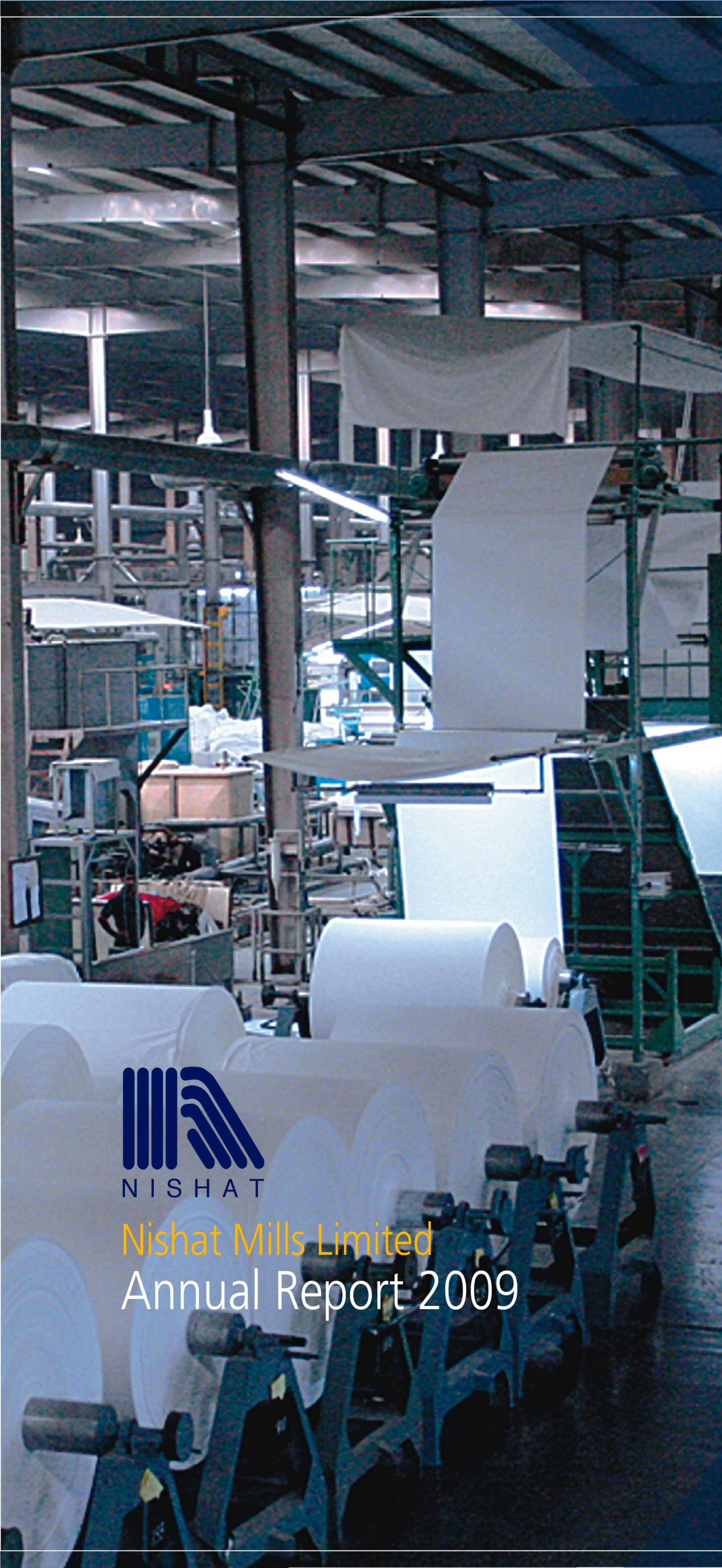


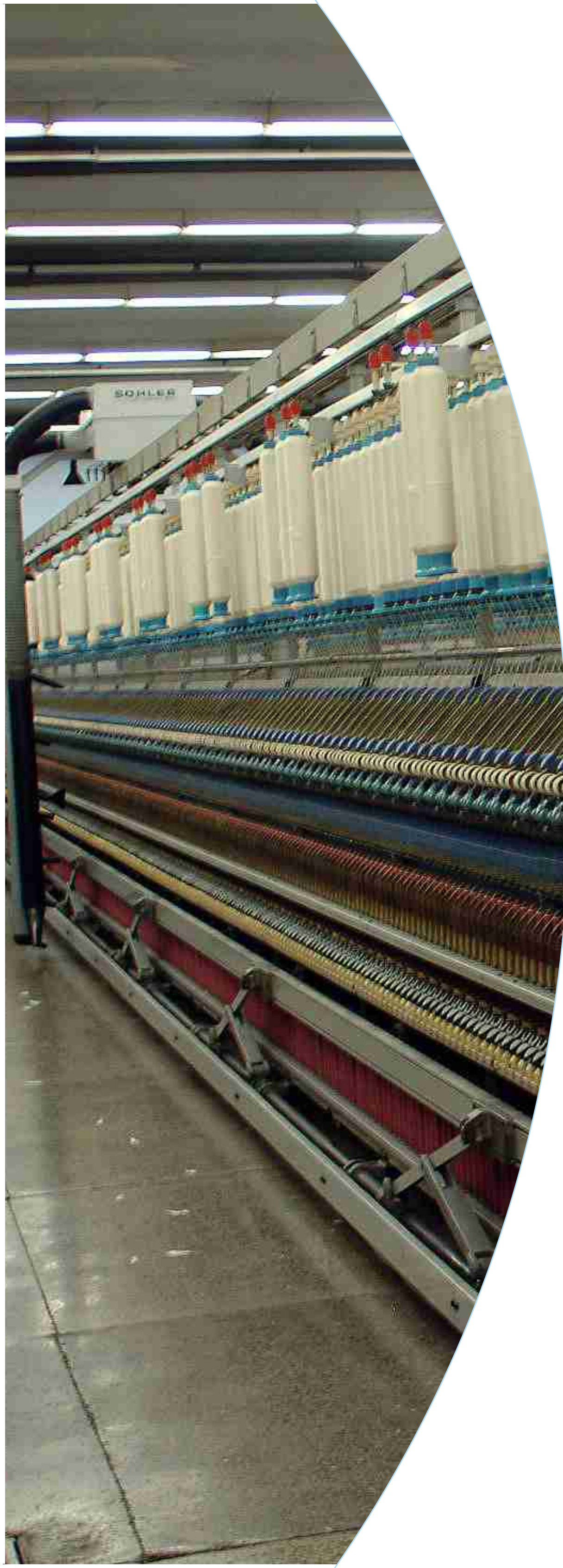
NISHAT

Nishat Mills Limited
Annual Report 2009

CONTENTS

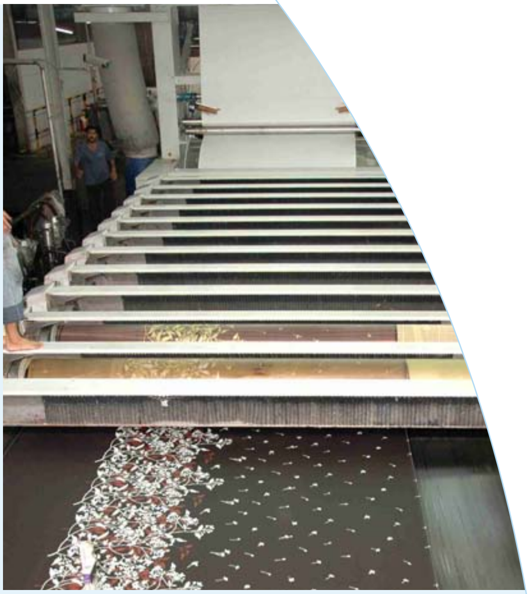
Nishat Mills Limited

Nishat Mills Limited and its Subsidiaries



COMPANY INFORMATION

BOARD OF DIRECTORS:	Mian Umer Mansha	Chairman/Chief Executive
	Mian Hassan Mansha	
	Mr. Khalid Qadeer Qureshi	
	Mr. Muhammad Azam	
	Mr. Muhammad Ali Zeb	
	Mr.Muhammad Asif (Nominee NIT)	
	Ms. Nabiha Shahnawaz Cheema	
AUDIT COMMITTEE:	Mr. Khalid Qadeer Qureshi	Chairman/Member
	Mr. Muhammad Azam	Member
	Ms. Nabiha Shahnawaz Cheema	Member
CHIEF FINANCIAL OFFICER:	Mr. Badar-ul-Hassan	
COMPANY SECRETARY:	Mr. Khalid Mahmood Chohan	
AUDITORS:	Riaz Ahmad & Company	Chartered Accountants
LEGAL ADVISOR:	Mr. M. Aurangzeb Khan, Advocate, Chamber No. 6, District Court, Faisalabad.	
BANKERS TO THE COMPANY:	Albaraka Islamic Bank B.S.C (E.C)	JS Bank Limited
	Allied Bank Limited	KASB Bank Limited
	Askari Bank Limited	Meezan Bank Limited
	Bank Alfalah Limited	National Bank of Pakistan
	Bank Islami Pakistan Limited	NIB Bank Limited
	Barclays Bank PLC	Samba Bank Limited
	Citibank N.A.	Saudi Pak Industrial & Agricultural Investment Company Limited
	Deutsche Bank	Silk Bank Limited
	Faysal Bank Limited	Standard Chartered Bank (Pakistan) Ltd
	Habib Bank Limited	The Royal Bank of Scotland
	Habib Metropolitan Bank Limited	United Bank Limited
	HSBC Bank Middle East Limited	



MILLS:	Nishatabad, Faisalabad.	(Spinning units & Power plant)
	12 K.M. Faisalabad Road, Sheikhupura.	(Weaving units & Power plant)
	21 K.M. Ferozepur Road, Lahore.	(Stitching unit)
	5 K.M. Nishat Avenue Off 22 K.M. Ferozepur Road, Lahore.	(Weaving, Dyeing & Finishing unit, Processing unit, Stitching unit and Power plant)
	7 K.M. East Hadiara Drain Off: 22 K.M. Ferozepur Road, Lahore.	(Apparel Unit)
	20 K.M. Sheikhupura Faisalabad Road, Feroze Watwan.	(Spinning unit & Power plant)

REGISTERED OFFICE & SHARES DEPARTMENT:

Nishat House,
53 - A, Lawrence Road, Lahore.
Tel: 042-6360154, 5990035, 042-111 113 333
Fax: 042-6367414

HEAD OFFICE:

7, Main Gulberg, Lahore.
Tel: 042-5716351-59, 042-111 332 200
Fax: 042-5716349-50
E-mail: nishat@nishatmills.com
Website: www.nishatmillsltd.com

LIAISON OFFICE:

Ist Floor, Karachi Chambers,
Hasrat Mohani Road, Karachi.
Tel: 021-2414721-23
Fax: 021-2412936

MISSION STATEMENT

To provide quality products to customers and explore new markets to promote/expand sales of the Company through good governance and foster a sound and dynamic team, so as to achieve optimum prices of products of the Company for sustainable and equitable growth and prosperity of the Company.

VISION STATEMENT

To transform the Company into a modern and dynamic yarn, cloth and processed cloth and finished product manufacturing Company with highly professionals and fully equipped to play a meaningful role on sustainable basis in the economy of Pakistan.

To transform the Company into a modern and dynamic power generating Company with highly professionals and fully equipped to play a meaningful role on sustainable basis in the economy of Pakistan.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the members of Nishat Mills Limited (the Company) will be held on October 29, 2009 (Thursday) at 11.00 A.M. at Nishat House, 53–A, Lawrence Road, Lahore, to transact the following business:-

ORDINARY BUSINESS

1. To confirm minutes of the last Meeting.

2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2009 together with Directors' and Auditors' reports thereon.

3. To approve Final Cash Dividend @ 20 % (i.e. Rs.2.00 per share) as recommended by the Board of Directors.

4. To approve re-appointment of M/s. Riaz Ahmad & Company, Chartered Accountants, as external auditors of the Company for the year 2009-10 and fix their remuneration, as recommended by the Audit Committee and Board of Directors.

SPECIAL BUSINESS

5. To consider and recommend adoption of new set of Articles of Association of the Company in replacement of all of the existing Articles of Association of the Company and approve the draft of following resolutions in this respect with or without modification: -

   RESOLVED unanimously that the regulations contained in the printed documents submitted to this meeting, and for the purpose of identification subscribed by the Chairman hereof, be approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles of Association of the Company thereof.

   FURTHER RESOLVED that the Chief Executive and Secretary of the Company be and are hereby authorized to comply with all formalities in this regard.

6. To consider and if thought fit to approve the draft of following resolution U/S 208 of the Companies Ordinance, 1984 with or without modification: -

   RESOLVED that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, the Company be and is hereby authorized to make further investments by way of purchasing further shares of MCB Bank Limited from time to time at the rate prevailing at the stock market at the time of transaction up to a sum of Rs.1.80 Billion.

   FURTHER RESOLVED that the Chief Executive of the Company be and is hereby authorised to undertake the decision of share purchase transaction as and when he deemed it necessary and appropriate through any of the stock member and/or through a direct share purchase agreement.

   RESOLVED FURTHER that, each of Chief Executive, and the Company Secretary, be and is hereby singly authorized and empowered to act on behalf of the Company in doing and performing all acts, matters, things and deeds to implement and/or give effect to the above resolution.

OTHER BUSINESS

7. Any other matter with the permission of the chair.

By Order of the Board

Khalid Mahmood Chohan
(Company Secretary)

Lahore: August 25, 2009

NOTES: -

1. **BOOK CLOSURE NOTICE FOR ENTITLEMENT OF FINAL 20% CASH DIVIDEND FOR THE YEAR ENDED JUNE 30, 2009:-**

   The Share Transfer Books of the Company will remain closed for entitlement of Final Cash Dividend @ Rs. 2.00 per share i.e. 20%, from 23-10-2009 to 29-10-2009 (both days inclusive). Physical transfers / CDS transactions / IDs. received in order at Nishat House, 53-A, Lawrence Road, Lahore upto 1:00 p.m. on 22.10.2009, will be considered in time for the entitlement of said dividend and attending of meeting.

2. 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 reach the Company's Registered Office not later than 48 hours before the time for holding the meeting. Proxies of the Members through CDS shall be accompanied with attested copies of their CNIC. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

3. Shareholders are requested to immediately notify the change of address, if any.

4. Members who have not yet submitted photocopies of their Computerized National Identification Cards to the Company are requested to send them at the earliest.

5. The Statement U/S 160(1) (b) of the Companies Ordinance, 1984 is annexed herewith.

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

This statement sets out the material facts pertaining to the special business to be transacted at the forthcoming Annual General Meeting of the Company to be held on October 29, 2009. The Directors in their meeting held on August 25, 2009 have recommended to the shareholders to pass the following special resolutions.

ADOPTION OF THE NEW ARTICLES OF ASSOCIATION OF THE COMPANY

The Board of Directors has recommended that the Company's Articles of Association be substituted with a new set of Articles of Association. The new set of the Articles of Association will updates the company's existing Articles of Association by taking into account the several changes made in the Companies Ordinance, 1984 since the time that the articles were first prepared. This updating will also facilitate for smooth running of internal affairs by the management of the Company and to bring it in line with the changes made by Securities & Exchange Commission of Pakistan and Stock Exchanges from time to time.

RESOLUTION U/S 208 FOR PURCHASE OF FURTHER SHARES OF MCB BANK LIMITED

The Company intends to have the approval of Shareholders for further purchase of shares of MCB Bank Limited (the Bank) upto a sum of Rs.1.80 billion.

The Company currently holds 6.92% equity in the share capital of the bank which has been diluted from 8.03% due to issuance of Global Depository Receipts by the bank in 2006. In view thereof the management of the Company decided to restore its holding of 8.03% in the bank by purchasing shares of the bank from open market from time to time.

This statement is to set out all material facts concerning such special business in accordance with Section 208 of the Companies Ordinance, 1984 and S.R.O. 865(I)/2000 dated December 06, 2000 issued by the Securities and Exchange Commission of Pakistan.

i)	Name of investee Company or Associated undertakings:	MCB Bank Limited.				
ii)	Nature, amount and extent of investment	Purchase of further shares upto Rs.1.8 Billion at the market price prevailing at the time of transaction(s).				
iii)	Average market price of the shares Intended to be purchased during preceding six months in case of listed companies	Rs. 152.80				
iv)	Break-up value of shares intended to be purchased on the basis of last published financial statements	Rs.83.16 (Annual Audited Accounts 2008). Rs.82.08 for the half year ended June 30, 2009.				
v)	Price at which shares will be purchased	At the market price prevailing at the time of transaction(s).				
vi)	Earning per share of investee company in last three years	**Year**	30.06.2009 Half Yearly	2008	2007	2006
		Rs.	11.22	24.47	24.30	19.33

vii)	Source of funds from where shares will be purchased	The Company's Own sources.
viii)	Period for which investment will be made	Long Term Investment
ix)	Purpose of investment	To earn dividend income as well as prospective capital gain.
x)	Benefits likely to accrue to the Company and the shareholders from the proposed investment; and	Dividends/Capital Gains
xi)	Interest of Directors and their relatives in the investee Company	Two Directors are common in both companies and they have no special interest except to the extent of their shareholding.

A summary of Bank's projected profit and loss account for 3 years is as follow:

	Year 1 Rupees 'Million'	Year 2 Rupees 'Million'	Year 3 Rupees 'Million'
Total Revenue	52,151	55,116	65,036
Gross profit	36,145	36,914	43,583
Net profit (After Tax)	16,361	18,410	22,800

PAID UP CAPITAL OF INVESTEE COMPANY, NUMBER OF PRESENT SHAREHOLDERS AND CAPITAL HELD (%AGE WISE), (BASED ON LATEST ANNUAL AUDITED ACCOUNTS, DECEMBER 31, 2008)

Paid up Capital:	628 276 843 ordinary shares of Rs.10 each
No of shareholders:	43 290

Categories of members	Number	Shares held	Percentage
Directors, CEO & Children	17	29 385 234	4.6771
Associated Companies	6	51 826 396	8.2490
NIT & ICP	5	1 086 210	0.1729
Banks, DFI & NBFI	58	4 360 985	0.6941
Insurance Companies	22	41 790 272	6.6516
Modarabas & Mutual Funds	49	1 168 758	0.1860
Public Sector Cos & Corp.	27	119 176 035	18.9687
General Public (Local)	39214	109 149 192	17.3728
General Public (Foreign)	3552	2 267 844	0.3610
Others	234	38 788 140	6.1737
Foreign Companies	106	229 277 777	36.4931
TOTAL:	**43,290**	**628,276,843**	**100.0000**

Company's shareholding in the investee Company (%age wise): 6.92%

THE COMPANIES ORDINANCE, 1984

ARTICLES OF ASSOCIATION

OF

NISHAT MILLS LIMITED

COMPANY LIMITED BY SHARES

I. **PRELIMINARY**

1. TABLE "A" Not to Apply

The regulations in Table 'A' in the First Schedule to the Companies Ordinance, 1984 shall not apply to the Company except so far as the same are repeated or contained in these articles.

2. DEFINITIONS

Unless the context otherwise requires, the terms used in these articles shall have the meanings set out below:

(a) **"Articles"** mean these articles of association of the company as originally framed or as from time to time altered by in accordance with the law.

(b) **"Board"** means the group of directors in a meeting duly called and constituted or, as the case may be, the directors assembled at a board.

(c) **"Book and paper",** "book or paper" or "books of account" mean accounts, deeds, vouchers, writings and documents, maintained on paper or computer network, floppy, diskette, magnetic cartridge tape, CD-Rom or any other computer readable media;

(d) **"Buy-back of shares rules"** mean the Companies (Buy-Back of Shares) Rules, 1999 and The Companies (Buy Back of Shares) Regulations or any modification or re-enactment thereof.

(e) **"Company"** means NISHAT MILLS LIMITED.

(f) **"Central depository"** means a central depository as defined in clause (ca) of section 2 of the Securities and Exchange Ordinance, 1969 (XVII of 1969) and registered with the Securities and Exchange Commission of Pakistan under section 32 A of the said Ordinance.

(g) **"Central Depositories Act"** means the Central Depository Act, 1997 or any modification or re-enactment thereof.

(h) **"Central Depository Regulations"** mean the central depository company of Pakistan limited regulations made pursuant to section 35(1) of the Central Depository Act, 1997 or any modification or re-enactment thereof.

(i) **“Central Depository Register”** means a computerised electronic register maintained by a central depository in respect of book-entry securities.

(j) **“Code”** means the code of corporate governance.

(k) **“Commission”** means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997.

(l) **“Directors”** mean the directors for the time being of the company including alternate directors and, subsequently elected pursuant to Companies Ordinance, 1984 or as the case may be, the directors assembled at a board.

(m) **“Dividend”** includes cash dividend, dividend in species and bonus shares.

(n) **“Electronic”** includes electrical, digital, magnetic, optical, bio-metric, electro-chemical, wireless or electromagnetic technology.

(o) **“Electronic Transactions Ordinance”** means the Electronic Transactions Ordinance, 2002 or any modification or re-enactment thereof.

(p) **“In Person”** includes attendance and/or voting at a meeting, personally or by video or telephone-conference or other facility whereby all the participants of the meeting can hear and / or see each other unless expressly stated otherwise by the directors.

(q) **“Instrument of transfer”** includes transfer deeds and any record of transfer of book-entry securities in the central depository register, provided by the central depositories act and the central depository regulations.

(r) **“Issue of capital rules”** mean Companies (issue of capital) Rules, 1996 or any modification or re-enactment thereof.

(s) **“Listing requirements”** mean the listing regulations of the stock exchanges.

(t) **“Member”** means a person whose name is for the time being entered in the register of members by virtue of his being a subscriber to the memorandum of association of the company or of his holding by allotment or otherwise any share, scrip or other security which gives him a voting right in the company including but not limited to the account holders of a central depository.

(u) **“Memorandum”** means the memorandum of association of the company as originally framed or as from time to time altered in accordance with law.

(v) **“Month”** means calendar month according to the English calendar.

(w) **“Office”** means the registered office for the time being of the company.

(x) **“Ordinance”** means the Companies Ordinance, 1984 or any modification or re-enactment thereof for the time being in force.

(y) **"Preference shares"** not being ordinary shares mean preference shares whether redeemable or irredeemable, participatory or non-participatory, convertible or non convertible, cumulative or otherwise with the rights, privileges and conditions attaching thereto as are provided by the articles.

(z) **"Preference shareholders"** not being ordinary shareholders mean, in relation to the Company, every person to whom the company has allotted, or who becomes the holder of such shares and whose name is entered in the register of members.

(aa) **"Proxy"** includes an attorney duly constituted under a power of attorney.

(ab) **"Record"** includes, in addition to a written or printed form, any disc, tape, sound-track, film or other device in which sounds and / or other data is embodied so as to be capable (with or without the aid of some other instrument or machine) of being reproduced therefrom in audible, legible or visual form.

(ac) **"Register"** means, unless the context otherwise requires, the register of members and include the register of debenture-holders or holders of other securities maintained on paper or computer network, floppy, diskette, magnetic cartridge tape, CD-Rom or any other computer readable media; to be kept pursuant to section 147 of the Ordinance and / or Central Depository Register under the Central Depositories Act and the Central Depository Regulations.

(ad) **"Registrar"** means a registrar, defined in section 2 (1) (31), performing the duty of registration of companies under the Ordinance.

(ae) **"Regulations"** mean the rules of governance of the company made by the board from time to time.

(af) **"Seal"** means the common or official seal of the company.

(ag) **"Section"** means section of the Ordinance.

(ah) **"Share Capital Rules"** mean the companies' Share Capital (Variation in Rights and Privileges) Rules, 2000 or any modification or re-enactment thereof.

(ai) **"Sign" and "Signature"** unless otherwise provided in these articles, include respectively lithography, printing facsimile, "advanced electronic signature" which is capable of establishing the authenticity and integrity of an electronic document, as defined by section 2(e) of the Electronic Transactions Ordinance, and names impressed with a rubber or other kind of stamp.

(aj) **"Special Resolution"** means the special resolution of the company as defined in section 2(1) (36) of the Ordinance.

(ak) **"Stock Exchanges"** mean the Islamabad, Lahore and Karachi Stock Exchanges and such other Stock Exchanges as may be established in Pakistan.

3. Interpretation

In these articles, unless the context otherwise requires:

(a) the singular includes the plural and vice versa and words denoting any gender shall include all genders;
(b) references to any act, ordinance, legislation, the code, the listing requirements, rules or regulations or any provision of the same shall be a reference to that act, ordinance, legislation, the code, the listing requirements, rules or regulations or provisions, as amended, re-promulgated or superseded from time to time;
(c) the terms "include" or "Including" shall mean include or including without limitation;
(d) expressions referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form, including but not limited to, electronic transmission such as facsimile, and electronic mail or any other electronic process, as prescribed by section 3 of the Electronic Transactions Ordinance.
(e) words importing persons shall include bodies corporate; and
(f) words and expressions contained in these articles shall bear the same meaning as in the Ordinance.

REGISTERED OFFICE

4. The registered office of the company shall be in the Province of Punjab as the directors shall from time to time appoint.

PUBLIC LIMITED COMPANY

5. The company is a public limited company within the meanings of section 2(1), Clause (30) of the Companies Ordinance, 1984.

BUSINESS

6. All branches or kind of business which the company is either expressly or by implication authorised to undertake may be undertaken by the directors at such time or times as they shall think fit, and further may be allowed by them to be in abeyance, whether such branch or kind of business may have been actually commenced or not, so long as the directors may deem it expedient not to commence or proceed with such branch or kind of business.

II. CAPITAL

SHARES

7. Subject to provisions of the Ordinance and any rules in that regard made under the Ordinance, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the company may be issued with different rights, restrictions and privileges, including but not limited to the following as may be approved by the company by special resolution:

(1) different voting rights; voting rights disproportionate to the paid-up value of share held; voting rights for specific purposes only; or no voting rights at all;

(2) different rights for entitlement of dividend, right shares or bonus shares or entitlement to receive the notices and to attend the general meetings;

(3) rights and privileges for indefinite period, for a limited specified period or for such periods as may from time to time be determined by the company;

(4) different manner and mode of redemption, including redemption in accordance with the provisions of these articles, subject to the provisions of the Ordinance, including but not limited to, by way of conversion into shares with such rights and privileges as determined by the company in the manner and mode provided in these articles; and

(5) different rights and privileges for listing or non-listing of any class of shares

8. Subject to provisions of the Ordinance and any rules in that regard made under the ordinance, the company may issue shares which are to be redeemed or any other redeemable security, on such terms and in such manner as may be provided in the Ordinance and rules.

9. Subject to provisions of the Ordinance and these articles and subject to any special rights or privileges for the time being attached to any issued shares, the shares in the capital of the company for the time being, including any new shares resulting from an increase in the authorized capital, shall be under the control of the directors who may allot or otherwise dispose of the same or any of them to such persons, on such terms and conditions, and with such rights and privileges annexed thereto as the resolution creating the same shall direct, and if no direction be given, as the directors shall determine and at such times and in such manner as the directors think fit, either at par or at a premium or subject to provisions of the Ordinance at a discount, with power to the directors to give any person the right to call for and be allotted shares of any class of the company at par or at a premium or, subject as aforesaid, at a discount, such option being exercisable at such time, and for such consideration as the directors think fit. Provided that the shares in the capital of the company shall always be issued as fully paid shares and no shares shall be issued as partly paid shares. The directors shall, as regards any allotment of shares, duly comply with the provisions of the Ordinance, the Central Depositories Act, the Central Depository Regulations, the Issue of Capital Rules and the Share Capital Rules, as may be applicable to the company.

10. The directors may allot and issue shares in the capital of the company at payment or part payment for any property sold or transferred, or for services rendered, to the company in the ordinary course of its business, and shares so allotted shall be issued as and shall be deemed to be fully paid shares.

11. The board shall, as regards any allotment of shares, duly comply with such provisions of the Ordinance as may be applicable.

12. The company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture stock in the company or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares, debentures or debenture stock in the company; Provided, that, if the commission in respect of shares shall be paid or payable out of capital, the statutory requirements and conditions shall be observed and complied with, and the amount or rate of commission shall not exceed such percentage on the shares, debentures or debenture

stock in each case subscribed or to be subscribed, as may be determined by the board subject to any limits required by law. The commission may be paid or satisfied, either wholly or partly, in cash or in shares, debentures or debenture stock. The company may also on any issue of shares pay such brokerage fees as may be lawful; Provided that such brokerage fees shall not exceed such percentage of the shares, debentures or debenture stock paid-up as may be determined by the board, subject to any limits required by law.

13. Subject to the provisions of the Ordinance and any rules in that regard made under the Ordinance, the company may purchase its own shares on such terms and in such manner as may be provided in the Ordinance and Share Capital Rules.

14. Except as permitted in the Ordinance and any rules in that regard made under the Ordinance, no part of the funds of the company shall be employed in the purchase of its own shares or in giving, whether directly or indirectly and whether by means of a loan, guarantee, security or otherwise, any financial assistance for the purpose of or in connection with a purchase made or to be made by any person of or any shares in the company.

15. Except as required by law, no person shall be recognized by the company as holding any share upon any trust, and the company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these articles or by law otherwise provided or under an order of a court of competent jurisdiction) any other rights in respect of any share except any absolute right to the entirely thereof in the registered holder.

16. Save as herein otherwise provided, the company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as by statute required, be bound to recognise (even when having notice thereof) any benami, equitable, contingent, future, partial or other claim or right to or interest in such share on the part of any other person.

17. Shares may be registered in the name of persons, any limited company or other corporate body. Not more than four persons shall be registered as joint-holders of any share.

18. If any share or shares stand in the name of two or more persons, the person first named in the register shall, as regards receipt of dividend or bonus or service of notices and all or any other matters connected with the company except voting at the meeting and the transfer of shares, be deemed the sole holder.

RIGHTS PRIVILEGES AND CONDITIONS ATTACHED TO SHARES

19. As regards income, the profits which the company may determine to distribute in respect of any financial year or other period for which the accounts shall be made up, shall be applied in the following order of priority;

    (1) In paying the holders of the preferences shares, the right to a preferential dividend, cumulative or non cumulative, as determined by the board on the capital paid up thereon payable as regards each financial year out of the profits of the company resolved to be distributed in respect of that year, but shall not be entitled to any further participation in profits; and

(2) Subject to the rights of any class of shares for the time being issued, in distributing the balance amongst the holders of the ordinary shares, according to the amounts paid up on the ordinary shares held by them, respectively.

20. As regards conversion, the company may partly or wholly convert the preference shares at the terms and conditions of their issue.

21. As regards redemption, subject to provisions of the Ordinance, the company may, upon giving the holders of the shares to be redeemed, notice in writing, redeem the whole or any part of the preference shares in accordance, respectively, with the terms and conditions of their issue.

22. As regards capital, on a return of capital in a winding up or otherwise (except upon the redemption of shares of any class of preference shares or the purchase by the company of its own shares), the surplus assets of the company remaining after payment of its liabilities shall be applied in the following order of priority:

(1) in paying to the holders of the preference shares, the capital paid up on the same without any further right to participate in profits or assets; and

(2) subject to the rights of any other class of shares for the time being issued, in distributing the balance amongst the holders of the ordinary shares according to the amounts paid up on the ordinary shares held by them respectively.

23. As regards entitlement to bonus or right shares, the holders of preference shares shall not be entitled to bonus or right shares in the event that the company increases its capital by the issue of further shares or otherwise.

24. As regards voting rights, the holders of the preference shares shall not be entitled to receive notice of, attend, or vote at, any general meeting of the company, except as otherwise provided by the Ordinance, whereby the holders of such shares would be entitled to vote separately as a class, that is, with respect to voting entitlement of the preference shareholders on matters affecting, respectively, their substantive rights and liabilities. Without prejudices to the foregoing, the holders of preference shares may attend the general meeting of the company as observers with prior permission of the chairman of the meeting.

CERTIFICATES

25. The certificates of title to shares and duplicate thereof shall be issued under the seal of the company and signed by two of the directors or by one such director and the secretary provided that such signatures may if necessary be printed lithographed or stamped subject to the approval of the directors.

26. Every member shall be entitled to one certificate for all the shares registered in his name, or, if the directors so approve, to several certificates each for one or more of such shares, but in respect of each certificate for less than one hundred shares, the directors shall be entitled to charge a fee of Rupees 10 or such lesser sum as they may determine. Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued.

