

Nina Industries Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Saeed A. Sattar	Chairman
Mr. Waqar A. Sattar	Chief Executive
Mr. Urooj Saeed	Director
Mr. Kashif Saeed Sattar	Director
Mr. Yasir Waqar	Director
Mst. Khairunnisa Begum	Director
Mrs. Saeeda Saeed	Director
Mr. Ansar Hussain	Director (Nominee of State Life Insurance Corp.)

COMPANY SECRETARY

Mr. Syed Aamir

AUDITORS

Muniff Ziauddin & Co.
Chartered Accountants

LEGAL ADVISER

M/s. Raza Hashmi - Advocates
301-IIIrd Floor, Kashif Centre, Opp.: Hotel Mehran,
Shahra-e-Faisal, Karachi.

MILLS AND REGISTERED OFFICE

A-29/A, S.I.T.E., Manghopir Road, Karachi.
Telephone: 2575043-46, 2575571-73
Fax: 2562315 - 2562319

SHARES OFFICE

West Land Trade Centre,
Opposite Flyover,
Shaheed-e-Millat Road,
'Karachi.
Telephone :4313205-6
Fax: 4313207

NOTICE OF 7th ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of the shareholders of **Nina INDUSTRIES LIMITED** will be held on Friday December 31, 1999 at 3:00 p.m. at Beach Luxury Hotel, Karachi to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of extra ordinary General Meeting held on June 26, 1999.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 1999 together with Directors and Auditors report thereon.
3. To approve final cash dividend at Rs. 0.50 per share to the Shareholders for the year ended June 30, 1999 - Subject to approval of Pakistan Industrial Credit & Investment Corporation Ltd. (P.I.C.I.C.)
4. To appoint the auditors and fix their remuneration.

SPECIAL BUSINESS

5. To approve remuneration of the Chief Executive and Chairman of the Company.

To transact any other business that may be brought forward with the permission of the Chair.

BY ORDER OF THE BOARD

Syed Aamir
(Company Secretary)

Dated: December 06, 1999.

NOTES:

1. A member entitled to attend and vote may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies to be effective must reach at the registered office of the company not less than 48 hours before the time of the Meeting.
2. The Shares Transfer books of the company will be closed from December 20, 1999 to December 31, 1999 (both days inclusive)
3. Members are requested to immediately notify the change of address, if any.
4. Statement under Section 160 and the Resolution as required under Section 164(1) of the Companies Ordinance 1984 pertaining to the Special Business referred to above are annexed hereunder:

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984:

The shareholder's approval will be sought for payment of remuneration to the Chairman and Chief Executive of the Company. For this purpose it is proposed that the following resolution be passed as an Ordinary Resolution:

RESOLVED THAT annual sum not exceeding Rs. 1,200,000 be and is hereby authorised for payment of remuneration to the Chairman and annual sum not exceeding Rs. 1,200,000 be and is hereby authorised for payment of remuneration to the Chief Executive of the Company."

The Chairman and Chief Executive is interested to the extent of remuneration payable to them.

No other Director has any interest in this business whether directly or indirectly

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, it is my pleasure and privilege to welcome you at the 7th Annual General Meeting of the Company. The Audited Accounts of your company for the year ended June 30, 1999 is placed before you.

The current accounting period from July 1998 to June 1999 has been a year of tremendous economic turmoil resulting in business and economic difficulties for the entire country as well as for the industry and trade. You are well aware that our country in the last days of the beginning of the accounting year went Nuclear perforce, the outfall of our nuclear explosion was faced by us and the country by economic sanctions, ban on travel of business people to our country, sudden increase in the prices of utilities and in short total slow down in economy all around. While in secondhalf some economic activities started to play, India turned hostile, resulting in Kargil battle and threat of war. While writing this review, it is my pleasure to inform you that everything said and done, the current situation looks extremely bright for export business as international buyers have again become active in our market and our efforts in achieving the targets are continuous. We sincerely hope Inshallah we shall achieve our objectives and come to the expectations of our shareholders.

Inspire of all these drawbacks and problems, your company has achieved pretax profit of Rs. 11.082 Million. With the present out look and with ground realities we expect to achieve greater export turnover in the current year and growth in the company's stability and profits.

(Saeed A. Sattar)
Chairman

Karachi:- December 06, 1999.

DIRECTOR'S REPORT

Your Directors cordially welcome you to the 7th Annual General Meeting and place before you the Annual Report alongwith Audited Accounts of the company for the year ended June 30, 1999.

