ANNUAL REPORT 2000

Nishat Chunian Ltd

CONTENTS

Profile

The Company was incorporated in 1990 as a public limited company. A spinning mill having a capacity of 14,400 spindles was established at Bhai Pheru, Tehsil Chunian. It started commercial production in March 1991. The capacity was increased 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 state of the art air jet looms, 29 more looms were added in 1999. A new state of the art spinning unit has started production in December 2000, increasing the total spinning capacity to 40,872 spindles. 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.

COMPANY INFORMATION

Board of Directors:

Mr. Shahzad Saleem	(Chief Executive)
Mian Muhammad Omar	
Mrs. Farhat Saleem	
Mr. Shujaat Mirza	
Mr. Farid Fazal	
Syed Jawad Gillani	
Mr. Anis Wahab Zuberi	(Nominee NIT)

Corporate Secretary:
Mr. Farrukh Ifzal

Bankers to the Company: (In alphabetical order)
ABN AMRO Bank N.V
American Express Bank Ltd.
Citibank N.A
Credit Agricole Indosuez
Deutsche Bank
Faysal Bank Ltd.
Habib Bank Limited
Gulf Commercial Bank Ltd.
Habib Bank Ltd.
Standard Chartered Bank
Union Bank Ltd.
United Bank Ltd.

Auditors:
A. F. Ferguson & Company
Chartered Accountants

Head Office:
4-Happy Homes,
38-A, Main Gulberg, Lahore.
Phone :5761730-39
Telex : 47823 NISHT PK.
Fax : (042) 5711340

Registered Office:
53-A, Lawrence Road,
Lahore, Pakistan.
Phone : 6367812-15
Telex : 47523 NISHT PK.
Fax : (042) 6367414

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 11th Annual General meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Head Office of the Company, 4-Happy Homes, 38-A, Main Gulberg, Lahore on March 31, 2001 (Saturday) at 11 .00 am. to transact the following business:

1. To confirm the minutes of the last General Meeting
2. To receive and adopt audited accounts of the Company for the year ended September 30, 2000 together with Directors' and Auditors' reports thereon
3. To approve 25% Cash Dividend (i.e. Rs. 2.5 Per share) as recommended by the Board of Directors,
4. To appoint auditors for the year ending September 30, 2001 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. SPECIAL BUSINESS

   To consider and if deemed fit to pass with or without modification the following Resolutions as Special Resolutions:

   i) RESOLVED that in view of the expiry of the Rural Industrial Scheme with effect from 31 July, 1996 by the Federal Government the scope of object clause No. III of the Memorandum of Association be enlarged with a view to carry on some other business which may conveniently or advantageously be combined with the business of the Company and by restoring / incorporating the originally formed objects clauses under the Head "Objects" in the Memorandum of Association of the Company subject to the approval of the Securities & Exchange Commission of Pakistan, Islamabad.

   ii) FURTHER RESOLVED that the present sub clause No.1 and 2 of clause III of the Memorandum of Association be and are hereby deleted and substituted with the new sub clause 1 and 2 as under:

      1. To carry on the business of establishing, managing and running cotton textile mills, including cotton spinning, weaving, manufacture of cloth and textile fabrics of all kinds and jute flax and hemp, cotton and wool merchants, wool combers, worsted spinners, woolen spinners, yarn merchants, worsted stuff merchants, bleachers, dyers and manufactures of bleaching and dyeing materials in Pakistan and all over the world, and to install setup and operate power generation projects for own consumptions and for sale and distribution of electricity.
      2. To carry on the business of manufacturers, buyers, sellers, spinners, weavers, ginners, pressers, packers, balers, processors and dealers in all kinds of yarn, fabrics, fibrous' substance and material, whether natural or synthetic, threads, polyester synthetic, silk, rayon, nylon and worsted yarns and fabrics of every k-ind and every type and textiles of any varieties.

   iii) FURTHER RESOLVED that following sub—clauses of clause III of the existing Memorandum of Association of the Company be amended / deleted / altered as follows:

      a) The existing sub clause No. 3 to 14 of the Memorandum of Association be and are hereby deleted.
      b) The sub clause No. 3 to 47 of the original Memorandum of Association of the Company be inserted after sub clause No. 2 of clause III of the present Memorandum of Association.
      c) After the above alteration / additions / deletions / replacements, all the sub-Clauses of the existing Memorandum of Association be and are hereby renumbered accordingly.

IV) FURTHER RESOLVED that Chief Executive of the Company or any one of the Directors or the Corporate Secretary of the Company be and are hereby authorised to complete all legal formalities in connection with amendments / substitutions of aforesaid new clauses No."l to 47" of the Memorandum of the Association of the Company, and to make necessary corrections if pointed out by the Joint Registrar of Companies, Lahore or Securities & Exchange Commission of Pakistan, Islamabad.

Complete text of the Special Resolution to be passed in the above meeting is attached with the notice.

STATEMENT UNDER SECTION 160 (l) (b) OF THE COMPANIES ORDINANCE 1984

Consequent upon the expiry of the Industrial Rural Scheme of the Federal Government with effect from 31 July, 1996, it has been considered necessary to enlarge the scope of objects of the company with a view to incorporating / restoring originally fonned clauses under head III of the objects in the memorandum of Association of the Company.

The insertion of the additional clauses in the Memorandum of Association of the Company will enable the Company to undertake some other business which may conveniently or advantageously be combined with the business of the Company.

The above amendments in the objects clauses of the Memorandum of Association are considered necessary with a view to make the Company more profitable.

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

BOOKS CLOSURE

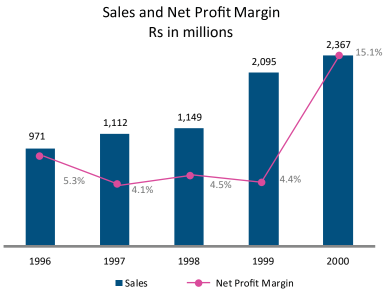
The Share Transfer Books of the Company will remain closed from 26-03-2001 to 02-04-2001 (both days inclusive) for the entitlement of Dividend.