27. The company shall within ninety days after the allotment of any shares, debentures or debenture stock and within forty-five days (or where the transferee is a central depository, within five (5) days) after receipt by the company of the application for transfer of any such shares, debentures or debenture stock complete and have ready for delivery the certificate (such expression shall hereinafter be deemed to include book-entry security as defined in the Central Depositories Act, and the Central Depository Regulations) of all shares, the debentures and the certificate of all debenture stock allotted or transferred, and unless sent by post or delivered to the person entitled thereto within the period aforesaid the company shall immediately thereafter give notice to that person in the manner prescribed in these articles for the giving of notices to members that the certificate is ready for delivery.

28. If a certificate of shares, debenture or debenture stock is proved to the satisfaction of the company to have been lost or destroyed or, being defaced or mutilated or torn, is surrendered to the company, and the company is requested to issue a new certificate in replacement thereof, the company shall, after making such enquiry as it may deem fit, advise the applicant within thirty days from the date of application the terms and conditions (as to indemnity and otherwise and as to payment of the actual expenses incurred on such enquiry and of a fee not exceeding ten rupees per certificate) on which the company is prepared to issue a new certificate and a time for compliance therewith or of the reasons why the company is unable to issue a new certificate, as the case may be, and in the former case if the applicant shall within the time allowed comply with the terms and conditions specified, the company shall issue a new certificate to the applicant within forty five days from the date of application.

29. The company shall not be bound to issue more than one certificate in respect of a share or shares held jointly by two or more persons and delivery of a certificate for a share to any one of joint holders shall be sufficient delivery to all.

TRANSFER AND TRANSMISSION

30. (1) The directors shall not refuse to register the transfer of fully paid shares unless the instrument of transfer is defective or invalid or is not accompanied by the certificate of the share(s) to which it relates. The directors may also decline to recognise any instrument of transfer unless it is accompanied, in addition to the certificate of the shares to which it relates, by such other evidence as the directors may reasonably required to show the right of the transferor to make the transfer. The directors may waive the production of any certificate upon evidence satisfactory on them of its loss or destruction.

(2) If the directors refuse to register a transfer of any shares they shall, within thirty (30) days (or where the transferee is a central depository, within five (5) days) after the date on which the instrument of transfer was lodged with the company, send to the transferee notice of the refusal indicating the reason for such refusal; provided that if the directors refuse to register a transfer of shares on account of a defect in or the invalidity of the instrument of transfer, the transferee shall be entitled, after removal of such defect or invalidity, to re-lodge the instrument of transfer with the company.

31. Shares in the company shall be transferred in accordance with the Central Depositories Act and the Central Depository Regulations. If the shares of the company are not registered in the central depository, the same may be transferred through the instrument of transfer accompanied with attested copy of CIC/Passport. The

instrument of transfer of any share shall be in writing in the usual common form, or in the following form, or as near thereto as circumstances will admit:

"I/We, …………………………….. of ………………………….. in consideration of the sum of Rupees ………………………… only (Rs. ………………..) paid to me/us by ……………… of ………………………… (hereinafter called the 'said transferee(s)') do hereby transfer to the said transferee(s) …………………….. share(s) numbered ……………… To …………… Inclusive, standing in my/our name(s) in the books of **NISHAT MILLS LIMITED**, to hold unto the said transferee(s) his/her/their executors, administrators and assigns, subject to the several conditions on which I/we hold the same at the time of execution hereof, and I/we the said transferee(s) do hereby agree to take the said share(s) subject to the conditions aforesaid.

As witness our hands the ……….. day of …………..thousand and ……………………….."

Signed by the said transferor in
the presence of

Witness …………………………..…
Occupation ………………………
Address …………………………

Transferor's signature ………………………
Transferor's occupation ……………………

Signed by the said transferee in
the presence of

Witness …………………………..….
Occupation …………………………
Address …………………………...

Transferee
Signature …………………………
Full Name …………………………
Father's/ Husband's Name …………………
Nationality …………………………
Occupation ………………………...
Full Address …………………..

32. No transfer shall be made to a minor or person of unsound mind.

33. All registered instruments of transfer shall be retained by the company, but any instrument of transfer which the directors may decline to register shall be returned to the person depositing the same.

34. The instrument of transfer of any share in the company shall be duly stamped and executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share(s) until the name of the transferee is entered in the register in respect thereof.

35. On giving seven days previous notice in the manner provided in the Ordinance and articles, the transfer books and register may be closed during such time as the directors think fit, not exceeding in the whole forty-five days in each year, but not exceeding thirty days at a time.

36. Any member may make and deposit with the Company a nomination in writing specifying one or more eligible persons who or each of whom, in the event of the death of the member, may be entered in the register as the holder of such number of shares specified in the nomination for such nominee or each such nominee of which the member remains the registered holder, at the date of his death. A person shall be eligible for nomination for the purposes of this article only if he is a spouse, parent, brother, sister or child of the member nominating him and the applicable relationship all should be specified in the nomination in respect of each nominee. A member may at any time by notice in writing cancel, or by making and depositing with the company another nomination before his death vary any nomination already made by him pursuant to this article. In the event of the death of a member any person nominated by him in accordance with this article may, on written application accompanied by the relative share certificates and evidence establishing the death of the member, request the company to register himself in place of the deceased member as the holder of the number of shares for which the nomination in his favour had been made and deposited with the company, and if it shall appear to the Directors that it is proper so to do, the Directors may register the nominee as the holder of those shares in place of the deceased member.

37. The executors or administrators or the nominee appointed under provisions of the Ordinance of a deceased member (not being one of several joint-holders) shall be the only persons recognised by the company as having any title to the shares registered in the name of such member, and in case of the death of any one or more of the joint-holders of all registered shares (such expression shall hereinafter be deemed to include registration as a sub-account holder of a central depository under the Central Depositories Act and the Central Depositories Regulations) ,the survivors shall be the only persons, recognised by the company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognising any executor or administrator, the directors may require him to obtain a grant of probate or nomination as mentioned above or letters of administration or other legal representation, as the case may be, from some competent court in Pakistan having effect in Lahore. Provided nevertheless that in any case where the board in its absolute discretion think fit, it shall be lawful for the directors to dispense with the production of probate or letters of administration or such other legal representation upon such terms as to indemnity or otherwise as the directors, in their absolute discretion, may consider necessary.

38. Any person becoming entitled to a share in consequence of the death or insolvency of a member may upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as the holder of the share or instead of being registered himself, to make such transfer of the share as the deceased or insolvent person could have made but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or insolvency as the case may be.

39. Any committee or guardian of a lunatic or minor member or any person becoming entitled to a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the characters in respect of which he proposes to act under this article, or of his title, as the directors think sufficient, shall have the right to be registered as a member in respect of such share, or may, subject to the regulations as to transfer hereinbefore contained, transfer such share.

40. Neither the company nor the directors nor any other officer of the company shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the company or the directors or any other officer of the company, as aforesaid, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and, notwithstanding that the company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the company is concerned, be deemed to have transferred his whole title hereto.

ALTERATION OF CAPITAL

41. The company may by ordinary resolution and subject to compliance with the requirements of provisions of the Ordinance increase the authorized share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

42. Subject to the provisions of the Ordinance and of the Central Depositories Act, the company may, by ordinary resolution;

(a) consolidate and divide its share capital into shares of larger amount than its existing shares;

(b) sub-divide of its existing shares or any of them, divide the whole or any part of its share capital into shares of smaller amount than is fixed by the memorandum of association;

(d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

43. The directors may from time to time increase the issued share capital by such sum as they think fit. Except as otherwise permitted by the provisions of the Ordinance , Issue of Capital Rules, the listing requirements and provisions of the Central Depositories Act, as are applicable to the company and subject to any special rights or privileges for the time being attached to any issued shares, all shares intended to be issued by the directors shall, before issue, be offered to the members strictly in proportion to the amount of the issued shares held by each member (Irrespective of class); provided that fractional shares shall not be offered and all fractions less than a share shall be consolidated and disposed of by the company and the proceeds from such disposition shall be paid to such of the entitled members as may have accepted such offer. Such offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of the same in such manner as they think fit. In respect of each such offer of shares the directors shall comply with the provisions of the Ordinance. Any difficulty in the apportionment of shares amongst the members, such difficulty shall, in the absence of any directions given by the company in general meeting, be determined by the directors.

44. Except so far as otherwise provided by the conditions of issue or by these articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to transfer and transmission and otherwise.

45. Subject to the provisions of the Ordinance, if, owing to any inequality in the number of new shares to be issued and the number of shares held by a member entitled to have the offer of such new shares, any difficulty shall arise in the apportionment of such new shares or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution creating the shares or by the company in general meeting, be determined by the directors.

46. The company may, by special resolution, reduce its share capital in any manner, with and subject to, any incident authorized and consent required by law.

47. The share premium account maintained pursuant to provisions of the Ordinance may be applied by the company:

(a) in writing off the preliminary expenses of the company;

(b) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;

(c) in providing for the premium payable on the redemption to any redeemable preference shares or debentures of the company; or

(d) in paying up un-issued shares of the company to be issued as fully paid bonus shares.

48. Subject to the provisions of the Ordinance, the directors may accept from any member the surrender on such terms and conditions as shall be agreed of all or any of his shares.

VARIATION OF SHAREHOLDERS' RIGHTS

49. Whenever the capital is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of the Ordinance, be modified, commuted, affected, abrogated or dealt with by agreement between the company and any person purporting to contract on behalf of that class provided such agreement is (a) ratified in writing by the holders of at least three-fourths in nominal value of the issued shares of the class or (b) confirmed by a special resolution passed at an extraordinary general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meetings, shall, mutatis mutandis, apply to every such meeting. This article shall not by implication curtail the power of modification which the company would have if this article were omitted.

III. MEETINGS

CONVENING OF GENERAL MEETINGS

50. Except as may be allowed under the provisions of the Ordinance and listing requirements, the company shall hold a general meeting once at least in every calendar year within a period of four months following the close of its financial year in the town in which the office is situated and at such time and place as may be determined by the directors, provided that no greater interval than fifteen months shall be allowed to

elapse between two such general meetings. The company may, for any special reason and with permission of the commission, extend the time within which any annual general meeting, not being the first such meeting, shall be held.

51. The company shall hold its annual general meeting in the town in which the registered office is situate; provided that, it may, for any special reason and with permission of the commission, hold the said meeting at any other place. Save as aforesaid, the company may hold its general meeting at two (2) or more venues using any technology that gives the members as a whole a reasonable opportunity to participate in the meetings.

52. All general meetings of the company, other than the statutory meeting or any annual general meeting, shall be called extraordinary general meetings, and shall be subject to the provisions of the Ordinance and listing requirements.

53. The directors may, whenever they think fit, and they shall, on the requisition of the holders of not less than one-tenth of the issued capital of the company, forthwith proceed to convene an extraordinary general meeting of the company. If at any time there are not within Pakistan sufficient directors capable of acting to form a quorum, any director of the company may call an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be called by the directors, and in the case of such requisition the following provisions shall have effect:

(1) The requisition must state the objects of the meeting and must be signed by the requisitioners and deposited at the office and may consist of several documents in like form each signed by one or more requisitioners.

(2) If the directors do not proceed within twenty-one days from the date of the requisition being so deposited to cause a meeting to be called, the requisitioners or a majority of them in value may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.

(3) Any meeting convened under this article by the requisitioners shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the directors but shall be held at the office.

(4) A requisition by joint-holders of shares must be signed by all such holders.

54. (1) Notice of a general meeting shall be sent in the manner hereinafter mentioned under the provisions of Ordinance and listing requirements to all such persons as are under these articles or the Ordinance entitled to receive such notices from the company and shall specify the place and the day and hour of the meeting and the nature of the business to be transacted thereat.

(2) In the case of an emergency affecting the business of the company, an extraordinary general meeting may be convened by such shorter notice than that specified in these articles as the Registrar may authorise.

(3) Where any special business, that is to say, business other than consideration of the accounts, balance sheet and the reports of the directors and auditors, the declaration of dividend, the appointment and fixation of the remuneration of auditors and, where the notice convening the meeting provides for the election of directors, the election

of directors (all such matters being herein referred to as ordinary business) is to be transacted at a general meeting, there shall be annexed to the notice of such meeting a statement setting out all such facts as may be material for the consideration of such business including the nature and extent of the interest (whether direct or indirect) of any director, and where the item of business involves approval of any document, the time and place appointed for inspection thereof, and to the extent applicable such a statement shall be annexed to the notice also in the case of ordinary business to be transacted at the meeting.

(4) Where a resolution is intended to be proposed for consideration at a general meeting in some special or particular form, a copy thereof shall be annexed to the notice convening such meeting.

(5) If a special resolution is intended to be passed at a general meeting, the notice convening that meeting shall specify the intention to propose the resolution as a special resolution.

(6) A notice for a general meeting at which an election of directors is to take place shall state the number of directors to be elected at that meeting and the names of the retiring directors.

(7) The notice of every general meeting shall prominently specify that a proxy may be appointed who shall have the right to attend, demand or join in demanding a poll and vote on a poll and speak at the meeting in the place of the member appointing him and shall be accompanied by a form of proxy acceptable to the company.

(8) The company shall comply with the provisions of the Ordinance with regard to giving notices of general meetings.

55. The accidental omission to give any such notice to, or the non-receipt of notice by, any of the members shall not invalidate the proceedings at any such meeting.

PROCEEDINGS AT GENERAL MEETINGS

56. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as herein otherwise, provided ten (10) members present in person or by proxy representing twenty five percent (25%) of the total voting power shall be a quorum.

57. The chairman of the board of directors shall preside as chairman at every general meeting of the company, or if there is no such chairman, or if he shall not be present in person within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, the chief executive shall preside as chairman of the meeting, or if the chief executive is absent or unwilling to act, any one of the directors present in person may be elected to be chairman of the meeting, or if no director be present in person, or if all the directors present in person decline to take the chair, the members present in person shall choose one of their member to be chairman of the meeting.

58. If within half-an-hour from the time appointed for the meeting, a quorum is not present, the meeting if convened upon such requisition as aforesaid shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week at the same time and place, and if at such adjourned meeting a quorum is not present within half-an-hour from the time appointed for it, the meeting shall be dissolved.

59. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

60. In the case of an equality of votes the chairman shall, both on a show of hands and at the poll, have a casting vote in addition to the vote or votes to which he may be entitled as member.

61. (1) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with paragraph (2) of this article, and unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book or electronic record of the proceeding of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, the resolution.

(2) Any of the following persons may demand a poll:

(a) The chairman of the meeting, or

(b) Five members having the right to vote on the resolution and present in person or by proxy; or

(c) Any member or members present in person or by proxy having not less than one-tenth of the total voting power in respect of the resolution.

62. If a poll is demanded, as aforesaid, it shall be taken (subject to provision of the Ordinance) in such manner and at such time and place as the chairman of the meeting directs, and either at once or after an interval or adjournment of not more than fourteen days from the day on which the poll is demanded, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was held. The demand for a poll may be withdrawn at any time by the person or persons who made the demand. In case of any dispute as to the admission or rejection of a vote, the chairman of the meeting shall determine the same, and such determination made in good faith shall be final and conclusive.

63. Any poll duly demanded on the election of a chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment. A poll demanded on any other question shall be taken at such time, not being more than 14 days from the day on which the poll is demanded as the chairman of the meeting directs.

64. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

VOTES OF MEMBERS

65. Subject to provisions of the Ordinance and any rights or restrictions for the time being attached to any class or classes of shares on a show of hands, every member present in person (where all the participants of a general meeting can see each other) shall have one vote and upon a poll, every member present in person or by proxy shall have one vote in respect of every share or other securities carrying voting rights held by him according to the entitlement of the class of such shares or securities, as the case may be provided that, the provisions of the Ordinance shall apply in the case of the election or removal of directors.

66. On a poll a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

67. Any company or other corporation which is a member of the company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the company or of any class of members of the company, and the person so authorised shall be entitled to exercise the same powers on behalf of the company or corporation which he represents as that company or corporation could exercise if it were an individual member of the company, present in person. The production before or at the meeting of a copy of such resolution purporting to be signed by a director or the secretary of such company or corporation and certified by him as being a true copy of the resolution shall be accepted by the company as sufficient evidence of the validity of the appointment of such representative.

68. Any person entitled under the articles for transmission of shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the directors of his right to such shares, or the directors shall have previously admitted his right to vote at such meeting in respect thereof. If any member be a lunatic, idiot or non compos mentis, he may vote, whether by a show of hands or at a poll, by his committee, curator bonis or other legal curator and such last mentioned persons may give their votes by proxy.

69. Where there are jointly registered holders of any share, any one of such persons may vote at any meeting either in person or by proxy in respect of such share as if he were solely entitled thereto; and if more than one of such joint-holders be present at any meeting, either in person or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of this article be deemed joint holders thereof.

70. On a poll votes may be given either in person or by proxy or in the case of a company, by a representative duly authorised as aforesaid.

71. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

72. The instrument appointing a proxy shall be in writing under the hand of the appointer (such expression shall exclude any reference to the Electronic Transactions Ordinance in accordance with provisions of the Electronic Transactions Ordinance) or of his attorney duly authorised in writing (such expression shall exclude electronic transmission as prescribed by provisions of the Electronic Transactions Ordinance) or if such appointer is a corporation under its common seal or signed by an officer or an attorney duly authorised by it (Such expression shall exclude any reference to the Electronic Transactions Ordinance in accordance with provisions of the Electronic Transactions Ordinance). Save as an alternate director being representing a member as his appointer, no person shall be appointed a proxy who is not a member of the company and qualified to vote.

73. Subject to aforesaid article, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of that power or authority duly notarized, shall be deposited (Such expression shall hereinafter include, where permitted by law, receipt in accordance with the provisions of the Electronic Transactions Ordinance) at the office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

74. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office before the meeting. Provided nevertheless that the chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

75. Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in the form or to the effect following and shall be retained by the Company:

NISHAT MILLS LIMITED

I,___________________________ of ________________________, being a member of **NISHAT MILLS LIMITED**, hereby appoint ________________of _________ (or failing him __________________ _______ of___________________________ or failing him ____of____________) as my proxy in my absence to attend and vote for me and on my behalf at the (Annual or Extraordinary, as the case may be) general meeting of the company to be held on the ___ day of_______________and at any adjournment thereof.

As witness my hand this _____ day of________________ .

Signed by the said
In the presence of

Provided always that an instrument appointed a proxy may be in the form set out in regulation 39 of table A of the first schedule to the Ordinance.

IV. DIRECTORS

NUMBER OF DIRECTORS

76. Subject to the provisions of these articles and the Ordinance, all directors shall be elected by the members in general meeting.

77. The company shall have at least seven directors. Subject to the said minimum, the directors themselves shall determine from time to time in the manner provided in this article the number of directors that the company shall have. At least thirty-five (35) days before the date of every general meeting at which directors are intended to be elected, the directors shall fix the number of directors to be elected that the company shall have from the effective date of the election. The number of directors so fixed to be elected by the directors shall not be changed except with the prior approval of the company in general meeting.

ALTERNATE DIRECTORS

78. When any director intends to be, or is living outside Pakistan, he may with the approval of the directors appoint any person to be his alternate director, and such alternate director during the absence of the appointer from Pakistan, shall be entitled to receive notice of and to attend and vote at meeting of directors and shall be subject to and entitled to the provisions contained in these articles with reference to directors and may exercise and perform all such powers, directions and duties as his appointer could have exercised or performed including the power of appointing another alternate director. An alternate director so appointed shall not be required to hold any qualification. Such appointment shall be recorded in the director minute book. A director may at any time by notice in writing to the company remove an alternate director appointed by him. The alternate director shall cease to be such provided that if any director retires but is re-elected at the meeting at which such retirement took effect any appointment made by him pursuant to this article which was in force immediately prior to this retirement and re-election and which has not otherwise ceased to be effectively shall continue to operate after his re-election as if he had not so retired. An alternate director shall not be deemed to be the agent of the director appointing him but shall be reckoned as one with his appointer. All appointments and removals of alternate directors shall be effected by writing under the hand of the director making or revoking such appointment and left at the office. For the purpose of assessing a quorum in accordance with these articles hereof an alternate director shall be deemed to be director. Any director may act an alternate director for any one or more directors, as well as being able to act as a director in his own right. An alternate director may resign as such upon giving thirty (30) days prior notice to the board to this effect. An alternate director need not be a member of the Company.

79. An alternate director, even if not a member, shall, in the absence of a direction to the contrary in the instrument appointing him, be entitled to notice of general meetings of the company and to vote at such meetings on behalf of his appointer, if his appointer is a member of the company, and generally to represent his appointer.

80. Directors shall have power at any time and from time to time to appoint any person as Technical/Executive Director and such Technical/Executive Director may be appointed only for a fixed period in such special remuneration as may be determined by the Board. The number of such directors appointed shall not be counted within minimum or maximum fixed for number of directors in these articles. Such Technical/Executive

Directors would be the senior executives of the company and will not have any representation on the Board of the company unless specially invited by the members to assist them in the proceedings of the meeting of the Board of Directors of the company.

CHIEF EXECUTIVE AND OTHER PRINCIPAL OFFICERS OF THE COMPANY

81. The company shall have an office of chief executive which shall be filled from time to time by the directors who may appoint a director or (subject to the provisions of the Ordinance) any other person to be the chief executive of the company for a period not exceeding three years and on such terms and conditions as the directors may think fit, and such appointment shall be made within fourteen days from the date on which the office of chief executive falls vacant. If the chief executive at any time is not already a director he shall be deemed to be a director of the company notwithstanding that the number of directors shall thereby be increased and he shall be entitled to all the rights and privileges and shall be subject to all liabilities of the office of director. Upon the expiry of his period of office, a chief executive shall be eligible for re-appointment. The chief executive may be removed from office in accordance with the provisions of the Ordinance notwithstanding anything contained in these articles or in any agreement between the company and the chief executive.

82. No person who is ineligible to become a director of the company shall be appointed or continue as the Chief Executive except as permitted by the provisions of the Ordinance.

83. The Chief Executive retiring under these articles continue to perform his functions until his successor is appointed unless non-appointment of his successor is due to any fault on his part or his office is expressly terminated.

84. The directors may appoint other principal officers of the company including chief operating officer, chief financial officer, head of internal audit and the company secretary (who is to be a full time employee of the company as required by the provisions of the Ordinance), and give such officer such designations and with such terms and conditions as the directors may determine from time to time.

85. A chief executive of the company shall receive such remuneration as the directors may determine and it may be made a term of his appointment that he be paid a pension and/or gratuity and/or other benefits on retirement from his office.

86. The directors may from time to time entrust to and confer upon the chief executive for the time being such of the powers exercisable under these articles by the directors as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions as they think expedient; and they may confer such powers, either collaterally with, or to the exclusion of, and in substitution for all or any of the powers of the directors in that behalf; and may from time to time revoke, withdraw, alter or vary all or any of such powers.

QUALIFICATION AND REMUNERATION OF DIRECTORS

87. Any director who serves on any committee or who devotes special attention to the business of the company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration as the directors may determine from time to time. The remuneration of a director for attending meetings of the board shall from time to time be determined by the directors.

88. Each director of the company may, in addition to any remuneration receivable by him, be reimbursed his reasonable travelling and hotel expenses incurred in attending meetings of the directors or of the company or otherwise whilst employed on the business of the company.

89. The qualification of an elected director, in addition to his being a member, where required, shall be his holding shares of the nominal value of Rs. 1,000 at least in his own name, but a director representing the interests of a member or members holding shares of the nominal value of Rs. 1,000 at least shall require no such share qualification. A director shall not be qualified as representing the interests of a member or members holding shares of the requisite value unless he is appointed as such representative by the member or members concerned by notice in writing addressed to the company specifying the shares of the requisite value appropriated for qualifying such director. Shares thus appropriated for qualifying a director shall not, while he continues to be such representative, be appropriated for qualifying any other director. A director shall acquire his share qualification within two (2) months from the effective date of his appointment director.

90. The continuing directors may act notwithstanding any vacancy in their body so long as their number is not reduced below the number fixed by or pursuant to these articles as the necessary quorum of directors.

91. The office of a director shall ipso facto be vacated if:

(a) he ceased to hold the share qualification, if any, necessary for his appointment; or

(b) he is found to be a unsound mind by a court of competent jurisdiction; or

(c) he is adjudged an solvent; or has applied to be adjudicated as an insolvent and his application is pending or is an undercharged insolvent; or

(d) he has been convicted by a court of law for an offence involving moral turpitude; or

(e) he or any firm of which he is a partner or any private company of which he is a director without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of a chief executive or legal or technical adviser or a banker in contravention of the provisions of the Ordinance; or

(f) he absents himself from three consecutive meetings of the directors or from all meetings of the directors for a continuous period of three months, whichever is the longer, without leave of absence from the board of directors; or

(g) he or any firm of which he is a partner or any private company of which he is a director accepts a loan or guarantee from the company in contravention of the provisions of the Ordinance; or

(h) he acts in contravention of provisions of the Ordinance relating to disclosure of interest; or

(i) by notice in writing to the company he resigns his office; or

(j) he is removed from office by resolution of the company in general meeting in accordance with the provisions of the Ordinance; or

(k) his appointment is withdrawn by the authority nominating him as director; or

(l) he has betrayed lack of fiduciary behaviour and a declaration to the effect has been made by the court under the provisions of the Ordinance at any time during the preceding five years.

92. Subject to authorisation being given by the directors in accordance with the provisions of the Ordinance, a director shall not be disqualified from contracting with the company either as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the company with any company or partnership of or in which any director of the company shall be a member or otherwise interested, be avoided, nor shall any such director so contracting or being such member or so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship so established. A director who, or whose spouse or minor child, is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement or proposed contract or arrangement with the company shall disclose the nature of such concern or interest in accordance with the provisions of the Ordinance that is to say:

(a) in the case of a contract or arrangement to be entered into, at the meeting of the directors at which the question of entering into the contract or arrangement is first taken into consideration or, if the director was not, on the date of that meeting, concerned or interested in the contract or arrangement, at the first meeting of the directors held after he becomes so concerned or interested; and

(b) in the case of any other contract or arrangement, at the first meeting of the directors held after the director becomes concerned or interested in the contract or arrangement.

A general notice that any director of the company is a director or a member of any other named company or is a member of any named firm and is to be regarded as interested in any subsequent transaction with such company or firm shall, as regards any such transaction, be sufficient disclosure under this article. Provided, however, that any such general notice shall expire at the end of the financial year in which it was given and may be renewed for a further period of one financial year at a time by giving fresh notice in the last month of the financial year in which it would otherwise expire.

93. Except as provided in the provisions of the Ordinance, a Director shall not vote in respect of any contract or arrangement in which he is either directly or indirectly concerned or interested nor shall his presence count for the purpose of forming a quorum at the time of any such vote and if he does so vote, his vote shall not be counted.

94. Whereby any contract or resolution of the directors an appointment or a variation in the terms of an existing appointment is made (whether effective immediately or in the future) of a chief executive, whole time director or secretary of the company, in which appointment of any director of the company is, or after the contract or resolution becomes, in any way, whether directly or indirectly, concerned or interested, or whereby any contract or resolution of the directors, an appointment or a variation in the terms of appointment is made (whether effective immediately or in the future) of a chief executive, the company shall inform the members of such appointment or variation in the manner required by provisions of the Ordinance and shall comply with the requirements of that section in regard to the maintaining of such contracts and resolutions open for inspection by members at the office, the provision of certified copies thereof and extracts therefrom and otherwise.

95. In accordance with the provisions of the Ordinance, the company shall maintain at its office a register or electronic record, in which shall be entered separately particulars of all contracts, arrangements or appointments in which the directors are interested. Such register or electronic record shall be open to inspection to the members during business hours, subject to any reasonable restriction that may be imposed by the company in general meeting.

96. A director of the company may be or become a director of any other company promoted by the company or in which the company may be interested as a vendor, shareholder or otherwise, and no such director shall be accountable for any benefits received as a director or member of such other company.

ELECTION OF DIRECTORS

97. The directors shall be elected by the members in general meeting in the following manner, namely:

(a) a member present in person or by proxy shall have such number of votes as is equal to the product of voting shares held by him and the number of directors to be elected

(b) a member may give all his votes to a single candidate or divide them between more than one of the candidates in such manner as he may choose, and

(c) the candidate who gets the highest number of votes shall be declared elected as director and then the candidate who gets the next highest number of votes shall be so declared, and so on until the total number of directors to be elected has been so elected.

If the number of persons who offer themselves to be elected as directors is not more than the number of vacancies for which elections are being held, such persons being otherwise eligible shall be deemed to have been elected as directors from the date on which the election was proposed to be effective.

98. A director elected under these articles shall hold office for a period of three years unless he earlier resigns or becomes disqualified from being a director, or otherwise ceases to hold office.

99. A retiring director of the company shall be eligible for re-election.

100. The company in general meeting may remove a director from office by a resolution passed with the requisite number of votes determined in accordance with the provisions of the Ordinance.

101. Any casual vacancy occurring among the directors may be filled up by the directors within a time period prescribed by the code, and the person so appointed shall hold office for the remaining period of the director in whose place he is appointed. Provided that the directors may not fill a casual vacancy by appointing any person who has been removed from the office of a director of the company under these articles.

102. No person including a retiring director of the company shall be eligible for election to the office of director of the company at any general meeting unless he has, not less than fourteen days before the date of the meeting, left at the office, a notice in writing, and duly signed, signifying his candidature for the office.

103. The company shall keep at the office a register of the directors and officers, containing the particulars required by the provisions of the Ordinance and the company shall otherwise comply with the provisions of the Ordinance as regards furnishing returns to the Registrar and giving inspection of the register.

PROCEEDINGS OF DIRECTORS

104. The directors shall meet together at least once in each quarter of a year for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they may think fit In accordance with the Ordinance, the code and the listing requirements. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes the chairman shall have a second or casting vote.

105. The quorum necessary for the transaction of the business of the directors shall be one-third of the number of directors or four directors, whichever is greater, present in person. An alternate director whose appointment is effective shall be counted in a quorum. If all the directors except one are disqualified from voting, the matter should be decided in general meeting.

106. A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors. Such meetings may be held using any technology consented to by all the directors, including but not limited to telephone and video conferencing. The consent may be a standing one, withdrawable by a director only within a reasonable period of time before the meeting. It shall not be necessary to give notice of a meeting of directors to any director for the time being absent from Pakistan.

107. The board of directors of the company shall from time to time elect one of the directors as chairman of the board of directors of the company and determine the period for which he is to hold office and his remuneration. The chairman or in his absence the chief executive shall preside over all meetings of the board of directors, but if at any meeting neither the chairman nor the chief executive is present in person within half an hour of the time appointed for holding the same, the directors present in person may choose one of their number to be chairman of the meeting.

108. A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under these articles for the time being vested in or exercisable by the directors generally.

109. The directors may from time to time delegate of their powers to committees consisting of such two members or more members of their body as they think fit, and may from time to time revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the directors.

110. The meeting and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors, so far as the same are applicable thereto and are not superseded by any regulations made by the directors under these articles.

111. All acts done by any meeting of the directors or by a committee of the directors or by any person acting as a director of the company shall, notwithstanding that is shall afterwards be discovered that there was some defect in the appointment or continuance in office of any such directors or person acting as aforesaid, or that they or any of them were disqualified or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed or had duly continued in office and was qualified and had continued to be a director and had been entitled to be a director. Provided that nothing in this article shall be deemed to give validity to acts done by any such director after the appointment of such director has been shown to be invalid.

112. A relation to powers of directors, other than resolution in respect of any matter specified in the provisions of the Ordinance circulated through fax or email or any form of electronic transmission to all the directors for the time being entitled to receive notice of a meeting of the directors, passed without any meeting of the directors or of a committee of directors and signed or affirmed through fax or email or any form of electronic transmission, by a majority of all directors in writing under the hands of all directors (or in their absence their alternate directors) for the time being in Pakistan, being not less than the quorum required for meetings of the directors, or as the case may be of the members of the committee, shall be valid and effectual as if it had been passed at the meeting of the directors, or as the case may be of such committee, duly called or constituted. The resolution in writing of the company may consist of several copies of a document signed by one or more director(s) and takes effect at the date and time on which the last director, necessary for the resolution to be passed, signs a copy of the resolution; or a record of several signed electronic messages each indicating the identity of the sender, the text of the resolution and the sender's agreement or

disagreement to the resolution, as the case may be and such a resolution takes effect on the date on which the last director's message, necessary for the resolution to be passed, is received.