Your Directors are pleased to propose appropriation of profit in the following manner:

ACCOUNTS	Rupees
Net profit before taxation	11,082,517
Less: Provision for taxation	2,289,454

Profit after taxation	8,793,063
Add: Unappropriated profit brought forward	101,101,884

Profit available for appropriation	109,894,947
Less proposed dividend Rs. 0.50 per share - Subject to the approval of P.I.C.I.C.	(11,000,000)

Unappropriated profit carried forward	98,894,947
	=====

OPERATING RESULT

Export Sales increased by Rs. 44,124,431 9.98% as compared to the corresponding period last year. The year under review was not a good year for the textile industry of Pakistan due to following various reasons:-

1. Recession of International Textile Markets as consumers are spending less on textile and saving more for holidays, new cars, computers and equipments etc.
2. Fall in the value of currency of South Asian Countries.
3. Kargil issue of war in the area, also noteworthy is the fact that some companies around the world not allowing their executives to travel to Pakistan due to law and order situation.
4. Continous levy of heavy anti-dumping duties on Pakistani Textiles.
5. Increase in cost due to heavy increase in power tariff and other raw materials.

In keeping with the prevailing ground realities, the management had to adapt its sales and marketing strategy accordingly and emphasized in exploring new markets and expanded product base as well and inspite of the

recession, your directors are successful in improving the export sales turnover by 9.98% as compared to previous year.

RETAIL OUTLETS

With the introduction of new sales outlet at Islamabad, the sales turnover from local market has greatly improved. Your management has firm believe that local market have a great potential and Nina's quality products should also be available for local consumers and therefore your management has decided to add more and more retail outlets in all major cities of our country in near future.

FUTURE PROSPECTS

Inspite of the problems that the industry is facing, the future prospects looks bright due to following reasons:-

- a) The fall in the cotton and yarn prices locally have made our products more competitive and the orders book of company is very healthy.
- b) The efforts made by the management in terms of product and market diversification are going to have a positive impact this year.
- c) Your management has already taken effective and solid steps towards curtailment of administrative and manufacturing overhead cost, rapid increase in the production volume and further expansion of product base as letter of credit has already been opened for import of continous Dyeing plant for both knits and woven and the relevant finishing machines which are going to increase production dramatically and expand product base as well.
- d) The Management already acquired latest Singeing Machine, Calendar Machine and Knitting Machines in the year under review for achieving better quality of production with reduced cost.

We anticipate that despite economic crises. within the country, your company's export business will further improve. We are quite confident that by the mercy of Almighty Allah and with the sincere efforts of your directors and all employees, we will continue to maintain our business growth, increase profitability and financial strength of your company will substantially improve in near future.

YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

The management has assigned the work of year 2000 compliance of the existing system to its own MIS department and are please to report that they have already completed this work and all computers and softwares used by the company are year 2000 compliant.

AUDITORS

The retiring auditors M/s Muniff Ziauddin & Co. Chartered Accountants being eligible have offered themselves for reappointment.

PATTERN OF SHAREHOLDING

The pattern of shareholdings as on June 30, 1999 is annexed to this report.

ACKNOWLEDGMENT

Your directors would like to take this opportunity to thank our Bankers, Financial Institutions, its Management Team, Staff, Workers, Suppliers and specifically its Shareholders for their commitment and support. The management hopes that with the whole hearted support of its workers, staff and officers and with their hardwork and dedication better financial results will be obtained during the current year.

For and on behalf of the Board

(Waqar A. Sattar)
Chief Executive

Karachi: December 06, 1999.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheets of **Nina INDUSTRIES LIMITED** as at June 30, 1999 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement together with the notes forming part thereof, give the information required by the companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and Of the profit and the cash flows for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: December 06, 1999.

MUNIFF ZIAUDDIN & CO
CHARTERED ACCOUNTANTS

PATTERN OF SHAREHOLDING FORM "34" SHAREHOLDING STATISTICS AS AT JUNE 30, 1999

Share holdings

<i>From</i>	<i>To</i>	<i>No. of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
101	500	1731	863,500	3.93%
501	1,000	3	3,000	0.01%
1,001	5,000	20	59,500	0.27%
5,001	10,000	2	16,500	0.08%
10,001	15,000	1	14,000	0.06%
15,001	20,000	3	59,000	0.27%
25,001	30,000	4	120,000	0.54%
35,001	40,000	1	40,000	0.18%
45,001	50,000	1	50,000	0.23%
60,001	65,000	1	61,575	0.28%
70,001	75,000	1	75,000	0.34%
95,001	100,000	1	100,000	0.45%
800,001	805,001	1	805,000	3.66%