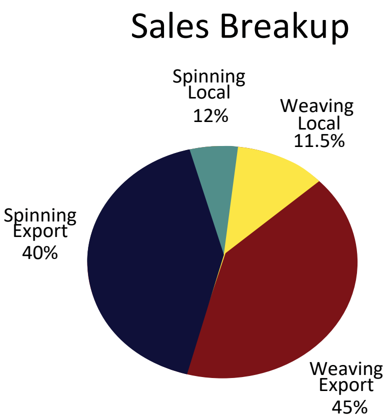
By Order of the Board
Farrukh Ifzal
Corporate Secretary

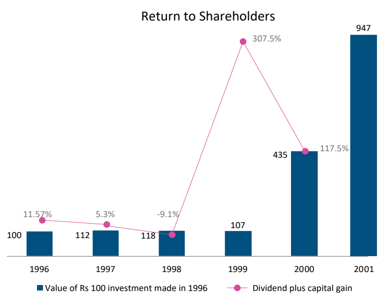
Lahore: March 03, 2001

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 25, 2001.
2. All members should bring their Original National Identity Card for identification purpose.
3. The beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and / or their proxies are required to produce their original National Identity Card (NIC) or Passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and NIC numbers must be mentioned on the form along with attested copies of the NIC or the Passport of the beneficial owner and the proxy.
4. A member eligible to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received by the Company at the registered office not later than 48 hours before the time for holding the meeting during working hours.
5. Members are requested to immediately notify the change of address, if any.







Performance During 1999-2000

The period under review witnessed an increase in sales of 13% and a remarkable increase in profits of 290%. The 5-year trend of sales and profits highlights the exceptional performance this year.

The improved performance of the textile sector in general can be attributed to a bumper cotton crop last year, coupled with favourable International cotton prices, which touched an all time low since 1993 of Rs. 1200 per maund. We successfully leveraged the govemment policy allowing free trade of cotton, and achieved an average buying price of about Rs.1500. Thereafter, the trend reversed, and cotton prices firmed up, both internationally and locally, enabling us to benefit from the favourable purchase cost. The low cost of raw material was also supported with a diversification of the product line to include both local and imported cotton.

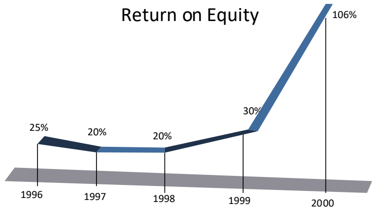
A major driver of profitability was an aggressive marketing strategy geared towards niche marketing with specialised products, and increasing customers switching costs by providing excellent customer service. Our target is to maintain our export sales at 80% of the total, to maximise profits. This marketing strategy was backed by investments in technology, for improving our organizational systems and processes, thus increasing efficiencies across the board.

This improvement was made possible by a team of young, highly motivated individuals, who are actively inculcating a culture of professionalism in the company, which is new to the textile sector. An important factor contributing to this culture of achievement is a performance based reward system, which also creates a sense of healthy competition amongst individuals. The receptiveness of the top management to progressive ideas encourages employee participation in decision making and motivates them to add value.

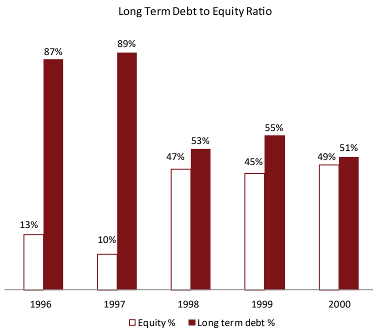
This culture of continuous improvement has contributed to a change in company philosophy, which is now focused on Increasing transparency and sharing information with the stakeholders of the company. Driven by this philosophy, we have made special efforts this year to give meaningful information to the shareholders about our long-term strategy and the returns expected thereof. For this purpose, we have discussed our past returns and future financial, payout, and operational strategy.

Over the past 5 years, we have achieved a compounded return to shareholders of 55%.The figures indicates the total return to shareholders over the past 5 years. The total return has been calculated as the sum of the capital gain and dividend yield, both adjusted for bonus shares. For e.g. the capital gain (bonus adjusted) for 1996 is 4% and the dividend yield (bonus adjusted) is 16%. Hence the net return on an amount of Rs 100 invested in 1996 is 12%, which yields Rs 112 in 1997. For 1998 the return is taken on the base amount of Rs 112, and similarly for other years (* see annexure 1).

We have maintained an average return on equity of 45% from 1996-2000. The ROE for the current year is a remarkable 106%, the highest achieved in the last 5 years. However, 2000 cannot be taken as a representative year and the ROE in future years will be lower than this exceptional 106%. Our target is to maintain along to more of 30-40%.

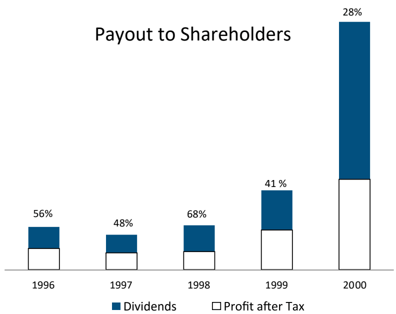


Financial Structure
The financing norm in the textile industry is to use the revolving re-finance facility to finance long term assets. Following this strategy, our current ratio dropped to a level of 0.56 in 1998. Given the seasonal and cyclical fluctuations that make the textile industry high risk, we have implemented a conservative financing strategy, shifting the borrowing from short term to long term, thus improving our current ratio for the year to 0.93. 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 re-structuring our debt, while controlling our financial leverage.



Divedend Policy
The government policy implying distribution of 40% of current earnings as dividend, if reserves are higher than 50%'of the paid up capital, discourages companies from retaining their earnings. This poses a hurdle to major 'expansions while maintaining financial leverage. Hence the government policy is self—defeating for companies who plan to improve balance sheet footing by reinvesting their earnings.

The average payout ratio for the last 5 years is 43%. 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 RS 25% in addition to 100% bonus shares already paid during the year.An amount of RS 55.2 million has been transferred to general reserves.

Future Outlook
The ongoing expansion plan for both weaving and spinning is expected to significantly enhance the capacity by next year. The new spinning unit has increased capacity by 113% to 40,872 spindles. The weaving capacity will also increase by 47% to 188, with the addition of 60 looms. With this capacity expansion, we will be among the leading composite textile units of the country.

Capacity Experation in Weaving & Spinning

Vertical Integration and Focus on Value Added Products

Due to the changing nature 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. We plan to set up a dyeing plant for narrow width fabric, which will be operational by mid 2003. In order to maintain a tighter control on quality throughout the value chain, we are also considering leasing ginning facilities on experimental basis.