113. If any director of the company, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from his place of business for the time being for any of the purposes of the company or in giving special attention to the business of the company as a member of a committee of the directors, the company may remunerate such director so doing either by a fixed sum or by a percentage of profits or otherwise as may be determined by the directors, and such remuneration may be either in addition to or in substitution for his or their share in the remuneration above provided for the directors.

MINUTES

114. The directors shall cause minutes to be duly entered in books provided for the purpose of or as an electronic record, of,

(a) all appointments of officers;

(b) the names of the directors present in person at each meeting of the directors and of any committee of the directors;

(c) all orders made by the directors and committees of the directors;

(d) all resolutions and proceedings of general meeting and of meetings of the directors and of the committees of the directors;

and any such minutes of any meeting of the directors or of any such committee or of the company, if purporting to be signed by the chairman of such meeting or by the chairman of the next succeeding meeting, shall be prima facie evidence of the matter stated in such minutes.

POWERS AND DUTIES OF DIRECTORS

115. The directors shall duly comply with the provisions of the Ordinance, the listing requirements and the code. In particular and without prejudice to the generality of the foregoing, the company shall comply with the provisions of the Ordinance in regard to the registration of the particulars of mortgages and charges affecting the property of the company or created by it, to the keeping of a register of the directors, and to the sending to the registrar of an annual list of members and a summary of particulars relating thereto, and notice of any consolidation or increase of share capital, sub-division of shares, and copies of special resolutions and a copy of the register of directors and notifications of any changes therein. All such information may be stored as an electronic record and transmitted accordingly, where possible.

116. The control of the company shall be vested in the directors, and the business of the company shall be managed by the directors who may exercise all such powers of the company and do all such acts and things as may be exercised or done by the company as

by the Ordinance or by these articles or by a special resolution expressly directed or required to be exercised or done by the company in general meeting, subject nevertheless to any regulations of these articles, to the provisions of the Ordinance, and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the company in general meeting; but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

117. Without prejudice to the general powers conferred by these articles and to any other powers or authorities conferred by these articles on the directors, it is hereby expressly declared that the directors shall have the following powers, that is to say, power:

(1) To purchase or otherwise acquire for the company any property, rights or privileges which the company is authorised to acquire at such price and generally on such terms and conditions as they think fit, and to sell, let, exchange or otherwise dispose of absolutely or conditionally any part of the property, privileges and undertaking of the company upon such terms and conditions, and for such consideration, as they may think fit.

(2) At their discretion to pay for any property, rights, privileges acquired by or services rendered to the company either wholly or partially in cash or in shares (subject to the provisions of the Ordinance) bonds, debentures or other securities of the company. Any such bonds, debentures or other securities may be either specifically charged upon all or any part of the property of the company or not so charged.

(3) To open account with any bank or financial institution and deposit into and withdraw money from such accounts from time to time.

(4) To make, draw, endorse, sign, accept, negotiate and give all cheques, bills of lading, drafts, orders, bills of exchange, and other promissory notes and negotiable instruments required in the business of the company.

(5) To secure the fulfilment of any contracts, agreements or engagements entered into by the company by mortgage or charge of all or any of the property of the company for the time being or in such other manner as they may think fit.

(6) Subject to the provisions of the Ordinance, to appoint and at their discretion remove or suspend such agents (other than Managing Agents), managers, secretaries, officers, employees for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries or emoluments and to require security in such instances and to such amount as they think fit.

(7) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the company any property belonging to the company or in which it is interested or for any other purposes, and to execute and do all such deeds, documents and things as may be requisite in relation to any such trust and to provide for the remuneration of such trustee or trustees.

(8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the company or its officers or otherwise concerning the affairs of the company and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Company.

(9) To refer claims or demands by or against the company to arbitration and observe and perform the awards.

(10) To make and give receipts, releases and other discharges for money payable to the company and for the claims and demands of the Company.

(11) To act on behalf of the company in all matters relating to bankrupts and insolvents.

(12) To determine who shall be entitled to sign on the company's behalf bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.

(13) From time to time to provide for the management of the affairs of the company either in different parts of Pakistan or elsewhere in such manner as they think fit, and in particular to establish branch offices and to appoint any persons to be the attorneys or agents of the company with such powers (including power to sub-delegate) and upon such terms as may be thought fit.

(14) To invest and deal with any of the moneys of the company not immediately required for the purposes thereof upon such securities and in such manner as they may think fit, and from time to time to vary or realise such investments.

(15) To execute in the name and on behalf of the company in favour of any director of the company or other person who may incur or be about to incur any personal liability for the benefit of the company, such mortgages of the company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on.

(16) To give to any person employed by the company, a commission on the profits of any particular business or transaction or a share in the general profits of the company, and such commission or share of profits shall be treated as part of the working expenses of the company.

(17) From time to time to make, vary and repeal bye-laws for the regulation of the business of the company, its employees.

(18) To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the company.

(19) To establish, maintain, support and subscribe to any charitable or public object, and any institution, society, or club which may be for the benefit of the company or its employees, or may be connected with any town or place where the company carries on business; to give pensions, gratuities, or charitable aid to any person or persons who have served the company or to the wives, children, or dependants of such person or persons, that may appear to the directors just or proper, whether any such person, his widow, children or dependants, have or have not a legal claim upon the company.

(20) Subject to the provisions of the Ordinance, before recommending any dividends, to set aside portions of the profits of the company to form a fund to provide for such pensions, gratuities, or compensation; or to create any provident or benefit fund in such or any other manner as to the directors may seem fit.

(21) Subject to the provision of the Ordinance to accept from any member on such terms and conditions as shall be agreed a surrender of his shares or any part thereof.

(22) To make advances and loans without security or on such security as they may deem proper and as permissible under the law.

(23) To make and alter rules and regulations concerning the time and manner of payment of the contributions of the employees and the company respectively to any such funds and the accrual, employment, suspension and forfeiture of the benefits of the said

fund and the application and disposal thereof, and otherwise in relation to the working and management of the said fund as the directors shall from time to time think fit.

(24) To delegate all or any of the powers hereby conferred upon them to such person or persons as they may from time to time think fit.

(25) Subject to the provisions of the Ordinance to authorise the having of an official seal of the company for use abroad.

REGISTER OF DIRECTORS SHAREHOLDINGS

118. In accordance with the provisions of the Ordinance, the company shall maintain at its office a register or electronic record of the directors, chief executive officer, chief financial officer (chief accountant), company secretary or head of internal audit who is or has been the beneficial owner of listed securities and every person who is directly or indirectly the beneficial owner of not less than ten percent (10%) of the beneficial interest in the company. This register or electronic record shall be open to inspection during business hours subject to the provisions of the Ordinance.

POWER OF ATTORNEY

119. The directors may from time to time and at any time by power of attorney appoint any company, firm or person (including any director or officer of the company) or body of persons, whether nominated directly or indirectly by the directors, to be the attorney or attorneys of the company for such purposes and with such powers, authorities and discretions and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney to delegate all or any of the powers, authorities and discretions vested in him; and without prejudice to the generality of the foregoing any such power of attorney may authorise the attorney to institute, conduct, defend, compound or abandon any legal proceedings by or against the company, whether generally or in any particular case.

AUDIT COMMITTEE

120. The Directors shall establish an Audit Committee which shall comprise not less then three members, including the chairman. Majority of the members of the Committee shall be from among the non-executive directors of the company and the chairman of the Audit Committee shall preferably be a non-executive director. The names of member of the Audit Committee shall be disclosed in each annual report of the company.

BORROWING POWERS

121. (1) The directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and assets (both present and future), and to issue debentures, debenture stocks, and other securities, whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

(2) In exercising the powers of the company aforesaid the directors may, from time to time and on such terms and conditions as they think fit, raise money from banks and financial institutions and from other persons under any permitted system of financing, whether providing for payment of interest or some other form of return, and in particular the directors may raise money on the basis of the mark up on price, musharika, modaraba or any other permitted mode of financing, and without prejudice to the generality of the foregoing the directors may exercise all or any of the powers of the company arising under the provisions of the Ordinance.

(3) In regard to the issue of securities the directors may exercise all or any of the powers of the company arising under the provisions of the Ordinance and in particular the directors may issue any security as defined in the provisions of the Ordinance or may issue any instrument or certificate representing redeemable capital or participatory redeemable capital as defined in the Ordinance.

122. Debentures, debenture-stock, bonds and other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.

123. Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawing, allotment of shares, attending and voting at general meetings of the company, appointment of directors of the company or otherwise.

124. The directors shall cause a proper register to be kept in accordance with the provisions of the Ordinance, of all mortgages and charges specifically affecting the property of the company, and shall duly comply with the provisions of the Ordinance, regarding registration of mortgages and charges, endorsement of certificates, filing of prescribed particulars, keeping of a copy of every instrument creating any mortgage or charge by the company at the office and giving of intimation of the payment or satisfaction of any charge or mortgage created by the company.

125. Every register of holders of debentures of the company may be closed for any periods not exceeding in the whole forty five days in any year and not exceeding thirty days at a time. Subject as aforesaid, every such register shall be open to the inspection of members or debenture holders. But the company may in general meeting impose any reasonable restrictions, so that at least two hours, in each day when such register is open, for inspection.

126. Subject to the provisions of the Ordinance, no transfer of registered debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the company together with the certificate or certificates of the debentures.

127. If the directors refuse to register the transfer of any debentures, they shall, within thirty days from the date on which the instrument of transfer was lodged with the company, send or cause to be sent to the transferee and transferor notice of the refusal.

128. The company shall comply with the provisions of the Ordinance as to allowing inspection of copies kept at the office in accordance with the provisions of the Ordinance, and as to allowing inspection of the register of mortgages to be kept at the office in accordance with the provisions of the Ordinance.

129. The company shall comply with the provisions of the Ordinance as to supplying copies of any register of holders of debentures or of any trust deed for securing any issue of debentures.

LOCAL MANAGEMENT

130. Subject to the provisions of the Ordinance, directors may from time to time provide for the management of the affairs of the company outside Pakistan or in any special locality in Pakistan in such manner as they shall think fit and the following provisions shall operate without prejudice to the general powers hereby conferred.

(1) The directors may from time to time and at any time establish any local boards or agencies for managing any of the affairs of the company outside Pakistan or in any specified locality in Pakistan and may appoint any persons to be members of such local board or any managers or agents and may fix their remuneration.

(2) The directors may from time to time and at any time delegate to any persons so appointed any of the powers, authorities and discretions for the time being vested in the directors and may authorise the members for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the directors may think fit; and the directors may at any time remove any person so appointed and may annul or vary any such delegation.

(3) The directors may at any time and from time to time, by power of attorney under the seal of the company, appoint any person to be the attorneys of the company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these articles) and for such period and subject to such conditions as the directors may from time to time think fit; and any such appointment may, if the directors think fit, be made in favour of all or any of the members of any local board established as aforesaid, or in favour of any company or of the members directors, nominees or managers of any company or firm, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys as the directors think fit.

(4) Any such delegates or attorneys as aforesaid may be authorised by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

V. ACCOUNTS AND DIVIDENDS

BOOKS OF ACCOUNT

(References to books of account, balance sheet, profit and loss accounts and auditors' report shall hereinafter mutatis mutandis include all electronic forms of record or storage of the company.)

131. The directors shall cause to be kept proper books of account in accordance with the provisions of the Ordinance.

132. The books of account shall be kept at the registered office or at such other place as the directors think fit, and shall be open to inspection by the directors during business hours. If the directors decide to keep the books of account at a place other than the registered office they shall comply with the directions contained in the provisions of the Ordinance.

133. The company shall preserve in good order the books of account of the company in respect of any financial year for a period of ten years following the close of that year or otherwise as provided in the provisions of the Ordinance.

134. The directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of the members, and no member (not being a director of the company) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the directors or by the company in general meeting.

135. (1) The directors shall arrange to place before the annual general meeting of the company in every year a duly audited balance sheet and profit and loss account, conforming to the requirements of provisions of the Ordinance and made up to a date not more than four months before the date of such meeting and having the auditor's report attached thereto, and a report of the directors conforming to the requirements of provisions of the Ordinance.

(2) As required by the provisions of the Ordinance the balance sheet and profit and loss account shall first be approved by the directors and when so approved shall be signed by the chief executive and at least one director but if on account of his absence from Pakistan or other reason the signature of the chief executive cannot be obtained, the balance sheet and profit and loss account shall be signed by at least two directors for the time being in Pakistan, and in every such case a statement signed by those two directors shall be subjoined to the balance sheet and profit and loss account stating the reason why the signature of the chief executive was not obtained.

(3) The directors may authorize the chairman or the chief executive to sign the report of the directors which may then be signed accordingly, but in the absence of any such authority the report of the directors shall be signed as required by provisions of the Ordinance in the same manner as the balance sheet and profit and loss account.

136. (1) A copy of the balance sheet, profit and loss account and the reports of the directors and auditors shall be sent not less than twenty one (21) days before the date of the annual general meeting to the members and other persons entitled to receive notices of general meetings in the manner in which notices are to be given hereunder and a copy thereof shall be kept for a period of at least fourteen (14) days before the meeting at the office for inspection by members. The company shall send, each stock exchange listing the shares of the company three hundred copies (or such number as may be prescribed from time to time), and to the Registrar of Companies and to the Commission, five copies (or such number as may be prescribed from time to time), each of the balance sheet, profit and loss account and the reports of the directors and auditors at the same as they are dispatched to the members and other persons in accordance with this article.

(2) After the balance sheet, profit and loss account and the reports of the directors and auditors have been laid before the annual general meeting of the company, three copies thereof (or, such larger number as may be prescribed under the provisions of the Ordinance) signed by the signatories thereto shall be filed with the Registrar within thirty days from the date of the meeting and the company shall also comply with the provisions of the Ordinance where applicable.

3) Subject to provisions of the Ordinance and the listing requirements, the company shall, within one month from the close of the first and third quarters and two month from the close of the second quarter, of the year of account of the company, prepare and transmit to the members one copy and to stock exchange listing the shares of the company three hundred copies (or such number as may be prescribed from time to time), each of the profit and loss account for that quarter and of the balance sheet as at the end of that quarter. Such quarterly profit and loss accounts and balance sheets need not to be audited but must be signed in the same manner as the annual profit and loss accounts and balance sheets are required to be signed. The directors shall also send, to the Commission and to the Registrar three copies (or such number as may be prescribed for the time being under the provisions of the Ordinance), each of such quarterly profit and loss accounts and balance sheets at the same time as they are sent to the members in accordance with this article.

4. The company may with the consent of shareholders and consultation of respective stock exchange(s), transmit quarterly accounts through web site of the company subject to the approval of the Commission.

137. The directors shall in all respects comply with the provisions of the Ordinance, or any statutory modification thereof for the time being in force.

ANNUAL RETURNS

138. The company shall make the requisite annual returns in accordance with the provisions of the Ordinance.

DIVIDENDS

139. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors, provided that the company in general meeting may declare a smaller dividend.

140. No dividend shall be paid otherwise than out of the profits of the year or any other undistributed profits, and in the determination of the profits available for dividends the directors shall have regard to the provisions of the Ordinance.

141. The declaration of the directors as to the amount of the net profits of the company shall be conclusive.

142. The directors may from time to time pay to the members such interim dividends as in their judgement the position of the company justifies.

143. All dividends shall be declared and paid according to the amounts paid on the shares. All dividends shall be apportioned and paid proportionally to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

144. All dividends declared shall be paid within the periods specified in the provisions of the Ordinance.

145. No dividend payable in respect of a share shall bear interest against the company.

146. The directors may retain any dividends on which the company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

147. Any general meeting declaring a dividend may resolve that such dividend be paid and satisfied wholly or in part in cash or by the distribution of specific assets, and in particular by the distribution of paid-up shares, debentures, debenture-stock or other security of the company, or paid-up shares, debentures, debenture-stock or other security of any other company, or in any one or more of such ways.

148. Any general meeting may resolve that any moneys, investments, or other assets forming part of the undivided profits of the company standing to the credit of the reserve fund or in the hands of the company and available for dividend (or representing premiums received on the issue of shares and standing to the credit of the share premium account) be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such fund be applied on behalf of such members in paying up in full any un-issued shares, debentures, debenture-stock or other security of the company, which shall be distributed accordingly, and that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalised sum.

149. For the purpose of giving effect to any resolution under the aforesaid articles, the directors may settle any difficulty which may arise in regard to the distribution as they think expedient and may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the directors. Where requisite a proper contract shall be filed in accordance with the provisions of the Ordinance, and the directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

150. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.

151. The directors may retain the dividends payable upon shares in respect of which any person is under these articles entitled to become a member or which any person under that article is entitled to transfer until such person shall become a member in respect thereof or shall duly transfer the same.

152. Any one of several persons who are registered as the joint-holders of any share may give effectual receipts for all dividend and payments on account of dividends in respect of such share.

153. The dividend in respect of any share shall be paid to the registered holder of such share or to his banker or to a financial institution (as defined in the Ordinance) nominated by him for the purpose. Unless otherwise directed, any dividend may be paid by cheque or warrant sent through post to the registered address of the member or person entitled thereto, or, in the case of joint-holders, to the registered address of that one whose name stands first on the register in respect of the joint-holding, or to such financial institution or bank as the member or person entitled thereto or such joint-holders, as the case may be, direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent, or to the order of the institution or bank, directed as aforesaid.

154. All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of the company until claimed and all dividends unclaimed for three years after having been declared may be forfeited by the directors for the benefit of the company, but the directors may annul the forfeiture wherever they may think proper.

RESERVE AND DEPRECIATION FUNDS

155. The directors may from time to time before recommending any dividend set apart any and such portion of the profits of the company as they think fit as a reserve fund to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the company, for equalization of dividends or for repairing, improving, and maintaining any of the property of the company, and for such other purposes of the company as the directors in their absolute discretion think conducive to the interests of the company; and may invest the several sums so set aside upon such investments (other than shares of the company) as they may think fit, and from time to time deal with and vary such investments, and dispose of all or any part thereof for the benefit of the company, and may divide the reserve fund into such special funds as they think fit, with full power to employ the reserve funds or any part thereof in the business of the company, and that without being bound to keep the same separate from the other assets.

156. The directors may, from time to time before recommending any dividend, set apart any and such portion of the profits of the company, as they think fit, as a depreciation fund applicable at the discretion of the directors, for providing against any depreciation in the investment of the company or for rebuilding, restoring, replacing or for altering any part of the buildings, work, plant, machinery, or other property of the company destroyed or damaged by fire, flood, storm, tempest, earthquake, accident, riot, wear and tear, or any other means whatsoever, and for repairing, altering and keeping in good condition the property of the company, or for extending and enlarging the buildings, machinery and property of the company with full power to employ the assets constituting such depreciation fund in the business of the company, and that without being bound to keep the same separate from the other assets.

157. All moneys carried to the reserve fund and depreciation fund respectively shall nevertheless remain and be profits of the company applicable, subject to due provision being made for actual loss or depreciation, for the payment of dividends and such moneys and all the other moneys of the company not immediately required for the purposes of the company may be invested by the directors in or upon such investment or securities as they may select or may be used as working capital or may be kept at any bank on deposit or otherwise as the directors may from time to time think proper.

158. The directors may also carry forward any profits which they may think prudent not to distribute, without setting them aside as a reserve.

VI. AUDIT

159. Auditors shall be appointed and their duties regulated in accordance with the provisions of the Ordinance or any statutory modification thereof for the time being in force.

VII. SEAL

160. The directors shall provide a common seal of the company which shall not be affixed to any instrument except by the authority of a resolution of the board or by a committee of directors authorised in that behalf by the directors, and two (2) directors, or one (1) director and the secretary of the company, shall sign every instrument to which the common seal is affixed.

161. The directors may provide for the use in any territory, district or place not situated in Pakistan, of an official seal which shall be a facsimile of the common seal of the Company, with the addition on its face of the name of every territory, district or place where it is to be used. The official seal shall not be affixed to any instrument except by the authority of a resolution of the board or by a committee of directors authorised in that behalf by the directors, and two (2) directors, or one (1) director and the secretary of the company, or such other person as the directors may appoint for the purpose, shall sign every instrument to which the official seal is affixed. The provisions of the Ordinance shall apply to the use of the official seal.

VIII. NOTICES

162. (1) A notice may be given by the company to any member either personally or by sending it by post to him at his registered address or (if he has no registered address in Pakistan) to the address, if any, within Pakistan supplied by him to the company for the giving of notices to him or in electronic form as prescribed by the provisions of the Electronic Transactions Ordinance.

(2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.

163. In accordance with provisions of the Electronic Transactions Ordinance, a notice dispatched by electronic transmission shall be deemed to be received by the addressee at his place of business or where he ordinarily resides when it reaches the designated information system of the addressee. If no information system has been so designated, receipt will occur when the electronic notice reaches an information system of the addressee.

164. If a member has no registered address in Pakistan, and has not supplied to the company an address within Pakistan or an electronic address, for the giving of notices to him, a notice addressed to him or to the shareholders generally and advertised in a newspaper, circulating in the Province in which the registered office is situated and in at least one issue each of a daily newspaper in the English language and a daily newspaper in the Urdu language circulating in the province in which the stock exchange on which the company is listed is situate, shall be deemed to be duly given to him on the day on which the advertisement appears.

165. A notice may be given by the company to the joint-holders of a share by giving the notice to the joint-holder named first in the register in respect of the share.

166. A notice may be given by the company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignee of the insolvent or by any like description, at the address (if any) in Pakistan supplied for the purpose by the persons claiming to be so entitled or addressing it in a similar manner and dispatching it to a designed electronic address or until any such address has been so supplied, by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.

167. Notice of every general meeting shall be given in same manner hereinbefore authorised to (a) every member of the company except those members who (having no registered address within Pakistan) have not supplied to the company either a postal address within Pakistan or electronic address for the giving of notices to them, and also to (b) every person entitled to a share in consequence of the death or insolvency of a member, who but for his death or insolvency would be entitled to receive notice of the meeting. Subject to these articles and provisions of the Ordinance, no other persons shall be entitled to receive notices of general meetings.

168. Any notice required to be given by the company to the members or any of them and not expressly provided for by these articles shall be sufficiently given, if given by advertisement.

169. Any notice required to be or which may be given by advertisement shall be advertised once in a newspaper circulating in the province in which the office is situate and in at least one issue each of a daily newspaper in the English language and a daily newspaper in the Urdu language circulating in the province in which the stock exchange on which the company is listed is situate.

170. Any notice given by advertisement shall be deemed to have been given on the day on which the advertisement shall first appear.

171. Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the register shall be duly given to the person from whom he derives his title to such shares.

172. Any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these articles shall, notwithstanding that such member may be then deceased and whether or not the company shall have received notice of his decease, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint-holder thereof, and such service shall for all purposes of these articles be deemed a sufficient service of such notice or document on his heirs, executors, or administrators, and all persons, if any, jointly interested with them in any such share.

173. The signature to any notice to be given by the company may be written or printed.

174. In the event of a winding up of the company, every member of the company who is not for the time being normally resident in the town in which the office is situate shall be bound, within eight weeks after the passing of an effective resolution to wind up the company voluntarily or the making of an order for the winding up of the company, to serve notice in writing on the company appointing some householder residing in that town upon whom all summonses, notices, process, orders and judgements in relation to or under the winding up of the company may served, and in default of such nomination the liquidator of the company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee, whether appointed by the member or the liquidator, shall be deemed to be good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall with all convenient speed give notice thereof to such member by advertisement in some newspaper circulating in the province in which the office is situate and in at least one issue each of a daily newspaper in the English language and a daily newspaper in the Urdu language circulating in the province in which the stock exchange on which the company is listed is situate or by a registered letter sent through the post and addressed to such member at his address as mentioned in the register, and such notice shall be deemed to be served on the day on which the advertisement shall first appear or on the day following that on which the letter is posted, as the case may be. The provisions of this article shall not prejudice the right of the liquidator to serve any notice or other document in any other manner prescribed by the regulations of the company.

PUBLICATION OF NOTICES IN NEWSPAPERS

175. Subject to such provisions of the listing requirements as may apply specifically to the manner in which certain notices are to be published in the newspaper(s):

1. Every prospectus issued by or on behalf of the company or by or on behalf of any person who has been engaged or interested in the formation of the company shall, in its full text or in such abridged form as may be prescribed, be published by the company in at least one (1) Urdu and one (1) English daily newspaper, in accordance with the provisions of the Ordinance not less than seven (7) days or more than thirty (30) days before the subscription list, as specified in the prospectus, is due to open. Provided that the company may, for special reasons and with permission of the commission, publish the advertisements of a prospectus more than thirty (30) days before the subscription list is due to open.

2. The company may, on giving not less than seven (7) days notices by advertisement in a newspaper having circulation in the Province, or part of Pakistan not forming part of a province, in which the office of company is situated and, in addition, in a newspaper having circulation in the Province, or other part as aforesaid, in which the stock exchange(s) on which the company is listed is / are situated, close the register of members or debenture holders, as the case may be, for any time or times not exceeding in the whole forty-five (45) days in a year and not exceeding thirty (30) days at a time, in accordance with the provisions of the Ordinance.

3. The notice of a general meeting of the company, whether annual or extraordinary general meeting, shall be published in at least one (1) issue each of daily newspaper in English language and a daily newspaper in Urdu language having circulation in the province in which the stock exchange(s) on which the company is listed is / are situated, in accordance with the provisions of the Ordinance.

4. All notices received by the company in accordance with provisions of the Ordinance for election as a director, shall be transmitted to the members not later than seven (7) days before the date of the general meeting at which the directors are to be elected, by publication in at least one (1) issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the Province in which the stock exchange(s) on which the Company's securities are listed is / are situated, in accordance with the provisions of the Ordinance.

5. If a resolution is to be passed at the company's annual general meeting appointing as auditors a person other than a retiring auditors, the company shall, not less than seven (7) days before the date fixed for the annual general meeting, publish in at least one (1) issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the province in which the stock exchange(s) on which the company is listed is / are situated, in accordance with the provisions of the Ordinance.

6. Notice of any resolution for winding up a company voluntarily under section 358, shall be given by the company within ten (10) days of the passing of the same by advertisement in the official Gazette of Pakistan, and also in a newspaper circulating in the province where the office of the company is situated and, in addition, shall also published in at least one (1) issue of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the province in which the stock exchange(s) on which the company is listed is / are situated, in accordance with the provisions of the Ordinance.

IX. AMALGAMATION, DIVISION AND RECONSTRUCTION

176. Subject to and in accordance with the provisions of the Ordinance, the company may reconstruct, amalgamate into an other company or divide into two (2) or more companies in the process of which the whole or any part of the undertaking, property or liabilities of the company or any other company, may be transferred to any other company or the company, respectively, as the case may be. Provided that any sale of the undertaking of the company, the directors, or the liquidator on a winding up, may, if authorised by a special resolution, accept fully paid shares, debentures or securities of any other company, whether incorporated in Pakistan or not, either then existing or to be formed, for the purchase in whole or in part of the property of the company, and the directors (if the profits of the company permit) or

the liquidator (in a winding up) may distribute such shares, or securities, or any other property of the company amongst the members without realisation, or vest the same in trustees for them, and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the members or contributories of the company, and for valuation of any such securities or property at such price in such manner as the meeting may approve, and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in case the company is proposed to be or is in the course of being wound up, such statutory rights (if any) under the provisions of the Ordinance as are incapable of being varied or excluded by these articles.

X. SECRECY

177. Every director, manager, adviser, auditor, trustee, member of a committee, officer, servant, agent, accountant or other person employed in the business of the company shall, if so required by the directors before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the directors or by any meeting or by any court of law and except so far as may be necessary in order to comply with any of the provisions in these articles contained.

178. No member or other person (not being a director) shall be entitled to enter upon the property of the company or to inspect or examine the company's premises or properties of the company without the permission of the directors for the time being or, subject to the provisions of these articles, to require discovery of or any information respecting any detail of the company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the company and which in the opinion of the directors it will be inexpedient in the interest of the members of the company to communicate.

XI. ARBITRATION

179. Whenever a difference arises between the company on the one hand and any of the members, their executors, administrators, or assignees on the other hand touching the true intent or construction or the incident or consequences of these presents, or of the status of enactment's of the legislature, or touching anything then or thereafter done, executed, omitted or suffered in pursuance of these presents or of the status of enactment's touching any breach or0 alleged breach or otherwise relating to the premises or to these presents, or to the status or to any of the affairs or officers of the company, the company by written agreement refer to arbitration in accordance with the Arbitration Act 1940 (X of 1940) and every such difference shall be referred to the decision of an arbitrator to be appointed by the parties in difference or if they cannot agree upon a single arbitrator, to the decision of two arbitrators, one appointed by such party, or in the event of disagreement of the arbitrators, to that of an umpire appointed by arbitrators themselves. The provisions of Arbitration Act 1940 (X of 1940) shall apply to all arbitrations between the company and persons having such difference.

180. The costs of, or incidental to any such reference and award shall be in the discretion of the arbitrator/arbitrators or umpire as the case may be who may determine the amount there of and may award by whom, and to whom, and in what manner the same shall be borne and paid.

XII. WINDING UP

181. If the company shall be wound up and the assets available for distribution among the members, subject to the rights attached to any preference share capital, as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up on the shares held by them respectively. But this article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

182. If the company shall be wound, whether voluntarily or otherwise, the liquidator may with the sanction of a special resolution divide among the members in specie or kind any part of the assets of the company, and may with the like sanction vest any part of the assets of the company in trustees upon such trusts for the benefit of the members or any of them as the liquidator with the like sanction shall think fit.

XIII. INDEMNITY

183. Every director or officer of the company and every person employed by the company as auditor shall be indemnified out of the funds of the company against all liability incurred by him as such director, officer or Auditor in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, or in connection with any application under section 488 of the Ordinance in which relief is granted to him by the court.

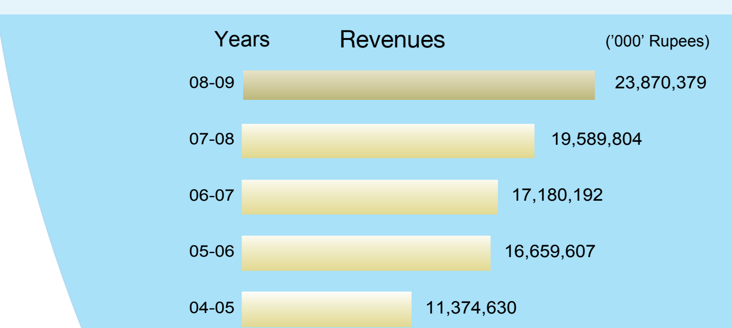
DIRECTORS' REPORT

Directors are pleased to present the 61st annual report and audited accounts for the year ended June 30, 2009.