860,001	865,000	1	861,000	3.91%
1,995,001	2,000,000	1	2,000,000	9.09%
2,580,001	2,585,000	1	2,583,000	11.74%
4,530,001	4,535,000	1	4,531,425	20.60%
4,590,001	4,595,000	1	4,591,500	20.87%
5,165,001	5,170,000	1	5,166,000	23.48%
		-----	-----	-----
		1776	22,000,000	100.00%
		=====	=====	=====

CATEGORIES OF SHAREHOLDERS

	<i>NUMBER</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
Individuals	1770	11,250,000	5.14%
Investment companies	2	901,000	4.09%
Insurance companies	2	2,100,000	9.55%
Joint stock company	1	2,583,000	11.74%
Financial institution	1	5,166,000	23.48%
	-----	-----	-----
	1776	22,000,000	100.00%
	=====	=====	=====

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
CAPITAL & LIABILITIES			
AUTHORISED SHARE CAPITAL			
25,000,000 Ordinary shares of Rs. 10/- each		250,000,000	250,000,000
		=====	=====
CAPITAL AND RESERVE			
Issued subscribed and paid-up capital	3	220,000,000	220,000,000
Capital reserve - share premium	4	10,000,000	10,000,000
Un-appropriated profit		98,894,947	101,101,884
		-----	-----
		328,894,947	331,101,884
Long term loans	6	58,657,737	91,327,746
Liabilities against assets subject to finance lease	7	4,987,325	7,820,732
Directors loan	8	13,718,609	16,662,745
CURRENT LIABILITIES			
Short term finance utilised under mark up arrangements	9	354,323,858	243,307,025
Current maturity of long term liabilities	10	50,693,788	62,622,076
Creditors, accrued charges and other liabilities	11	165,562,279	161,649,380
Proposed Dividend		11,000,000	--
		-----	-----
		581,579,925	467,578,481
Contingencies and commitments	12	--	--
		-----	-----
		987,838,543	914,491,588
		=====	=====

PROPERTY AND ASSETS**FIXED CAPITAL EXPENDITURE**

Operating fixed assets	13	473,999,731	480,153,120
Capital work in progress	14	2,574,356	15,961,349

		476,574,087	496,114,469
--	--	-------------	-------------

Long term deposits and deferred cost	15	7,510,745	7,595,950
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CURRENT ASSETS

Stores and spares	16	60,747,048	31,174,365
Stock in trade	17	293,947,968	266,354,874
Trade debts	18	69,310,847	62,333,233
Advances, deposits, prepayments & other receivables	19	23,363,748	18,136,875
Income tax refundable		15,345,508	11,024,095
Export rebates and sales tax receivable	20	40,053,468	18,487,258
Bank and cash balances	21	985,124	3,270,469

		503,753,711	410,781,169
--	--	-------------	-------------

		987,838,543	914,491,588
--	--	-------------	-------------

		=====	=====
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The annexed notes form an integral part of these accounts

CHIEF EXECUTIVE**CHAIRMAN****PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999.**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SALES	22	567,551,087	543,994,962
COST OF SALES	23	461,210,503	449,274,600
GROSS PROFIT		106,340,584	94,720,362
OPERATING EXPENSES			
General and administrative	24	31,719,079	22,839,328
Selling & distribution	25	5,047,545	4,313,107
		36,766,624	27,152,435
Operating profit		69,573,960	67,567,927
Financial charges	26	59,518,798	57,439,770
Other charges	27	583,290	547,107
Other income	28	(1,610,645)	(813,983)
		58,491,443	57,172,894
Profit before taxation		11,082,517	10,395,033
Taxation - current		2,289,454	2,112,537
Profit after taxation		8,793,063	8,282,496
Unappropriated profit brought forward		101,101,884	92,819,388

Profit available for appropriation		109,894,947	101,101,884
Appropriations			
Proposed cash dividend 5% (1998: NIL)	29	11,000,000	--
Unappropriated profit carried forward		98,894,947	101,101,884
Basic earning per share	30	0.40	0.38

