79,500	-	Negotiation
		<u>10,081,130</u>	<u>2,183,321</u>	<u>7,897,809</u>	<u>8,805,852</u>	<u>995,889</u>	

**2001**  
Rupees

**2000**  
Rupees

## 12. Capital work in progress

Plant and Machinery [includes in transit Rs 120.278 million (2000: Rs 0.103 million)]	<b>120,278,186</b>	193,196,079
Civil works	<b>81,534,908</b>	75,102,894
Advance to supplier	<b>8,000,000</b>	-
	<u><b>209,813,094</b></u>	<u>268,298,973</u>

Capital work-in-progress includes borrowing costs of Rs Nil (2000: Rs 4.148 million)

## 13. Longterm deposits

These represent long term security deposits.

## 14. Stores and spares

Stores [include in transit Rs 10.287 million (2000: Rs 10.139 million)]	<b>33,415,335</b>	35,602,161
Spares	<b>28,703,897</b>	25,605,457
	<u><b>62,119,232</b></u>	<u>61,207,618</u>

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2001 Rupees	2000 Rupees
<b>15. Stock in trade</b>		
Raw materials [Include in transit Rs Nil (2000:Rs 32.612 million)]	283,270,939	114,604,463
Work in process	43,905,839	24,369,223
Finished goods - own produced	114,371,049	69,917,987
Finished goods-purchased for resale	919,093	8,368,280
Waste	2,749,031	757,485
	<u>445,215,951</u>	<u>218,017,438</u>

Included in finished goods - own produced are 375 bags of yarn valuing Rs 2.46 million held at Umer Fabrics Limited.

<b>16. Trade debts - considered good</b>		
Export - secured	131,580,813	103,014,689
Local - unsecured	33,351,296	15,907,653
	<u>164,932,109</u>	<u>118,922,342</u>

The maximum aggregate amount due from associated company - Nishat Mills Limited at the end of any month during the year was Rs 4,644,682(2000: Rs 3,572,484).

## 17. Advance, deposits, prepayments and other receivables

Advances - considered good to:

Employee	- note 17.1	1,472,048	2,969,347
Suppliers	- note 17.2	15,308,635	14,547,218
Contractors		729,771	111,413
Short term deposits		518,000	461,358
Prepayments		538,950	43,285
Letter of credit-margins, deposits, opening charges etc.		238,753	40,783,345
Income tax refundable		32,220,775	36,160,085
Balances with statutory authorities for sales tax		49,003,043	45,573,953
export rebate receivable		14,595,906	10,691,847
Other receivables		4,845,793	2,458,784
		<u>119,471,674</u>	<u>153,800,635</u>

**17.1** Included in advances to employees are amounts due from executives of Rs 178,221 (2000: Rs 2,126,966 ).  
The maximum aggregate amount due from executives at the end of any month during the year was Rs 178,700 (2000: Rs 2,349,767).

**17.2** The maximum aggregate amount due from associated company - Nishat Mills Limited at the end of any month during the period upto June 13, 2001 was Rs 656,773 (2000: Rs Nil).  
Balance with associated company relates to normal business of the company and was interest free.

## 18. Cash and bank balances

Balances with banks on current accounts	20,303,982	26,875,845
Cash In Hand	255,154	356,208
	<u>20,559,136</u>	<u>27,232,053</u>



# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2001 Rupees	2000 Rupees
<b>19. Sales</b>		
Export	2,548,835,224	2,047,480,466
Local	481,312,606	330,904,812
Waste	<u>42,771,732</u>	<u>19,811,451</u>
	<b>3,072,919,562</b>	<b>2,398,196,729</b>
Less: Commission to selling agents:		
Export sales	<u>27,681,162</u>	<u>47,490,031</u>
Local sales	<u>3,267,021</u>	<u>1,974,724</u>
	<b>30,948,183</b>	<b>49,464,755</b>
	<b>3,041,971,379</b>	<b>2,348,731,974</b>
Sizing income	1,684,758	0
Double Income	7,253,927	1,773,000
Export rebate	<u>15,920,241</u>	<u>16,513,409</u>
	<b><u>3,066,830,305</u></b>	<b><u>2,367,018,383</u></b>

Sales are exclusive of sales tax Rs 121,046,694 (2000: Rs 67,742,498).