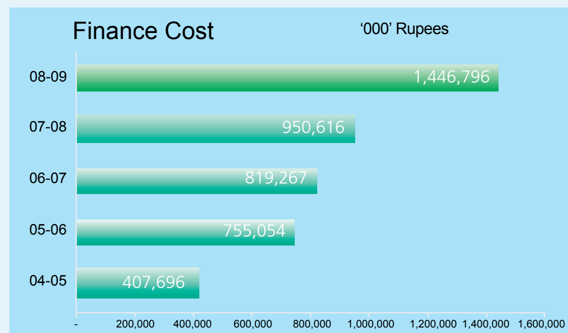
Operating financial results

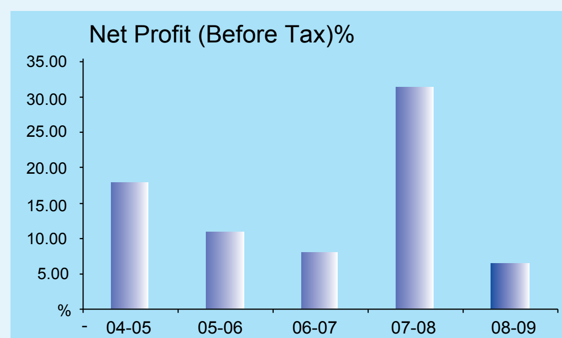
Highlights	*2009 - '000' Rs*	*2008 - '000' Rs*	*Variance %*
Sales	23,870,379	19,589,804	21.85
Gross Profit	4,351,541	2,811,746	54.76
Operating Profit	3,008,297	7,069,303	(57.45)
Profit Before Tax	1,561,501	6,118,687	(74.48)
Profit After Tax	1,268,001	5,857,587	(78.35)
EPS	6.81	36.86	(81.52)

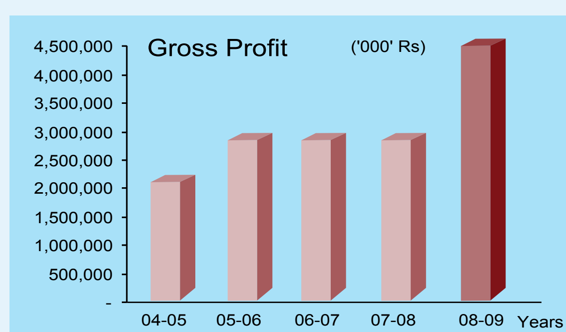
Our company has earned an after tax profit of Rs 1 268.001 Million for the year ended June 30, 2009 as compared to Rs. 5 857.587 Million for the year ended June 30, 2008. The profit decreased by 78.35 %. The decrease in profit is exclusively due to capital gain of Rs. 5 060.413 million resulted in the year 2008 from mark to market transaction of our investment in MCB Bank shares.



Despite this vertical decrease in net profit, performance of our company was pleasing keeping in view core activities of the company and current economic scenario. Sales and gross profit increased by 21.85 % and 54.76 % respectively as compared to the previous period. The increase in gross profit is mainly due to increase in sales; both in terms of volumes and rates of the products manufactured by the company. Moreover, during the year 2009, devaluation of rupee against dollar played a key role in increasing sale rates.





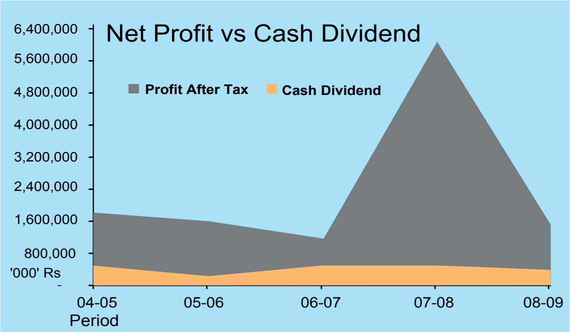


However, there were numerous factors negatively affecting the profitability of the company that includes increase in borrowing rates, minimum wages of workers and gas tariff as compared to the corresponding previous period. Finance cost increased by 52.20 % (June 2009: Rs. 1,446.796 million, June 2008: Rs. 950.616 million) as compared to previous period as the average borrowing rates of the company increased from

8.47 % to 10.77 % and , in addition to this, average borrowings of the company increased by 17.24 % during the period under review.

Moreover, other income decreased by Rs. 148.673 million as compared to corresponding period mainly due to decrease in dividend income. There was a slight increase in local cotton purchase rate (2009: Rs. 3 208/maund, 2008: Rs. 3 199/maund) and an increase of 13.26% in imported cotton purchase rate (2009: Rs. 4 459/maund, 2008: Rs. 3 937/maund).

The Board of Directors of the company has recommended 20% cash dividend (2008: 25% cash dividend) and transferring Rs. 948 Million (2008: Rs. 4,870 Million) to general reserve.

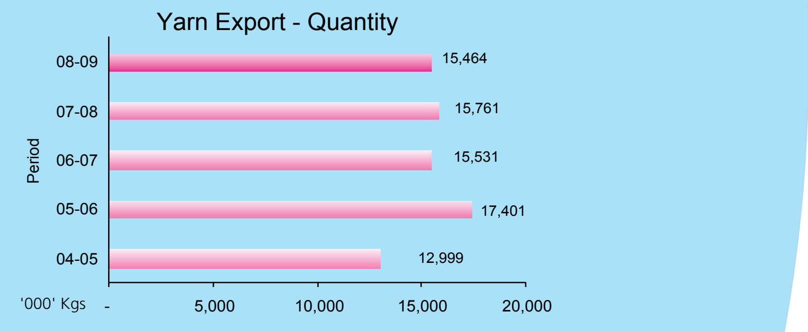


General market scenario & future prospects

The fiscal year 2008-2009 was a year of recession for most businesses including textile sector worldwide. Deep recession in US and European markets led to lower sales at retail level and a stiffer competition for suppliers. For textile sector in Pakistan, the year was also one of the most volatile due to a number of reasons. Decelerated business volumes, along with the electricity shortage crises have taken its toll and many small and medium size production houses have shut down already or at the verge of closure. A record increase of cotton and yarn prices in the first quarter and steep increase of interest rates had their impact on the textile sector on varying degrees. Domestic textile units gained as well as lost in all these volatilities as per their strengths and relative positioning in the market. Nishat survived well due to its long and rich history of expertise, vertical integration and minimum dependency on other manufacturing entities.

Spinning Section

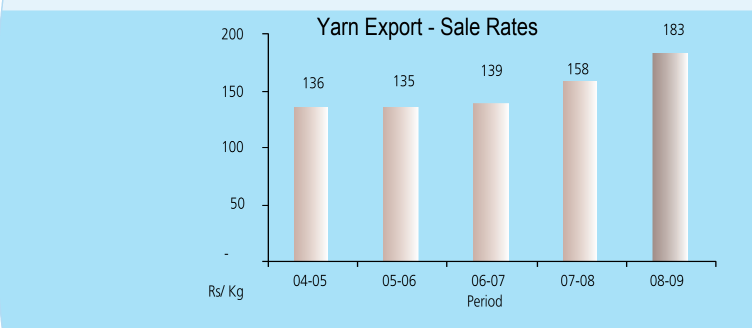
During the year ended June 30, 2009, spinning division had many ups and downs and finally had a good ending. Cotton prices were higher as the year started. However, diminution in value of rupee against dollar and ample cotton stocks resulted in good results during the earlier part of the year 2009.



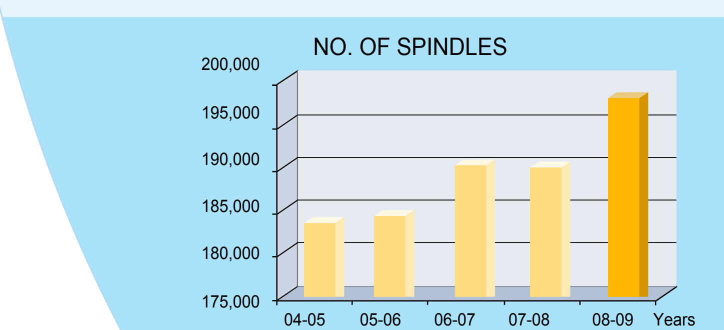
However, 2nd and 3rd quarter were worst affected by world economic recession and radical fall of

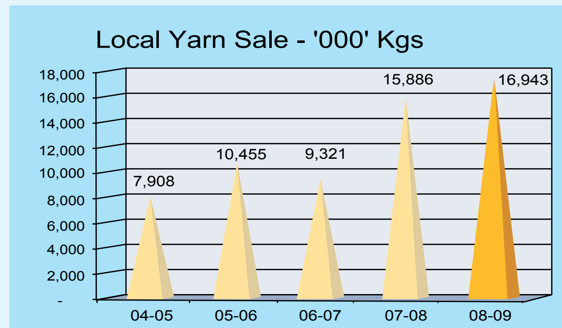
cotton prices. This resulted in ever lowest yarn rates. The lowest yarn demand and rates restricted the generation of room for new product development.

As a marketing strategy, we made extensive and quick changes in production planning to produce the yarn qualities, having good market demand. This was helpful to get better rates and eventually resulted in good profits for the year ended June 30, 2009. This has also helped us to get good business orders in the local market and eventually a good business support for the overall division.



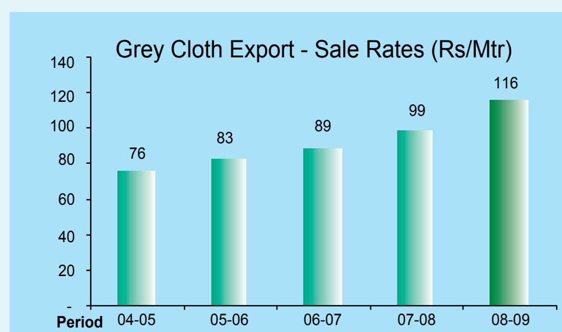
Moreover, we made some development in terms of machinery and installed more compact machines and thus increased production of fine counts. In future, we have plans for further up-gradation in terms of machinery.





Weaving Section

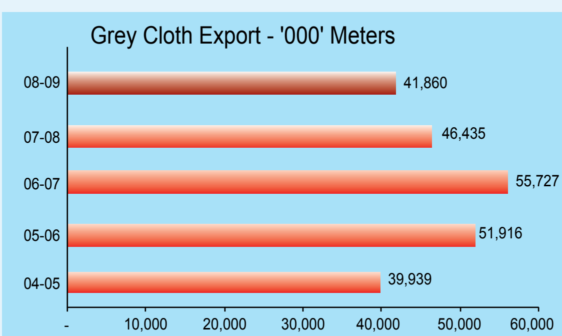
During the year 2009, Weaving Industry witnessed difficult time mainly due to world economic recession, instability in cotton, oil and polyester prices.

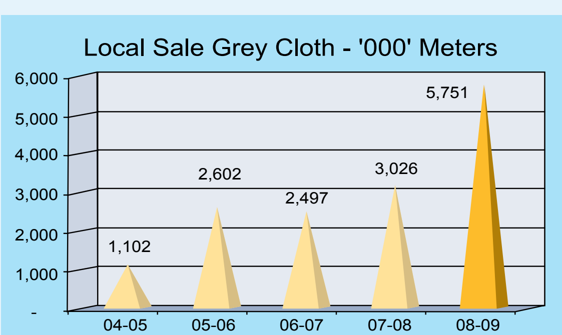


There has been almost 20% decrease in business volume with all major European customers. Cost of production has gone up with increase in labor, energy and finance cost. One major problem faced during the year ended June 30, 2009 was the deteriorating financial position of major customers.

Our marketing strategy has been to diversify both customer wise and product wise. During the year 2009, we have got success to revive our Workwear business in UK and Holand.

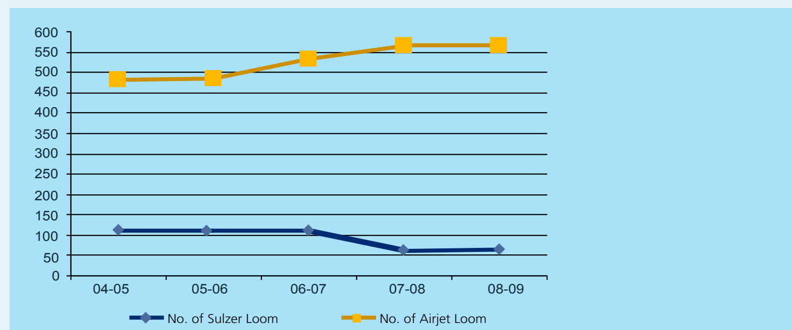
We are trying to enter the technical textile area which has unlimited scope that needs to be tapped according to our needs. Our business for specialized fabric for military and corporate clothing has increased during the year. Product diversification is important to spread the risk.





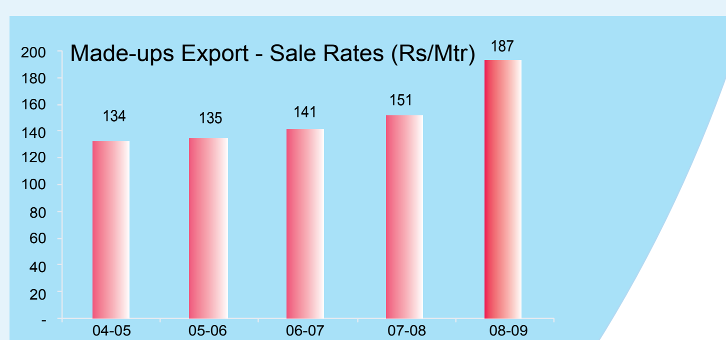
We have launched several new products like sulphur dyed warps, fair trade cotton fabrics, polyester filament covered yarn fabrics and dyed polyester filaments. We have also been trying to minimize our stocks and at the same time offer quick deliveries to our customers.

We have plans for expansion of production capacity at one of our units by installing 50 new state of the art Toyota air jet looms. These will be operational by the end of December 2009. Besides increasing our production capacity, the expansion will allow us to be more flexible in terms of range of our products.

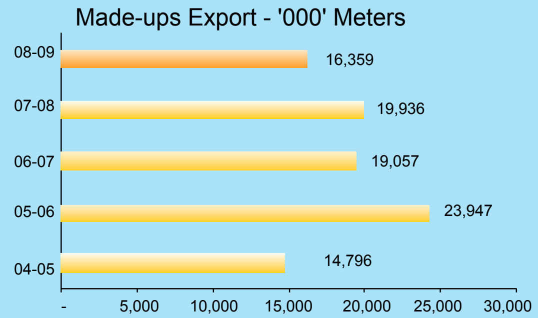


Processing and Stitching Section

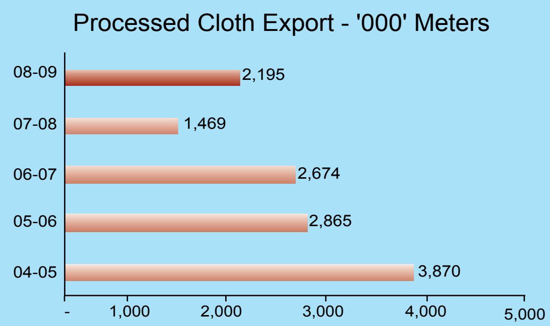
During the year 2009, for processing business, we have given our primary attention to increase the plant and production efficiency by optimal utilization of human resources to cater its customer's demands in best possible manners.



Considering our mega infrastructure and capabilities to handle huge volumes and on time deliveries, more customers have inclined towards our company during the past months. Moreover, some potential growth with more US based clients is expected in near future as US market is expected to revive rapidly in days to come. Other than traditional markets of Western Europe and North America, we had also explored new markets in Eastern Europe which showed potential growth opportunities and we gained some early success in that region.

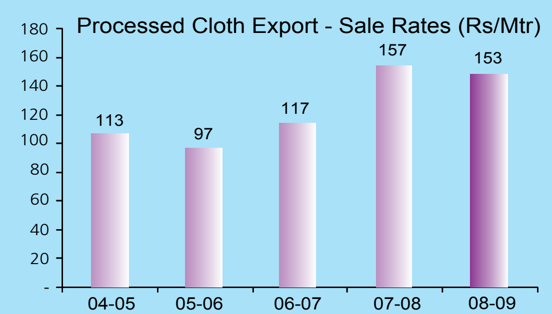


During the year, a big relief came with the abolition of anti-dumping duty, which has given an edge to our company for having a strong presence in European market. Moreover the products launched during the year received encouraging response from the customers and orders are being materialized now.



The new products for embellished articles and complex confections were also taken into consideration more effectively and by achieving a slot in confection articles, different fabrications and embellishments, a sizeable business volume has been generated. For this purpose, we have developed a separate production line with highly skilled and trained work force to efficiently cater the high expectations of our up-market clientele.

Nishat has successfully maintained its relations with existing clients and attracted a number of new ventures too and being the market leader we are developing new products and diversifying product mix to furnish ever changing market demands.



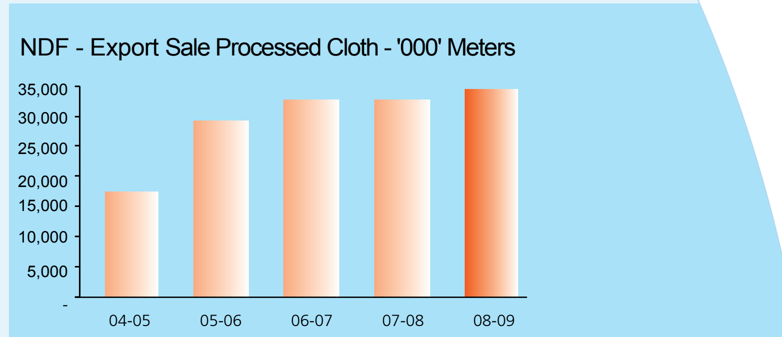
Last quarter of the year showed an upward trend due to strengthening US economy. This has started showing some good early signs of possible improvements in upcoming months and orders influx may increase sharply in next two quarters.

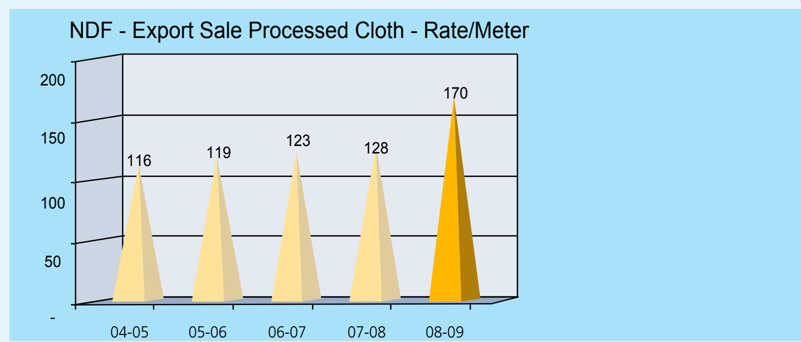
Nishat Dyeing & Finishing – (NDF)

Given the circumstances of textile industry and all challenges, Nishat Dyeing and Finishing performed

brilliantly during this period with bookings crossing the actual production capacity. The major reason for this success was our marketing strategy i.e. addition of new customers like JCP and Carreman as well as generating new businesses from existing customers like Dockers and Gap. In addition, most of these incremental businesses were in special finishes which helped to get better margins. Almost the entire capacity of special finishes including Aero, Blotch printing, Lafer peaching, Pigment as well as Sulpher dyeing was utilized during the year ended June 30, 2009.

With the global recession continuing, its impact on all sectors including textiles is getting more pronounced by the day. Thus, the competition is expected to get even stiffer in the next fiscal year. Nishat is however all geared up to meet the new market challenges. The salient features of marketing strategy for next fiscal year includes diversifying into new markets like work wear and performance finishes, selling the surplus bleaching capacity in European markets, offering vertical packages through Nishat Apparel to penetrate further into European market as well as building momentum on marketing efforts in existing markets and with existing customers.





Nishat Apparel (Formerly Gulf Nishat Apparel Limited)

Due to its nature of business and harmony of its products, Gulf Nishat Apparel Limited was merged with Nishat Mills Limited successfully during the year ended June 30, 2009.

The board of directors of the company in their meeting held on November 01, 2008 had approved the scheme of arrangement for merger of Gulf Nishat Apparel Limited into Nishat Mills Limited. The scheme was approved by the shareholders of both companies on November 29, 2008. The scheme became effective after approval of Honorable Lahore High Court, Lahore. The swap ratio in the scheme is one share of Nishat Mills Limited for every 19 shares of Nishat Apparel Limited.

Nishat Apparel, a Project of Nishat Mills Ltd is in business of making pants of piece dyed and denim fabrics. With its advanced technology machines in cutting, sewing and garment washing, it is providing a one window solution to customers of Nishat Mills, thus creating a complete integration of Yarn, Weaving, Dyeing and Printing and finally finished garments, sold directly to the world known retailers in US and EU markets.

Nishat Apparel commenced its business in 2007 with a capacity of 20 lines. The sales increased to three times with in two years. With a dedicated team of professionals, its efficiencies have been remarkable and comparable with its competitors operating in the same business.

The world economic recession hit Nishat Apparel as well during the year and sales were dropped significantly. The major retail customers faced a decline in sales by 30% to 40%. However, our strategies helped us to recover from the recession and we are now back on track with capacities fully booked for the next financial year. The project is getting into a third phase of its operations that includes further enhancement of sewing and washing capacities and that will be done in the coming year. There is an immense focus on product development which will result in value addition of our existing business mix.

Power Generation

Nishat's own power generation plants provided a huge competitive edge over others to keep running Spinning, Weaving, Processing & Stitching and Apparel units without any failures. This also played a vital role to maintain an extra ordinary record of timely shipments. Nishat Mills has installed captive power plants at all its sites. Most modern machinery is chosen for the power plants in order to keep the cost of power generation low at the same time taking environmental concerns into consideration. The plants are based on natural gas fired generators which besides generating electricity efficiently produce steam through exhaust gas and chilling through hot water from engine cooling system. This concept utilizes the fuel to the fullest at the same time reducing atmospheric pollution. In order to mitigate the power crises being faced by the country, Nishat Mills is supplying surplus power from its different sites to PEPCO distribution companies.

Power Plants	Generation Capacity (MW)	Diesel / Furnace Oil Engines	Gas Engines	Gas / Steam Turbines
Faisalabad	36.32	2	6	1
Bhikki	13.80	3	4	1
Lahore	26.54	7	7	4
Ferozewatwan	7.80	3	5	-

Information Technology

This has been a busy year for the Information Technology Division. We have concentrated on extending and renewing various parts of the IT infrastructure in advance of the Strategic Technology Plan as well as upgrading computer systems and improving procedures. In addition to the normal enterprise applications maintenance, the data management group spent several months in developing and testing different applications for the company. The up-graded integration of applications like Inventory and Costing were made. Other improvements and additions include experiential transcripts and human resource management system. The network was extended to new locations including the Nishat Apparel. The wireless network was also expanded. Network equipment was upgraded and firewalls were replaced. During the year several security audit items were completed. These include installation of electronic locks on data closets. IT experimented with video conferencing using production tool and facilitated three video conferencing sessions for the CEO. Our entire IT division continues to work towards improving services and providing the best secure and stable technology environment for company while expanding IT services.

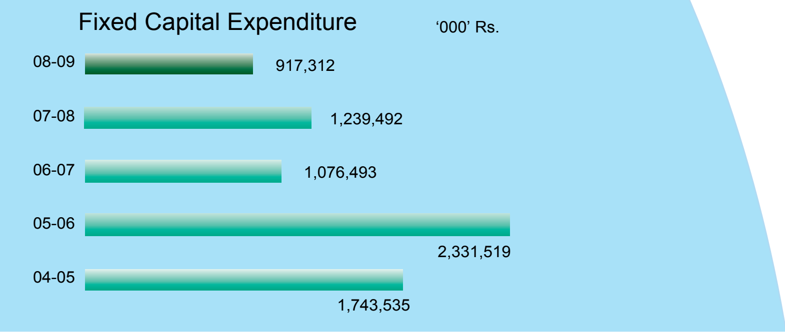
Subsidiary Companies

Nishat USA Incorporation

Nishat USA, Inc. a wholly owned subsidiary of Nishat Mills Limited, is a corporation service company incorporated on 22nd May, 2006 under the Business Corporation Law of The State of New York. The registered office of the corporation is situated at 676 Broadway, New York, NY 10012, U.S.A. Nishat Mills Limited acquired 200 fully paid shares, with no par value per share, of capital stock of Nishat USA, Inc. on 1st October, 2008. Nishat USA Inc. is a liaison office of Nishat Mills Limited marketing department and is providing marketing services in USA to Nishat Mills Limited.

Nishat Power Limited

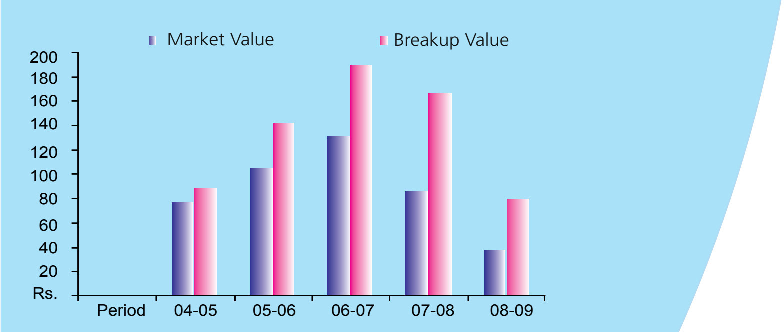
Nishat Power Limited, incorporated under the Companies Ordinance, 1984 on 23 Feb, 2007, is the subsidiary company of Nishat Mills Limited and is unlisted public limited company. The principle business of the subsidiary is generation, supply and transmission of electrical power. Nishat Mills Limited owns and controls 65.24% shares of the Nishat Power Limited. The subsidiary is expected to commence its commercial production by September 30, 2009.



The Company has annexed its consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Accounting Standards-27 (Consolidated and Separate Financial Statements).

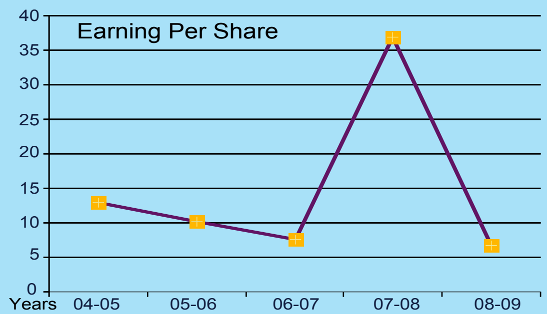
Right Issue of Shares

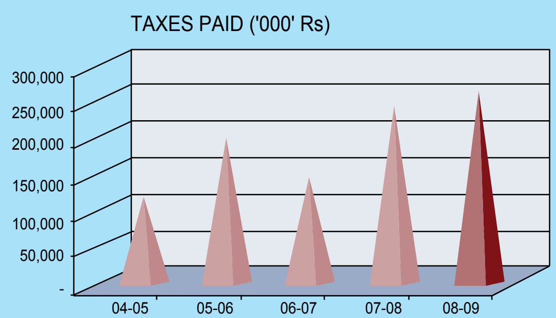
The company issued 79 892 858 Ordinary Shares of Rs.10 each, paid at Rs. 25 per share (Inclusive of premium of Rs. 15 per share). Thus, the paid up capital of the Company has increased from Rs. 1 597 857 170 to Rs.2 396 785 750 by issue of said right shares. The funds were utilized by the company to meet the working capital requirements and to counter the liquidity crunch of banks.



Earning Per Share

The earning per share of the company stood at Rs 6.81 (2008: Rs 36.86).





Related parties

The transactions between the related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan. The Statement of Compliance with the best practice on Transfer Pricing is enclosed.

Corporate Governance

The Statement of Compliance with the best practices of Code of Corporate Governance is annexed.

Corporate and Financial Frame Work

In compliance of the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting frame work:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. Proper books of account of the Company have been maintained.

3. Accounting estimates are based on reasonable and prudent judgment. Appropriate accounting policies have been consistently applied in preparation of financial statements, except for investments in un-quoted equity instruments held for sale. Previously, available for sale investments in unquoted equity instruments were carried at cost less impairment loss, if any. Now the company has changed its accounting policy to carry these investments at fair value determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. This change in accounting policy has been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Value of investments in respect of retirement benefits fund: Provident Fund: 30th June, 2009: Rs. 1 042.310 Million Un-audited (2008: Rs. 440.909 Million-Audited)

9. During the year under review, nine meetings were held, attendance position was as under:-

Sr. No.	Name of Director	No. of Meetings Attended
1	Mian Umer Mansha (CEO/ Chairman)	8
2	Mian Hassan Mansha	9
3	Mr. Khalid Qadeer Qureshi	8
4	Mr. Muhammad Nawaz Tishna (Nominee NIT) Resigned *	1
5	Mr. Muhammad Azam	9
6	Mr. Manzar Mushtaq (Resigned) **	1
7	Mr. Muhammad Ali Zeb ***	3
8	Rana Muhammad Mushtaq (Resigned) ****	5
9	Ms. Nabiha Shahnawaz Cheema	9
10	Mr. Muhammad Asif (Nominee NIT) *****	0

* Mr. Muhammad Nawaz Tishna (Nominee NIT) Resigned on September 29, 2008.

** Mr. Manzar Mushtaq Appointed in place of Mr Muhammad Nawaz Tishana (Nominee NIT) on September 29, 2008 to fill the casual vacancy and Resigned on January 15, 2009.

*** Mr. Muhammad Ali Zeb Appointed in place of Mr. Manzar Mushtaq on January 15, 2009 to fill the casual vacancy.

**** Rana Muhammad Mushtaq Resigned on May 14, 2009.

***** Mr. Muhammad Asif (Nominee NIT) Appointed in place of Rana Muhammad Mushtaq on May 14, 2009 to fill the casual vacancy.

Audit Committee

The board of directors in compliance with the Code of Corporate Governance has established an Audit committee. The names of its members are given in the company profile.

Auditors

The present auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Pattern of share holding and information under clause XIX (i) and (j) of the code of corporate governance

The information under this head as on June 30, 2009 is annexed.

Key operating and financial data

The key operating and financial data for the last six years is annexed.

Acknowledgement

The Board is pleased for continued dedication and loyalty of the employees of the company.