The annexed notes form an integral part of these accounts

CHIEF EXECUTIVE

CHAIRMAN

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999.**

	1999	1998
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after taxation	8,793,063	8,282,496
Adjustments for		
Depreciation & amortization	47,506,436	48,418,595
(Gain)/loss on disposal of fixed assets	(408,183)	--
	47,098,253	48,418,595
Net cash in flows	55,891,316	56,701,091
CASH FLOWS FROM WORKING CAPITAL CHANGES		
(Increase)/Decrease in current assets		
Stores, spare parts & loose tools	(29,572,683)	1,902,368
Stock-in-trade	(27,593,094)	(62,247,275)
Trade debts	(6,977,614)	(19,513,239)
Advances, deposits, prepayments & other receivables	(31,114,496)	10,481,223
	(95,257,887)	(69,376,923)
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	3,912,899	(38,967,918)
	3,912,899	(38,967,918)
Net cash outflows from working capital changes	(91,344,988)	(108,344,841)
Cash flow from Operating activities	(35,453,672)	(51,643,750)
	1999	1998
	Rupees	Rupees
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term deposits & deferred cost	(702,700)	(7,870,205)
Proceeds from disposal of operating fixed assets	692,000	--
Fixed capital expenditure	(40,848,959)	(55,812,879)

Capital work in progress	13,386,993	(14,702,480)
Net cash flows from investing activities	(27,472,666)	(78,385,564)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	--	100,000,000
Long term directors loan	(2,944,136)	(9,875,982)
Increase in short term finances	111,016,833	79,214,093
Inflow and outflow of long term loans and leases-net	(47,431,704)	(39,004,631)
Net cash flows from financing activities	60,640,993	130,333,480
	33,168,327	51,947.92
Net increase/(decrease)in cash and cash equivalents	(2,285,345)	304,166
Cash & cash equivalents at the beginning of the year	3,270,469	2,966,303
Cash & cash equivalents at the year end	985,124	3,270,469

CHIEF EXECUTIVE

CHAIRMAN

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

1. STATUS OF THE COMPANY

The company was incorporated in Pakistan under the Companies Ordinance, 1984 and is listed at Karachi Stock Exchange. The company operates textile processing Unit and is also engaged in exports.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention.

2.2 GRATUITY

The company operates an unfunded gratuity scheme for non-managerial employees and records the same on as and when paid basis. However, total liability under this head as on June 30, 1999 works out to Rs. 1,558,954/=

2.3 TAXATION

Current

The charge for current taxation is based on profit as adjusted for tax purposes and also considering chargeability of export sales u/s 80CC of the Income Tax Ordinance, 1979.

Deferred

No provision for deferred taxation has been made in these accounts as the timing differences relating to accelerated tax depreciation allowances are irrelevant or these are not likely to reverse in foreseeable future. The timing differences are irrelevant due to the fact that major sales of the company are exports which are covered under section 80CC of the Income Tax Ordinance, 1979.

2.4 FIXED ASSETS

Fixed assets except leasehold land are stated at cost less accumulated depreciation. Depreciation is charged to income on reducing balance method at the rates specified in depreciation schedule whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged for full year on assets capitalised during a year. No depreciation is charged on

assets sold/disposed off during the year.

2.5 ACCOUNTING FOR LEASE

The company records assets acquired under finance lease and related liabilities at lower of present value of minimum lease payment under the lease agreement and fair value of assets. Finance charges are allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is provided at the rates specified in the depreciation schedule.

2.6 DEFERRED COSTS

These represent share floatation expenses which are being amortised over a period of five years commencing from the year 1998.

2.7 STORES AND SPARES

These are valued at weighted average cost.

2.8 STOCK-IN-TRADE

Stock of raw, packing materials and finished goods are valued at lower of cost and net realisable value. Cost in relation to cloth in process represent cost of raw material and applicable overheads.

Stock in transit is stated at invoice value plus other charges incurred thereon.

2.9 FOREIGN CURRENCY TRANSACTIONS

Foreign exchange transactions have been recorded at the exchange rates prevailing on the date of transactions. Exchange gain or loss on realisation of export bills is included in income currently.

2.10 REVENUE RECOGNITION

Sales are recorded on despatch of goods to customers. Income from processing is recognized on the performance of the services.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<i>1999</i>	<i>1998</i>		<i>1999</i>	<i>1998</i>
<i>Nos.</i>	<i>Nos.</i>		<i>Rupees</i>	<i>Rupees</i>
22,000,000	12,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	220,000,000	120,000,000
--	10,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	--	100,000,000
-----	-----		-----	-----
22,000,000	22,000,000		220,000,000	220,000,000
=====	=====		=====	=====

4. SHARE PREMIUM

In accordance with the clause 2.1 of the prospectus of the company, the premium received from State Life Insurance Corporation of Pakistan amounting to Rs. 10 Million is refundable subject to approval of the Honorable High Court of Sindh. The application for this purpose has already been filed by the company and is pending before the Honorable High Court of Sindh.

5. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 1999

<i>Share</i>	<i>Capital Reserve</i>	<i>Unappropriated</i>	<i>Total</i>
<i>Capital</i>	<i>(Share Premium)</i>	<i>Profit</i>	

(Rupees)

Balance as at July 017 1997	120,000,000	10,000,000	92,819,388	222,819,388
Shares issued during the year	100,000,000	--	--	100,000,000
Profit for the year ended June 30, 1998	--	--	8,282,496	8,282,496
	-----	-----	-----	-----
Balance as at June 30, 1998	220,000,000	10,000,000	101,101,884	331,101,884
Profit for the year ended June 30, 1999	--	--	8,793,063	8,793,063
Proposed cash dividend	--	--	(11,000,000)	(11,000,000)
	-----	-----	-----	-----
Balance as at June 30, 1999.	220,000,000	10,000,000	98,894,947	328,894,947
	=====	=====	=====	=====

1999
Rupees

1998
Rupees

6. LONG TERM LOANS (SECURED)

PICIC LOAN	6.1	58,657,737	68,497,737
HBL LOAN	6.2	--	22,830,009
		-----	-----
		58,657,737	91,327,746
		=====	=====

6.1 PICIC LOAN

Less: Repayable in next twelve months		70,434,737	80,690,737
		11,777,000	12,193,000
		-----	-----
		58,657,737	68,497,737
		=====	=====

6.1.1 Security:

The loan is secured by way of 1st equitable mortgage on company's land and building, plant & machinery financed by PICIC and floating charge on undertaking of the company.

6.1.2 Interest:

Interest is payable semi-annually @ 3% per annum above the amount payable by PICIC to Government in respect of loan and Government of Pakistan has notified the rate of 12.61% per annum.

6.1.3 Repayment

Loan is repayable in 20 semi-annual installments commenced from January 01, 1995.

6.2 HBL Loan

Fixed Assets Financing		33,729,228	62,878,669
Less: Reayable in next twelve months		33,729,228	40,048,660
		-----	-----
		--	22,830,009
		=====	=====

6.2.1 Security

Loans are secured by way of 1st equitable charge on the machines financed and 2nd equitable charge on fixed assets of the company and personal guarantee of the directors.

6.2.2 Mark-up

Loans carry mark-up @ 52 paisas per thousand rupees on daily product basis.

6.2.3 Repayments

Above loan is repayable in fixed monthly installments of Rs. 3.7 million (including mark-up) by May 2000.

	1999 Rupees	1998 Rupees
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Amount payable	10,174,885	18,201,148
Less: Repayable in next twelve months	5,187,560	10,380,416
	-----	-----
	4,987,325	7,820,732
	=====	=====

7.1 The lease rentals include finance charges at the rates ranging between 1.40% to 1.60% per month and repayable in monthly/quarterly lease rentals of various lease contracts of various amount and repayable by February, 2003. There are no financial restrictions in lease agreements.

7.2 The amount of future payments and the periods during which they will fall due are:

Year ending June 30		
1998 1999	--	12,274,455
1999 2000	6,364,095	5,781,745
2000 2001	3,840,050	3,125,715
2001 2002	1,460,985	118,305
2002 2003	877,921	--
	-----	-----
	12,543,051	21,300,220
Less: Finance charges not yet due	2,368,166	3,099,072
	-----	-----
	10,174,885	18,201,148
	=====	=====

8. DIRECTORS LOAN

Directors loan	13,718,609	16,662,745
	=====	=====

This represents interest free loans from sponsoring directors.

9. SHORT TERM FINANCES FROM BANKS

Export refinance	285,988,246	169,486,180
Running finance	36,435,551	23,640,760
Cash finance	3,855,240	3,855,240
Bills payable under D/A L/C.	19,714,146	36,725,786
Finance against imported merchandise	8,330,675	9,599,059
	-----	-----
	354,323,858	243,307,025
	=====	=====

9.1 Security

Export refinance and running finance are secured by hypothecation of stocks and second charge on fixed assets of the company and personal guarantees of directors. Finance against imported merchandise and cash finance are secured against pledge of stocks in Bank's warehouse.

9.2 Mark-up

Markup on export refinance is charged at 22 paisas in accordance with SBP scheme while on other finances ranges between 52 paisas to 55 paisas per thousand rupees on daily product basis.

