

# **The National Silk & Rayon Mills Limited**

## **Annual Report 1999**

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### **BOARD OF DIRECTORS**

#### **DIRECTOR**

Sh. Tauheed Ellahi Puri  
Sh. Faisal Tauheed Puri  
Sh. Kashif Tauheed Puri  
Mst. Shahida Tauheed  
Mst. Amna Tauheed  
Mst. Saima Shahid  
Mst. Samira Faisal

#### **CHIEF EXECUTIVE**

Sh. Tauheed Ellahi Puri

#### **SECRETARY**

Mohammad Islam Haider

#### **AUDITORS**

Amin Mudassar & Co.  
Chartered Accountants  
4th Floor, I.E.P. Building,  
97-B/D-I, Gulberg-III,  
Lahore.

#### **FACTORY**

The National Silk & Rayon Mills Limited.  
Jaranwala Road, P.O. Box No. 18, Faisalabad.

#### **REGISTERED OFFICE**

4th Floor, I.E.P. Building,

97/B/D-I, Gulberg-III,  
Lahore.

## **NOTICE OF MEETING**

Notice is hereby given that the 49th Annual General Meeting of the shareholders of the National Silk and Rayon Mills Limited, Faisalabad will be held at Faletti's Hotel Agerton Road, Lahore on Friday, the 31st December, 1999 at 11.30 A.M. for the following purposes:

1. To confirm the minutes of the 48th Annual General Meeting held on 30th December, 1998.
2. To receive and adopt the Directors' Report and the Audited Accounts for the year ended 30th June, 1999.
3. To approve cash dividend @ 10% as recommended by the directors.
4. To appoint Auditors and to fix their remuneration. The retiring auditors M/s. Amin Mudassar & Co., Chartered Accountants have offered themselves for reappointment.
5. To transact any other ordinary business of the company that may be brought forward with the permission of the Chair.

**By Order of the**  
**(MUHAMMAD ISLAM)**  
**SECRETARY**

### **Notes:**

1. The share transfer books of the company will remain closed from 23rd December 1999 to 31st December 1999 (both days inclusive).
2. Any member of the Company entitled to attend and vote at this Annual General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.

## **DIRECTOR'S REPORT TO THE SHARE HOLDERS**

Your directors take pleasure in presenting their Annual Report along with audited account and the auditor's report thereon for the year ended 30th June 1999.

Despite heavy odds in this competitive industry and increase in cost of raw material, energy and wages, we have by the grace of God improved the working results of the company.

### **Operational Results**

The management has been able to earn net profit of Rs. 0.615 million as compared to the previous year's loss of Rs. 0.067 million. The turnover of your company has increased from 72.230 million to 84.813 million which reflects the better quality of processing.

You will be much pleased to know that after a period of 5 years your Company is able to pay the dividend to the share holders, as such your Directors recommended 10% dividend for the year and following appropriation.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Profit/(Loss) before taxation	614,712	
Unappropriated profit brought forward	494,333	
Transferred from Reserves	500,000	
	-----	
	994,333	
	-----	
	1,609,045	
<b>Provisions for Taxation</b>		
Prior year	424,042	
Current year	127,909	
Deferred	(225,057)	
	-----	
	326,894	
	-----	
	1,282,151	
<b>Appropriation</b>		
Workers profit participation fund	30,735	
Proposed dividend	1,110,941	
	-----	
	1,141,676	
	-----	
Balance carried forward	140,475	
	=====	

Due to increasing trend of Embroidery of cloth the management imported one Embroidery machine and installation of this machine was completed in the month of June and now it is working satisfactorily. The management has also established a letter of credit to import another Embroidery machine from Germany. The addition of this machine will increase the production of Embroidery section and hope that

we shall earn a reasonable profit in this section in future years.

The board would like to place on record their deepest sense of appreciation to the services rendered by National Bank of Pakistan. The management have had cordial relations with the workers and staff of the company.

#### **Auditor's**

M/s. Amin Mudassar and Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

#### **Pattern of Shareholding**

The pattern of shareholding is annexed.