For and on behalf of Board of Directors

(Mian Umer Mansha)
Chief Executive/Chairman
Lahore:August 25, 2009

FINANCIAL HIGHLIGHTS

	2004	2005	2006	2007	2008	2009
	(Rupees in Thousands)					
Profit and loss						
Net sales	14 875 877	11 374 630	16 659 607	17 180 192	19 589 804	23 870 379
Gross Profit	1 933 924	2 134 899	2 957 981	2 844 938	2 811 746	4 351 541
Profit before tax	905 502	2 033 354	1 758 866	1 356 208	6 118 687	1 561 501
Profit after tax	751 060	1 867 354	1 632 866	1 211 208	5 857 587	1 268 001
Cash outflows						
Taxes paid	141 850	116 675	196 772	146 751	238 252	257 289
Financial Charges Paid	443 665	351 094	692 267	838 759	875 636	1 458 602
Fixed capital expenditures	1 703 273	1 743 535	2 331 519	1 076 493	1 239 492	917 312
Balance sheet						
Current assets	8 074 343	7 746 417	9 743 720	13 309 087	8 818 379	8 294 838
Current liabilities	7 456 610	6 253 333	7 051 533	7 649 373	12 053 926	9 602 265
Operating fixed assets - Owned	7 631 620	7 926 838	8 398 310	10 309 611	11 188 560	11 102 355
Total assets	19 581 627	21 917 602	30 661 326	39 587 091	40 277 289	31 512 686
Long term loans and finances	2 622 873	2 858 155	3 015 384	1 773 820	1 321 912	2 334 411
Shareholders' Equity	9 502 144	12 806 114	20 594 409	30 163 898	26 492 070	19 330 767
Ratios						
Current ratio	1.08 : 1	1.24 : 1	1.38 : 1	1.74 : 1	0.73 : 1	0.86 : 1
Gearing ratio	48.65	37.70	29.49	21.17	30.62	34.34
Gross profit %	13.00	18.77	17.76	16.56	14.35	18.23
Net profit % (before tax)	6.09	17.88	10.56	7.89	31.23	6.54
Earning per share	5.17	12.86	10.22	7.58	36.86	6.81
Proposed dividend %	20	25	15	25	25	20
Bonus %	-	-	10	-	-	-
Production machines						
No. of Spindles	182 568	183 416	183 576	189 960	189 960	198 120
No. of Sulzar Looms	114	108	108	108	60	64
No. of Airjet Looms	472	482	484	532	565	565
No. of Thermosole Dyeing machines	3	4	4	5	5	5
No. of Rotary Printing machines	3	3	3	3	3	3

PATTERN OF HOLDING
OF THE SHARES HELD BY THE SHAREHOLDERS OF NISHAT MILLS LIMITED AS AT 30/06/2009

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
4 574	1	100	172 678
4 779	101	500	1 274 550
1 556	501	1 000	1 238 836
1 551	1 001	5 000	3 807 969
288	5 001	10 000	2 241 390
109	10 001	15 000	1 408 115
80	15 001	20 000	1 434 510
49	20 001	25 000	1 159 356
30	25 001	30 000	847 381
12	30 001	35 000	390 292
17	35 001	40 000	628 636
7	40 001	45 000	306 641
14	45 001	50 000	683 273
15	50 001	55 000	796 819
8	55 001	60 000	464 049
9	60 001	65 000	572 892
4	65 001	70 000	280 000
5	70 001	75 000	374 095
4	75 001	80 000	308 796
2	80 001	85 000	169 625
1	85 001	90 000	90 000
1	90 001	95 000	95 000
11	95 001	100 000	1 094 595
4	100 001	105 000	405 596
3	105 001	110 000	328 539
3	115 001	120 000	355 500
4	120 001	125 000	490 690
1	125 001	130 000	129 600
1	130 001	135 000	133 150
5	135 001	140 000	685 646
3	140 001	145 000	425 900
5	145 001	150 000	750 000
2	150 001	155 000	300 967
2	155 001	160 000	315 400
1	165 001	170 000	165 828
4	170 001	175 000	694 795
1	175 001	180 000	178 785
1	180 001	185 000	180 700
2	185 001	190 000	374 346
1	190 001	195 000	194 400
4	195 001	200 000	798 900
2	230 001	235 000	469 600
1	240 001	245 000	243 000
1	250 001	255 000	251 857
2	260 001	265 000	526 955
1	265 001	270 000	270 000
2	270 001	275 000	550 000
1	275 001	280 000	279 300
1	280 001	285 000	282 550
1	285 001	290 000	285 319
6	295 001	300 000	1 800 000
2	300 001	305 000	609 000
2	310 001	315 000	628 170
1	315 001	320 000	316 270
1	330 001	335 000	335 000
1	340 001	345 000	343 100

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
2	345 001	350 000	699 952
1	360 001	365 000	364 000
2	365 001	370 000	734 039
1	395 001	400 000	400 000
1	400 001	405 000	400 500
1	405 001	410 000	408 800
1	410 001	415 000	412 500
1	425 001	430 000	427 700
1	430 001	435 000	434 017
1	435 001	440 000	436 000
3	495 001	500 000	1 500 000
1	525 001	530 000	525 022
1	535 001	540 000	535 100
1	555 001	560 000	558 400
2	560 001	565 000	1 125 917
1	575 001	580 000	575 030
2	595 001	600 000	1 200 000
1	635 001	640 000	637 525
1	675 001	680 000	675 700
1	700 001	705 000	705 000
1	730 001	735 000	731 921
1	745 001	750 000	750 000
1	760 001	765 000	763 000
1	820 001	825 000	825 000
1	835 001	840 000	837 270
1	865 001	870 000	868 035
1	895 001	900 000	899 250
1	945 001	950 000	950 000
1	1 055 001	1 060 000	1 058 000
1	1 065 001	1 070 000	1 070 000
1	1 210 001	1 215 000	1 213 750
1	1 245 001	1 250 000	1 250 000
1	1 315 001	1 320 000	1 318 600
1	1 345 001	1 350 000	1 350 000
1	1 380 001	1 385 000	1 382 500
1	1 420 001	1 425 000	1 425 000
1	1 470 001	1 475 000	1 472 250
1	1 645 001	1 650 000	1 650 000
1	1 825 001	1 830 000	1 826 400
1	1 955 001	1 960 000	1 958 532
1	2 095 001	2 100 000	2 100 000
1	2 115 001	2 120 000	2 117 074
1	2 275 001	2 280 000	2 279 600
1	2 320 001	2 325 000	2 325 000
1	2 430 001	2 435 000	2 435 000
1	2 550 001	2 555 000	2 552 449
1	3 295 001	3 300 000	3 300 000
1	3 765 001	3 770 000	3 767 700
1	3 950 001	3 955 000	3 955 000
1	4 445 001	4 450 000	4 449 246
1	4 520 001	4 525 000	4 523 000
1	4 745 001	4 750 000	4 745 457
1	5 470 001	5 475 000	5 471 600
1	5 570 001	5 575 000	5 574 800
1	6 865 001	6 870 000	6 865 659
1	9 945 001	9 950 000	9 948 034

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
1	10 720 001	10 725 000	10 720 064
1	12 895 001	12 900 000	12 895 419
1	13 750 001	13 755 000	13 754 516
1	14 610 001	14 615 000	14 614 584
1	15 930 001	15 935 000	15 932 018
1	17 705 001	17 710 000	17 705 972
1	20 155 001	20 160 000	20 157 391
13 267		**TOTAL**	**242 482 654**

Categories of Members	Number	Shares Held	Percentage
Individuals	12 889	133 609 003	55.08
Investment Companies	23	506 882	0.19
Insurance Companies	19	9 584 929	4.01
Joint Stock Companies	187	42 049 738	17.34
Financial Institutions	38	22 476 848	9.28
Modaraba Companies	52	13 557 968	5.59
Foreign Investors	28	18 536 166	7.62
Miscellaneous	31	2 161 120	0.89
Grand Total	**13 267**	**242 482 654**	**100.00**

INFORMATION UNDER CLAUSE XIX (I)

OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2009

			SHARES HELD	PERCENT-TAGE
(A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**			
	1. D. G. KHAN CEMENT CO. LTD.		20 889 312	8.61
	2 ADAMJEE INSURANCE COMPANY LTD		868 035	0.36
(B)	**NIT AND ICP**			
	1. NATIONAL BANK OF PAKISTAN - TRUSTEE DEPTT.		7 242 760	2.99
	2. INVESTMENT CORPORATION OF PAKISTAN		NIL	-
(C)	**DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN**			
	1. MIAN UMER MANSHA	CHIEF EXECUTIVE / CHAIRMAN	30 546 602	12.60
	2. MIAN HASSAN MANSHA	DIRECTOR	30 601 391	12.62
	3. MS. NABIHA SHAHNAWAZ CHEEMA	DIRECTOR	3 750	0.00
	4. MR. MUHAMMAD ALI ZEB	DIRECTOR	2 500	0.00
(D)	**EXECUTIVES**		NIL	-
(E)	**PUBLIC SECTOR, COMPANIES AND CORPORATIONS**			
	JOINT STOCK COMPANIES		42 048 446	17.34
(F)	**BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS**			
	1. INVESTMENT COMPANIES		508 174	0.22
	2. INSURANCE COMPANIES		8 584 929	3.95
	3. FINANCIAL INSTITUTIONS		22 476 848	9.27
	4. MODARABAS, MUTUAL FUNDS & LEASING COMPANIES, ETC.		17 525 764	5.59
(G)	**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY**			
	1. MIAN UMER MANSHA	CHIEF EXECUTIVE / CHAIRMAN	30 546 602	12.60
	2. MIAN HASSAN MANSHA	DIRECTOR	30 601 391	12.62

INFORMATION UNDER CLAUSE XIX (j)

OF THE CODE OF CORPORATE GOVERNANCE

NAME OF CEO/DIRECTOR/CFO/COMPANY SECRETARY AND THEIR SPOUSE AND MINOR CHILDREN	NO. OF SHARES PURCHASED	DATE	RATE (RS.)
Nil	Nil	-	-

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, 43 & 36 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Three casual vacancies occurred in the Board on September 29, 2008, January 15, 2009 & May 14, 2009 was filled up same day by the directors.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by one of the directors present elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. New orientation course has been arranged during the year.

10. The appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment have been duly approved by the Board.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The audit committee is continued and it comprises 3 members, of whom, two are non-executive directors including the Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been substantially complied with.

(Mian Umer Mansha)
Chief Executive/Chairman
NIC Number: 35202-0842523-5

LAHORE: AUGUST 25, 2009

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2009

The Company has fully complied with the best practices on Transfer Pricing as contained in the related Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

(Mian Umer Mansha)
Chief Executive/Chairman
NIC Number: 35202-0842523-5

Lahore: August 25, 2009

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of NISHAT MILLS LIMITED ("the Company") for the year ended 30 June 2009, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2009.

Riaz Ahmad & Company
Chartered Accountants

Lahore: August 25, 2009

NISHAT

FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NISHAT MILLS LIMITED** as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in Note 2.7 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Riaz Ahmad & Company
Chartered Accountants

Sarfraz Mahmood

Lahore:
August 25, 2009

BALANCE SHEET AS AT 30 JUNE 2009

	Note	(RUPEES IN THOUSAND) 2009	2008 (Restated)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1 100 000 000 (30 June 2008: 178 470 000) ordinary shares of Rupees 10 each		**11 000 000**	1 784 700
Issued, subscribed and paid up share capital	4	**2 424 827**	1 597 857
Reserves	5	**16 905 940**	24 894 213
Total equity		**19 330 767**	26 492 070
NON-CURRENT LIABILITIES			
Long term financing	6	**2 334 411**	1 321 912
Deferred tax	7	**245 243**	409 381
		2 579 654	1 731 293
CURRENT LIABILITIES			
Trade and other payables	8	**1 309 658**	1 194 856
Accrued mark-up	9	**202 777**	214 583
Short term borrowings	10	**7 342 600**	9 338 574
Current portion of long term financing	6	**433 313**	1 028 925
Provision for taxation		**313 917**	276 988
		9 602 265	12 053 926
TOTAL LIABILITIES		**12 181 919**	13 785 219
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		**31 512 686**	40 277 289

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

	Note	(RUPEES IN THOUSAND) 2009	2008 (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**11 199 635**	11 470 608
Investment properties	13	**41 049**	-
Long term investments	14	**11 952 949**	19 969 449
Long term loans	15	**12 367**	8 122
Long term deposits and prepayments	16	**11 848**	10 731
		23 217 848	31 458 910
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**561 251**	513 114
Stock in trade	18	**4 092 512**	4 163 194
Trade debts	19	**1 300 366**	1 387 146
Loans and advances	20	**462 025**	411 902
Short term deposits and prepayments	21	**29 880**	33 441
Other receivables	22	**323 000**	377 206
Short term investments	23	**1 414 310**	1 855 827
Cash and bank balances	24	**111 494**	76 549
		8 294 838	8 818 379
TOTAL ASSETS		**31 512 686**	40 277 289

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	(RUPEES IN THOUSAND) 2009	2008 (Restated)
SALES	25	23 870 379	19 589 804
COST OF SALES	26	19 518 838	16 778 058
GROSS PROFIT		4 351 541	2 811 746
DISTRIBUTION COST	27	1 315 630	1 009 856
ADMINISTRATIVE EXPENSES	28	435 012	429 898
OTHER OPERATING EXPENSES	29	191 608	110 781
		1 942 250	1 550 535
		2 409 291	1 261 211
OTHER OPERATING INCOME	30	599 006	747 679
GAIN ON SALE OF INVESTMENT		-	5 060 413
PROFIT FROM OPERATIONS		3 008 297	7 069 303
FINANCE COST	31	1 446 796	950 616
PROFIT BEFORE TAXATION		1 561 501	6 118 687
PROVISION FOR TAXATION	32	293 500	261 100
PROFIT AFTER TAXATION		1 268 001	5 857 587
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	33	6.81	36.86

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	(RUPEES IN THOUSAND) 2009	2008 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**3 866 324**	956 026
Finance cost paid		**(1 458 602)**	(875 636)
Income tax paid		**(257 289)**	(238 252)
Gratuity paid		**(3 746)**	(2 226)
Net (increase) / decrease in long term loans		**(7 214)**	1 147
Net increase in long term deposits and prepayments		**(1 109)**	(2 234)
Net cash generated from / (used in) operating activities		**2 138 364**	(161 175)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**29 784**	136 089
Proceeds from sale of investment		**30 000**	7 952 746
Dividends received		**509 552**	668 832
Investments made		**(1 780 424)**	(10 213 205)
Capital expenditure of property, plant and equipment		**(917 312)**	(1 239 492)
Net cash used in investing activities		**(2 128 400)**	(2 695 030)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**1 175 000**	230 000
Proceeds from issue of right shares		**1 997 321**	-
Share deposit money received		**-**	148 895
Repayment of long term financing		**(758 113)**	(1 375 903)
Payment of finance lease liabilities		**-**	(33 031)
Short term borrowings - Net		**(1 995 974)**	4 277 339
Dividend paid		**(393 253)**	(396 086)
Net cash from financing activities		**24 981**	2 851 214
Net increase / (decrease) in cash and cash equivalents		**34 945**	(4 991)
Cash and cash equivalents at the beginning of the year		**76 549**	81 540
Cash and cash equivalents at the end of the year		**111 494**	76 549

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

(RUPEES IN THOUSAND)

	SHARE CAPITAL	RESERVES								TOTAL EQUITY
		CAPITAL RESERVES			REVENUE RESERVES				TOTAL	
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Amalgamation reserve	Unappro-priated profit	Sub Total		
Balance as at 30 June 2007	1 597 857	1 027 622	20 034 207	21 061 829	6 730 028	-	774 184	7 504 212	28 566 041	30 163 898
Effect of change in accounting policy (Note 2.7)	-	-	1 293 547	1 293 547	-	-	-	-	1 293 547	1 293 547
Balance as at 30 June 2007 - restated	1 597 857	1 027 622	21 327 754	22 355 376	6 730 028	-	774 184	7 504 212	29 859 588	31 457 445
Final dividend for the year ended 30 June 2007 @ Rupees 2.5 per share	-	-	-	-	-	-	(399 464)	(399 464)	(399 464)	(399 464)
Transfer to general reserve	-	-	-	-	1 244 000	-	(1 244 000)	-	-	-
Fair value adjustment on investments - net of deferred tax	-	-	(10 899 603)	(10 899 603)	-	-	-	-	(10 899 603)	(10 899 603)
Reserve as per scheme of amalgamation	-	-	-	-	-	476 105	-	476 105	476 105	476 105
Profit for the year ended 30 June 2008	-	-	-	-	-	-	5 857 587	5 857 587	5 857 587	5 857 587
Balance as at 30 June 2008- restated	1 597 857	1 027 622	10 428 151	11 455 773	7 974 028	476 105	4 988 307	13 438 440	24 894 213	26 492 070
Final dividend for the year ended 30 June 2008 @ Rupees 2.5 per share	-	-	-	-	-	-	(399 464)	(399 464)	(399 464)	(399 464)
Transfer to general reserve	-	-	-	-	4 870 000	-	(4 870 000)	-	-	-
Issue of shares under scheme of amalgamation	28 041	-	-	-	-	(28 041)	-	(28 041)	(28 041)	-
Excess of net assets acquired in Nishat Apparel Limited	-	-	-	-	-	(448 064)	448 064	-	-	-
Right shares issued during the year ended 30 June 2009	798 929	1 198 392	-	1 198 392	-	-	-	-	1 198 392	1 997 321
Fair value adjustment on investments - net of deferred tax	-	-	(10 027 161)	(10 027 161)	-	-	-	-	(10 027 161)	(10 027 161)
Profit for the year ended 30 June 2009	-	-	-	-	-	-	1 268 001	1 268 001	1 268 001	1 268 001
Balance as at 30 June 2009	2 424 827	2 226 014	400 990	2 627 004	12 844 028	-	1 434 908	14 278 936	16 905 940	19 330 767

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. THE COMPANY AND ITS OPERATIONS

Nishat Mills Limited is a public Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on all Stock Exchanges in Pakistan. Its registered office is situated at 53-A Lawrence Road, Lahore. The Company is engaged in the business of textile manufacturing and of spinning, combing, weaving, bleaching, dyeing, printing, stitching / apparel, buying, selling and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, synthetic fibre and cloth and to generate, accumulate, distribute, supply and sell electricity.

The Board of Directors of the Company in their meeting held on 01 November 2008 approved the scheme of arrangement for merger of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) into Nishat Mills Limited. The scheme was approved by the shareholders of both companies on 29 November 2008. Pursuant to the approval of Honourable Lahore High Court, with effect from 01 July 2008, Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited), a company in which Nishat Mills Limited held 25.72 percent shares, has been amalgamated into Nishat Mills Limited. The accounting policy followed to account for the amalgamation is given in note 3 to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of Preparation

a) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting Convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Impairment of investments in associated companies

In making an estimate of future cash flows from the company's investments in associated companies, the management considers future dividend stream and an estimate of the terminal value of these investments.

d) Standard that is effective in current year

IFRS 7 'Financial Instruments: Disclosures'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 411(I) / 2008 dated 28 April 2008 notified the adoption of IFRS 7. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e 28 April 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2008 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) **Standards and amendments to published approved accounting standards that are not yet effective but relevant**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2009 or later periods:

IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009), issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement. Adoption of the aforesaid standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn. This change will not effect the financial statements as the Company already has the policy to capitalize its borrowing cost.

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment has expanded the disclosures required in respect of fair value measurements recognized in the statement of financial position. Moreover, amendments have also been made to the liquidity risk disclosures. Such amendments are not expected to have any significant impact on the Company's financial statements other than increase in disclosures.

IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 01 January 2009). It introduces the "management approach" to segment reporting. IFRS 8 will require presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. Currently, the Company do not presents segment information as IAS 14 limited reportable segments to those that earn a majority of their revenue from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments. Under the management approach, the Company will present segment information in respect of each reportable segment.

There are other amendments resulting from May 2008 and April 2009 Annual Improvements to IFRSs, specifically in IFRS 8 'Operating Segments', IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 23 'Borrowing Costs', IAS 28 'Investments in Associates', IAS 36 'Impairment of Assets' and IAS 39 'Financial Instruments: Recognition and Measurement' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employee Benefit

The Company operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the Company and employees at the rate of 9.5 percent of the basic salary to the fund. The Company's contributions to the fund are charged to profit and loss account.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

2.4 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

2.5 Property, plant, equipment and depreciation

Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land and capital work in progress are stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 12.1. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.6 Investment Properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties except land, are stated at cost less accumulated depreciation and any recognized impairment loss (if any). Land is stated at cost less any recognized impairment loss (if any). Depreciation is charged to profit and loss account applying the reducing balance method so as to write off the cost of building over its estimated useful life at a rate of 10%.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in subsidiaries and associates, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investment at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Investment in subsidiaries

Investments in subsidiaries are stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27, " Consolidated and Separate Financial Statements".

d) Investment in associates - (with significant influence)

The Company is required to prepare separate financial statements, hence, in accordance with the requirements of IAS-27 'Consolidated and Separate Financial Statements', the investments in associated undertakings are accounted for in accordance with IAS-39 'Financial Instruments: Recognition and Measurement' and classified as available for sale.

e) **Available-for-sale**

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. These are sub-categorized as under:

Quoted

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in equity until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit and loss account. For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Change in accounting policy

Previously, available for sale investments in unquoted equity instruments were carried at cost less impairment loss, if any. Now the company has changed its accounting policy to carry these investments at fair value determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. This change in accounting policy has been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting policy, the figures recognized in these financial statements would have been different as follows:

	(RUPEES IN THOUSAND)	
	2009	2008
Investments would have been lower by	**934 257**	1 559 547
Fair value reserve would have been lower by	**689 014**	1 150 166
Deferred tax liability would have been lower by	**245 243**	409 381

2.8 **Inventories**

Inventories, except for stock in transit and waste stock/rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

(i) For raw materials: - Annual average basis.
(ii) For work-in-process and finished goods: - Average manufacturing cost including a portion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock/rags are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessarily to make a sale.

2.9 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on delivery of goods to customers.

- Revenue on sale of electricity is recognized at the time of transmission.

- Dividend on equity investments is recognized when right to receive the dividend is established.

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.11 Share Capital

Ordinary shares are classified as equity.

2.12 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments.

a) Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

b) Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

c) Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.13 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.14 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.15 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

2.16 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.18 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

2.19 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. AMALGAMATION OF NISHAT APPAREL LIMITED (FORMERLY GULF NISHAT APPAREL LIMITED) INTO THE COMPANY

The amalgamation of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) into the Company is a business combination of entities under common control and hence is outside the scope of IFRS 3 'Business Combinations'. The scheme of amalgamation has been accounted for using 'pooling of interest method' which requires to combine the financial results of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) and the Company for the period in which the combination occurs and for any comparative periods as if they had been combined from the beginning of the earliest period presented.

			(RUPEES IN THOUSAND) 2009	2008

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

(NUMBER OF SHARES) 2009	2008		(RUPEES IN THOUSAND) 2009	2008
147 655 122	67 762 264	Ordinary shares of Rupees 10 each fully paid up in cash	**1 476 551**	677 622
2 804 079	-	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) under the Scheme of Amalgamation	**28 041**	-
37 252 280	37 252 280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	**372 523**	372 523
54 771 173	54 771 173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**547 712**	547 712
242 482 654	159 785 717		**2 424 827**	1 597 857

4.1 Movement during the year

159 785 717	159 785 717	At 01 July	**1 597 857**	1 597 857
2 804 079	-	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) under the Scheme of Amalgamation	**28 041**	-
79 892 858	-	Ordinary shares of Rupees 10 each issued during the year ended 30 June 2009 as fully paid right shares	**798 929**	-
242 482 654	159 785 717		**2 424 827**	1 597 857

4.2 Ordinary shares of the company held by associated companies:

	(NUMBER OF SHARES) 2009	2008
D.G. Khan Cement Company Limited	**20 889 312**	20 157 391
Adamjee Insurance Company Limited	**868 035**	868 035
	21 757 347	21 025 426

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
5. RESERVES		
Composition of reserves is as follows:		
Capital		
Premium on issue of right shares (Note 5.1)	**2 226 014**	1 027 622
Fair value reserve - net of deferred tax (Note 5.2)	**400 990**	10 428 151
	2 627 004	11 455 773
Revenue		
General	**12 844 028**	7 974 028
Amalgamation reserve	**-**	476 105
Unappropriated profit	**1 434 908**	4 988 307
	14 278 936	13 438 440
	16 905 940	24 894 213

5.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

5.2 This represents the unrealized gain on remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization. Reconciliation of fair value reserve net off deferred tax is as under:

	2009	2008
Balance as at 01 July	**10 837 532**	21 788 169
Add / (Less): Fair value adjustment during the year	**(10 191 299)**	(10 950 637)
	646 233	10 837 532
Less: Deferred tax liability on unquoted equity investments	**(245 243)**	(409 381)
Balance as at 30 June	**400 990**	10 428 151

6. LONG TERM FINANCING - SECURED

	2009	2008
Financing from banking companies (Note 6.1)	**2 767 724**	2 151 037
Term finance certificates	**-**	199 800
	2 767 724	2 350 837
Less: Current portion shown under current liabilities	**433 313**	1 028 925
	2 334 411	1 321 912

6.1 Lender	2009	2008	Rate of interest per annum	Number of installments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Allied Bank Limited	**300 000**	375 000	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced on 24 January 2007 and ending on 24 October 2011.	-	Quarterly	First joint pari passu hypothecation charge on plant and machinery of the Company for an amount of Rupees 800 million.
United Bank Limited	**112 500**	112 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 30 June 2006 and ending on 31 December 2010.	-	Quarterly	Mortgage charge on the immovable property and machinery of the Company.
Habib Bank Limited	**500 000**	600 000	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 07 July 2007 and ending on 07 January 2012.	-	Quarterly	First pari passu hypothecation charge of Rupees 1 067 million on plant and machinery of the Company excluding specific and exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	**200 000**	200 000	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commencing on 30 April 2010 and ending on 31 January 2014.	-	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.
Standard Chartered Bank (Pakistan) Limited	**33 333**	66 667	SBP rate for LTF - EOP + 2%	Six equal half yearly installments commenced on 30 September 2006 and ending on 31 March 2010.	-	Quarterly	First exclusive hypothecation charge on plant, machinery and equipment installed at Sheikhupura (Bhikki).
Citibank N.A.	**125 000**	187 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 21 April 2006 and ending on 21 October 2010.	-	Quarterly	First ranking pari passu charge on all present and future fixed assets, excluding land and building.
The Royal Bank of Scotland Limited	**58 824**	82 353	SBP rate for LTF - EOP + 2%	Seventeen equal quarterly installments commenced on 15 February 2006 and ending on 15 February 2011.	-	Quarterly	First pari passu charge on plant and machinery for an amount of Rupees 267 million.
The Hong Kong and Shanghai Banking Corporation Limited	**125 000**	150 000	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 01 December 2006 and ending on 01 June 2011.	-	Quarterly	Registered ranking charge on plant and machinery of the Company.
Habib Bank Limited	**1 000 000**	-	6 Month offer KIBOR +2.50 %	Eight equal half yearly installments commencing on 10 May 2010 and ending on 10 November 2013.	Half yearly	Quarterly	First pari passu hypothecation charge on plant and machinery of the Company.
Allied Bank Limited	**122 558**	147 070	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 15 November 2007 and ending on 08 May 2012.	-	Quarterly	First pari passu charge of Rupees 267 million on all present and future fixed assets of the Company excluding land and building.
Allied Bank Limited	**75 000**	100 000	6 Month offer KIBOR +1.50 %	Eight equal half yearly installments commenced on 7 October 2008 and ending on 7 April 2012.	Half yearly	Quarterly	First pari passu charge of Rupees 133 million on all present and future fixed assets of the Company excluding land and building.
Askari Bank Limited	**115 509**	129 947	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 17 January 2008 and ending on 01 November 2013.	-	Quarterly	First pari passu charge of Rupees 213.33 million on all present and future fixed assets of the Company.
	2 767 724	2 151 037					

7. DEFERRED TAX

This represents deferred tax liability on surplus on revaluation of investments available for sale - unquoted equity investments. Provision for deferred tax on other temporary differences was not considered necessary as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001.

8. TRADE AND OTHER PAYABLES

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
Creditors (Note 8.1)	**656 404**	517 512
Accrued liabilities	**426 618**	423 768
Advances from customers	**63 744**	114 952
Securities from contractors-Interest free, repayable on completion of contracts	**15 718**	12 767
Income tax deducted at source	**3 849**	4 183
Dividend payable	**28 180**	21 969
Payable to employees provident fund trust	**1 156**	-
Workers' profit participation fund (Note 8.2)	**82 641**	70 497
Gratuity payable	**-**	3 746
Workers' welfare fund	**31 348**	25 462
	1 309 658	1 194 856

8.1 This includes amount of Rupees 1.376 million (30 June 2008: NIL) due to Nishat USA Inc. - subsidiary company and amounts in aggregate of Rupees 17.429 million (30 June 2008: Rupees 12.901 million) due to associated undertakings.

8.2 Workers' profit participation fund

	2009	2008
Balance as on 01 July	**70 497**	64 618
Interest for the year (Note 31)	**2 787**	2 888
Add: Provision for the year (Note 29)	**82 641**	70 497
	155 925	138 003
Less: Payments during the year	**73 284**	67 506
	82 641	70 497

8.2.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
9. ACCRUED MARK-UP		
Long term financing	**74 480**	44 409
Short term borrowings	**128 297**	170 174
	202 777	214 583

10. SHORT TERM BORROWINGS

From banking companies - secured		
Short term running finances (Note 10.1 and 10.2)	**1 514 025**	4 570 263
State Bank of Pakistan (SBP) refinance (Note 10.1 and 10.3)	**4 263 132**	3 054 295
Other short term finances (Note 10.1 and 10.4)	**1 080 000**	1 027 800
Temporary bank overdraft (Note 10.1 and 10.2)	**485 443**	686 216
	7 342 600	9 338 574

10.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, all marketable securities, other instruments, ranking hypothecation charge on plant and machinery, pledge of cotton and equity investments of the company. These form part of total credit facility of Rupees 20 077 million (30 June 2008: Rupees 20 459 million).

10.2 The rates of mark-up range from 12.37% to 18.50% (30 June 2008: 9.72% to 14.58%) per annum on the balance outstanding.

10.3 The rates of mark up range from 6.90% to 7.50% (30 June 2008: 6.90% to 7.50%) per annum on the balance outstanding.

10.4 The rates of mark up range from 4.26% to 16.11% (30 June 2008: 4.20% to 15.01%) per annum on the balance outstanding.

11. CONTINGENCIES AND COMMITMENTS

Contingencies

i) The Company is contingently liable for Rupees 61.891 million (30 June 2008: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.

ii) Guarantees of Rupees 421.751 million (30 June 2008: Rupees 368.651 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil, Director Excise and Taxation, Karachi and Collector of Customs, Excise and Sales Tax against infrastructure cess.

iii) Post dated cheques of Rupees 284.473 million (30 June 2008: Rupees 59.163 million) are issued to customs authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

iv) The Company has given following guarantees on behalf of Nishat Power Limited - subsidiary company:

(a) Performance guarantee of USD 1 million [Pak Rupees 81.470 million] (30 June 2008: USD 1 million [Pak Rupees 68.200 million]) in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited under Implementation Agreement and Power Purchase Agreement.

(b) Irrevocable standby letters of credit of Rupees 410 million (30 June 2008: 1 104.995 million) for equity injection and Rupees 147.120 million (30 June 2008: Rupees 147.120 million) for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Power Limited.

Commitments

i) Contracts for capital expenditure are approximately of Rupees 161.498 million (30 June 2008: Rupees 370.168 million).

ii) Letters of credit other than for capital expenditure are Rupees 296.719 million (30 June 2008: Rupees 403.627 million).