## 20. Cost of goods sold

Raw and Packing material consumed	1,860,695,897	1,282,450,913
Stores, spares consumed	80,312,590	62,807,911
Salaries, wages and other benefits	note 20.1 89,480,168	67,503,847
Fuel and power	187,643,095	126,387,652
Insurance	3,735,875	2,753,634
Depreciation	note 11.2 127,417,051	98,705,861
Repair and Maintenance	2,111,968	3,663,106
Others	<u>13,731,393</u>	<u>9,596,807</u>
	<b>2,365,128,037</b>	<b>1,653,869,731</b>
Opening work-in-process	24,369,223	30,387,146
Closing work-in-process	<u>(43,905,839)</u>	<u>(24,369,223)</u>
Cost of goods manufactured	<b>2,345,591,421</b>	<b>1,659,887,654</b>
Opening stocks		
Finished goods	<u>69,917,987</u>	<u>47,938,153</u>
Waste	<u>757,485</u>	<u>850,890</u>
	<b>70,675,472</b>	<b>48,789,043</b>
	<b>2,416,266,893</b>	<b>1,708,676,697</b>
Closing Stocks		
Finished goods	<u>(114,371,049)</u>	<u>(69,917,987)</u>
Waste	<u>(2,749,031)</u>	<u>(757,485)</u>
	<b>(117,120,080)</b>	<b>(70,675,472)</b>
	<b>2,299,146,813</b>	<b>1,638,001,225</b>
Cost of goods purchased for resale	<u>83,396,186</u>	<u>100,560,305</u>
	<b><u>2,382,542,999</u></b>	<b><u>1,738,561,530</u></b>

20.1 Salaries, wages and other benefits include gratuity Rs 2.787 million (2000: Rs 2.686 million).

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

		2001	2000
		Rupees	Rupees
<b>21. Administration expenses</b>			
Salaries, allowances and benefits	note 21.1	15,026,936	10,588,366
Printing and stationery		877,348	549,440
Vehicle running expenses		1,318,697	992,669
Traveling and conveyance		8,427,909	6,175,003
Postage and telephone		5,178,965	2,988,768
Fee and subscription		1,205,383	1,567,998
Electricity, gas and water		784,527	1,072,138
Insurance		1,316,949	1,105,080
Repairs and maintainane		44,335	274,523
Entertainment		499,179	283,594
Audit fee		200,000	180,000
Advertisement		216,941	247,084
Depreciation	note 10.2	5,355,820	2,791,169
Advances written off		94,538	-
Other Expenses		803,394	498,282
		<u>41,350,921</u>	<u>29,314,114</u>
<b>21.1 Salaries, allowances and benefits include provident fund Rs 0.142 million(2000: Rs 0.122 million)</b>			
<b>22. Selling and distribution expenses</b>			
Ocean freight		40,578,755	34,372,750
Freight and octroi		15,119,422	7,995,587
Forwarding and other expenses		15,173,706	18,543,933
Export marketing expenses		53,046,435	8,426,033
Bad debts written off		154,771	-
		<u>124,073,089</u>	<u>69,338,303</u>
<b>23. Other income</b>			
Profit on sale of fixed assets		1,903,932	7,290
Sale of scrap		1,326,261	1,493,394
Exchange gain		676,601	1,664,775
Unclaimed balances written back		146,314	287,272
Others		717,714	828,865
		<u>4,770,822</u>	<u>4,281,596</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2001	2000
	Rupees	Rupees
<b>24. Financial charges</b>		
Mark-up on running finances	<b>42,331,597</b>	23,275,903
Mark-up on export finances:		
Preshipment	<b>72,312,098</b>	42,825,533
Postshipment	<b>4,822,243</b>	1,790,723
Surcharge on debentures	8,434	98,906
Interest on long term loans - secured	<b>81,186,583</b>	53,740,969
Interest on workers' profit participation fund	<b>301,315</b>	335,661
Loan arrangement fee	-	1,975,000
Bank and other charges	<b>14,897,068</b>	11,829,420
	<b><u>215,859,338</u></b>	<b><u>135,872,115</u></b>
<b>25. Other charges</b>		
Workers' profit contribution fund	<b>15,059,619</b>	19,900,028
Charity and donations	note 25.1 <b>6,892,143</b>	312,270
	<b><u>21,951,762</u></b>	<b><u>20,212,298</u></b>
<b>25.1 Donations</b>		
Name of donee in which a director or his spouse has an interest:		
Mian Muhammad Yahya Trust, Lahore (Shahzad Saleem, chief executive and Mrs Farhat Saleem, director are the Trustee)	<b>6,892,143</b>	-
<b>26. Provision for taxation</b>		
Current year	- note 26.1 <b>35,000,000</b>	31,500,000
Prior year	- note 26.2 <b>1,903,219</b>	(995,797)
	<b><u>36,903,219</u></b>	<b><u>20,504,203</u></b>
<b>26.1</b>	The provision for current year taxation represents the tax liability under section 80CC of the Income Tax Ordinance, 1979. For Purposes of current year taxation the tax losses available for carry forward as at September 30, 2001 are estimated at approximately Rs 45.154 million (2000: Rs 22.554 million), including assessed tax losses of Rs 48.771 million (2000: Rs 22.454 million).	
<b>26.2</b>	Including in taxation for prior years are amounts of Rs 2.2 million and Rs 0.074 million being the penalty under section 52 and 86 respectively , of the income Tax Ordinance, 1979.	