Captive Power Plant using Cogeneration Technology

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 C0-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 steam thus generated in our sizing units and for air conditioning, using heat recovery systems.

In view of the importance of timely and accurate information in today's business world, we plan to be the first company in the textile sector of Pakistan to implement e-commerce solutions. Our vision is to connect our customers and suppliers on-line, thus transcending organisational boundaries. Our goal is to link the marketing, production planning, human resource and finance functions of our organization. This will not only enable us to increase benefit-time to customers, but will also reduce data-duplicity, and increase productivity by optimizing decision making.

The pattern ofshare holding as at September 30, 2000 is annexed.

For and on behalf of the board

Lahore: March 03, 2001

Shahzad Saleem
Chief Executive

Annexure 1

Assumptions for Calculating Return to Shareholders

- Dividend is taken in the beginning of the year of cash flow, e.g. dividend announced on the results of 1996 was paid in 1997. This cash flow has been taken on January 1, 1997.
- The dividend is adjusted for bonus, i.e. the total dividend for every year is taken on the original number of shares outstanding in 1996 on a per share basis.
- The share price has been adjusted for bonus, i.e. the share price has been adjusted for the increase in the number of shares alter the bonus to make it comparable to the share prices before bonus.
- The dividend yield for 1996 is calculated, for example, by dividing the adjusted dividend on January 1, 1997 by the adjusted share price on January 1, 1996.
- The capital gain has been calculated using the share price adjusted for bonus. The capital gain in 1996, for example is the percentage increase in share price (after adjustment for bonus if any) from January 1, 1996 to January 1, 1997 and similarly for all the years.
- The dividend yield and capital gain are added to get the total return to the shareholders

	1996	1997	1998	1999	2000	2001
Dividend per share	20%	15%	15%	26%	25%	
Actual share price on Jan 1 (Rs.)	12.85	12.35	11.5	8.95	23.45	23.00
Bonus issue				40%	100%	
100 shares in 1996 after bonus increased to	100	100	100	140	280	
Adjusted price for bonus on Jan 1 (Rs)	12.85	12.35	11.5	8.95	32.83	64.4
Dividend taken in year of cash flow	0%	20%	15%	15%	26%	25%
Adjusted dividend for bonus	0%	20%	15%	15%	36%	70%
Capital gain (bonus adjusted)	-3.9%	-7%	-22%	267%	96%	
Dividend yield (bonus adjusted)	16%	12%	13%	41%	21%	
Dividend plus capital gain	11.67%	5.3%	-9.1%	307.5%	117.5%	
Value of Rs 100 investment made in 1996	100	112	118	107	435	947

	1996	1997	1998	1999	2000 (Rs in 000)
Capital	144,000	144,000	144,000	144,000	403,200
Reserves	86,988	110,627	162,237	194,792	192,289
Net Worth	230,988	254,627	306,237	338,792	595,489
Long term Liabilities	34,737	26,765	270,431	280,856	567,030
Current Liabilities	235,245	201,965	702,242	1,015,989	619,802
Total Liabilities	500,970	483,357	1,278,910	1,635,637	1,782,321
Fixed Assets	271,695	258,221	886,593	956,365	1,202,614
Long Term Deposits	2,059	311	227	227	527
Current Assets	227,216	224,825	392,090	679,048	5,791,180
Total Assets	500,970	483,357	1,278,910	1,635,637	6,994,951
Sales	971,188	1,111,537	1,148,551	2,094,958	2,367,018
Gross Profit	172,615	186,017	183,371	362,475	628,457
EBIT	148,573	144,251	156,465	290,531	533,773
Financial & Other charges	91,423	91,225	93,244	185,936	155,772
Taxation	5,669	7,787	11,611	13,000	20,504
Net Profit	51,481	45,239	51,610	91,595	357,497
Gross margin	17.8%	16.7%	16.0%	17.3%	26.5%
Net Margin	5.3%	4.1%	4.5%	4.4%	15.1%
Current Ratio	0.97	1.11	0.56	0.67	0.93
Current Ratio as per SBP Regulations	1.04	1.16	0.61	0.80	1.52
Leverage (Total Liab. Net Worth)	1.2	0.90	3.2	3.8	1.99
Long Term Debt	13%	10%	47%	45%	49%
Equity	87%	90%	53%	55%	51%

We have audited the annexed balance sheet of Nishat (Chunian) Limited as at September 30, 2000 and the related profit and loss account, statement of changes in equity 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.

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 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 disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the over all 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 year were in accordance with the objects of the company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2000 and of the profit, its changes in equity and cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

A. F. FERGUSON & CO.
Chartered Accountants

Lahore: March 03, 2001.

BALANCE SHEET AS AT SEPTEMBER 30, 2000

	Note	2000 Rupees	1999 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
50,000,000 (1999: 15,000,000) ordinary shares		**500,000,000**	150,000,000
of Rs 10 each			
Issued, Subscribed and paid up Capital	**3**	**403,200,000**	144,000,000
Reserves	**4**	**192,000,000**	194,400,000
Unappropriated profit		**289,145**	391,729
		595,489,145	338,791,729
LONG TERM LOANS - SECURED	**5**	**561,666,668**	276,664,666
Debentures and Deferred Liability			
Debentures	**6**	**-**	628,253
Staff gratuity		**5,363,749**	3,563,108
CURRENT LIABILITIES		**5,363,749**	4,191,361
Current portion of:			
Long term loans	**5**	**239,999,998**	163,335,334
Debentures	**6**	**628,254**	628,254
Finance under mark up arrangements			
and other credit facilities - secured	**7**	**162,660,606**	720,338,451
Creditors, accrued and other liabilities	**8**	**115,713,204**	94,247,112
Proposed dividend		**100,800,000**	37,440,000
		619,802,062	1,015,989,151
CONTINGENCIES AND COMMITMENTS	**9**	**-**	-
		1,782,321,624	1,635,636,907