	(RUPEES IN THOUSAND)	
	2009	2008
12. PROPERTY, PLANT AND EQUIPMENT		
Operating assets (Note 12.1)	**11 102 355**	11 188 560
Capital work in progress (Note 12.2)	**97 280**	282 048
	11 199 635	11 470 608

12.1 Operating assets

(RUPEES IN THOUSAND)

	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Total
At 01 July 2007									
Cost	426 458	3 173 088	12 770 553	615 958	137 231	205 090	97 289	252 610	17 678 277
Accumulated depreciation	-	(1 245 760)	(4 826 040)	(274 724)	(63 288)	(88 153)	(40 792)	(88 608)	(6 627 365)
Net book value	426 458	1 927 328	7 944 513	341 234	73 943	116 937	56 497	164 002	11 050 912
Year ended 30 June 2008									
Opening net book value	426 458	1 927 328	7 944 513	341 234	73 943	116 937	56 497	164 002	11 050 912
Additions	7 971	313 680	865 077	26 014	19 672	19 820	5 323	36 045	1 293 602
Transfer from leased assets:									
Cost	-	-	87 096	-	-	-	-	-	87 096
Accumulated depreciation	-	-	(22 922)	-	-	-	-	-	(22 922)
	-	-	64 174	-	-	-	-	-	64 174
Disposals:									
Cost	(249)	(2 098)	(534 030)	-	(1 232)	(253)	(209)	(35 837)	(573 908)
Accumulated depreciation	-	1 641	404 947	-	321	177	88	18 271	425 445
	(249)	(457)	(129 083)	-	(911)	(76)	(121)	(17 566)	(148 463)
Depreciation charge	-	(199 857)	(767 848)	(35 017)	(8 205)	(12 961)	(17 691)	(30 086)	(1 071 665)
Closing net book value	434 180	2 040 694	7 976 833	332 231	84 499	123 720	44 008	152 395	11 188 560
At 30 June 2008									
Cost	434 180	3 484 670	13 188 696	641 972	155 671	224 657	102 403	252 818	18 485 067
Accumulated depreciation	-	(1 443 976)	(5 211 863)	(309 741)	(71 172)	(100 937)	(58 395)	(100 423)	(7 296 507)
Net book value	434 180	2 040 694	7 976 833	332 231	84 499	123 720	44 008	152 395	11 188 560
Year ended 30 June 2009									
Opening net book value	434 180	2 040 694	7 976 833	332 231	84 499	123 720	44 008	152 395	11 188 560
Additions	58 761	141 776	770 065	18 804	31 974	26 910	6 180	47 610	1 102 080
Transfer to investment properties									
Cost	(18 756)	(46 090)	-	-	-	-	-	-	(64 846)
Accumulated depreciation	-	21 209	-	-	-	-	-	-	21 209
	(18 756)	(24 881)	-	-	-	-	-	-	(43 637)
Disposals:									
Cost	-	-	(38 608)	(9 398)	(6 612)	(2 230)	-	(28 564)	(85 412)
Accumulated depreciation	-	-	25 848	7 742	4 591	1 649	-	17 865	57 695
	-	-	(12 760)	(1 656)	(2 021)	(581)	-	(10 699)	(27 717)
Depreciation charge	-	(207 765)	(807 320)	(33 846)	(9 332)	(13 372)	(14 036)	(31 260)	(1 116 931)
Closing net book value	474 185	1 949 824	7 926 818	315 533	105 120	136 677	36 152	158 046	11 102 355
At 30 June 2009									
Cost	474 185	3 580 356	13 920 153	651 378	181 033	249 337	108 583	271 864	19 436 889
Accumulated depreciation	-	(1 630 532)	(5 993 335)	(335 845)	(75 913)	(112 660)	(72 431)	(113 818)	(8 334 534)
Net book value	474 185	1 949 824	7 926 818	315 533	105 120	136 677	36 152	158 046	11 102 355
Annual rate of depreciation (%)	-	10	10	10	10	10	30	20	

12.1.1 Detail of operating assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
		(RUPEES IN THOUSAND)						
Plant and Machinery								
1 Lap Former and 3 Combers	4	5 629	3 727	1 902	800	(1 102)	Negotiation	Husnain Spinning Mills (Pvt.) Limited.
Huzur Chenille Machine	1	1 004	433	571	591	20	Negotiation	Alpha Fabrics.
Air Compressor and Air Dryer	1	6 728	5 244	1 484	1 764	280	Negotiation	Arzoo Textile Mills Limited.
Raising Machine	2	1 264	399	865	600	(265)	Negotiation	Adam Fabrics.
Stenter Machine	1	18 454	13 753	4 701	3 896	(805)	Negotiation	Adam Fabrics.
Bailing Press	1	435	340	95	236	141	Negotiation	Fahim Traders.
		33 514	23 896	9 618	7 887	(1 731)		
Factory Equipment								
Processing Equipment	1	3 642	2 638	1 004	1 003	(1)	Negotiation	Ashiq Hussain.
Processing Equipment	1	686	586	100	98	(2)	Negotiation	Muhammad Ramzan Ali, Faisalabad.
Old Used Parts	1	325	269	56	55	(1)	Negotiation	Shahzad Ahmad, Faisalabad.
Old Used Parts	1	429	278	151	150	(1)	Negotiation	Ghulam Mustafa, Faisalabad.
Old Used Parts	1	590	480	110	111	1	Negotiation	Ghulam Mustafa, Faisalabad.
		5 672	4 251	1 421	1 417	(4)		
Electric Installations								
Motors	10	325	272	53	56	3	Negotiation	Zafar Ahmad, Faisalabad.
Vehicles								
Toyota Land Cruiser LRH-0600	1	7 437	5 197	2 240	2 700	460	Negotiation	Waqas Munir, Lahore.
Honda Civic VTI Oriel LEA-07-0300	1	1 565	399	1 166	1 400	234	Negotiation	Muhammad Zeeshan, Lahore.
Suzuki Alto LXW-8336	1	502	390	112	114	2	Negotiation	Bashir Ahmad Shahid. Company's Employee.
Honda City EXI LRD-7711	1	781	580	201	507	306	Negotiation	Khan Muhammad Khan.Lahore.
Toyota Corolla 2.0 D LRY-2661	1	1 023	678	345	348	3	Negotiation	Muhammad Hussain Chaudhary. Company's Employee.
Suzuki Cultus LXR-9991	1	564	459	105	393	288	Negotiation	Nabeel Riaz, Lahore.
Daihastu Terios LEC-08-5335	1	782	157	625	782	157	Negotiation	Zulfiqar Ali, Faisalabad.
Suzuki Baleno LRZ-6488	1	792	548	244	537	293	Negotiation	Naeem Siddiqui, Lahore.
Honda City LRU-2203	1	849	524	325	328	3	Negotiation	Zaheer Ahmad, Company's Employee.
Fork Lifter	1	1 026	956	70	455	385	Negotiation	Al-Barkat Enterprises, Sheikhupura .
Toyota Corolla LZF-0364	1	1 227	807	420	522	102	Negotiation	Saqib Nisar, Company's Employee.
Honda City LRZ-1753	1	816	480	336	339	3	Negotiation	Faisal Chaudhary, Company's Employee.
DODGE M / BUS LRO-2464	1	600	387	213	222	9	Negotiation	Muhammad Altaf, Lahore.
Toyota Corolla LWL-9906	1	988	413	575	800	225	Insurance Claim	Security General Insurance Company Limited.
Suzuki Cultus LRD-9591	1	594	437	157	354	197	Negotiation	Waseem Riaz, Lahore.
Toyota Corolla LRR-4887	1	1 040	657	383	415	32	Negotiation	Azhar Ali Hashmat, Ex-Company's Employee.
Mitsubishi Lancer 1.3 GLX LEB-06-1731	1	973	387	586	718	132	Negotiation	Argosy Enterprises, Lahore.
Suzuki Baleno FS-1543	1	788	556	232	249	17	Negotiation	Mukhtar Ahmad, Company's Employee.
Honda City LZW-6483	1	891	397	494	580	86	Negotiation	Amir Rauf, Lahore.
Toyota Corolla 2.0 D LRE-8153	1	1 025	790	235	678	443	Negotiation	Alam Zab Khan, Islamabad.
Mitsubishi Lancer LZJ-0361	1	1 480	866	614	761	147	Negotiation	Sheikh Yasir Yousaf, Lahore.
Suzuki Cultus LRQ-8013	1	598	396	202	437	235	Negotiation	Argosy Enterprises, Lahore.
Suzuki Cultus FDZ-3029	1	592	451	141	144	3	Negotiation	Muhammad Saleem. Faisalabad.
Honda City LWL-2304	1	899	386	513	548	35	Negotiation	Faiq Moeen, Ex-Company's Employee.
Suzuki Alto LXW-5362	1	475	379	96	215	119	Negotiation	Babar Ali, Lahore.
		28 307	17 677	10 630	14 546	3 916		
Furniture and Fixtures		1 539	1 085	454	464	10	Negotiation	Muhammad Nadeem, Faisalabad.
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50 000		16 055	10 514	5 541	5 414	(127)		
		85 412	**57 695**	**27 717**	**29 784**	**2 067**		

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
12.1.2 Depreciation charge for the year has been allocated as follows:		
Owned		
Cost of sales (Note 26.3)	**1 058 264**	1 010 927
Distribution cost (Note 27)	**3 654**	2 502
Administrative expenses (Note 28)	**55 013**	58 236
	1 116 931	1 071 665
Leased		
Cost of sales (Note 26.3)	**-**	6 845
	1 116 931	1 078 510

12.2 Capital work in progress

	2009	2008
Building on freehold land	**30 756**	51 974
Plant and machinery	**62 064**	213 937
Electric installations	**54**	3 820
Letters of credit against machinery	**402**	756
Letters of credit and advances against furniture and office equipment	**1 738**	5 646
Advances against vehicles	**2 266**	5 915
	97 280	282 048

13. INVESTMENT PROPERTIES

	Cost			Accumulated Depreciation				Book Value
	As at 01 July 2008	Transfer from operating assets	As at 30 June 2009	As at 01 July 2008	Transfer from operating assets	For the year	As at 30 June 2009	As at 30 June 2009
	------(RUPEES IN THOUSAND)------							
Land	-	18 756	18 756	-	-	-	-	18 756
Buildings	-	46 090	46 090	-	21 209	2 588	23 797	22 293
	-	64 846	64 846	-	21 209	2 588	23 797	41 049

13.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 2.588 million charged during the year is allocated to other operating expenses. No expenses directly related to investment properties were incurred during the year.

13.2 The market value of land and buildings is estimated at Rupees 188.557 million. The valuation have been carried out by independent valuer.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
14. LONG TERM INVESTMENTS		
Subsidiary Companies		
Nishat Power Limited - unquoted (Note 14.1) 160 187 500 (30 June 2008: 64 000 000) fully paid ordinary shares of Rupees 10 each. Equity held 65.24% (30 June 2008: 80%)	**1 601 875**	640 000
Add: Advance for purchase of shares	**-**	12 600
	1 601 875	652 600
Nishat USA Inc. 200 (30 June 2008: Nil) fully paid shares with no par value per share	**3 056**	-
Available for sale		
Associated companies (with significant influence)		
D.G. Khan Cement Company Limited - quoted 95 537 640 (30 June 2008: 79 614 700) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (30 June 2008: 31.40%)	**2 577 414**	2 258 955
MCB Bank Limited - quoted 47 810 242 (30 June 2008: 42 532 657) fully paid ordinary shares of Rupees 10 each. Equity held 6.92% (30 June 2008: 6.77%)	**7 955 322**	7 829 979
Nishat Paper Products Company Limited - unquoted 11 634 199 (30 June 2008:11 634 199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (30 June 2008: 25 %) (Note 14.2)	**116 342**	116 342
Associated company (other)		
Adamjee Insurance Company Limited - quoted 33 034 (30 June 2008: 30 031) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (30 June 2008: 0.03%) (Note 14.3)	**3 725**	3 725
Other		
Habib Bank Limited - quoted 132 (30 June 2008: 110) fully paid ordinary shares of Rupees 10 each	**24**	24
	12 257 758	10 861 625
Less: Impairment loss charged to profit and loss account (Note 29)	**(963)**	-
Add / (Less): Fair value adjustment	**(303 846)**	9 107 824
	11 952 949	19 969 449

14.1 The Company has to maintain atleast 51% holding in the share capital of Nishat Power Limited (NPL) during the period of first six years from the date of commercial operations of NPL. Moreover, the Company has pledged its 148 537 500 (30 June 2008: 28 560 000) shares to lenders of NPL for the purpose of securing finance.

14.2 Fair value per share of Rupees 8.64 is calculated by independent valuer on the basis of net assets value method applied on unaudited financial statements of Nishat Paper Products Company Limited for the year ended 30 June 2009.

14.3 Adamjee Insurance Company Limited is associated company due to common directorship.

14.4 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a 'Floor Mechanism' on the market value of securities based on the closing price of securities prevailing as at 27 August 2008. Under the 'Floor Mechanism', the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Subsequently, there were lower floors on a number of securities.

International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be charged to profit and loss account.

In order to comply with the requirements of IAS 39 and in view of market conditions and current economic scenario in the country, the Company decided to record full impairment of Rupees 17.259 million against those available for sale securities where fair market values were less than their cost as at 30 June 2009. Hence, the Company has not availed the relaxation allowed by Statutory Notification SRO 150(I)/2009 dated 13 February 2009 of the Securities and Exchange Commission of Pakistan.

As regard the equity investment in MCB Bank Limited, two directors of the Company were elected on the board of MCB Bank Limited on 27 March 2009, coupled with nomination on key board committees, the management of the Company believes that it has acquired significant influence over the operating and financial policy decisions made by MCB Bank Limited. Hence, investment in MCB Bank Limited is classified as equity investment in associated company with significant influence. The management, in accordance with provisions of IAS 36, 'Impairment of Assets' has determined the recoverable amount of its investment i.e. higher of fair value less cost to sell and value in use. Based on favourable value in use, the management concludes that the carrying amount of investment in MCB Bank Limited does not exceed from its recoverable amount.

Based on value in use calculations as at 30 June 2009, there was no impairment loss on investments in subsidiaries (tested for impairment under IAS 36), other investments in associates with significant influence (tested for impairment under IAS 36 'Impairment of Assets').

		(RUPEES IN THOUSAND) 2009	2008 (Restated)
15.	**LONG TERM LOANS**		
	Secured - considered good:		
	Executives (Note 15.1)	**11 688**	8 391
	Other employees	**9 774**	5 857
		21 462	14 248
	Less: Current portion shown under current assets (Note 20)		
	Executives	**5 339**	3 429
	Other employees	**3 756**	2 697
		9 095	6 126
		12 367	8 122

15.1 Reconciliation of carrying amount of loans to executives:

	2009	2008
Opening balance as at 01 July	**8 391**	9 294
Add: Disbursements	**10 667**	5 073
	19 058	14 367
Less: Repayments	**7 370**	5 976
Closing balance as at 30 June	**11 688**	8 391

15.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 11.688 million (30 June 2008: Rupees 11.491 million).

15.2 These represent interest free house construction loans given to executives and employees and are secured against balance to the credit of employee in the provident fund trust . These are recoverable in equal monthly installments.

15.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

		(RUPEES IN THOUSAND) 2009	2008 (Restated)
16.	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Security deposits	**11 631**	9 644
	Prepayments	**1 086**	1 964
		12 717	11 608
	Less: Current portion shown under current assets (Note 21)	**869**	877
		11 848	10 731
17.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores (Note 17.1)	**385 406**	354 372
	Spare parts	**175 309**	158 058
	Loose tools	**536**	684
		561 251	513 114

17.1 This includes stores in transit of Rupees 37.106 million (30 June 2008: Rupees 37.010 million).

18.	**STOCK IN TRADE**		
	Raw materials	**1 398 655**	1 800 826
	Work in process	**1 529 335**	1 207 658
	Finished goods (Note 18.1 and 18.2)	**1 164 522**	1 154 710
		4 092 512	4 163 194

18.1 Finished goods include inventory of Rupees 125.657 million (30 June 2008: Rupees 131.671 million) valued at net realizable value.

18.2 Finished goods include stock in transit of Rupees 118.559 million (30 June 2008: Rupees 83.590 million).

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
19. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	**393 871**	608 249
Unsecured	**906 495**	778 897
	1 300 366	1 387 146
Considered doubtful:		
Others - unsecured	**107 460**	27 000
Less: Provision for doubtful debts		
As at 01 July	**27 000**	-
Add: Provision for the year	**80 460**	27 000
As at 30 June	**107 460**	27 000
	-	-

19.1 As at 30 June 2009, trade debts of Rupees 329.368 million (30 June 2008: Rupees 296.489 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2009	2008
Upto 1 month	**111 446**	160 245
1 to 6 months	**80 044**	20 086
More than 6 months	**137 878**	116 158
	329 368	296 489

19.2 As at 30 June 2009, trade debts of Rupees 107.46 million (30 June 2008 : Rupees 27 million) were impaired and provided for. The ageing of these trade debts was more than six months.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
20. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
– Executives	**492**	392
– Other employees	**3 228**	3 485
	3 720	3 877
Current portion of long term loans (Note 15)	**9 095**	6 126
Advances to suppliers	**70 808**	52 314
Letters of credit	**1 369**	1 398
Employees' provident fund trust	**-**	2 201
Income tax	**307 275**	306 557
Other advances	**69 758**	39 429
	462 025	411 902
Considered doubtful:		
Others	**108**	108
Less: Provision for doubtful debts	**108**	108
	-	-
	462 025	411 902

	2009	2008 (Restated)
21. SHORT TERM DEPOSITS AND PREPAYMENTS		
Deposits	**24 908**	26 794
Prepayments - including current portion (Note 16)	**4 972**	6 647
	29 880	33 441

	2009	2008 (Restated)
22. OTHER RECEIVABLES		
Considered good:		
Export rebate and claims	**123 674**	155 682
Sales tax refundable	**179 801**	208 982
Miscellaneous receivables	**19 525**	12 542
	323 000	377 206

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
23. SHORT TERM INVESTMENTS		
Subsidiary Company		
Nishat Power Limited - unquoted (Note 23.1) 29 812 498 (30 June 2008: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 65.24% (30 June 2008: 80%)	**298 125**	-
Available for sale		
Associated company		
Security General Insurance Company Limited - unquoted (Note 23.2)		
10 226 244 (30 June 2008: 10 226 244) fully paid ordinary shares of Rupees 10 each. Equity held 15.02 % (30 June 2008: 15.02%)	**11 188**	11 188
Others		
Nishat (Chunian) Limited - quoted 11 256 661 (30 June 2008: 10 233 329) fully paid ordinary shares of Rupees 10 each. Equity held 13.61 % (30 June 2008: 13.61 %)	**109 931**	109 931
5 628 330 (30 June 2008: Nil) fully paid non voting convertible cumulative preferred shares of Rupees 10 each. Extent of investment held 13.61 %	**56 283**	-
Pakistan Strategic Allocation Fund - quoted 500 000 (30 June 2008: 500 000) fully paid certificates of Rupees 10 each	**5 000**	5 000
	480 527	126 119
Less: Impairment loss charged to profit and loss account (Note 29)	**(16 296)**	-
Add: Fair value adjustment	**950 079**	1 729 708
	1 414 310	1 855 827

23.1 This represents ordinary shares of Nishat Power Limited offered for sale at a price of Rupees 10 per share.

23.2 Fair value per share of Rupees 94 is calculated by independent valuer on the basis of dividend stream method. Security General Insurance Company Limited is associated company due to common directorship.

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
24. CASH AND BANK BALANCES		
With banks:		
On PLS saving accounts Including US$ 114 876 (30 June 2008: US$ 17 108)	**9 359**	2 954
On current accounts (Note 24.1) Including US$ 159 536 (30 June 2008: US$ 134 175)	**96 121**	66 651
	105 480	69 605
Cash in hand	**6 014**	6 944
	111 494	76 549

24.1 Cash at banks includes balance of Rupees 50.122 million (30 June 2008: Rupees 34.526 million) with MCB Bank Limited - associated company.

24.2 Rate of profit on bank deposits ranges from 0.24% to 10.00% (30 June 2008: 0.1% to 10.00%) per annum.

25. SALES		
Export	**18 634 158**	15 108 043
Local (Note 25.1)	**5 156 436**	4 414 325
Export rebate	**79 785**	67 436
	23 870 379	19 589 804
25.1 Local sales		
Sales (Note 25.2)	**5 143 840**	4 316 247
Less: Sales tax	**41 656**	8 193
	5 102 184	4 308 054
Processing income	**51 496**	99 803
Doubling income	**2 756**	6 468
	5 156 436	4 414 325

25.2 It includes sale of Rupees 456.841 million (30 June 2008: Rupees 1 042.783 million) made to direct exporters against special purchase order (SPO). Further, local sales includes waste sale of Rupees 652.248 million (30 June 2008: Rupees 543.146 million).

25.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 167.095 million (30 June 2008: Rupees 15.696 million) has been included in export sales.

26. COST OF SALES

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
Raw material consumed (Note 26.1)	**5 919 709**	5 518 217
Cloth and yarn purchased / used	**5 820 051**	5 512 972
Processing charges	**79 104**	123 445
Salaries, wages and other benefits (Note 26.2)	**1 730 455**	1 358 594
Stores, spare parts and loose tools	**2 184 346**	1 544 067
Packing materials consumed	**451 611**	422 772
Repair and maintenance	**166 351**	109 926
Fuel and power	**2 149 417**	1 450 303
Insurance	**27 632**	24 701
Other factory overheads	**263 387**	184 492
Depreciation (Note 26.3)	**1 058 264**	1 017 772
	19 850 327	17 267 261
Work-in-process		
Opening stock	**1 207 658**	963 417
Closing stock	**(1 529 335)**	(1 207 658)
	(321 677)	(244 241)
Cost of goods manufactured	**19 528 650**	17 023 020
Finished goods		
Opening stock	**1 154 710**	909 748
Closing stock	**(1 164 522)**	(1 154 710)
	(9 812)	(244 962)
Cost of sales	**19 518 838**	16 778 058

26.1 Raw material consumed

Opening stock	**1 800 826**	1 264 787
Add: Purchased during the year	**5 517 538**	6 054 256
	7 318 364	7 319 043
Less: Closing stock	**1 398 655**	1 800 826
	5 919 709	5 518 217

26.2 Salaries, wages and other benefits include provident fund contribution of Rupees 47.918 million (30 June 2008: Rupees 38.597 million) by the Company.

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
26.3 Depreciation		
Operating assets		
- Owned (Note 12.1.2)	**1 058 264**	1 010 927
- Leased	**-**	6 845
	1 058 264	1 017 772

27. DISTRIBUTION COST

Salaries and other benefits (Note 27.1)	**90 099**	71 709
Outward freight and handling	**730 797**	599 006
Commission to selling agents	**346 630**	265 153
Rent, rates and taxes	**4 321**	2 644
Insurance	**8 168**	6 934
Traveling and conveyance	**45 007**	28 588
Vehicles' running	**5 883**	2 523
Entertainment	**2 457**	1 095
Advertisement	**17 077**	6 450
Postage, telephone and telegram	**52 677**	21 224
Electricity and gas	**3 457**	553
Printing and stationery	**2 308**	1 124
Repair and maintenance	**3 077**	342
Fee and subscription	**18**	9
Depreciation - owned assets (Note 12.1.2)	**3 654**	2 502
	1 315 630	1 009 856

27.1 Salaries and other benefits include provident fund contribution of Rupees 4.548 million (30 June 2008: Rupees 3.857 million) by the Company.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)

28. ADMINISTRATIVE EXPENSES

Salaries and other benefits (Note 28.1)	**261 412**	195 878
Rent, rates and taxes	**7 428**	27 036
Legal and professional	**7 861**	9 394
Insurance	**4 412**	4 094
Traveling and conveyance	**19 375**	19 406
Vehicles' running	**20 620**	17 979
Entertainment	**7 333**	5 120
Auditors' remuneration (Note 28.2)	**2 056**	2 061
Advertisement	**28**	235
Postage, telephone and telegram	**5 544**	6 390
Electricity and gas	**8 074**	10 330
Printing and stationery	**13 135**	12 460
Repair and maintenance	**9 166**	5 946
Fee and subscription	**5 250**	1 154
Research and development (Note 28.4)	**-**	44 103
Depreciation – owned assets (Note 12.1.2)	**55 013**	58 236
Miscellaneous	**8 305**	10 076
	435 012	429 898

28.1 Salaries and other benefits include provident fund contribution of Rupees 10.077 million (30 June 2008: Rupees 7.408 million) by the Company.

28.2 Auditors' remuneration

Riaz Ahmad and Company		
Audit fee	**1 656**	1 406
Half yearly review	**347**	315
Reimbursable expenses	**53**	53
A.F. Ferguson and Company (Note 28.3)		
Audit fee	**-**	250
Reimbursable expenses	**-**	37
	2 056	2 061

28.3 This represents annual audit fee of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) - merged entity.

	2009	2008 (Restated)
	(RUPEES IN THOUSAND)	

28.4 Research and development

	2009	2008
Support on account of research and development (Note 28.4.1)	-	248 795
Less: Utilization		
Product development	-	183 782
Upgradation of information technology	-	3 075
Professional consultancy	-	19 883
Market research	-	42 006
Environment improvement	-	34 488
Participation in exhibition	-	9 664
	-	292 898
	-	44 103

28.4.1 The research and development support was given by Ministry of Commerce, Government of Pakistan vide SRO 803(I)/2006 dated 04 August 2006 in order to encourage and regulate the research and development in textile sector.

29. OTHER OPERATING EXPENSES

	2009	2008
Workers' profit participation fund (Note 8.2)	**82 641**	70 497
Workers' welfare fund	**5 886**	-
Loss on sale of property, plant and equipment	**-**	12 375
Provision for doubtful debts (Note 19)	**80 460**	27 000
Impairment loss on equity investments	**17 259**	-
Depreciation on investment properties	**2 588**	-
Amortization of deferred cost	**-**	158
Donation (Note 29.1)	**2 774**	751
	191 608	110 781

29.1 There is no interest of any director or his spouse in donees' fund.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
30. OTHER OPERATING INCOME		
Income from financial assets		
Dividend income (Note 30.1)	**511 333**	668 832
Profit on deposits with banks	**1 127**	2 102
	512 460	670 934
Income from non financial assets		
Gain on sale of property, plant and equipment	**2 067**	-
Scrap sales	**64 911**	74 399
Rental income from investment properties	**19 451**	-
Others	**117**	2 346
	86 546	76 745
	599 006	747 679

30.1 Dividend income

	2009	2008
From related parties / associated companies		
D.G. Khan Cement Company Limited	**-**	119 422
MCB Bank Limited	**483 561**	512 268
Nishat (Chunian) Limited	**-**	15 350
Nishat (Chunian) Limited - Preferred shares	**1 781**	-
Adamjee Insurance Company Limited	**75**	90
Security General Insurance Company Limited	**25 566**	20 452
	510 983	667 582
Others		
Pakistan Strategic Allocation Fund	**350**	1 250
	511 333	668 832

31. FINANCE COST

	2009	2008
Mark-up on:		
Long term financing	**253 319**	213 895
Short term borrowings	**986 878**	617 294
Interest on workers' profit participation fund (Note 8.2)	**2 787**	2 888
Finance charges on lease liabilities	**-**	2 186
Bank charges and commission	**203 812**	114 353
	1 446 796	950 616

32. PROVISION FOR TAXATION

	2009	2008
Current (Note 32.1)	**293 500**	261 100

32.1 The company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly.

32.2 Provision for deferred tax is not required as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future except for deferred tax liability as explained in note 7.

32.3 Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

		2009	2008 (Restated)

33. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

		2009	2008 (Restated)
Profit attributable to ordinary shares	(Rupees in thousand)	**1 268 001**	5 857 587
Weighted average number of ordinary shares	(Numbers)	**186 332 202**	158 914 725
Earnings per share	(Rupees)	**6.81**	36.86

34. CASH GENERATED FROM OPERATIONS

	(RUPEES IN THOUSAND) **2009**	2008 (Restated)
Profit before taxation	**1 561 501**	6 118 687
Adjustments for non-cash charges and other items:		
Depreciation	**1 119 519**	1 078 510
Provision for doubtful debts	**80 460**	27 000
(Gain) / loss on sale of property, plant and equipment	**(2 067)**	12 375
Gain on sale of investment	**-**	(5 060 413)
Exchange difference on investment in foreign subsidiary	**(117)**	-
Provision for gratuity	**-**	4 655
Dividend Income	**(511 333)**	(668 832)
Impairment loss on investments	**17 259**	-
Amortization of deferred cost	**-**	158
Finance cost	**1 446 796**	950 616
Working capital changes (Note 34.1)	**154 306**	(1 506 730)
	3 866 324	956 026

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
34.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	**(48 137)**	(80 449)
- Stock in trade	**70 682**	(1 025 241)
- Trade debts	**6 320**	(627 501)
- Loans and advances	**(46 436)**	29 822
- Short term deposits and prepayments	**3 553**	(2 918)
- Other receivables	**55 987**	(32 017)
	41 969	(1 738 304)
Increase in trade and other payables	**112 337**	231 574
	154 306	(1 506 730)

35. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2009 of Rupees 2 per share (30 June 2008: Rupees 2.50 per share) at their meeting held on 25 August 2009.The Board of directors also proposed to transfer Rupees 948 Million (30 June 2008: Rupees 4 870 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Balance Sheet Date' and have not been recognized in these financial statements.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2009	2008	**2009**	2008	**2009**	2008
	(RUPEES IN THOUSAND)					
Managerial remuneration	**6 297**	3 871	**2 043**	2 453	**53 195**	41 162
Allowances						
Cost of living allowance	-	-	**7**	8	**248**	227
House rent	**2 519**	1 742	**775**	1 115	**17 092**	15 562
Conveyance	**-**	-	**-**	-	**84**	96
Medical	-	-	**205**	90	**3 627**	1 733
Utilities	**630**	194	**186**	147	**4 572**	2 665
Special allowance	**-**	-	**2**	2	**91**	92
Contribution to provident fund	**-**	-	**162**	136	**4 177**	3 125
Leave encashment	**-**	-	**-**	-	**1 559**	1 089
	9 446	5 807	**3 380**	3 951	**84 645**	65 751
Number of persons	**1**	1	**3**	4	**65**	58

36.1 Chief executive, three directors and certain executives of the Company are provided with free maintained vehicles and certain executives are also provided with free housing facility alongwith utilities.

36.2 No remuneration was paid to directors as meeting fee during the current year and previous year.

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary companies, associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
Subsidiary companies		
Sale of vehicles	**-**	1 763
Share deposit money	**1 277 400**	652 600
Investment made	**1 290 000**	640 000
Purchase of goods and services	**13 599**	-
Associated companies		
Purchase of goods and services	**11 460**	192 991
Sale of goods and services	**31**	-
Sale of vehicles	**800**	-
Purchase of plant and machinery	**-**	19 587
Purchase of vehicles	**2 129**	-
Dividend income	**509 202**	652 232
Dividend paid	**52 564**	52 564
Insurance premium paid	**52 571**	44 558
Insurance claim received	**16 089**	1 949
Profit on saving accounts	**77**	-
Subscription paid	**375**	-
Other related parties		
Purchase of goods and services	**127 669**	132 958
Sale of goods and services	**107 233**	83 203
Sale of property, plant and equipment	**300**	-
Dividend income	**-**	15 350
Company's contribution to provident fund trust	**62 543**	49 862

		(FIGURES IN THOUSAND) 2009	2008 (Restated)
38. PLANT CAPACITY AND ACTUAL PRODUCTION			
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Kgs.)	**62 944**	62 106
Actual production converted to 20s count based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Kgs.)	**57 088**	55 643
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Sq.Mt.)	**218 015**	208 869
Actual production converted to 50 picks based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Sq.Mt.)	**203 034**	195 222
Dyeing and Finishing			
Production capacity for 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Mt.)	**48 000**	48 132
Actual production on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Mt.)	**45 256**	43 371
Power Plant			
Generation capacity	(KWH)	**494 784**	446 991
Actual generation	(KWH)	**341 964**	301 360

Processing, Stitching and Apparel

The plant capacity of these divisions are indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

38.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to normal maintenance.

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2009	2008
Cash at banks - USD	**274 412**	151 283
Trade debts - USD	**10 091 716**	13 220 029
Trade debts - Euro	**1 549 868**	1 003 304
Trade and other payable - USD	**1 347 861**	534 354
Net exposure - USD	**9 018 267**	12 836 958
Net exposure - Euro	**1 549 868**	1 003 304

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	**79.09**	62.77
Reporting date rate	**81.47**	68.35
Rupees per Euro		
Average rate	**108.05**	93.38
Reporting date rate	**115.24**	107.40

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 33.797 million and Rupees 8.216 million (30 June 2008: Rupees 40.361 million and Rupees 4.957 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation		Impact on other components of equity (fair value reserve)	
	2009	2008	**2009**	2008
	.... (Rupees in thousand)			
KSE 100 (5% increase)	**-**	-	**7 885**	12 923
KSE 100 (5% decrease)	**7 333**	215	**-**	12 692

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	(RUPEES IN THOUSAND)	
	2009	2008
Fixed rate instruments		
Financial liabilities		
Long term financing	**1 692 724**	2 051 037
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	**9 359**	2 954
Financial liabilities		
Long term financing	**1 075 000**	299 800
Short term borrowings	**7 342 600**	9 338 574

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 78.284 million (30 June 2008: Rupees 89.637 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	(RUPEES IN THOUSAND) 2009	2008
Investments	**1 118 971**	1 863 980
Loans and advances	**94 940**	57 554
Deposits	**36 539**	36 438
Trade debts	**1 300 366**	1 387 146
Other receivables	**19 525**	12 542
Bank balances	**105 480**	69 605
	2 675 821	3 427 265

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2009	2008
	Short Term	Long Term	Agency	(Rupees in Thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**1 842**	1 832
Allied Bank Limited	A1+	AA	PACRA	**6 511**	-
Askari Bank Limited	A1+	AA	PACRA	**211**	310
Bank Alfalah Limited	A1+	AA	PACRA	**2 825**	54
Faysal Bank Limited	A1+	AA	PACRA	**618**	8 847
Habib Bank Limited	A-1+	AA+	JCR-VIS	**14**	967
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**38**	30
JS Bank Limited	A1	A	PACRA	**9 168**	163
KASB Bank Limited	A1	A	PACRA	**77**	894
MCB Bank Limited	A1+	AA+	PACRA	**50 122**	34 526
NIB Bank Limited	A1+	AA -	PACRA	**204**	207
The Royal Bank of Scotland Limited	A1+	AA	PACRA	**140**	624
Samba Bank Limited	A-1	A	JCR-VIS	**5**	105
Silkbank Limited	A-3	A -	JCR-VIS	**47**	8
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**12 589**	6 805
United Bank Limited	A-1+	AA+	JCR-VIS	**110**	143
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	**225**	426
Citibank N.A.	P-1	A1	Moody's	**12 618**	11 577
Deutsche Bank AG	P-1	Aa1	Moody's	**5**	454
HSBC Bank Middle East Limited	P-1	Aa2	Moody's	**4 214**	-
Bank Islami Pakistan Limited	A1	A	PACRA	**2 605**	43
Meezan Bank Limited	A-1	A+	JCR-VIS	**1 292**	1 590
				105 480	69 605
Investments					
Adamjee Insurance Company Limited	AA		PACRA	**2 775**	8 130
Security General Insurance Company Limited	A		JCR-VIS	**961 267**	1 605 520
Pakistan Strategic Allocation Fund	4 Star		PACRA	**1 715**	4 605
				965 757	1 618 255
				1 071 237	1 687 860

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 19.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2009, the Company had Rupees 12 734 million available borrowing limits from financial institutions and Rupees 111.494 million cash and bank balances. Inspite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2009

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	----------------------------	(Rupees in thousand)	----------------------------			
Long term financing	2 767 724	3 446 320	226 627	545 805	1 157 417	1 516 471
Trade and other payables	1 126 920	1 126 920	1 126 920	-	-	-
Short term borrowings	7 342 600	7 906 428	7 079 921	826 507	-	-
	11 237 244	12 479 668	8 433 468	1 372 312	1 157 417	1 516 471

Contractual maturities of financial liabilities as at 30 June 2008

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	----------------------------	(Rupees in thousand)	----------------------------			
Long term financing	2 350 837	2 626 894	718 853	483 138	880 461	544 442
Trade and other payables	976 016	976 016	976 016	-	-	-
Short term borrowings	9 338 574	10 139 255	8 445 872	1 693 383	-	-
	12 665 427	13 742 165	10 140 741	2 176 521	880 461	544 442

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 6 and note 10 to these financial statements.