10. CURRENT MATURITY OF LONG TERM LIABILITIES

Payable within next twelve months		
Long term loans	45,506,228	52,241,660
Liabilities against finance leases	5,187,560	10,380,416
	-----	-----
	50,693,788	62,622,076
	=====	=====

11. CREDITORS, ACCRUED CHARGES AND OTHER LIABILITIES

Creditors		129,293,646	128,828,149
Accrued charges		9,707,018	14,532,519
Other liabilities	11.1	5,609,580	6,772,988
Mark-up accrued on secured loans		20,952,035	11,515,724
		-----	-----
		165,562,279	161,649,380
		=====	=====

11. Other liabilities includes payable to associated undertaking
Rs. 1,325,500 (1998 Rs. 1,330,200)

12. CONTINGENCIES AND COMMITMENTS

Letter of credits		5,387,608	3,380,214
		=====	=====

13. OPERATING FIXED ASSETS

<i>DESCRIPTION</i>	<i>COST</i>			<i>ACC. DEP.</i>	<i>BOOK VALUE</i>	<i>DEPRECIATION</i>	
	<i>As on 01-July-98 Rs.</i>	<i>Addition/ (Deletions) Rs.</i>	<i>As on 30-June-99 Rs.</i>	<i>As on 30-June-99 Rs.</i>	<i>As on 30-June-99 Rs.</i>	<i>for the year Rs.</i>	<i>Rate %</i>
Lease hold land	31,626,260	--	31,626,260	--	31,626,260	--	--
Building on lease hold land	64,584,262	7,302,722	71,886,984	12,727,704	59,159,280	3,113,646	5%
Plant & machinery	406,822,567	14,066,836	420,889,403	140,455,194	280,431,209	31,159,356	10%
Installations	20,907,278	1,096,383	22,003,661	7,684,798	14,318,863	1,590,985	10%
Furniture and fixture	11,104,766	1,882,691	12,987,457	3,770,989	9,216,468	1,024,052	10%
Equipments	36,092,798	13,271,997	49,364,795	12,072,879	37,291,916	4,143,546	10%
Computers	2,131,126	2,208,730	4,339,856	861,263	3,478,593	386,510	10%
Vehicles	9,178,781	391,800	9,570,581	5,030,212	4,540,369	1,135,093	20%
	-----	-----	-----	-----	-----	-----	
	582,447,838	40,221,159	622,668,997	182,603,039	440,065,958	42,553,188	
	-----	-----	-----	-----	-----	-----	

ASSETS UNDER FINANCE LEASE

Plant & machinery	43,793,455	--	43,793,455	15,868,760	27,924,695	3,102,744	10%
Computers	2,249,222	(2,249,222)	--	--	--	--	10%
Laboratory Equipments	3,908,185	--	3,908,185	742,556	3,165,629	351,737	10%
Vehicles	3,320,895	1,382,118	4,703,013	1,859,564	2,843,449	710,862	20%
	-----	-----	-----	-----	-----	-----	
	53,271,757	(867,104)	52,404,653	18,470,880	33,933,773	4,165,343	
	-----	-----	-----	-----	-----	-----	
TOTAL 1999	635,719,595	39,354,055	675,073,650	201,073,919	473,999,731	46,718,531	
	=====	=====	=====	=====	=====	=====	
TOTAL 1998	580,443,706	55,275,889	635,719,595	155,566,475	480,153,120	47,600,404	
	=====	=====	=====	=====	=====	=====	

13.1) Depreciation charge for the year has been allocated as under:

1999 **1998**

	Rupees	Rupees
Cost of sales	43,262,394	44,723,869
Administrative	3,456,137	2,876,535
	-----	-----
	46,718,531	47,600,404
	=====	=====

13.2) Disposal of fixed assets

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sales Proceeds</i>	<i>(Gain)/Loss</i>	<i>Mode of Disposal</i>	<i>Disposed To</i>
Honda Civic	692,912	409,095	283,817	692,000	(408,183)	Claim Received	E.F.U. Insurance
1999	692,912	409,095	283,817	692,000	(408,183)		
	=====	=====	=====	=====	=====		

1999
Rupees

1998
Rupees

14. CAPITAL WORK IN PROGRESS

Advance for capital works	198,060	294,500
Plant & machinery under erection	2,376,296	15,666,849
	-----	-----
	2,574,356	15,961,349
	=====	=====

15. LONG TERM DEPOSITS AND DEFERRED COSTS

Security deposits	1,209,350	506,650
DEFERRED COSTS		
Share floatation expenses	7,089,300	7,907,491
	-----	-----
Amortized during the year	8,298,650	8,414,141
	787,905	818,191
	-----	-----
Balance carried forward	7,510,745	7,595,950
	=====	=====