BALANCE SHEET AS AT SEPTEMBER 30, 2000

	Note	2000 Rupees	1999 Rupees
FIXED CAPITAL EXPENDITURE			
Operating fixed assets- Tangible	10	**934,315,115**	934,315,115
Capital work-in-progress	11	**268,298,973**	12,818,123
		1,202,614,088	956,365,278
LONG TERM DEPOSITS	12	**527,450**	227,450
CURRENT ASSETS			
Stores and spares	13	**61,207,618**	26,747,851
Stock in trade	14	**218,017,438**	176,685,515
Trade debts	15	**118,922,342**	163,371,017
Advance, deposits, prepayments and other receivables	16	**153,800,635**	263,361,861
Cash and bank balances	17	**27,232,053**	48,877,935
		579,180,086	679,044,179
		1,782,321,624	1,635,636,907

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Note	2000 Rupees	1999 Rupees
Sales	18	**2,367,018,383**	2,094,958,068
Cost of goods sold	19	**1,738,561,530**	1,732,482,871
Gross profit		**628,456,853**	362,475,197
Administration expenses	20	**29,626,384**	27,728,884
Selling and distribution expenses	21	**69,338,303**	48,012,023
		98,964,687	75,740,907
Operating Profit		**529,492,166**	286,734,290
Other income	22	**4,281,596**	3,796,516
		533,773,762	290,530,806
Financial charges	23	**135,872,115**	180,430,176
Other Charges	24	**19,900,028**	5,506,000
		155,772,143	185,936,176
Profit before taxation		**378,001,619**	104,594,630
Provision for taxation	25	**20,504,203**	13,000,000
Profit after taxation		**357,497,416**	91,594,630
Earnings per share	32	**8.87**	2.2

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Share capital Rupees	General reserve Rupees	Reserve for Issue of bonus shares Rupees	Accumulated profit Rupees	Total Rupees
Balance as at September 30, 1998	144,000,000	-	162,000,000	237,099	306,237,099
Net profit for the year	-	-	-	91,594,630	91,594,630
Transfer from general reserve	-	-	54,000,000	(54,000,000)	-
Reserve for issue of bonus shares	-	57,600,000	(57,600,000)	-	-
15% special dividend paid for the year 1998	-	-	(21,600,000)	-	(21,600,000)
26% final dividend for the year 1999	-	-	-	(37,440,000)	(37,440,000)
Balance as at September 30, 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)	-
40% bonus issue	57,600,000	(57,600,000)	-	-	-
100% bonus issue	201,600,000	-	-	(201,600,000)	-
25% proposed dividend	-	-	-	(100,800,000)	(100,800,000)
Balance as at September 30, 2000	403,200,000	-	192,000,000	289,145	595,489,145

Chief Executive **Director**

FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Note	2000 Rupees	1999 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	**30**	**737,987,903**	99,331,154
Financial charges paid		**(137,457,752)**	(188,393,972)
Taxes Paid		**(28,893,553)**	(24,996,682)
Gratuity paid		**(885,826)**	(1,706,240)
Net cash inflow /(outflow) from operating activities		**570,750,772**	(115,765,740)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(351,841,442)**	(169,605,216)
Sale proceeds fixed assets		**4,102,890**	3,286,100
Long term deposits		**(300,000)**	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(348,038,552)**	(166,319,116)
CASH FLOW FROM FINANCING ACTIVITIES			
Debentures repaid		**(628,253)**	(628,254)
Payment of redeemable capital		-	(21,586,228)
Long term loans		**361,666,666**	140,000,000
Dividend paid		**(47,718,670)**	(10,580,431)
Net cash inflow/(outflow) from financing activities		**313,319,743**	107,205,087
Net increase/(decrease) in cash and cash equivalents		**536,031,963**	(174,879,769)
Cash and cash equivalents at beginning of the year		**(671,460,516)**	(496,580,747)
Cash and cash equivalents at end of the year	**31**	**(135,428,553)**	(671,460,516)

The annexed notes form an integral part of these accounts.

Chief Executive

Director

1. Legal status and nature of business

Nishat (Chunian) Limited is a public limited company incorporated under the Companies Ordinance, 1984 and is listed on the Lahore and Karachi Stock Exchanges. The company is engaged in the manufacture and sale of cotton yarn and fabric.

2. Summary of significant accounting policies

2.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalisation of exchange differences referred to in note 2.7.

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

2.2 Taxation

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

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

2.3 Staff retirement benefits

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

Provident fund
The company 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 in accordance with the fund rules.

2.4 Fixed capital expenditure

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, which are stated at cost. Cost in relation to certain fixed assets signifies historical cost and exchange differences as referred to in note 2.7.
Depreciation on all other operating fixed assets is charged to profit on the reducing balance method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 10.
The full annual rate of depreciation is applied to the costs of additions, except major additions or extension to production facilities, while no depreciation is charged on assets deleted during the year. Major additions or extension to production facilities are depreciated on a pro-rata basis for the period of use during the year.
The net exchange differences relating to an asset at the end of each year are amortised in equal installments over its remaining useful life.
Minor renewals or replacements, maintenance, repairs and profit or loss on disposal of fixed assets are included in profit currently. Major renewals and improvements are capitalised.

2.5 Stores and spares

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

2.6 Stock in trade

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

2.7 Foreign currencies

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

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

All other exchange differences are included in profit currently.

2.8 Borrowing cost

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalized upto the date of commissioning of respective fixed assets. All other mark up, interest and other charges are charged to income currently.

2.9 Revenue recognition

Sales are recognised on the despatch/shipment of goods to Customers.

3. Issued, Subscribed and paid up capital

		2000 Rupees	1999 Rupees
12,000,000	Ordinary shares of Rs 10 each fully paid in cash	**120,000,000**	120,000,000
28,320,000	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**283,200,000**	24,000,000
40,320,000			
		403,200,000	144,000,000

622944 (1999: 222,480) shares of the company are held by Nishat Mills Limited an associated concern as at September 30, 2000.