39.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

39.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2009			
Assets as per balance sheet			
Investments	-	1 118 971	1 118 971
Loans and advances	94 940	-	94 940
Deposits	36 539	-	36 539
Trade debts	1 300 366	-	1 300 366
Other receivables	19 525	-	19 525
Cash and bank balances	111 494	-	111 494
	1 562 864	1 118 971	2 681 835

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	2 767 724
Accrued mark-up	202 777
Short term borrowings	7 342 600
Trade and other payables	1 126 920
	11 440 021

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2008			
Assets as per balance sheet			
Investments	-	1 863 980	1 863 980
Loans and advances	57 554	-	57 554
Deposits	36 438	-	36 438
Trade debts	1 387 146	-	1 387 146
Other receivables	12 542	-	12 542
Cash and bank balances	76 549	-	76 549
	1 570 229	1 863 980	3 434 209

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	2 350 837
Short term borrowings	9 338 574
Trade and other payables	976 016
Accrued mark-up	214 583
	12 880 010

39.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 6 and 10 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity.

		2009	2008 (Restated)
Borrowings	Rupees in thousand	**10 110 324**	11 689 411
Total equity	Rupees in thousand	**19 330 767**	26 492 070
Total capital employed	Rupees in thousand	**29 441 091**	38 181 481
Gearing ratio	Percentage	**34.34**	30.62

The increase in the gearing ratio resulted primarily from increase in borrowings from the banks and decrease in fair value reserves due to decrease in market value of shares.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 25 August 2009 by the Board of Directors of the Company.

41. CORRESPONDING FIGURES

Corresponding figures of assets, liabilities, income and expenses have been restated and include amounts pertaining to Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) pursuant to its amalgamation with Nishat Mills Limited which is effective from 01 July 2008 (as more fully explained in note 3 to the financial statements).

42. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NISHAT

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited results of Nishat Mills and its subsidiaries for the year ended 30 June, 2009. The results comprise financial statements of Nishat Mills Limited, Nishat USA Incorporation and Nishat Power Limited. The Company has annexed consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Accounting Standards-27 (Consolidated and Separate Financial Statements).

The Directors report, giving a commentary on the performance of Nishat Mills Limited for the year ended 30 June, 2009 has been presented separately.

Nishat USA Incorporation

Nishat USA, Inc. a wholly owned subsidiary of Nishat Mills Limited, is a corporation service company incorporated on 22nd May, 2006 under the Business Corporation Law of The State of New York. The registered office of the corporation is situated at 676 Broadway, New York, NY 10012, U.S.A. Nishat Mills Limited acquired 200 fully paid shares, with no par value per share, of capital stock of Nishat USA, Inc. on 1st October, 2008. Nishat USA Inc. is a liaison office of Nishat Mills Limited marketing department and is providing marketing services in USA to Nishat Mills Limited.

In their report to shareholders, auditors have emphasized that consolidated financial statements includes un-audited figures pertaining to Nishat USA Incorporation. As the business corporation laws of USA does not require the audit of accounts of the incorporation, the management has used un-audited financial statements of Nishat USA Incorporation to prepare the consolidated financial statements.

Nishat Power Limited

Nishat Power Limited, incorporated under the Companies Ordinance, 1984 on 23 February 2007, is the subsidiary company of Nishat Mills Limited and is unlisted public limited company. Nishat Mills Limited owns and controls 65.24% shares of the Nishat Power Limited.

The principle business of the subsidiary is generation, distribution, sale and supply of electricity to National Transmission and Dispatch Company Limited, under a 25 year power purchase agreement with WAPDA. The company has got Generation License from NEPRA and Letter of Support and Implementation Agreement from Government of Pakistan.

The project is a 200 MW RFO fired Reciprocating Engine Technology Combined Cycle power plant and will operate on residual furnace oil. Total project cost is estimated to be Rs. 17 704 million and capital structure will comprise of a debt equity ratio of 80:20. The state of the art engines, generating sets and all other equipments has been procured from Wartsila Finland Oy and transported to plant located at Jambar Kalan near Lahore. The entire civil work, erection and installation work was started during 2008 and the plant is expected to start commercial production by September 30, 2009.

For and on behalf of Board of Directors

Lahore:
August 25, 2009

(Mian Umer Mansha)
Chief Executive/Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Nishat Mills Limited (the Holding Company) and its Subsidiary Companies (together referred to as Group) as at 30 June 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Nishat Mills Limited. The financial statements of the Subsidiary Company, Nishat Power Limited was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditors. The financial statements of Nishat USA Inc. (Subsidiary Company) at the date of acquisition and for the period ended 30 June 2009 were unaudited. Hence, negative goodwill of Rupees 127 030 at the date of acquisition, total assets and total liabilities of Rupees 3 491 963 and Rupees 173 124 respectively as at 30 June 2009 and net profit of Rupees 134 814 for the period ended 30 June 2009 pertaining to such Subsidiary Company have been incorporated in these consolidated financial statements by the management using the unaudited financial statements. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except for any adjustments that may have been required due to the unaudited figures in respect of Nishat USA Inc. (Subsidiary Company) as referred to in the first paragraph of the report, the consolidated financial statements present fairly the financial position of Nishat Mills Limited and its Subsidiary Companies as at 30 June 2009 and the results of their operations for the year then ended.

Riaz Ahmad & Company
Chartered Accountants

Sarfraz Mahmood

Lahore:
August 25, 2009

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009

	Note	(RUPEES IN THOUSAND) 2009	2008 (Restated)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1 100 000 000 (30 June 2008: 178 470 000) ordinary shares of Rupees 10 each		**11 000 000**	1 784 700
Issued, subscribed and paid up share capital	4	**2 424 827**	1 597 857
Reserves	5	**22 085 845**	29 662 019
Equity attributable to equity holders of the parent		**24 510 672**	31 259 876
Minority Interest		**1 006 517**	158 261
Total equity		**25 517 189**	31 418 137
NON-CURRENT LIABILITIES			
Long term financing	6	**13 730 957**	4 163 725
Deferred tax	7	**249 396**	418 512
		13 980 353	4 582 237
CURRENT LIABILITIES			
Trade and other payables	8	**1 989 640**	1 210 214
Accrued mark-up	9	**638 872**	305 155
Short term borrowings	10	**7 342 600**	9 338 574
Current portion of long term financing	6	**686 753**	1 028 925
Provision for taxation		**315 918**	276 988
		10 973 783	12 159 856
TOTAL LIABILITIES		**24 954 136**	16 742 093
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		**50 471 325**	48 160 230

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

	Note	(RUPEES IN THOUSAND) 2009	2008 (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**26 793 589**	15 218 188
Investment properties	13	**41 049**	-
Long term investments	14	**15 546 837**	24 100 840
Long term loans	15	**12 367**	8 122
Long term deposits and prepayments	16	**12 174**	10 731
		42 406 016	39 337 881
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**561 380**	513 114
Stock in trade	18	**4 092 512**	4 163 194
Trade debts	19	**1 300 366**	1 387 146
Loans and advances	20	**462 256**	412 006
Short term deposits and prepayments	21	**30 491**	33 541
Other receivables	22	**331 255**	378 588
Short term investments	23	**1 116 185**	1 855 827
Cash and bank balances	24	**170 864**	78 933
		8 065 309	8 822 349
TOTAL ASSETS		**50 471 325**	48 160 230

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009	2008 (Restated)
		(RUPEES IN THOUSAND)	
SALES	25	**23 870 379**	19 589 804
COST OF SALES	26	**19 518 838**	16 778 058
GROSS PROFIT		**4 351 541**	2 811 746
DISTRIBUTION COST	27	**1 315 461**	1 009 856
ADMINISTRATIVE EXPENSES	28	**440 953**	431 300
OTHER OPERATING EXPENSES	29	**191 608**	110 877
		1 948 022	1 552 033
		2 403 519	1 259 713
OTHER OPERATING INCOME	30	**487 041**	629 688
GAIN ON SALE OF INVESTMENT		**-**	5 060 413
PROFIT FROM OPERATIONS		**2 890 560**	6 949 814
FINANCE COST	31	**1 446 796**	950 616
		1 443 764	5 999 198
SHARE OF PROFIT IN ASSOCIATED COMPANIES	14.1	**494 774**	191 539
PROFIT BEFORE TAXATION		**1 938 538**	6 190 737
PROVISION FOR TAXATION	32	**296 292**	261 100
PROFIT AFTER TAXATION		**1 642 246**	5 929 637
SHARE OF PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF PARENT		**1 642 646**	5 929 631
MINORITY INTEREST		**(400)**	6
		1 642 246	5 929 637
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	33	**8.82**	37.31

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009	2008 (Restated)
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**4 524 920**	1 059 449
Finance cost paid		**(1 113 077)**	(875 634)
Income tax paid		**(258 035)**	(237 293)
Gratuity paid		**(3 746)**	(2 226)
Net (increase) / decrease in long term loans		**(7 214)**	1 147
Net increase in long term deposits and prepayments		**(1 435)**	(2 234)
Net cash from operating activities		**3 141 413**	(56 791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**30 514**	134 326
Proceeds from sale of investment		**-**	7 952 746
Dividends received		**509 552**	668 832
Investments made		**(497 284)**	(9 560 605)
Acquisition of foreign subsidiary		**(2 801)**	-
Capital expenditure of property, plant and equipment		**(12 764 168)**	(4 985 416)
Net cash used in investing activities		**(12 724 187)**	(5 790 117)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**9 808 173**	3 071 813
Proceeds from issue of right shares		**1 997 321**	-
Proceeds from disposal of interest to minority shareholders		**852 500**	160 000
Share deposit money received		**-**	148 895
Cost of issuance of shares		**(11 058)**	(8 726)
Repayment of long term financing		**(583 113)**	(1 375 903)
Payment of finance lease liabilities		**-**	(33 031)
Exchange difference on translation of the net investment in foreign subsidiary		**109**	-
Short term borrowing - net		**(1 995 974)**	4 277 339
Dividend paid		**(393 253)**	(396 086)
Net cash from financing activities		**9 674 705**	5 844 301
Net increase / (decrease) in cash and cash equivalents		**91 931**	(2 607)
Cash and cash equivalents at the beginning of the year		**78 933**	81 540
Cash and cash equivalents at the end of the year		**170 864**	78 933

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

(RUPEES IN THOUSAND)

	SHARE CAPITAL	ATTRIBUTABLE TO EUITY HOLDERS OF THE HOLDING COMPANY												MINORITY INTEREST	TOTAL EQUITY
		CAPITAL RESERVES					REVENUE RESERVES					TOTAL RESERVES	SHARE-HOLDERS' EQUITY		
		Premium on issue of right shares	Fair value reserve	Exchange translation reserve	Capital redemption reserve fund	Sub Total	General reserve	Amalgam-tion reserve	Statutory reserve	Unappro-priated profit	Sub Total				
Balance as at 30 June 2007	1 597 857	1 027 622	18 173 948	-	110 214	19 311 784	7 404 132	-	-	1 643 651	9 047 783	28 359 567	29 957 424	-	29 957 424
Effect of change in accounting policy (Note 2.9)	-	-	1 319 116	-	-	1 319 116	-	-	-	-	-	1 319 116	1 319 116	-	1 319 116
Balance as at 30 June 2007- restated	1 597 857	1 027 622	19 493 064	-	110 214	20 630 900	7 404 132	-	-	1 643 651	9 047 783	29 678 683	31 276 540	-	31 276 540
Final dividend for the year ended 30 June 2007 @ Rupees 2.5 per share	-	-	-	-	-	-	-	-	-	(399 464)	(399 464)	(399 464)	(399 464)	-	(399 464)
Transfer to general reserve	-	-	-	-	-	-	1 244 000	-	-	(1 244 000)	-	-	-	-	-
Fair value adjustment on investments- - net of deferred tax	-	-	(6 969 737)	-	-	(6 969 737)	-	-	-	-	-	(6 969 737)	(6 969 737)	-	(6 969 737)
Share in reserves of associated companies under equity method	-	-	953 782	-	788	954 570	431 750	-	-	(432 538)	(788)	953 782	953 782	-	953 782
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	-	-	160 000	160 000
Reserve as per scheme of amalgamation	-	-	-	-	-	-	-	476 105	-	-	476 105	476 105	476 105	-	476 105
Share issuance cost - net	-	-	-	-	-	-	-	-	-	(6 981)	(6 981)	(6 981)	(6 981)	(1 745)	(8 726)
Profit for the year ended 30 June 2008	-	-	-	-	-	-	-	-	-	5 929 631	5 929 631	5 929 631	5 929 631	6	5 929 637
Balance as at 30 June 2008- restated	1 597 857	1 027 622	13 477 109	-	111 002	14 615 733	9 079 882	476 105	-	5 490 299	15 046 286	29 662 019	31 259 876	158 261	31 418 137
Final dividend for the year ended 30 June 2008 @ Rupees 2.5 per share	-	-	-	-	-	-	-	-	-	(399 464)	(399 464)	(399 464)	(399 464)	-	(399 464)
Transfer to general reserve	-	-	-	-	-	-	5 294 000	-	-	(5 294 000)	-	-	-	-	-
Issuance of shares under scheme of amalgamation	28 041	-	-	-	-	-	-	(28 041)	-	-	(28 041)	(28 041)	-	-	-
Excess of net assets acquired in Nishat Apparel Limited	-	-	-	-	-	-	-	(448 064)	-	448 064	-	-	-	-	-
Right shares issued during the year ended 30 June 2009	798 929	1 198 392	-	-	-	1 198 392	-	-	-	-	-	1 198 392	1 997 321	-	1 997 321
Fair value adjustment on investments - net of deferred tax	-	-	(6 666 746)	-	-	(6 666 746)	-	-	-	-	-	(6 666 746)	(6 666 746)	-	(6 666 746)
Share in reserves of associated companies under equity method	-	-	(3 317 684)	1 828	-	(3 315 856)	-	-	25 061	(25 061)	-	(3 315 856)	(3 315 856)	-	(3 315 856)
Currency translation adjustment	-	-	-	109	-	109	-	-	-	-	-	109	109	-	109
Disposal of interest to minority	-	-	-	-	-	-	-	-	-	-	-	-	-	852 500	852 500
Share issuance cost - net	-	-	-	-	-	-	-	-	-	(7 214)	(7 214)	(7 214)	(7 214)	(3 844)	(11 058)
Profit for the year ended 30 June 2009	-	-	-	-	-	-	-	-	-	1 642 646	1 642 646	1 642 646	1 642 646	(400)	1 642 246
Balance as at 30 June 2009	2 424 827	2 226 014	3 492 679	1 937	111 002	5 831 632	14 373 882	-	25 061	1 855 270	16 254 213	22 085 845	24 510 672	1 006 517	25 517 189

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

-Nishat Mills Limited

Subsidiary Companies

-Nishat Power Limited
-Nishat USA, INC.

NISHAT MILLS LIMITED

Nishat Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on all Stock Exchanges in Pakistan. Its registered office is situated at 53-A, Lawrence Road, Lahore. The Company is engaged in the business of textile manufacturing and of spinning, combing, weaving, bleaching, dyeing, printing, stitching / apparel, buying, selling and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, synthetic fibre and cloth and to generate, accumulate, distribute, supply and sell electricity.

NISHAT POWER LIMITED

Nishat Power Limited is an unlisted public limited company incorporated in Pakistan under Companies Ordinance, 1984. The principal activity of the Company will be to build, own, operate and maintain a fuel fired power station based on Reciprocating Engine Technology having gross capacity of 200 MW ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The expected project commissioning date is 30 September 2009. Its registered office is situated at 53-A, Lawrence Road, Lahore.

NISHAT USA, INC.

Nishat USA Inc. is a foreign subsidiary incorporated under the Business Corporation Laws of the State of New York. The registered office of Nishat USA Inc. is situated at 80 - State Street, Albany, NY 12207. The principal business of the subsidiary company is to provide marketing services to Nishat Mills Limited - holding company. Nishat Mills Limited acquired 100% shareholding of Nishat USA Inc. on 01 October 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of Preparation

a) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting

Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting Convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management. Further, the Group reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Group reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Standard that is effective in current year

IFRS 7 'Financial Instruments: Disclosures'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 411(I) / 2008 dated 28 April 2008 notified the adoption of

IFRS 7. IFRS 7 is mandatory for accounting period beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2008 but are considered not to be relevant or do not have any significant impact on the financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved accounting standards that are not yet effective but relevant

Following standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 01 July 2009 or later periods:

IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009), issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement. Adoption of the aforesaid standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn. This change will not effect the financial statements as the Group already has the policy to capitalize its borrowing cost.

IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 01 July 2009). It requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to IAS 27 are not expected to have a significant impact on the consolidated financial statements.

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment has expanded the disclosures required in respect of fair value measurements recognized in the statement of financial position. Moreover, amendments have also been made to the liquidity risk disclosures. Such amendments are not expected to have any significant impact on the financial statements other than increase in disclosures.

IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 01 January 2009). It introduces the "management approach" to segment reporting. IFRS 8 will require presentation and disclosure of segment information based on the internal reports regularly reviewed by the chief operating decision makers in order to assess each segment's performance and to allocate resources to them. Currently, these financial statements do not presents segment information as IAS 14 limited reportable segments to those that earn a majority of their revenue from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments. Under the management approach, segment information will be presented in respect of each reportable segment.

There are other amendments resulting from May 2008 and April 2009 Annual Improvements to IFRSs, specifically in IFRS 8 'Operating Segments', IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 23 'Borrowing Costs', IAS 28 'Investments in Associates', IAS 36 'Impairment of Assets' and IAS 39 'Financial Instruments: Recognition and Measurement' that are considered relevant to the financial statements. These amendments are unlikely to have a significant impact on the financial statements and have therefore not been analyzed in detail.

Exemption from applicability of IFRIC - 4 'Determining whether an Arrangement contains a Lease' on the financial statements of Nishat Power Limited - Subsidiary Company

On 22 June 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of International Financial Reporting Interpretation Committee (IFRIC) 4 "Determining whether an Arrangement contains a Lease" for power sector companies where Letter of Intent (LOI) is issued by the Government on or before 30 June 2010. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. Consequently, Nishat Power Limited - subsidiary company has been exempted from the application of IFRIC 4 to its financial statements.

Under IFRIC 4, the consideration required to be made by the lessee, Water and Power Development Authority (WAPDA), for the right to use the asset is to be accounted for as a finance lease under IAS 17 "Leases". If Nishat Power Limited - subsidiary company were to follow IFRIC 4 and IAS 17, the effect on the financial statements would be the derecognition of the assets of Rupees 15 506.597 million currently included in capital work-in-progress under property, plant and equipment and the recognition of the assets of the aforesaid amount in work-in-process under inventory. Currently, it has no effect on the profit or loss of Nishat Power Limited as it has not yet commenced commercial operations and the Dependable Capacity test of the power station has not been carried out as required under the terms of the Power Purchase Agreement with WAPDA.

g) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the financial statements and are therefore not detailed in these financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are those entities in which Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary companies are included in the consolidated financial statement from the date control commences untill the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the subsidiary companies.

Intragroup balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of subsidiary companies attributable to interest which are not owned by the Holding Company. Minority interests are presented as separate item in the consolidated financial statements.

(b) Associates

Associates are the entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The group's share of its associate's post-acquisition profits or losses is recognized in the profit and loss account, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

(c) Translation of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in preparing the Group's consolidated financial statements are translated in functional currency of the group. Balance sheet items are translated at the exchange rate at the balance sheet date and profit and loss account items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange translation reserve in consolidated reserves.

2.3 Employee Benefit

The Group operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the employer and employees at the rate of 9.5 percent of the basic salary to the fund. The employer's contributions to the fund are charged to profit and loss account.

2.4 Taxation

Current

Holding Company

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Subsidiary Companies

The income of the Nishat Power Limited is exempt from tax under clause (132), Part I of the second schedule to the Income Tax Ordinance, 2001.

Provision for income tax on the income of foreign subsidiary - Nishat USA Inc. is computed in accordance with the tax legislation in force in the country where the income is taxable.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately through the profit and loss account and is not subsequently reversed.

Negative goodwill is recognized directly in profit and loss account in the year of acquisition.

2.6 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Group's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange differences are charged to profit and loss account.

2.7 Property, plant, equipment and depreciation

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land and capital work in progress are stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 12.1. The depreciation is charged on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.8 Investment Properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties except land, are stated at cost less accumulated depreciation and any recognized impairment loss, if any. Land is stated at cost less any recognized impairment loss, if any. Depreciation is charged to profit and loss account applying the reducing balance method so as to write off the cost of building over its estimated useful life at the rate of 10%.

2.9 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Group assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' are applicable to all investments.

a) Investment at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when there is positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. These are sub-categorized as under:

Quoted

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in equity until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit and loss account. For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Change in accounting policy

Previously, available for sale investments in unquoted equity instruments were carried at cost less impairment loss, if any. Now the Group has changed its accounting policy to carry these investments at fair value determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. This change in accounting policy has been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting policy, the figures recognized in these financial statements would have been different as follows:

	(RUPEES IN THOUSAND)	
	2009	2008
Investments would have been lower by	**950 079**	1 594 333
Fair value reserve would have been lower by	**700 683**	1 175 821
Deferred tax liability would have been lower by	**249 396**	418 512

2.10 Inventories

Inventories, except for stock in transit and waste stock / rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

(i) For raw materials: - Annual average basis.

(ii) For work-in-process and finished goods: - Average manufacturing cost including a portion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessarily to make a sale.

2.11 Borrowing cost

Interest, mark-up and other charges on long-term finances and long term murabaha are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances and long term murabaha. All other interest, mark-up and other charges are recognized in profit and loss account.

2.12 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on delivery of goods to customers.

- Revenue on sale of electricity is recognized at the time of transmission.

- The share of profits or losses of the associated companies after tax is included in the profit and loss account to recognize the post acquisition changes in the share of the net assets of the investees. Dividend from associated companies is recognized as reduction in cost of investments as prescribed by International Accounting Standard (IAS) 28, 'Investment in Associates'.

- Dividend on equity investments is recognized when right to receive the dividend is established.

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.13 Share Capital

Ordinary shares are classified as equity.

2.14 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, long-term murabaha, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Group loses control of the contractual rights that comprise the financial asset. The Group loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Group surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments.

2.15 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.16 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.17 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.18 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.19 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.20 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently premeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

2.21 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the management intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.22 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.23 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

2.24 Dividend and other appropriations

Dividend distribution to the shareholders is recognized as a liability in the financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. AMALGAMATION OF NISHAT APPAREL LIMITED (FORMERLY GULF NISHAT APPAREL LIMITED) INTO THE HOLDING COMPANY

The Board of Directors of Nishat Mills Limited - Holding Company in their meeting held on 01 November 2008 approved the scheme of arrangement for merger of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) into Nishat Mills Limited. The scheme was approved by the shareholders of both companies on 29 November 2008. Pursuant to the approval of Honourable Lahore High Court, with effect from 01 July 2008, Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited), a company in which Nishat Mills Limited held 25.72 percent shares, has been amalgamated into Nishat Mills Limited.

The amalgamation of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) into the Holding Company is a business combination of entities under common control and hence is outside the scope of IFRS 3 'Business Combinations'. The scheme of amalgamation has been accounted for using 'pooling of interest method' which requires to combine the financial results of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) and the Holding Company for the period in which the combination occurs and for any comparative periods as if they had been combined from the beginning of the earliest period presented.

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

(NUMBER OF SHARES) 2009	2008		(RUPEES IN THOUSAND) 2009	2008
147 655 122	67 762 264	Ordinary shares of Rupees 10 each fully paid up in cash	**1 476 551**	677 622
2 804 079	-	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) under the Scheme of Amalgamation	**28 041**	-
37 252 280	37 252 280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	**372 523**	372 523
54 771 173	54 771 173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**547 712**	547 712
242 482 654	159 785 717		**2 424 827**	1 597 857

4.1 Movement during the year

159 785 717	159 785 717	At 01 July	**1 597 857**	1 597 857
2 804 079	-	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) under the Scheme of Amalgamation	**28 041**	-
79 892 858	-	Ordinary shares of Rupees 10 each issued during the year ended 30 June 2009 as fully paid right shares	**798 929**	-
242 482 654	159 785 717		**2 424 827**	1 597 857

4.2 Ordinary shares of the company held by associated companies:

	(NUMBER OF SHARES) 2009	2008
D.G. Khan Cement Company Limited	**20 889 312**	20 157 391
Adamjee Insurance Company Limited	**868 035**	868 035
	21 757 347	21 025 426

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
5. RESERVES		
Composition of reserves is as follows:		
Capital		
Premium on issue of right shares (Note 5.1)	**2 226 014**	1 027 622
Fair value reserve - net of deferred tax (Note 5.2)	**3 492 679**	13 477 109
Exchange translation reserve	**1 937**	-
Capital redemption reserve fund (Note 5.3)	**111 002**	111 002
	5 831 632	14 615 733
Revenue		
General reserve	**14 373 882**	9 079 882
Amalgamation reserve	**-**	476 105
Statutory reserve	**25 061**	-
Unappropriated profit	**1 855 270**	5 490 299
	16 254 213	15 046 286
	22 085 845	29 662 019

5.1 This reserve can be utilised only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

5.2 This represents the unrealized gain on remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization. Reconciliation of fair value reserve net off deferred tax is as under:

	2009	2008
Balance as at 01 July	**13 895 621**	19 962 580
Less: Fair value adjustment / share of reserves during the year	**(10 153 546)**	(6 066 959)
	3 742 075	13 895 621
Less: Deferred tax liability on unquoted equity investment	**(249 396)**	(418 512)
Balance as at 30 June	**3 492 679**	13 477 109

5.3 This reserve was created by D. G. Khan Cement Company Limited - associated company to redeem the preference shares.

6. LONG TERM FINANCING - SECURED

	2009	2008
Financing from banking companies (Note 6.1)	**14 417 710**	4 992 850
Term finance certificates	**-**	199 800
	14 417 710	5 192 650
Less: Current portion shown under current liabilities	**686 753**	1 028 925
	13 730 957	4 163 725

6.1 Lender	2009	2008	Rate of interest per annum	Number of installments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Nishat Mills Limited - Holding Company							
Allied Bank Limited	**300 000**	375 000	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced on 24 January 2007 and ending on 24 October 2011.	-	Quarterly	First joint pari passu hypothecation charge on plant and machinery of the Company for an amount of Rupees 800 million.
United Bank Limited	**112 500**	112 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 30 June 2006 and ending on 31 December 2010.	-	Quarterly	Mortgage charge on the immovable property and machinery of the Company.
Habib Bank Limited	**500 000**	600 000	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 07 July 2007 and ending on 07 January 2012.	-	Quarterly	First pari passu hypothecation charge of Rupees 1 067 million on plant and machinery of the Company excluding specific and exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	**200 000**	200 000	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commencing on 30 April 2010 and ending on 31 January 2014.	-	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.
Standard Chartered Bank (Pakistan) Limited	**33 333**	66 667	SBP rate for LTF - EOP + 2%	Six equal half yearly installments commenced on 30 September 2006 and ending on 31 March 2010.	-	Quarterly	First exclusive hypothecation charge on plant, machinery and equipment installed at Sheikhupura (Bhikki).
Citibank N.A.	**125 000**	187 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 21 April 2006 and ending on 21 October 2010.	-	Quarterly	First ranking pari passu charge on all present and future fixed assets, excluding land and building.
The Royal Bank of Scotland Limited	**58 824**	82 353	SBP rate for LTF - EOP + 2%	Seventeen equal quarterly installments commenced on 15 February 2006 and ending on 15 February 2011.	-	Quarterly	First pari passu charge on plant and machinery for an amount of Rupees 267 million.
The Hong Kong and Shanghai Banking Corporation Limited	**125 000**	150 000	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 01 December 2006 and ending on 01 June 2011.	-	Quarterly	Registered ranking charge on plant and machinery of the Company.
Habib Bank Limited	**1 000 000**	-	6 Month offer KIBOR +2.50 %	Eight equal half yearly installments commencing on 10 May 2010 and ending on 10 November 2013.	Half yearly	Quarterly	First pari passu hypothecation charge on plant and machinery of the Company.
Allied Bank Limited	**122 558**	147 070	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 15 November 2007 and ending on 08 May 2012.	-	Quarterly	First pari passu charge of Rupees 267 million on all present and future fixed assets of the Company excluding land and building.
Allied Bank Limited	**75 000**	100 000	6 Month offer KIBOR +1.50 %	Eight equal half yearly installments commenced on 7 October 2008 and ending on 7 April 2012.	Half yearly	Quarterly	First pari passu charge of Rupees 133 million on all present and future fixed assets of the Company excluding land and building.
Askari Bank Limited	**115 509**	129 947	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 17 January 2008 and ending on 01 November 2013.	-	Quarterly	First pari passu charge of Rupees 213.33 million on all present and future fixed assets of the Company.
	2 767 724	2 151 037					
Nishat Power Limited - Subsidiary Company							
Consortium of banks (Note 6.2)	**11 649 986**	2 841 813	3-Month KIBOR + 3%	Forty equal quarterly installments commencing on 01 January 2010 and ending on 01 October 2019.	Quarterly	Quarterly	First joint pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of Nishat Power Limited - NPL (excluding the mortgaged immovable property), lien over project bank accounts and pledge of shares of Nishat Mills Limited in NPL.
	11 649 986	2 841 813					
	14 417 710	4 992 850					

6.2 This represents long term financing obtained by Nishat Power Limited - Subsidiary Company from a consortium of five banks led by Habib Bank Limited (agent bank) and includes National Bank of Pakistan, Allied Bank Limited, United Bank Limited and Faysal Bank Limited. The portion of long term financing from Faysal Bank Limited is on murabaha basis. The total project financing facility amounts to Rupees 12 260 million (30 June 2008: Rupees 12 260 million) out of which Rupees 11 650 million has been availed by the Nishat Power Limited - subsidiary company as at 30 June 2009.

7. DEFERRED TAX

This represents deferred tax liability on surplus on revaluation of investment available for sale - unquoted equity investment. Provision for deferred tax on other temporary differences was not considered necessary as the Holding Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001.

8. TRADE AND OTHER PAYABLES

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
Creditors (Note 8.1)	**661 718**	522 620
Accrued liabilities	**428 226**	427 188
Advances from customers	**63 744**	114 952
Securities from contractors-Interest free, repayable on completion of contracts	**688 589**	18 140
Income tax deducted at source	**4 038**	5 241
Dividend payable	**28 180**	21 969
Payable to employees provident fund trust	**1 156**	399
Workers' profit participation fund (Note 8.2)	**82 641**	70 497
Gratuity payable	**-**	3 746
Workers' welfare fund	**31 348**	25 462
	1 989 640	1 210 214

8.1 This includes amounts in aggregate of Rupees 17.548 million (30 June 2008: Rupees 15.793 million) due to associated undertakings.