LAHORE

Dated: 01-12-1999

**Sh. Tauheed El**  
**Chief Exec**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of THE NATIONAL SILK & RAYON MILLS LIMITED as at 30th June, 1999 and the related profit and loss account and statement of changes in the financial position together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion

I. the balance sheet and profit & 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 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 statement of changes in the financial position, 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 30th June, 1999 and of the profit and the changes in financial position for the year then ended; and

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

LAHORE

Dated: 02-12-1999

(Amin Mudassir)  
Chartered Accountant

### BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>Share Capital and Reserves.</b>			
Authorised share capital	3	14,000,000	
		=====	
Issued, subscribed and paid up share capital	4	11,109,410	
Reserves	5	500,000	
Unappropriated profit		140,475	
		-----	
		11,749,885	
<b>Long Term Loans</b>	6	19,400,000	
<b>Deferred Liabilities</b>			
Deferred Taxation		505,721	
<b>Liabilities against assets subject to finance lease</b>	7	3,879,937	
<b>Current Liabilities</b>			
Short term running finance	8	7,986,058	
Current portion of long term loans		879,162	
Due to directors and members		246,157	
Creditors, accrued and other liabilities	9	11,190,171	
Unclaimed dividend		266,081	
Proposed dividend		1,110,941	
Workers profit participation fund		30,736	
Provision for taxation		424,042	
		-----	
		22,133,348	
<b>Contingencies &amp; Commitments</b>	10	--	
		-----	
		57,668,891	
		=====	

<b>Tangible Fixed Assets</b>		
Operating Assets	11	32,545,170
Assets subject to finance lease	12	4,900,000
		-----
		37,445,170
<b>Long Term Security Deposits</b>		
		237,121
<b>Current Assets</b>		
Stores spares and loose tools	13	1,000,591
Stock in trade	14	9,062,618
Trade debts	15	831,794
Advances, deposits, prepayments and other receivables	16	7,202,405
Cash and bank balances	17	1,889,192
		-----
		19,986,600
		-----
		57,668,891
		=====

The annexed notes form an integral part of these accounts.

LAHORE

Dated: 02-12-1999

**Sh. Tauheed Ellahi Puri**  
Chief Executive

**Sh. Kashif Tauheed Puri**  
Director

**PROFIT & LOSS ACCOUNT FOR  
THE YEAR ENDED JUNE 30, 1999**

		<b>1999</b>	<b>1998</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>Sales</b>	18	84,813,111	
Cost of sales	19	71,514,229	
		-----	
<b>Gross profit</b>		13,298,882	
Selling, administrative and general expenses	20	11,585,733	
		-----	
<b>Operating (Loss)/Profit</b>		1,713,149	
Other income	21	716,489	
		-----	
		2,429,638	
Financial charges	22	1,814,926	
		-----	
Profit/(Loss) before taxation		614,712	
<b>Provision for taxation</b>			
Current year u/s 80-D		4,240,421	

Prior year	127,909
Deferred	(225,057)
	-----
	326,894
	-----
<b>Profit/(Loss) after taxation</b>	287,818
Unappropriated profit brought forward	494,333
Transferred from reserves	500,000
	-----
	994,333
	-----
<b>Appropriation</b>	1,282,151
	-----
Workers profit participation fund	30,735
Proposed dividend	1,110,941
	-----
	1,141,676
	-----
Unappropriated profit carried forward	140,475
	=====

The annexed notes form an integral part of this statement.

**Sh. Tauheed Ellahi Puri**  
Chief Executive

**Sh. Kashif Tauheed**  
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED 30TH JUNE 1999**

		<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	<i>Rupees</i>
Cash flow from Operating Activities			
Cash generated from operation	A	6,473,555	
<b>Payments for:</b>			
Taxation		(489,063)	
Long term security deposits		(34,256)	
		-----	
Net Cash inflow from operating activities		5,950,236	
Cash flow from investing activities			
Fixed assets purchased		(13,049,129)	
Sale proceeds of fixed assets		5,080,000	
		-----	
<b>Net Cash inflow/(Outflow) from investing activities</b>		<b>(7,969,129)</b>	
Cash flow from financing activities			

Long term loans less repayments		3,559,099
Mark up paid on short term loans		(1,736,563)
		-----
		1,822,536
		-----
Net increase/(decrease) in cash and cash equivalents		(196,357)
Cash and cash equivalent at beginning of the year	B	(5,900,510)
		-----
Cash and cash equivalents at end of the year	B	(6,096,867)
		=====

The annexed notes form an integral part of this statement.