		2000 Rupees	1999 Rupees
4.	**Reserves**		
	General reserves		
	At the beginning of the year	136,800,000	162,000,000
	Dividend paid	0	(21,600,000)
	Transferred from profit and loss account	55,200,000	54,000,000
	Transferred to reserve for issue of bonus shares	0	(57,600,000)
		192,000,000	136,800,000
	Capital reserves		
	Reserve for issue of bonus shares		57,600,000
		192,000,000	194,400,000

5. Long term loans - Secured

Loan	Lender	2000 Rupees	1999 Rupees	Rate of Interest per annum	Number of Installment	Interest payable
1.	Hong Kong & Shanghai Banking Corporation	-	90,000,000	16.50%	Six half yearly installments	Quarterly
2.	United Bank Limited	66,666,666	100,000,000	Treasury bill rate + 2.50% with a floor of 15% and ceilling of 19%	Six quarterly installments 1999-2001	Quarterly
3.	Citibank NA	62,500,001	104,166,667	*STFB rate + 1.70 %	Seven half yearly installments 1999-2002	Quarterly
4.	ABN AMRO Bank	87,499,999	145,833,333	*STFB rate + 1.70 %	Six half yearly installments 1999-2001	Quarterly
5.	Citibank NA - 2	110,000,000	-	*STFB rate + 2.25 % with a floor of 14.75%	Three Half yearly installments 2001-2002	Quarterly
6.	United Bank Limited - 2	100,000,000	-	**SBp Discount rate + 2.25% with a floor of 14.50%	Nine Quarterly installments 2002-2004	Quarterly
7.	Syndicate loans:					
	- ABN AMRO Bank	100,000,000	-	**SBP Discount rate + 2.5% subject to a floor of 14.50%.	Eight half yearly installments ending 2002-2005	Half yearly
	- Habib Bank Limited	150,000,000	-			
	- Gulf Commercial Bank Limited	75,000,000	-			
	- Faysal Bank Limited	50,000,000	-			
		375,000,000	-			
		801,666,666	440,000,000			
Less :	Current portion shown under current liabilities	239,999,998	163,335,334			
		561,666,668	276,664,666			

* Short Term Federal bonds

** State Bank of Pakistan

Loan 1

This loan has been repaid during the year.

Loan 2 to 7

Loan 2 to 7 are secured by first pari passu hypothecation charge on all present and future movable assets of the company and an equitable mortgage of the Company's land to the extent of RS 1,090 million

		2000 Rupees	1999 Rupees
6. Debentures (non convertible) - secured			
Custom debentures		**628,254**	1,256,507
Less: Current maturity shown under current liabilities		**628,254**	628,254
		-	628,253

These represent debentures issued in favour of Collector of customs by Nishat Mills Limited in lieu of deferred payment of custom charges on plant and machinery imported by them and sold to the company under agreement of sale dated March 09, 1991.

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

		2000 Rupees	1999 Rupees
7. Finance under mark-up arrangements and other credit facilities - secured			
Short term running finances	- note 7.1	**52,920,606**	27,813,451
Export finances			
- Preshipment/SBP refinance	- note 7.2	**109,740,000**	692,525,000
		162,660,606	720,338,451

7.1 Short term running finances are available from commercial banks under mark-up arrangements amounting to Rs 445 million (1999: Rs 230 million). The rates of mark-up range from Re 0.2534 to Re 0.4307 per Rs 1,000 per diem or part thereof on the balance outstanding. The aggregated short term finances are secured by hypoyhecation of all present and future current assets of the company.

7.2 The company has obtained export finance facilities aggregating to Rs 585 million (1999 Rs 700 million) from commercial banks. Mark-up is payable quarterly at the rates ranging from Re 0.2192 to Re 0.3973 per Rs 1,000 per diem. Export finance is secured by lien on export bills and hypothecation of all present and future current assets of the company ranking pari passu to the charge referred to in note 7.1.

7.3 Of the aggregate facilities of Rs 420 million (1999: Rs 140 million) for opening letter of credit and Rs 225 million (1999: Rs 20 million) for guarantees, the amount utilised at September 30, 2000 was Rs 78 million (1999: Rs 8 million) and Rs 31 million (1999 : Rs 0.5 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 7.1

			2000 Rupees	1999 Rupees
8.	**Creditors, accrued and other liabilities**			
	Creditors		**30,713,525**	25,047,478
	Accrued Liabilities		**32,820,809**	15,732,298
	Advances from customers	- note 8.1	**7,285,860**	14,393,599
	Mark-up on:			
	- Short term running finances and other credit facilities - Secured		**7,539,963**	11,438,376
	- Debentures - secured		**79,522**	156,527
	- Long term loans - secured		**12,010,316**	9,620,538
	Retention money		**1,078,426**	562,380
	Due to associated undertaking - Nishat Mills Limited	- note 8.2	**2,317,122**	**20,668**
	Workers profit participation fund	- note 8.3	**19,900,028**	5,506,000
	Income tax payable		**535,056**	-
	Unclaimed dividend		**1,406,937**	11,685,607
	Others		**25,640**	83,641
			115,713,204	94,247,112

8.1 Advances from customers include amount due to associated company - Nishat Mills Limited, in normal trading account Rs 889,583 (1999: Rs 1,158,107). The Maximum aggregate amount due at the end of any month under this head was Rs 6,170,726 (1999: Rs 26,140,871).

8.2 The maximum aggregate amount due to associated company - Nishat Mills limited at the end of any month during the year was Rs 3,974,162 (1999: Rs 59,862,268).

		2000	1999
8.3	**Workers' Profit Participation fund**		
	Opening balance as at October 1	**5,506,000**	3,350,000
	Provision for the year	**19,900,028**	5,506,000
	Interest for the year	**335,661**	179,728
		25,741,689	9,035,728
	Less: Payments made during the year	**5,841,661**	3,529,728
	Closing balance as at September 30	**19,900,028**	5,506,000

9 Contingencies and commitments

9.1 Contingencies

(i) During previous year the Deputy Commissioner of Income Tax (DCIT) raised an order under section 156 of the Income Tax Ordinance , 1979 in respect of the assessment years 1994- through 1997-98 primarily on the grounds that in financing the assessments of the above years the DCIT had taken certain income of the company under export sales and thereby applied a lower tax rate to it. Under the same section the DCIT also raised a demand for those years on the grounds that mark up income had also not been taxed at the gross amount. Based on the DCIT's contention that these mistakes are apparent from record, therefore, rectifiable a demand aggregating to Rs 36,385,434 has been raised against the company. This demand included additional tax of Rs 4,442,309.

In respect of an appeal against the above order, the Commissioner of Income Tax (Appeals) [CIT(A)] has remanded the case back to DCIT for denovo proceedings.

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

(ii) While finalising the assessments for the year ended September 30, 1992, Income Tax Officer (ITO) raised additional demand for Rs 2.20 million being the penalty under section 52 of The Income tax Ordinance, 1979 for non-deduction of tax on payment made. The Company contested the imposition of penalty before the Commissioner of Income Tax (Appeals) and the case was decided to its favour. The ITO filed an appeal against the Commissioner's order with the Income Tax Appellate Tribunal (ITAT). No provision has been made in the accounts for this as the company is confident that the case will be decided in its favour.