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2001	2000
	%	%
<b>26.3 Tax charge reconciliation</b>		
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate as per Income Tax Ordinance, 1979	35.00	34.65
Tax effect under presumptive tax regime	(22.75)	(28.97)
Effect of change in prior year's tax	0.66	-
Effect of change in rate for prior periods	-	(0.26)
	<u>(22.09)</u>	<u>(29.23)</u>
Average effective tax rate charged to profit and loss account.	<u>12.91</u>	<u>5.42</u>

## 27. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors		Executives	
	2001	2000	2001	2000	2001	2000
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	589,600	585,200	231,996	258,808	9,433,482	6,745,657
Contribution to provident fund						
provident fund	-	-	-	-	595,640	451,173
Housing	265,320	234,080	104,400	103,523	3,632,520	2,611,793
Conveyance	-	-	-	-	21,542	32,400
Utilities	268,680	483,769	157,304	192,534	558,306	843,139
Others	1,304,173	509,708	52,531	-	2,176,055	797,881
	<u>2,427,773</u>	<u>1,812,757</u>	<u>546,231</u>	<u>554,865</u>	<u>16,417,545</u>	<u>11,482,043</u>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>38</b>	<b>31</b>

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

	2001	2000
	Rupees	Rupees
<b>28. Transactions with associated undertakings</b>		
Purchase of good and services	11,903,863	123,168,995
Sale of goods and services	100,669,106	96,766,603
	<u>112,572,969</u>	<u>219,935,598</u>

Sale and purchase transactions of goods and services with associated undertakings are carried out on commercial terms and conditions.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