**Sh. Tauheed Ellahi Puri**  
Chief Executive

**Sh. Kashif Taul**  
Directo

**NOTES TO THE STATEMENT OF CHANGES  
IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1999**

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>Cash generated from operations</b>		
<b>Profit/(Loss) before taxation</b>	614,712	
<b>Add/(less) adjustment for non cash charges and other items.</b>		
Depreciation	3,766,905	
Profit on sale of fixed assets	(224,261)	
Interest receivable	(113,440)	
Mark up paid on short term loan	1,736,563	
	-----	
<b>Profit before working capital changes</b>	5,780,479	
<b>Movement in working capital</b>		
<b>Decrease/(Increase) in current assets</b>		
Store, spares and loose tools	(17,977)	
Stock in trade	(3,122,691)	
Trade debts	1,253,781	
Advances, deposits, prepayments and other receivables (net)	1,643,761	
	-----	
	(243,126)	
<b>(Decrease)/Increase in current liabilities,</b>		
Creditors, accrued and other liabilities	1,906,986	

Due to directors	(969,927)
Unclaimed dividends	(857)
	-----
	936,202
	-----
	6,473,555
	=====
<b>B. Cash and cash equivalents</b>	
Cash and bank balances	1,889,191
Short term running finance	(7,986,058)
	-----
	(6,096,867)
	=====

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

### 1. The Company and Nature of Business

The Company is a public limited company, incorporated under the Companies Act. 1913 (Now Companies Ordinance, 1984). The Company is quoted on Lahore and Karachi stock exchange. The principal activity of the company is the dying bleaching and finishing of textile materials.

### 2. Significant Accounting Policies

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Retirement benefits

The Company operates an unfunded gratuity scheme for employees.

No provision for gratuity has been provided as the same is charged as and when paid.

#### 2.3 Taxation

##### Current

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

##### Deferred

The company accounts for deferred taxation using the liability method on all major timing differences which are considered reversible in the foreseeable future.

#### 2.4 Tangible fixed assets

Operating Fixed-assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost. Depreciation is charged on reducing balance method at the rates specified in note 11. Full year depreciation is provided in the year of addition while no depreciation is charged in the year of deletion. Normal repairs and maintenance are charged to income. Gain or loss, if any, on disposal of assets is included in current income.

Freehold land and buildings include cost of land and building of National Primary School which has been taken over by the Government and no compensation in this respect has been awarded to the company.

### **2.5 Assets subject to finance lease**

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of the asset. The related obligation of the lease are accounted for as liabilities.

No depreciation on leased assets has been provided for the year as company has not started commercial production.

### **2.6 Stores, spares, loose tools and stocks in trade**

These are valued as follows

<i>Particular</i>	<i>Mode of valuation</i>
Store, spare parts, dyes chemicals and packing material	- at moving average cost
Chemicals and dyes in process	- at estimated cost
Finished goods	- at lower of average cost and net realisable value

Cost in relation to work in process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less estimated cost necessary to be incurred to make the sale.

### **2.7 Revenue recognition**

Revenue from sale is recognized on delivery of goods to the customers and invoices raised.

### **3. Authorized Share Capital**

1,000,000 ordinary shares of Rs. 10 each	10,000,000
400,000 B-class ordinary shares of Rs. 10 each	4,000,000
	-----

**1999**  
**Rupees**

**1998**  
**Rupees**

	14,000,000
	=====
<b>4. Issued, subscribed &amp; paid-up share capital</b>	
609,034 ordinary shares of Rs. 10 each issued for cash	6,090,340
181,807 ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,818,070
320,100 B-class share of Rs. 10 each issued as fully paid for consideration other than cash	3,201,000
	-----
	11,109,410
	=====
<b>5. Reserves</b>	
General Reserve	1,000,000
Less transfer to profit & loss account	500,000
	-----
	500,000
	=====
<b>6. Long Term Loans-Unsecured</b>	
From Directors- interest free	17,750,000
Others	1,650,000
	-----
	19,400,000
	=====
<b>7. Liabilities against assets subject to finance lease</b>	
The amount of future payments and the period in which these will become due are:	
Year ending	
2000	
2001	
2002	
Less financial charges allocated to future periods	
Less current portion shown under current liabilities	
7.1 The liability is partly secured by a deposit of Rs. 1,813,000 and personal residential house of the directors.	