9.2 Commitments

Commitments in respect of capital expenditure relating to the machinery and civil work are Rs 92 million (1999:Rs Nil) and Rs 18 million (1999: Rs Nil) respectively.

10. Operating fixed assets - tangible

10.1 the following is a statement of the tangible fixed assets.

	Cost as at September 30, 1999	Additions/ (Deletions)	Cost as at September 30, 2000	Accumulated depreciation As at September 30, 1999	Charge for the year / (depreciation on deletions)	Accumulated depreciation As at September 30, 2000	Book Value as at September 30, 2000	Depre- ciation Rate %
Land	17,187,718	14,730,240	31,917,958	-	-	-	31,917,958	-
Building	193,552,875	17,257,551	210,810,426	58,178,282	15,263,215	73,441,497	137,368,929	10
Plant and machinery	962,540,331	52,908,396	1,011,605,240	207,808,484	80,513,954	286,979,649	724,625,591	10
		(3,843,487)			(1,342,789)			
Furniture & fixtures	2,811,468	948,085	3,759,553	927,108	283,244	1,210,352	2,549,201	10
		5,373,003						
Vehicles	13,213,591	(2,749,518)	15,837,076	6,336,665	2,238,403	6,883,462	8,953,614	20
					(1,691,606)			
Office equipment	4,704,728	1,758,777	6,423,225	1,376,668	504,659	1,881,327	4,541,928	10
		(40,250)						
Electrical installations	34,062,955	1,371,237	34,821,552	11,603,654	2,321,790	13,809,544	21,012,008	10
		(612,640)			(115,900)			
Tools and equipment	2,442,650	2,013,301	4,455,951	738,300	371,765	1,110,065	3,345,886	10
Rupees 2000	**1,230,516,316**	**96,360,590**	**1,319,631,011**	**286,969,161**	**101,497,030**	**385,315,896**	**934,315,115**	
		(7,245,895)			3,150,295			
Rupees 1999	1,012,660,858	223,161,310	1,230,516,316	192,442,339	97,336,907	286,696,161	943,547,155	
		(5,305,852)			(2,810,085)			

Addition to building, plant and machinery and electrical installation include interest amounting to Rs Nil(1999:RS 2,196,986).

		2000 Rupees	1999 Rupees
10.2 The depreciation charges for the year has been allocated as follows:			
Cost of goods sold	- note 19	**98,705,861**	95,038,519
Administration expenses	- note 20	**2,791,169**	2,298,388
		101,497,030	97,336,907

10.3 Disposal of operating fixed assets

Detail of fixed assets sold during the year:

Particulars of the assets	Sold to	Cost Rupees	Accumulated Depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Mode of Disposal
	Outsiders					
Plant and machinery	Ali Akber Spinning Mills Ltd.	3,843,487	1,342,789	2,500,698	1,650,000	Negotiation
Electrification	Umer Fabrics Limited.	610,000	115,900	494,100	610,000	Negotiation
Vehicles	MR. Rizwan Sadiq	694,684	512,577	182,107	375,000	Negotiation
	Ms. Zakia Begum	453,847	305,130	148,717	350,000	Negotiation
	Mr. Gul Rahim	695,662	339,395	356,267	470,000	Negotiation
	Mr. Taveer Ahmad	905,325	534,504	370,821	605,000	Negotiation
Others		42,890	-	42,890	42,890	Negotiation
		7,245,895	3,150,295	4,095,600	4,102,890	

	2000 Rupees	1999 Rupees
12. Capital work in progress		
Plant, machinery and equipments	**193,196,079**	
Civil works	**75,102,894**	8,924,433
Advances to contractors	-	3,893,690
	268,298,973	12,818,123
13. Long term deposits		
These represent long term security deposits.	**527,450**	227,450
14. Stores and spares		
Stores [include in transit Rs 10.139 million (1999: Rs Nil)]	**35,602,161**	13,665,324
Spares	**25,605,457**	13,082,527
	61,207,618	26,747,851

	2000 Rupees	1999 Rupees
14. Stock in trade		
Raw materials [Include in transit Rs 32.612 million (1999:Rs Nil)]	**114,604,463**	95,287,501
Work in precess	**24,369,223**	30,387,146
Finished goods - own produced	**69,917,987**	47,938,153
Finished goods - trading stock	**8,368,280**	2,221,825
Waste	**757,485**	850,890
	218,017,438	176,685,515

15. Trade debts - considered good

Export - secured	**103,014,689**	157,039,084
Local - unsecured	**15,907,653**	6,331,933
	118,922,342	163,371,017

Trade debts include amounts due from associated company - Nishat Mills Limited Rs 895,745 (1999: Rs Nil) and the maximum aggregate amount outstanding at the end of any month during the year was Rs 3,572,484 (1999: Rs 44,070,675).

16. Advance, deposits, prepayments and other receivables

Advances - considered good to:		
Employee	**2,969,347**	2,596,765
Suppliers	**14,547,218**	46,366,052
Contractors	**111,413**	25,000
Short term deposits	**461,358**	1,644,303
Prepayments	**43,285**	93,125
Letter of credit - Margin, Deposits, opening charges etc.	**40,783,345**	136,530,222
Income tax refundable	**36,160,085**	27,770,735
Balances with statutory authorities for sales tax	**45,573,953**	36,080,731
Export rebate receivable	**10,691,847**	8,756,231
Other receivables	**2,458,784**	3,498,897
	153,800,635	263,362,061

Included in advances to employees are amounts due from executives of Rs 2,126,966(1999:Rs 2,178,745). The maximum aggregate amount due from executives at the end of any month during the year was Rs 2,349,767 (1999: Rs 2,312,545).

17. Cash and bank balances

Balances with banks on current accounts	**26,875,845**	48,331,140
Cash In Hand	**356,208**	546,795
	27,232,053	48,877,935

	2000 Rupees	1999 Rupees
18. Sales		
Export sales	**2,047,480,466**	1,594,397,117
Local	**330,904,812**	469,041,832
Waste	**19,811,451**	31,587,564
	2,398,196,729	2,095,026,513
Less: Commission to selling agents:		
Export sales	**47,490,031**	18,093,122
Local sales	**1,974,724**	1,774,107
	49,464,755	19,867,229
	2,348,731,974	2,075,159,284
Double Income	**1,773,000**	3,383,650
Export rebate	**16,513,409**	16,415,134
	2,367,018,383	2,094,958,068

Sales are net of sales tax aggregating to Rs 67,742,498 (1999: Rs 78,814,002).