## 29. Financial assets and liabilities

	Interest/Mark up bearing			Non interest/markup bearing			Total 2000 Rupees	Total 2000 Rupees
	Maturity upto	Maturity after	Sub total	Maturity upto	Maturity after	Sub total		
	one year Rupees	one year Rupees		one year Rupees	one year Rupees			
<b>Financial assets</b>								
Long term deposits	-	-	-	-	545,450	545,450	545,450	527,450
Trade debts	-	-	-	164,932,109	-	164,932,109	164,932,109	118,922,342
Advances, deposits								
Other receivables	-	-	-	4,879,074	-	4,879,074	4,879,074	461,358
Finished goods contracted to be sold	-	-	-	20,625,693	-	20,625,693	20,625,693	18,902,256
Cash and bank	-	-	-	20,559,136	-	20,559,136	20,559,136	27,232,053
	-	-	-	210,996,012	545,450	211,541,462	211,541,462	166,045,459
<b>Financial Liabilities</b>								
Long term loans	-	666,500,002	666,500,002	-	-	-	666,500,002	801,666,666
Debentures	-	-	-	-	-	-	-	628,254
Finance under mark up arrangements	664,483,581	-	664,483,581	-	-	-	664,483,581	162,660,606
Creditors, accrued and other liabilities	-	-	-	146,260,255	-	146,260,255	146,260,255	85,778,575
Commitments	-	-	-	110,582,506	-	110,582,506	110,582,506	110,238,696
Letter of Credit	-	-	-	3,785,742	-	3,785,742	3,785,742	281,138
	664,483,581	666,500,002	1,330,983,583	260,628,503	-	260,628,503	1,591,612,086	1,161,253,935

### 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 211,541,462 (2000: Rs 166,045,459) financial assets which are subject to credit risk amount to Rs 205,511,824 (2000: Rs 157,657,757). To manage exposure to credit risk, the company also applies credit limits to its customers.

### 29.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payable exposed to foreign currency risk are 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.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	2001	2000
<b>30. Plant capacity and actual production</b>		
<b>Spinning</b>		
Number of spindles installed	40,872	19,200
Number of spindles worked	36,003	19,080
Number of shift per day	3	3
Capacity after conversation into 20 count (Kgs.)	12,341,947	6,581,403
Actual Production of yarn after conversion into 20 count (Kgs.)	11,202,025	6,016,244
Under utilisation of available capacity was due to		
- processing of coarser counts.		
- newly installed spindles		
<b>Weaving</b>		
Number of looms installed	128	128
Number of looms worked	128	128
Number of shift per day	3	3
Capacity after conversion into 50 picks-yards	62,755,667	62,329,833
Actual production after conversion into 50 picks - square yards	60,889,953	53,932,104
Under utilisation of available capacity was due to following reasons		
- Change of article required		
- Width loss due to specification of the cloth		
- Due to normal maintenance		
	2001	2000
	Rupees	Rupees
<b>31. Cash generated from operations</b>		
Profit before taxation	285,823,018	378,001,619
Add/(less) adjustment for non cash charges and other items.		
Depreciation	132,772,871	101,497,030
Profit on sale of fixed assets	(1,903,932)	(7,290)
Advance written off	94,538	-
Bad debt written off	154,771	-
Unclaimed balance written off	(146,314)	(287,272)
Provision for gratuity	2,786,738	2,686,467
Financial charges	215,859,338	135,872,115
Donation	995,889	-
Working capital charges	(209,313,236)	120,225,234
	note 31.1	
	<u>427,123,681</u>	<u>737,987,903</u>

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

		2001	2000
		Rupees	Rupees
<b>31.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Stores and spares		(911,614)	(34,459,767)
Stock in trade		(227,198,513)	(41,331,923)
Trade debts		(46,164,538)	44,448,675
Advances, Deposits, Prepayments and other receivables excluding taxes refundable		<u>30,317,538</u>	<u>117,950,576</u>
		<u>(243,957,127)</u>	<u>86,607,561</u>
Increase in current liabilities			
Creditors, accrued and other liabilities		<u>34,643,891</u>	<u>33,617,673</u>
		<u>(209,313,236)</u>	<u>120,225,234</u>
<b>32. Cash and cash equivalents</b>			
Cash and bank balances	note 18	20,559,136	27,232,053
Finance under mark-up arrangements and other credit facilities	note 8	<u>(664,483,581)</u>	<u>(162,660,606)</u>
		<u>(643,924,445)</u>	<u>(135,428,553)</u>
<b>33. Earning per share</b>			
<b>33.1 Basic earning per share</b>			
Net profit for the year	Rupees	248,919,799	357,497,416
Number of ordinary shares outstanding during the year	Number	40,320,000	40,320,000
Earning per share-basic	Rupees	6.17	8.87
<b>33.2 Diluted earning per share</b>			
There is no dilution effect on the basic earning per share of the company as the company has no commitments.			
<b>34. Number of employees</b>		2001	2000
Number of employees at the year end		2,030	1,468