## 8. Short Term Running Finance - Secured

The finance has been obtained on markup basis from National Bank of Pakistan against aggregate sanctioned limit of Rs. 8.000 million (1998: Rs. 8.000 million).

These arrangements are secured by hypothecation of stocks, mortgage charge on fixed assets of the company and personal guarantees of all directors. The rate of mark up is Re. 0.54 per thousand per diem. The purchase price is repayable by December 31, 1999.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>9. Creditors' accrued and other liabilities</b>		
Creditors	6,239,194	
Advance from customers	275,571	
Accrued liabilities	4,675,406	
	-----	
	11,190,171	
	=====	

## 10. Contingencies and Commitments

### 10.1 Contingencies

i) Counter guarantees by the bank in respect of guarantees issued in the normal course of business for a sum of Rs. 3,698,000/- (1998 Rs. 3.378,000/-)

ii) Claims against the company not acknowledged as debt Rs. nil (1998 Rs. nil)

### 10.2 Commitments

Commitments in respect of contract for capital expenditure Rs. nil (1998 Rs. nil).

## 11. Operating Assets

<i>PARTICULARS</i>	<i>COST</i>			<i>As at June 30, 199</i>
	<i>As at July 1, 1998</i>	<i>Additions</i>	<i>Deletion</i>	
Land (Free-hold)	220,909	0	0	
Building-Factory	14,721,308	706,847	0	
Residential	104,888	0	0	
Plant & Machinery	43,236,274	6,592,989	4,679,099	
Pipeline and Electric Fitting	5,062,237	405,874	0	
Office Equipment	983,327	5,759	0	
Furniture & Fixture	589,085	104,180	0	
Motor Vehicle	2,113,394	333,480	276,000	

Rupees	67,031,422	8,149,129	4,955,099
Rupees 1998	62,456,594	5,454,671	879,843

11.1 The depreciation charged for the year has been allocated to selling, administrative and general expenses as referred to in Note 20.

#### 11.2 Profit on Sale of Fixed Assets

<i>PARTICULARS</i>	<i>Qty</i>	<i>Year of Purchase</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>
Motor Car FDT 8380	1	1997	276,000	
			276,000	

#### 12. Assets subject to finance lease

<i>PARTICULARS</i>	<i>COST</i>			<i>As at June 30, 1998</i>
	<i>As at July 1, 1998</i>	<i>Additions</i>	<i>Deletion</i>	
Plant and machinery	0	4,900,000	0	
Rupee	0	4,900,000	0	
1998	0	0	0	

#### 13. Stores, Spares and Loose Tools

The amount of stores, spares and loose tools is practically inseparable.

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>14. Stock in Trade</b>		
Raw material	3,514,283	
Packing material	182,058	
Work in process	5,366,277	
	9,062,618	

#### 15. Trade debts

These are unsecured but considered good.

**16. Advances, deposits, prepayments and other receivables**

Advance to employees		1,213,489
Others		1,838,353
Letters of credit		2,953,876
Advance Income tax		871,709
Prepayment		211,538
Accounts receivable		113,440
		-----
		7,202,405
		=====

**17. Cash and bank balances**

The balances were held

**At banks**

On deposit accounts	note 17.1	1,849,000
On current accounts		22,671
		-----
		1,871,671
		17,520
		-----
		1,889,191
		=====

**In hand**

17.1 These are held by National Bank of Pakistan as margin against guarantees issued to Sui Northern Gas Pipe Lines Limited.

**18. Sales**

Processing charges		88,956,185
Less Sales tax		4,143,074
		-----
		84,813,111
		=====

**19. Cost of goods sold**

Dyes and Chemicals		32,516,493
Packing material consumed		1,370,408
Store, spares consumed		4,074,280
Salaries, wages and amenities		6,492,999
Oil and Greases		761,583
Fuel and Power		28,408,162
		-----
		73,623,925
Add opening-stock		3,256,581
		-----
		76,880,506
Less closing stock		5,366,277