19. Cost of goods sold

	2000 Rupees	1999 Rupees
Raw and Packing material consumed	**1,282,450,913**	1,321,814,993
Stores, spares consumed	**62,807,911**	51,984,328
Salaries, wages and benefits	**67,503,847**	61,208,266
Fuel and power	**126,387,652**	116,237,207
Insurance	**2,753,634**	2,587,435
Depreciation	**98,705,861**	95,038,519
Repair and Maintenance	**3,663,106**	2,506,400
Other	**9,596,807**	4,848,297
	1,653,869,731	1,656,225,445
Opening work in process	**30,387,146**	14,482,293
Closing work in process	**(24,369,223)**	(30,387,146)
Cost of goods manufactured	**1,659,887,654**	1,640,320,592
Opening stocks		
Finished goods	**47,938,153**	36,825,006
Waste	**850,890**	978,280
	48,789,043	37,803,286
	1,708,676,697	1,678,123,878
Closing stocks		
Finished goods	**(69,917,987)**	(47,938,153)
Waste	**(757,485)**	(850,890)
	(70,675,472)	(48,789,043)
	1,638,001,225	1,629,334,835
Cost of goods purchased for resale	**100,560,305**	103,148,036
	1,738,561,530	1,732,482,871

		2000 Rupees	1999 Rupees
20. Administration expenses			
Salaries, allowances and other benefits		**10,588,366**	8,293,321
Printing and stationery		**549,440**	483,056
Vehicle running expenses		**992,669**	966,631
Traveling and conveyance		**6,175,003**	6,063,826
Postage and telephone		**2,988,768**	4,203,511
Fee and subscription		**1,567,998**	1,048,027
Electricity, gas and water		**1,072,138**	836,644
Insurance		**1,105,080**	1,263,067
Office expenses		**4,934**	29,943
Repairs and maintenance		**274,523**	495,108
Entertainment		**283,594**	222,475
Audit fee		**180,000**	165,000
Advertisement		**247,084**	215,042
Depreciation		**2,791,169**	2,298,388
Charity and Donations	- note 20.1	**312,270**	-
Other Expenses		**493,348**	1,144,845
		29,626,384	27,728,884

20.1 None of the directors or their spouse have any interest in any donees' found to which such donations were made.

	2000 Rupees	1999 Rupees
21. Selling and distribution expenses		
Ocean freight	**34,372,750**	27,129,474
Freight and octroi	**7,995,587**	9,020,919
Forwarding and other expenses	**18,543,933**	11,861,630
Export marketing expenses	**8,426,033**	-
	69,338,303	48,012,023
22. Other income		
Profit on sale of fixed assets	**7,290**	790,333
Profit on FDR	-	97,047
Sale of scrap	**1,493,394**	1,673,160
Exchange gain	**1,664,775**	273,548
Unclaimed balances written back	**287,272**	-
Miscellaneous	**828,865**	962,428
	4,281,596	3,796,516

			2000 Rupees	1999 Rupees
23.	**Financial charges**			
	Mark-up on loan from associated undertaking		**-**	2,771,774
	mark-up on redeemable capital		**-**	2,297,026
	Mark-up on running finances		**23,275,903**	54,231,197
	Mark-up on export finances:			
	- Preshipment		**42,825,533**	53,687,647
	- Postshipment		**1,790,723**	6,442,053
	Surcharge on debentures		**98,906**	184,344
	Interest on long term loans - secured		**53,740,969**	48,187,243
	Interest on workers' profit participation fund		**335,661**	179,728
	Loan arrangement fee		**1,975,000**	-
	Bank and other charges		**11,829,420**	11,449,164
			135,872,115	180,430,176
24.	**Other charges**			
	Workers' profit contribution fund		**19,900,028**	5,506,000
25.	**Provision for taxation**			
	Current year	- note 26.1	**21,500,000**	13,000,000
	Prior year	- note 26.2	**(995,797)**	-
			20,504,203	13,000,000

The provision for current year taxation represents the Tax liability under section 80CC of the Income Tax Ordinance, 1979. For purpose of current year taxation the tax losses available for carry forward as at September 30, 2000 are estimated at approximately Rs 22.544 million (1999: Rs 89.310 million), including assessed tax losses of Rs 22.454 million (1999: Rs 7.276 million).

25.1 Reconciliation of tax charges	**2000 %age**
Rate of tax as per Income Tax Ordinance, 1979	34.65
Tax Effect under presumptive tax regime	28.97
Effect of change in rate for prior periods	0.26
Rate of tax on accounting profit for the year	5.42

26. Remuneration of Chief Executive, Directors and Executives

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

	Chief Ececutive		Director		Executive	
	2000	1999	2000	1999	2000	1999
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Number of persons	**1**	**1**	**2**	**1**	**31**	**23**
Managerial remunuration	**585,200**	398,400	**258,808**	96,000	**6,745,657**	4,685,935
Contribution to provident fund/gratuity	-	-	-	-	**451,173**	485,849
Housing	**234,080**	179,280	**103,523**	43,200	**2,611,793**	1,944,485
Conveyance	-	-	-	-	32,400	69,727
Utilities	**483,769**	19,920	**192,534**	4,800	**843,139**	178,715
Others	**509,708**	-	-	-	**373,115**	-
	1,812,757	597,600	**554,865**	144,000	**11,057,277**	7,364,711

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

27. Transactions with associated undertakings

The companuy urchased from and sold associated undertaking goods and services aggregating to Rs 123.17 million (1999: Rs 26.312 million) and Rs 96.77 million (1999: Rs 15.408 million) respectively.