16. STORES AND SPARES

Stores, spares and loose tools	60,747,048	31,174,365
	=====	=====

17. STOCK IN TRADE

Raw material	136,576,018	105,035,094
Stock in bank warehouse	15,396,469	15,396,469
Stock in process	43,973,242	42,995,749
Raw material in transit	1,603,679	4,196,919
Finished goods	96,398,560	98,730,643
	-----	-----
	293,947,968	266,354,874
	=====	=====

18. TRADE DEBTS

Export proceeds receivables - secured		39,488,246	38,765,123
Local debts un-secured			
considered good	18.1	29,822,601	23,568,110
		-----	-----
		69,310,847	62,333,233
		=====	=====

18.1 Trade receivables includes receivables from associated undertaking Rs. 13,833,943 (1998: Rs. 5,394,812)

	1998	1999
	Rupees	Rupees
19. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES		
Advances	4,179,666	2,220,855
Deposits	14,305,800	11,708,964
Prepayments	3,690,601	1,537,147
Other receivables	1,187,681	2,669,909
	-----	-----
	23,363,748	18,136,875
	=====	=====
20. EXPORT REBATE AND SALES TAX RECEIVABLES		
Export rebates	26,983,022	10,437,977
Sales tax	13,070,446	8,049,281
	-----	-----
	40,053,468	18,487,258
	=====	=====
21. BANK AND CASH BALANCES		
Cash in hand	645,030	1,865,450
Balance with banks in current accounts	340,094	1,405,019
	-----	-----
	985,124	3,270,469
	=====	=====
22. SALES AND SERVICES		
Sales		
Export	456,875,306	422,507,399
Export rebates	29,410,562	19,654,038
	-----	-----
	486,285,868	442,161,437
Local sales - retail outlets	17,814,947	11,482,863
Sales of left over's	7,847,842	5,884,267
Services - processing	65,100,044	92,544,471
	-----	-----
	90,762,833	109,911,601
	-----	-----
Total sales and services	577,048,701	552,073,038
Less: Commission and brokerage	9,497,614	8,078,076
	-----	-----
Net sales and services	567,551,087	543,994,962
	=====	=====
	1999	1998
	Rupees	Rupees
23. COST OF SALES		
Cost of materials consumed	23.1 293,117,400	350,113,812
Confection charges	11,668,871	25,729,881
Salaries, wages and benefits	32,337,327	31,272,839

Mandatory employees contributions	1,602,112	1,737,992
Fuel, water and power	43,273,741	39,624,171
Repair and maintenance	4,713,952	3,855,247
Mending, packing and forwarding	5,225,846	6,863,811
Insurance expenses	2,965,153	2,591,254
Coolies, cartage & freight	19,914,414	17,859,511
Rent, rates and taxes	793,759	1,420,397
Depreciation	43,265,845	44,723,869
	-----	-----
	458,878,420	525,792,784
Add: Finished goods opening	98,730,643	22,212,459
	-----	-----
	557,609,063	548,005,243
Less: Finished goods closing	96,398,560	98,730,643
	-----	-----
	461,210,503	449,274,600
	=====	=====

23.1 Cost of materials consumed

Raw materials consumed	272,944,250	322,512,933
Accessories, packing and production stores	20,173,150	27,600,879
	-----	-----
	293,117,400	350,113,812
	=====	=====

24. GENERAL AND ADMINISTRATIVE EXPENSES

Staff salaries and allowances		14,629,441	9,551,941
Directors' remuneration	24.1	1,920,000	1,920,000
Telephone and telex		2,117,565	1,824,602
Fees and subscription		483,378	763,480
Legal and professional		870,890	212,629
Postage, courier and telegram		1,328,256	1,187,776
Vehicle repair and maintenance		3,052,606	1,712,507
Office expenses		519,601	82,934
Entertainment		184,654	476,856
Conveyance and travelling		563,600	262,931
Stationery and printing		1,350,825	783,540
Auditors' remuneration	24.2	64,573	55,193
Amortization of deferred cost		787,905	818,191
Charity, donation and gifts	24.3	139,339	13,090
Staff welfare expenses		175,035	198,075
General expenses		75,274	99,048
Depreciation		3,456,137	2,876,535
		-----	-----
		31,719,079	22,839,328
		=====	=====

24.1 Remuneration of Chief Executive, Director and Executives

	1999			1998		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
Managerial remuneration	657,600	657,600	6,069,690	657,600	657,600	5,107,789
Perquisites						
House rent	302,400	302,400	2,719,822	295,450	295,450	2,171,508
Utilities and upkeep	82,072	93,358	600,306	68,393	77,798	505,354
	-----	-----	-----	-----	-----	-----

	1,042,072	1,053,358	9,389,818	1,021,443	1,030,848	7,784,651
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	34	1	1	30

In addition, the Chief executive, two directors and certain executives are provided with free use of company maintained car. (1998 Chief executive, two directors and certain executives).