**1999**  
**Rupees****1998**  
**Rupees**

-----  
71,514,229  
=====

**20. Selling, Administrative and General Expenses**

Directors salaries and amenities		764,000
Staff salaries and amenities		2,880,369
Travelling and entertainment		134,967
Vehicle running expenses		326,269
Postage, Telegrams and Telephones		593,295
Printing and stationery		169,407
Advertisement expenses		44,490
Repair and maintenance		1,440,603
Rent, rates and taxes		863,350
Electricity		91,915
Legal fee and professional charges	Note 20.1	70,100
Fee and Subscription		70,055
Newspaper and periodicals		5,596
Zakat deducted at source		44,975
Insurance		290,492
Depreciation	Note 20.2	3,766,905
Other expenses		28,945
		----- 11,585,733 =====

20.1 Legal Fees and professional charges include the audit fee Rs. 25,000/- for statutory audit and tax consultancy charges Rs. 10,000/-.

**1999**  
**Rupees**

**1998**  
**Rupees**

**21. Other Income**

Profit on sale of fixed assets	3,360
Profit on-transfer of leased assets	220,901
Sale of scrap	256,376
Profit on bank deposit	235,852
Profit on sale of spare parts	--
Profit on sale of dyes & chemicals	--
Profit on deposit for purchase of land	--
	----- 716,489 =====

**22. Financial Expenses**

Lease rent paid	256,199
Mark up paid on short term loan	1,480,364
Bank charges	78,363
	----- 1,814,926

=====

### 23. Transaction with Associated Company

Sale and other services provided to M. Sheikh & Co. (Pvt.) Limited amounting to Rs. nil (1998 Rs. 130,000/-)

The maximum aggregate amount due from an associated company at the end of any month during the year was Nil (1998 Nil)

### 24. Remuneration to Chief Executive and Directors

The aggregate amount charged in the accounts for the year for remuneration, including certain benefits to the chief executive and other working directors of the company is as follows:

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTOR</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Basic pay	191,660	150,000	315,520	
House rent allowance	86,250	67,500	141,980	
Medical allowance	0	900	0	
Re-imbursable expenses	9,090	29,138	14,500	
	-----	-----	-----	
	287,000	247,538	472,000	
	=====	=====	=====	
Number of directors	1	1	2	
	=====	=====	=====	

The Chief Executive Is also provided free use of the Company's maintained car and residential telephones.

### 25. Capacity and Production

Cloth processing:

Rated capacity (Meters)

Actual processing (Meters)

Percentage

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Rated capacity (Meters)	20,000,000	
Actual processing (Meters)	21,826,815	
Percentage	109	

### 24. Comparative Figures

Previous year's figures have been re-arranged where necessary, for the purpose of comparison.

**Sh. Tauheed Ellahi Puri**  
Chief Executive

**Sh. Kashif Taul**  
Director

**FORM 'A'**

**PATTERN OF SHAREHOLDING AS AT 30TH JUNE 1999**

<i>No. of Shareholders</i>	<i>From</i>	<i>Shareholding</i>	<i>To</i>	<i>Total Share Held</i>
291	1	--	100	13495
112	101	--	500	28995
35	501	--	1000	25806
24	1001	--	5000	48414
2	5001	--	10000	18080
1	10001	--	15000	10900
0	15001	--	20000	0
3	20001	--	25000	75000
0	25001	--	30000	0
0	30001	--	35000	0
0	35001	--	40000	0
0	40001	--	45000	0
0	45001	--	50000	0
3	50001	--	55000	165000
1	55001	--	60000	59638
0	60001	--	65000	0
0	65001	--	70000	0
0	70001	--	75000	0
2	75001	--	80000	155568
0	80001	--	85000	0
0	85001	--	90000	0
0	90001	--	95000	0
0	95001	--	100000	0
1	100001	--	110000	107500
2	200001	--	210000	402545
-----				-----
477				1110941
=====				=====

**Categories of Shareholders**

	<i>No.</i>	<i>Shares held</i>	<i>Percentage</i>
Individual	468	962743	
Investment companies	2	2491	
Insurance companies	4	69246	
Joint stock companies	1	76370	
Financial Institutions	0	0	
Modaraba companies	0	0	

**OTHERS**

1. Securities & Exchange Authority	1	1	
2. Deputy Administrator	1	90	
(Abandoned Properties)			
-----		-----	
	477	1110941	
=====		=====	