28. Financial assets and liabilities

	Interest/Mark up bearing			Non interest/mark up bearing				
	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees	Total 2000 Rupees	Total 1999 Rupees
Financail assets								
Long term deposits	-	-	-	-	527,450	527,450	**527,450**	227,450
Trade debts	-	-	-	118,922,342	-	118,922,342	**118,922,342**	163,371,017
Advances, deposits, prepayments and other receivables	-	-	-	461,358	-	461,358	**461,358**	1,650,661
Cash and bank	-	-	-	27,232,053	-	27,232,053	**27,232,053**	48,877,935
	-	**-**	**-**	**146,615,753**	**527,450**	**147,143,203**	**147,143,203**	**214,127,063**
Financial Liabilities								
Long term loans	239,999,998	561,666,668	801,666,666	-	-	-	**801,666,666**	440,000,000
Debentures	628,254	-	628,254	-	-	-	**628,254**	1,256,507
Finance under mark up arrangements	162,660,606	-	162,660,606	-	-	-	**162,660,606**	720,018,985
Creditors, accrued and other liabilities	-	-	-	85,778,575	-	85,778,575	**85,778,575**	71,826,678
	403,288,858	561,666,668	964,955,526	85,778,575	-	85,778,575	**1,050,734,101**	1,233,102,170

28.1 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 147,143,203 financial assets which are subject to credit risk amount to Rs 138,755,501. to manage exposure to credit risk, the company applies credit limits to its customers.

28.2 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.

28.3 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.

	2000	1999
29. Plant capacity and actual production		
Spinning		
Number of spindles installed	**19,200**	19,200
Number of spindles worked	**19,080**	19,059
Number of shifts per day	**3**	3
Capacity after conversation into 20 count (Kgs.)	**6,581,403**	6,556,291
Actual Production of yarn after conversion into 20 count (Kgs.)	**6,016,244**	5,969,500

Under utilisation of available capacity is due to processing of coarser counts and production of slub and lycra yarn.

	2000	1999
Weaving		
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 - square yards	**62,329,833**	56,105,553
Actual production of fabric after conversion into 50 picks - square yards	**53,932,104**	44,750,338

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

		2000 Rupees	1999 Rupees
30. Cash generated from operations			
Profit before taxation		**378,001,619**	104,594,630
Add/(less) adjustment for non cash charges and other items.			
Depreciation		**101,497,030**	97,336,907
Profit on sale of fixed assets		**(7,290)**	(790,333)
Unclaimed balances written back		**(287,272)**	-
Provision for gratuity		**2,686,467**	1,684,259
Financial charges		**135,872,115**	180,430,176
Working capital charges	- note 30.1	**120,225,234**	(283,924,485)
		737,987,903	99,331,154
30.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		**(34,459,767)**	(11,876,238)
Stock in trade		**(41,331,923)**	(90,802,368)
Trade debts		**44,448,675**	30,474,010
Advances, Deposits, Prepayments and other receivables excluding taxes refundable		**117,950,576**	(156,873,168)
		86,607,561	(229,077,764)
Increase in current liabilities			
Creditors, accrued and other liabilities		**33,617,673**	(54,846,721)
		120,225,234	(283,924,485)
31. Cash and cash equivalents			
Cash and bank balances	- note 17	**27,232,053**	48,877,935
Finance under mark-up arrangements and other credit facilities	- note 7	**(162,660,606)**	(720,338,451)
		(135,428,553)	(671,460,516)
32. Earning per share			
Net profit for the year		**357,497,416**	91,594,630
Average ordinary shares in issue during the year ended September 30, 2000: 40,320,000 (1999: 14,400,000)			
Earnings per share		**8.87**	2.27

	2000	1999
33. Number of employees		
Number of employees as at year end	**1,468**	1,376

34. Correspoding figures

Corresponding figures for 1999, where necessary, have been re-arranged for purpose of comparison.

Chief Executive **Director**

Form - 34
The Companies Ordinance, 1984
Pattern Of Holding Shares Held By The Members
As At September 30, 2000

SHARE HOLDERS	SHARES HOLDING FROM	TO	TOTAL SHARES HELD
273	1	100	15,216
1,041	101	500	301,884
385	501	1000	286,276
1,004	1001	5000	2,147,050
130	5001	10000	946,716
50	10001	15000	626,634
32	15001	20000	565,832
21	20001	25000	455,968
10	25001	30000	281,472
12	30001	35000	390,808
8	35001	40000	314,724
2	40001	45000	82,978
6	45001	50000	287,600
3	50001	55000	156,200
2	55001	60000	114,236
2	60001	65000	122,200
2	65001	70000	137,246
1	70001	75000	72,800
4	85001	90000	350,200
2	90001	95000	186,000
2	95001	100000	199,000
3	100001	105000	302,800
1	110001	115000	113,568
1	125001	130000	126,680
1	130001	135000	131,400
1	150001	155000	152,096
1	160001	165000	163,296
2	165001	170000	334,360
1	180001	185000	184,000
1	225001	230000	230,000
1	275001	280000	280,000
1	320001	325000	320,128
2	350001	355000	708,000
1	360001	365000	364,000
1	400001	405000	403,000
1	420001	425000	420,800
1	555001	560000	558,000
1	575001	580000	577,480
1	620001	625000	622,944
2	675001	680000	1,360,000
1	795001	800000	800,000
1	800001	805000	800,320
1	805001	810000	808,160
1	1500001	1505000	1,500,104
1	1510001	1515000	1,512,000
1	1560001	1565000	1,562,736
1	1655001	1660000	1,659,000
1	1960001	1965000	1,963,800
1	2025001	2030000	2,026,608
2	2235001	2240000	4,480,000
1	7810001	7815000	7,813,680
3,028			40,320,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Individuals	2,950	21,947,192	54.43
Investment Companies	6	41,480	0.10
Insurance Companies	4	1,137,864	2.82
Joint Stock Companies	35	11,706,554	29.03
Financial Institutions	23	4,571,510	11.34
Modaraba Companies	4	111,000	0.28
Foreign Companies	1	280	0.00
Others	5	804,120	2.00
Total	3,028	40,320,000	100.00

Proxy Form

Corporate Secretary,
Nishat (Chunian) Limited
4-Happy Homes,
38-A, Main Gulberg,
Lahore.

I/We ____

of ____ being a member(s) of

Nishat (Chunian) Limited, and 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 4-Happy Homes, 38-A, Main Gulberg, Lahore on Saturday,March 31, 2001 at 11.00 a.m. a nd at every adjournment thereof:

As witness my hand this ____day of ________________2001

Signed by the said ____ in presence of

____

Witness

Signature

Signature

Affix
Revenue
Stamp

Notes:

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

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