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

## **35. Date of authorisation for issue**

These financial statements were authorized for issue on March 02, 2002 by the Board of Directors of the Company.

## **36. Corresponding figures**

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. However, there is no significant re-classification of the previous figures.

CHIEF EXECUTIVE

DIRECTOR



**Form - 34**  
**The Companies Ordinance, 1984**  
**Pattern Of Holding Shares Held By The Members**  
**As At September 30, 2001**

SHARE HOLDERS	S H A R E S   H O L D I N G		TOTAL SHARES HELD
	FROM	TO	
315	1	100	17281
1,120	101	500	338387
383	501	1000	292739
940	1001	5000	2025268
126	5001	10000	902275
45	10001	15000	564670
22	15001	20000	385648
14	20001	25000	305412
15	25001	30000	413762
10	30001	35000	327608
4	35001	40000	152668
4	40001	45000	173228
2	45001	50000	95600
2	50001	55000	103200
1	55001	60000	59200
2	60001	65000	124200
1	70001	75000	72000
1	75001	80000	76048
3	85001	90000	262200
1	90001	95000	90700
1	95001	100000	100000
3	100001	105000	304100
1	110001	115000	113568
1	130001	135000	131400
3	135001	140000	415870
1	160001	165000	163296
1	180001	185000	184000
1	185001	190000	188000
1	195001	200000	200000
1	200001	205000	201500
1	245001	250000	248000
1	260001	265000	262100
1	295001	300000	300000
1	310001	315000	313692
2	350001	355000	708000
1	360001	365000	364000
1	400001	405000	400160
1	405001	410000	407300
1	495001	500000	500000
1	555001	560000	558000
1	620001	625000	622944
1	805001	810000	808160
1	825001	830000	829500
1	885001	890000	887900
1	915001	920000	917288
1	995001	1000000	1000000
1	1510001	1515000	1512000
1	1560001	1565000	1562736
1	1705001	1710000	1707000
1	1755001	1760000	1760000
1	1790001	1795000	1790600
1	1800001	1805000	1803671
1	2235001	2240000	2240000
1	2290001	2295000	2293000
1	3520001	3525000	3520712
1	4215001	4220000	4219409
3,052			40,320,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Individuals	2947	22911371	56.82
Investment Companies	7	15280	0.04
Insurance Companies	5	1339348	3.32
Joint Stock Companies	51	5844162	14.49
Financial Institutions	31	10080999	25.00
Modaraba Companies	4	99500	0.25
Foreign Companies	1	280	0.00
Charitable Trust	1	10000	0.02
Others	5	19060	0.05
	<b>3,052</b>	<b>40,320,000</b>	<b>100.00</b>

**Proxy Form**

Corporate Secretary,  
Nishat (Chunian) Limited  
31 -Q, Gulberg-II,  
Lahore.

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

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

Nishat (Chunian) Limited, and a 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 31 - Q Gulberg II, Lahore on Saturday, March 30, 2002 at 09:00 a.m.. And at every adjournment thereof:

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2002

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, sighted 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



31-Q, Gulberg II, Lahore 54660, Pakistan  
Tel: +92 42 3576 1730, Fax: +92 42 3587 8696  
Email: [info@nishat.net](mailto:info@nishat.net)  
[www.nishat.net](http://www.nishat.net)  
[www.facebook.com/NishatChunianGroup](https://www.facebook.com/NishatChunianGroup)