The Chief executive and directors have waived their meeting fee.

REMUNERATION TO OTHER DIRECTOR

Amount charged in the accounts for Board meeting fee to non-executive director is Rs. 500/= (1998: Rs. NIL)

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
24.2 Auditors Remuneration		
Audit fee	50,000	50,000
Out of pocket expenses	14,573	5,193
	-----	-----
	64,573	55,193
	=====	=====

24.2 None of the directors or their spouse had any interest in the donees fund.

25. SELLING AND DISTRIBUTION

Advertisement expenses	813,778	744,998
Travelling expenses	2,746,534	1,858,457
Fair expenses	1,067,212	776,754
Sales promotion expenses	93,575	499,875
Design and samples	326,446	433,023
	-----	-----
	5,047,545	4,313,107
	=====	=====

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
26. FINANCIAL CHARGES		
Bank charges	4,015,947	3,710,225
Finance charges on lease	2,482,307	3,354,768
Front end fee	70,960	21,435
Excise duty on finance	--	148,659
Stamping charges	818,966	254,225
Interest on WPPF	900,411	711,606
Markup on bank financing	51,230,207	49,238,852
	-----	-----
	59,518,798	57,439,770
	=====	=====

27. OTHER CHARGES

Workers profit participation fund	583,290	547,107
	=====	=====

28. OTHER INCOME

Sales of scrap	1,202,462	813,983
Gain on sale of fixed assets	408,183	--
	-----	-----
	1,610,645	813,983
	=====	=====

29. Directors has proposed a cash dividend at Rs. 0.50 per share to the shareholders for the year ended June 30, 1999 subject to approval of Pakistan Industrial Credit and Investment Corporation Ltd.

30. BASIC EARNING PER SHARE

Profit after tax	8,793,063	8,282,496
Number of Shares	22,000,000	22,000,000
	-----	-----
Basic earning per share	0.40	0.38
	=====	=====

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Fabric processing - sales	21,196,286	27,998,735
Purchased from	16,009,436	15,709,002

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL ASSETS:- Non - Interest bearing

	<i>Maturity within one year</i>	<i>Maturity after one year (Rupees)</i>	<i>Total</i>
Long term deposits	--	1,209,350	1,209,350
Trade debts	69,310,847	--	69,310,847
Advances, deposits & other receivables (excluding taxes and government duties)	19,673,147	--	19,673,147
Bank and cash balances	985,124	--	985,124
	-----	-----	-----
Total	89,969,118	1,209,350	91,178,468
	=====	=====	=====

FINANCIAL LIABILITIES

a) Interest bearing

Long term loans	45,506,228	58,657,737	104,163,97
Liabilities against assets subject to finance lease	5,187,560	4,987,325	10,174,885
Short term running finances	354,323,858	--	354,323,858
	-----	-----	-----
	405,017,646	63,645,062	468,662,708

b) Non interest bearing

Creditors, accrued and other liabilities	165,535,619	--	165,535,619
Directors' loans	--	13,718,609	13,718,609
Proposed Dividend	11,000,000	--	11,000,000
	-----	-----	-----
	176,562,279	13,718,609	190,280,888
	-----	-----	-----
Total	581,579,925	77,363,671	658,943,596
	=====	=====	=====

a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparts failed to perform as contracted.

The Company believes that it is not exposed to major concentration of credit risk.

b) Interest rate risk

Interest rate risk arises from possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to interest rate risk.

c) Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to sales and purchase transaction with foreign undertakings. The Company minimized foreign currency risk partly by taking forward cover for import commitments. As at June 30, 1999 the total foreign currency risk exposure was Rs. 1.604 million relating to import of goods.

d) Fair Value of Financial Instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

33. PRODUCTION CAPACITY

The production capacity of company's plant cannot precisely be determined as being a processing unit, the capacity varies depending upon the processes involved, coverage requirements, the construction of cloth used composing different types of textures etc.

34. GENERAL

34.1 Previous year's figures have been re-grouped and re-arranged to facilitate comparison.

34.2 Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

CHAIRMAN