8.2 Workers' profit participation fund

Balance as on 01 July	**70 497**	64 618
Interest for the year (Note 31)	**2 787**	2 888
Add: Provision for the year (Note 29)	**82 641**	70 497
	155 925	138 003
Less: Payments during the year	**73 284**	67 506
	82 641	70 497

8.2.1 Workers' profit participation fund is retained for business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
9. ACCRUED MARK-UP		
Long term financing	**510 575**	134 981
Short term borrowings	**128 297**	170 174
	638 872	305 155

10. SHORT TERM BORROWINGS

From banking companies - secured		
Short term running finances (Note 10.1 and 10.2)	**1 514 025**	4 570 263
State Bank of Pakistan (SBP) refinance (Note 10.1 and 10.3)	**4 263 132**	3 054 295
Other short term finances (Note 10.1 and 10.4)	**1 080 000**	1 027 800
Temporary bank overdraft (Note 10.1 and 10.2)	**485 443**	686 216
	7 342 600	9 338 574

10.1 These finances are obtained by the Holding Company from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, all marketable securities, other instruments, ranking hypothecation charge on plant and machinery, pledge of cotton and equity investments of the company. These form part of total credit facility of Rupees 20 077 million (30 June 2008: Rupees 20 459 million).

10.2 The rates of mark-up range from 12.37% to 18.50% (30 June 2008: 9.72% to 14.58%) per annum on the balance outstanding.

10.3 The rates of mark up range from 6.90% to 7.50% (30 June 2008: 6.90% to 7.50%) per annum on the balance outstanding.

10.4 The rates of mark up range from 4.26% to 16.11% (30 June 2008: 4.20% to 15.01%) per annum on the balance outstanding.

11. CONTINGENCIES AND COMMITMENTS

Contingencies

i) Nishat Mills Limited - Holding company is contingently liable for Rupees 61.891 million (30 June 2008: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.

ii) Guarantees of Rupees 421.751 million (30 June 2008: Rupees 368.651 million) are given by the banks of the Nishat Mills Limited - Holding Company to Sui Northern Gas Pipelines

Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil, Director Excise and Taxation, Karachi and Collector of Customs, Excise and Sales Tax against infrastructure cess.

iii) Post dated cheques of Rupees 284.473 million (30 June 2008: Rupees 59.163 million) are issued by the Nishat Mills Limited - Holding Company to customs authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

iv) Nishat Mills Limited - Holding Company has given performance guarantee of USD 1 million [Pak Rupees 81.470 million] (30 June 2008: USD 1 million [Pak Rupees 68.200 million] in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited - Subsidiary company under Implementation Agreement and Power Purchase Agreement.

v) Irrevocable standby letters of credit of Rupees 410 million (30 June 2008: 1 104.995 million) given by Nishat Mills Limited - Holding Company for equity injection and Rupees 147.120 million (30 June 2008: Rupees 147.120 million) for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Power Limited - Subsidiary company.

vi) Nishat Power Limited - Subsidiary company has issued irrevocable letter of credit of USD 5.370 Million [Pak Rupees 437.465 million] (30 June 2008: USD 5.370 million [Pak Rupees 366.210 million] in favour of National Transmission and Despatch Company as required under Power Purchase Agreement.

vii) The Nishat Mills Limited's share in contingencies of associated companies' is Rupees 6 400.381 million (30 June 2008: Rupees 446.011 million).

Commitments

i) Contracts for capital expenditure of the Group are approximately amounting to Rupees 552.209 million (30 June 2008: Rupees 10 895.782 million).

ii) Letters of credit other than for capital expenditure of Nishat Mills Limited are amounting to Rupees 296.719 million (30 June 2008: Rupees 403.627 million).

iii) Nishat Power Limited - Subsidiary company has entered into a contract for purchase of fuel oil from Shell Pakistan Limited (SPL) for a period of ten years starting from the Commercial Operations Date of the power station. Under the terms of the Fuel Supply Agreement, the subsidiary company is not required to buy any minimum quantity of oil from SPL.

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
12. PROPERTY, PLANT AND EQUIPMENT		
Operating assets (Note 12.1)	**11 189 711**	11 272 588
Capital work in progress (Note 12.2)	**15 603 878**	3 945 600
	26 793 589	15 218 188

12.1 Operating assets

	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Total
									(RUPEES IN THOUSAND)
At 01 July 2007									
Cost	426 458	3 173 088	12 770 553	615 958	137 231	205 090	97 289	252 610	17 678 277
Accumulated depreciation	-	(1 245 760)	(4 826 040)	(274 724)	(63 288)	(88 153)	(40 792)	(88 608)	(6 627 365)
Net book value	426 458	1 927 328	7 944 513	341 234	73 943	116 937	56 497	164 002	11 050 912
Year ended 30 June 2008									
Opening net book value	426 458	1 927 328	7 944 513	341 234	73 943	116 937	56 497	164 002	11 050 912
Additions	88 657	313 680	865 077	26 169	19 672	19 925	5 634	37 283	1 376 097
Transfer from leased assets:									
Cost	-	-	87 096	-	-	-	-	-	87 096
Accumulated depreciation	-	-	(22 922)	-	-	-	-	-	(22 922)
			64 174						64 174
Disposals:									
Cost	(249)	(2 098)	(534 030)	-	(1 232)	(253)	(209)	(32 780)	(570 851)
Accumulated depreciation	-	1 641	404 947	-	321	177	88	16 883	424 057
	(249)	(457)	(129 083)	-	(911)	(76)	(121)	(15 897)	(146 794)
Depreciation charge	-	(199 857)	(767 848)	(35 019)	(8 205)	(12 963)	(17 729)	(30 180)	(1 071 801)
Closing net book value	514 866	2 040 694	7 976 833	332 384	84 499	123 823	44 281	155 208	11 272 588
At 30 June 2008									
Cost	514 866	3 484 670	13 188 696	642 127	155 671	224 762	102 714	257 113	18 570 619
Accumulated depreciation	-	(1 443 976)	(5 211 863)	(309 743)	(71 172)	(100 939)	(58 433)	(101 905)	(7 298 031)
Net book value	514 866	2 040 694	7 976 833	332 384	84 499	123 823	44 281	155 208	11 272 588
Year ended 30 June 2009									
Opening net book value	514 866	2 040 694	7 976 833	332 384	84 499	123 823	44 281	155 208	11 272 588
Additions	58 761	141 776	770 065	18 804	31 974	28 145	6 533	50 701	1 106 759
Transfer to investment properties:									
Cost	(18 756)	(46 090)	-	-	-	-	-	-	(64 846)
Accumulated depreciation	-	21 209	-	-	-	-	-	-	21 209
	(18 756)	(24 881)	-	-	-	-	-	-	(43 637)
Disposals:									
Cost	-	-	(38 608)	(9 398)	(6 612)	(2 230)	-	(29 034)	(85 882)
Accumulated depreciation	-	-	25 848	7 742	4 591	1 649	-	17 953	57 783
	-	-	(12 760)	(1 656)	(2 021)	(581)	-	(11 081)	(28 099)
Depreciation charge	-	(207 765)	(807 320)	(33 861)	(9 332)	(13 457)	(14 184)	(31 981)	(1 117 900)
Closing net book value	554 871	1 949 824	7 926 818	315 671	105 120	137 930	36 630	162 847	11 189 711
At 30 June 2009									
Cost	554 871	3 580 356	13 920 153	651 533	181 033	250 677	109 247	278 780	19 526 650
Accumulated depreciation	-	(1 630 532)	(5 993 335)	(335 862)	(75 913)	(112 747)	(72 617)	(115 933)	(8 336 939)
Net book value	554 871	1 949 824	7 926 818	315 671	105 120	137 930	36 630	162 847	11 189 711
Annual rate of depreciation (%)	-	10	10	10	10	10	30	20	

12.1.1 Detail of operating assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
			(RUPEES IN THOUSAND)					
Plant and Machinery								
1 Lap Former and 3 Combers	4	5 629	3 727	1 902	800	(1 102)	Negotiation	Husnain Spinning Mills (Pvt.) Limited.
Huzur Chenille Machine	1	1 004	433	571	591	20	Negotiation	Alpha Fabrics.
Air Compressor and Air Dryer	1	6 728	5 244	1 484	1 764	280	Negotiation	Arzoo Textile Mills Limited.
Raising Machine	2	1 264	399	865	600	(265)	Negotiation	Adam Fabrics.
Stenter Machine	1	18 454	13 753	4 701	3 896	(805)	Negotiation	Adam Fabrics.
Bailing Press	1	435	340	95	236	141	Negotiation	Fahim Traders.
		33 514	23 896	9 618	7 887	(1 731)		
Factory Equipment								
Processing Equipment	1	3 642	2 638	1 004	1 003	(1)	Negotiation	Ashiq Hussain.
Processing Equipment	1	686	586	100	98	(2)	Negotiation	Muhammad Ramzan Ali, Faisalabad.
Old Used Parts	1	325	269	56	55	(1)	Negotiation	Shahzad Ahmad, Faisalabad.
Old Used Parts	1	429	278	151	150	(1)	Negotiation	Ghulam Mustafa, Faisalabad.
Old Used Parts	1	590	480	110	111	1	Negotiation	Ghulam Mustafa, Faisalabad.
		5 672	4 251	1 421	1 417	(4)		
Electric Installations								
Motors	10	325	272	53	56	3	Negotiation	Zafar Ahmad, Faisalabad.
Vehicles								
Toyota Land Cruiser LRH-0600	1	7 437	5 197	2 240	2 700	460	Negotiation	Waqas Munir, Lahore.
Honda Civic VTI Oriel LEA-07-0300	1	1 565	399	1 166	1 400	234	Negotiation	Muhammad Zeeshan, Lahore.
Suzuki Alto LXW-8336	1	502	390	112	114	2	Negotiation	Bashir Ahmad Shahid. Company's Employee.
Honda City EXI LRD-7711	1	781	580	201	507	306	Negotiation	Khan Muhammad Khan.Lahore.
Toyota Corolla 2.0 D LRY-2661	1	1 023	678	345	348	3	Negotiation	Muhammad Hussain Chaudhary. Company's Employee.
Suzuki Cultus LXR-9991	1	564	459	105	393	288	Negotiation	Nabeel Riaz, Lahore.
Daihastu Terios LEC-08-5335	1	782	157	625	782	157	Negotiation	Zulfiqar Ali, Faisalabad.
Suzuki Baleno LRZ-6488	1	792	548	244	537	293	Negotiation	Naeem Siddiqui, Lahore.
Honda City LRU-2203	1	849	524	325	328	3	Negotiation	Zaheer Ahmad, Company's Employee.
Fork Lifter	1	1 026	956	70	455	385	Negotiation	Al-Barkat Enterprises, Sheikhupura .
Toyota Corolla LZF-0364	1	1 227	807	420	522	102	Negotiation	Saqib Nisar, Company's Employee.
Honda City LRZ-1753	1	816	480	336	339	3	Negotiation	Faisal Chaudhary, Company's Employee.
DODGE M / BUS LRO-2464	1	600	387	213	222	9	Negotiation	Muhammad Altaf, Lahore.
Toyota Corolla LWL-9906	1	988	413	575	800	225	Insurance Claim	Security General Insurance Company Limited.
Suzuki Cultus LRD-9591	1	594	437	157	354	197	Negotiation	Waseem Riaz, Lahore.
Toyota Corolla LRR-4887	1	1 040	657	383	415	32	Negotiation	Azhar Ali Hashmat, Ex-Company's Employee.
Mitsubishi Lancer 1.3 GLX LEB-06-1731	1	973	387	586	718	132	Negotiation	Argosy Enterprises, Lahore.
Suzuki Baleno FS-1543	1	788	556	232	249	17	Negotiation	Mukhtar Ahmad, Company's Employee.
Honda City LZW-6483	1	891	397	494	580	86	Negotiation	Amir Rauf, Lahore.
Toyota Corolla 2.0 D LRE-8153	1	1 025	790	235	678	443	Negotiation	Alam Zab Khan, Islamabad.
Mitsubishi Lancer LZJ-0361	1	1 480	866	614	761	147	Negotiation	Sheikh Yasir Yousaf, Lahore.
Suzuki Cultus LRQ-8013	1	598	396	202	437	235	Negotiation	Argosy Enterprises, Lahore.
Suzuki Cultus FDZ-3029	1	592	451	141	144	3	Negotiation	Muhammad Saleem. Faisalabad.
Honda City LWL-2304	1	899	386	513	548	35	Negotiation	Faiq Moeen, Ex-Company's Employee.
Suzuki Alto LXW-5362	1	475	379	96	215	119	Negotiation	Babar Ali, Lahore.
Honda City LZS-7111	1	469	88	381	730	349	Negotiation	Muhammad Ayub, Lahore
		28 776	17 765	11 011	15 276	4 265		
Furniture and Fixtures		1 539	1 085	454	464	10	Negotiation	Muhammad Nadeem, Faisalabad.
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50 000		16 055	10 514	5 541	5 414	(127)		
		85 881	**57 783**	**28 098**	**30 514**	**2 416**		

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
12.1.2 Depreciation charge for the year has been allocated as follows:		
Owned		
Cost of sales (Note 26.3)	**1 058 264**	1 010 927
Distribution cost (Note 27)	**3 669**	2 502
Administrative expenses (Note 28)	**55 098**	58 249
Unallocated expenditures (Note 12.2.1)	**869**	123
	1 117 900	1 071 801
Leased		
Cost of sales (Note 26.3)	**-**	6 845
	1 117 900	1 078 646

12.2 Capital work in progress

Building on freehold land	**161 657**	127 950
Plant and machinery	**13 680 620**	229 001
Electric installations	**323**	3 848
Letters of credit against machinery	**402**	7 616
Letters of credit and advances against furniture and office equipment	**1 738**	5 646
Advances against plant and machinery	**6 333**	2 839 426
Advances against vehicles	**2 266**	5 915
Advances to contractors	**257 511**	305 459
Unallocated capital expenditures (Note 12.2.1)	**1 493 028**	420 739
	15 603 878	3 945 600

12.2.1 Unallocated expenditures - Nishat Power Limited - Subsidiary Company

Salaries and other benefits	**22 572**	7 450
Insurance (Note 12.2.2)	**150 793**	150 661
Traveling and conveyance	**4 873**	1 734
Entertainment	**241**	129
Rent, rates and taxes	**967**	487
Vehicle running and maintenance	**1 544**	440
Printing and stationery	**208**	109
Postage and telephone	**1 070**	77
Fuel and power	**51**	21
Legal and professional charges	**3 581**	2 113
Auditor's remuneration (Note 12.2.3)	**690**	125

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
Consultancy charges	**11 026**	9 121
Registration fee	**40**	40
Fee and subscription	**16 979**	13 514
Mark-up on long term financing	**1 152 839**	119 408
Bank charges and financing fee	**114 345**	107 394
Bank guarantee commission	**8 674**	6 740
Miscellaneous	**1 543**	1 053
Depreciation (Note 12.1.2)	**992**	123
	1 493 028	420 739

12.2.2 It includes an amount of Rupees 150.636 million represents comprehensive project insurance from Adamjee Insurance Company Limited - associated company.

12.2.3 Auditor's remuneration - Nishat Power Limited - Subsidiary Company

	2009	2008
A.F. Ferguson and Company		
Half yearly review	**150**	-
Other certification fee	**540**	125
	690	125

13. INVESTMENT PROPERTIES

	Cost			Accumulated Depreciation				Book Value
	As at 01 July 2008	Transfer from operating assets	As at 30 June 2009	As at 01 July 2008	Transfer from operating assets	For the year	As at 30 June 2009	As at 30 June 2009
	----------(RUPEES IN THOUSAND)----------							
Land	-	18 756	18 756	-	-	-	-	18 756
Buildings	-	46 090	46 090	-	21 209	2 588	23 797	22 293
	-	64 846	64 846	-	21 209	2 588	23 797	41 049

13.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 2.588 million charged during the year is allocated to other operating expenses. No expenses directly related to investment properties were incurred during the year.

13.2 The market value of land and buildings is estimated at Rupees 188.557 million. The valuation have been carried out by independent valuer.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
14. LONG TERM INVESTMENTS		
Associated companies (with significant influence) - under equity method		
D.G. Khan Cement Company Limited - quoted 95 537 640 (30 June 2008: 79 614 700) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (30 June 2008: 31.40%)	**7 346 919**	10 132 961
MCB Bank Limited - quoted 47 810 242 fully paid ordinary shares of Rupees 10 each. Equity held 6.92%	**8 130 399**	-
Nishat Paper Products Company Limited - unquoted 11 634 199 (30 June 2008:11 634 199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (30 June 2008: 25 %)	**66 733**	77 918
	15 544 051	10 210 879
Available for Sales		
Associated companies - Others		
Adamjee Insurance Company Limited - quoted 33 034 (30 June 2008: 30 031) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (30 June 2008: 0.03%) (Note 14.2)	**3 725**	3 725
MCB Bank Limited - quoted 47 810 242 fully paid ordinary shares of Rupees 10 each. Equity held 6.77%	**-**	7 829 979
Other		
Habib Bank Limited - quoted 132 (30 June 2008: 110) fully paid ordinary shares of Rupees 10 each	**24**	24
	3 749	7 833 728
Less: Impairment loss charged to profit and loss account (Note 29)	**(963)**	-
Add / (Less): Fair value adjustment	**-**	6 056 233
	2 786	13 889 961
	15 546 837	24 100 840

14.1 Reconciliation of investments in associated companies under equity method:

(RUPEES IN THOUSAND)

	D G Khan Cement Company Limited		Nishat Paper Products Company Limited		MCB Bank Limited		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Cost	**2 577 414**	2 258 955	**116 342**	116 342	**7 955 321**	-	**10 649 077**	2 375 297
Share of post acquisition reserves:								
As at 01 July	**7 874 006**	6 832 366	**(38 424)**	(22 683)	**-**	-	**7 835 582**	6 809 683
Share of profit / (loss) after income tax	**255 350**	207 280	**(11 185)**	(15 741)	**250 609**	-	**494 774**	191 539
Share of direct movement in equity	**(3 359 851)**	953 782	**-**	-	**43 995**	-	**(3 315 856)**	953 782
Dividend received	**-**	(119 422)	**-**	-	**(119 526)**	-	**(119 526)**	(119 422)
As at 30 June	**(3 104 501)**	1 041 640	**(11 185)**	(15 741)	**175 078**	-	**(2 940 608)**	1 025 899
	4 769 505	7 874 006	**(49 609)**	(38 424)	**175 078**	-	**4 894 974**	7 835 582
As at 30 June	**7 346 919**	10 132 961	**66 733**	77 918	**8 130 399**	-	**15 544 051**	10 210 879

14.1.1 Share of profit / (loss) after tax and movement in equity from associated companies amounting to Rupees 494.774 million and Rupees (3 316) million (30 June 2008: Rupees 191.539 million and Rupees 0.954 million) respectively is based on unaudited financial statements of associated companies.

14.1.2 Aggregate market value of investment in D. G. Khan Cement Company Limited and MCB Bank Limited - quoted associated companies were Rupees 2 833 million and Rupees 7 412 million (30 June 2008: Rupees 5 345 million and Rupees 13 882 million) respectively.

14.1.3 Summarized financial information of Associated Companies:

(RUPEES IN THOUSAND)

Name of associated company	Annual / Quarterly	Audited/ Un-audited	Assets	Liabilities	Net assets	Revenues	Profit/ (Loss)
30 June 2009							
D.G Khan Cement Company Limited	Annual	Un-audited	43 343 264	21 892 767	21 450 497	18 132 841	1 057 635
Nishat Paper Products Company Limited	Annual	Un-audited	1 374 393	1 108 216	266 177	1 255 199	(45 038)
MCB Bank Limited	Quarter ended	Un-audited	467 682 438	402 896 525	64 785 913	8 990 208	3 621 518
30 June 2008							
D.G Khan Cement Company Limited	Annual	Un-audited	51 904 371	21 581 091	30 323 280	14 065 339	660 128
Nishat Paper Products Company Limited	Annual	Un-audited	2 007 566	1 696 652	310 914	1 275 826	(62 965)

14.2 Adamjee Insurance Company Limited is associated company due to common directorship.

14.3 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a 'Floor Mechanism' on the market value of securities based on the closing price of securities prevailing as at 27 August 2008. Under the 'Floor Mechanism', the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Subsequently, there were lower floors on a number of securities.

International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be charged to profit and loss account.
In order to comply with the requirements of IAS 39 and in view of market conditions and current economic scenario in the country, full impairment of Rupees 17.259 million has been recognized against those available for sale securities where fair market values were less than their cost as at 30 June 2009. Hence, the relaxation allowed by Statutory Notification SRO 150(I)/2009 dated 13 February 2009 of the Securities and Exchange Commission of Pakistan has not been availed.

As regard the equity investment in MCB Bank Limited, two directors of the Holding Company were elected on the board of MCB Bank Limited on 27 March 2009, coupled with nomination on key board committees, the management of the Holding Company believes that it has acquired significant influence over the operating and financial policy decisions made by MCB Bank Limited. Hence, investment in MCB Bank Limited is classified during the year as equity investment in associated company with significant influence. The management, in accordance with provisions of IAS 36, 'Impairment of Assets' has determined the recoverable amount of its investment i.e. higher of fair value less cost to sell and value in use. Based on favourable value in use, the management concludes that the carrying amount of investment in MCB Bank Limited does not exceed from its recoverable amount.

Based on value in use calculations as at 30 June 2009, there was no impairment loss on other investments in associated companies with significant influence (tested for impairment under IAS 36 'Impairment of Assets').

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
15. LONG TERM LOANS		
Secured - considered good:		
Executives (Note 15.1)	**11 688**	8 391
Other employees	**9 774**	5 857
	21 462	14 248
Less: Current portion shown under current assets (Note 20)		
Executives	**5 339**	3 429
Other employees	**3 756**	2 697
	9 095	6 126
	12 367	8 122

15.1 Reconciliation of carrying amount of loans to executives:

Opening balance as at 01 July	**8 391**	9 294
Add: Disbursements	**10 667**	5 073
	19 058	14 367
Less: Repayments	**7 370**	5 976
Closing balance as at 30 June	**11 688**	8 391

15.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 11.688 million (30 June 2008: Rupees 11.491 million).

15.2 These represent interest free house construction loans given to executives and employees of Nishat Mills Limited - Holding Company and are secured against balance to the credit of employee in the provident fund trust. These are recoverable in equal monthly installments.

15.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

		(RUPEES IN THOUSAND) 2009	2008 (Restated)
16.	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Security deposits	**11 957**	9 644
	Prepayments	**1 086**	1 964
		13 043	11 608
	Less: Current portion shown under current assets (Note 21)	**869**	877
		12 174	10 731
17.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores (Note 17.1)	**385 535**	354 372
	Spare parts	**175 309**	158 058
	Loose tools	**536**	684
		561 380	513 114

17.1 This includes stores in transit of Rupees 37.106 million (30 June 2008: Rupees 37.010 million).

18.	**STOCK IN TRADE**		
	Raw materials	**1 398 655**	1 800 826
	Work in process	**1 529 335**	1 207 658
	Finished goods (Note 18.1 and 18.2)	**1 164 522**	1 154 710
		4 092 512	4 163 194

18.1 Finished goods include inventory of Rupees 125.657 million (30 June 2008: Rupees 131.671 million) valued at net realizable value.

18.2 Finished goods include stock in transit of Rupees 118.559 million (30 June 2008: Rupees 83.590 million).

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
19. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	**393 871**	608 249
Unsecured	**906 495**	778 897
	1 300 366	1 387 146
Considered doubtful:		
Others - unsecured	**107 460**	27 000
Less: Provision for doubtful debts		
As at 01 July	**27 000**	-
Add: Provision for the year (Note 29)	**80 460**	27 000
As at 30 June	**107 460**	27 000
	-	-

19.1 As at 30 June 2009, trade debts of Rupees 329.368 million (30 June 2008: Rupees 296.489 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2009	2008
Upto 1 month	**111 446**	160 245
1 to 6 months	**80 044**	20 086
More than 6 months	**137 878**	116 158
	329 368	296 489

19.2 As at 30 June 2009, trade debts of Rupees 107.46 million (30 June 2008: Rupees 27 million) were impaired and provided for. The ageing of these trade debts was more than six months.

	2009	2008 (Restated)
	(RUPEES IN THOUSAND)	

20. LOANS AND ADVANCES

	2009	2008
Considered good:		
Employees - interest free:		
– Executives	**492**	392
– Other employees	**3 365**	3 485
	3 857	3 877
Current portion of long term loans (Note 15)	**9 095**	6 126
Advances to suppliers	**70 848**	52 314
Letters of credit	**1 369**	1 398
Employees' provident fund trust	**-**	2 201
Income tax	**307 329**	306 656
Other advances	**69 758**	39 434
	462 256	412 006
Considered doubtful:		
Others	**108**	108
Less: Provision for doubtful debts	**108**	108
	-	-
	462 256	412 006

21. SHORT TERM DEPOSITS AND PREPAYMENTS

	2009	2008
Deposits	**25 083**	26 894
Prepayments - including current portion (Note 16)	**5 408**	6 647
	30 491	33 541

22. OTHER RECEIVABLES

	2009	2008
Considered good:		
Export rebate and claims	**123 674**	155 682
Sales tax refundable	**182 257**	210 306
Miscellaneous receivables (Note 22.1)	**25 324**	12 600
	331 255	378 588

22.1 This includes an amount of Rupees 5.553 million (30 June 2008: Rupees Nil) receivable from Adamjee Insurance Company Limited - associated company. It is in the normal course of business and is interest free.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
23. SHORT TERM INVESTMENTS		
Available for sale		
Associated company		
Security General Insurance Company Limited - unquoted (Note 23.1) 10 226 244 (30 June 2008: 10 226 244) fully paid ordinary shares of Rupees 10 each. Equity held 15.02 % (30 June 2008: 15.02%)	**11 188**	11 188
Others		
Nishat (Chunian) Limited - quoted 11 256 661 (30 June 2008: 10 233 329) fully paid ordinary shares of Rupees 10 each. Equity held 13.61 % (30 June 2008: 13.61 %)	**109 931**	109 931
5 628 330 (30 June 2008: Nil) fully paid non voting convertible cumulative preferred shares of Rupees 10 each. Extent of investment held 13.61 %	**56 283**	-
Pakistan Strategic Allocation Fund - quoted 500 000 (30 June 2008: 500 000) fully paid certificates of Rupees 10 each	**5 000**	5 000
	182 402	126 119
Less: Impairment loss charged to profit and loss account (Note 29)	**(16 296)**	-
Add: Fair value adjustment	**950 079**	1 729 708
	1 116 185	1 855 827

23.1 Fair value per share of Rupees 94 is calculated by independent valuer on the basis of dividend stream method. Security General Insurance Company Limited is associated company due to common directorship.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
24. CASH AND BANK BALANCES		
With banks:		
On saving accounts (Note 24.1) Including US$ 129 345 (30 June 2008: US$ 17 108)	**28 905**	4 691
On current accounts (Note 24.2) Including US$ 161 536 (30 June 2008: US$ 136 175) and Euro 980.1 (30 June 2008: Euro 980.1)	**135 933**	67 226
	164 838	71 917
Cash in hand	**6 026**	7 016
	170 864	78 933

24.1 Rate of profit on bank deposits ranges from 0.24% to 10.00% (30 June 2008: 0.1% to 10.00%) per annum. Cash at bank includes balance of Rupees 6.508 million (30 June 2008: Rupees 0.365 million) with MCB Bank Limited - an associated company.

24.2 Cash at banks includes balances of Rupees 50.122 million (30 June 2008: Rupees 34.526 million) with MCB Bank Limited - an associated company.

25. SALES

	2009	2008
Export	**18 634 158**	15 108 043
Local (Note 25.1)	**5 156 436**	4 414 325
Export rebate	**79 785**	67 436
	23 870 379	19 589 804

25.1 Local sales

	2009	2008
Sales (Note 25.2)	**5 143 840**	4 316 247
Less: Sales tax	**41 656**	8 193
	5 102 184	4 308 054
Processing income	**51 496**	99 803
Doubling income	**2 756**	6 468
	5 156 436	4 414 325

25.2 It includes sale of Rupees 456.841 million (30 June 2008: Rupees 1 042.783 million) made to direct exporters against special purchase order (SPO).

25.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 167.095 million (30 June 2008: Rupees 15.696 million) has been included in export sales.

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
26. COST OF SALES		
Raw material consumed (Note 26.1)	**5 919 709**	5 518 217
Cloth and yarn purchased / used	**5 820 051**	5 512 972
Processing charges	**79 104**	123 445
Salaries, wages and other benefits (Note 26.2)	**1 730 455**	1 358 594
Stores, spare parts and loose tools	**2 184 346**	1 544 067
Packing materials consumed	**451 611**	422 772
Repair and maintenance	**166 351**	109 926
Fuel and power	**2 149 417**	1 450 303
Insurance	**27 632**	24 701
Other factory overheads	**263 387**	184 492
Depreciation (Note 26.3)	**1 058 264**	1 017 772
	19 850 327	17 267 261
Work-in-process		
Opening stock	**1 207 658**	963 417
Closing stock	**(1 529 335)**	(1 207 658)
	(321 677)	(244 241)
Cost of goods manufactured	**19 528 650**	17 023 020
Finished goods		
Opening stock	**1 154 710**	909 748
Closing stock	**(1 164 522)**	(1 154 710)
	(9 812)	(244 962)
Cost of sales	**19 518 838**	16 778 058

26.1 Raw material consumed

Opening stock	**1 800 826**	1 264 787
Add: Purchased during the year	**5 517 538**	6 054 256
	7 318 364	7 319 043
Less: Closing stock	**1 398 655**	1 800 826
	5 919 709	5 518 217

26.2 Salaries, wages and other benefits include provident fund contribution of Rupees 47.918 million (30 June 2008: Rupees 38.597 million).

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)
26.3 Depreciation		
Operating assets		
- Owned (Note 12.1.2)	**1 058 264**	1 010 927
- Leased (Note 12.1.2)	**-**	6 845
	1 058 264	1 017 772

27. DISTRIBUTION COST

	2009	2008 (Restated)
Salaries and other benefits (Note 27.1)	**99 156**	71 709
Outward freight and handling	**718 660**	599 006
Commission to selling agents	**346 630**	265 153
Rent, rates and taxes	**5 768**	2 644
Insurance	**8 181**	6 934
Traveling and conveyance	**46 027**	28 588
Vehicles' running	**5 883**	2 523
Entertainment	**2 570**	1 095
Advertisement	**17 077**	6 450
Postage, telephone and telegram	**52 902**	21 224
Electricity and gas	**3 457**	553
Printing and stationery	**2 308**	1 124
Repair and maintenance	**3 134**	342
Fee and subscription	**39**	9
Depreciation - owned assets (Note 12.1.2)	**3 669**	2 502
	1 315 461	1 009 856

27.1 Salaries and other benefits include provident fund contribution of Rupees 4.548 million (30 June 2008: Rupees 3.857 million).

	(RUPEES IN THOUSAND)	
	2009	2008 (Restated)

28. ADMINISTRATIVE EXPENSES

Salaries and other benefits (Note 28.1)	**263 419**	196 741
Rent, rates and taxes	**7 532**	27 138
Legal and professional	**10 685**	9 532
Insurance	**4 412**	4 094
Traveling and conveyance	**19 383**	19 406
Vehicles' running	**20 620**	17 979
Entertainment	**7 446**	5 141
Auditors' remuneration (Note 28.2)	**2 648**	2 111
Advertisement	**28**	306
Postage, telephone and telegram	**5 544**	6 390
Electricity and gas	**8 074**	10 330
Printing and stationery	**13 215**	12 460
Repair and maintenance	**9 166**	5 946
Fee and subscription	**5 257**	1 202
Research and development (Note 28.3)	**-**	44 103
Miscellaneous	**8 426**	10 172
Depreciation – owned assets (Note 12.1.2)	**55 098**	58 249
	440 953	431 300

28.1 Salaries and other benefits include provident fund contribution of Rupees 10.077 million (30 June 2008: Rupees 7.408 million).

28.2 Auditors' remuneration

Riaz Ahmad and Company		
Audit fee	**1 656**	1 456
Half yearly review	**347**	315
Reimbursable expenses	**53**	53
	2 056	1 824
A.F. Ferguson and Company		
Statutory audit fee	**300**	250
Special audit fee	**250**	-
Reimbursable expenses	**-**	37
Other certification services	**42**	-
	592	287
	2 648	2 111

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
28.3 Research and development		
Support on account of research and development (Note 28.3.1)	**-**	248 795
Less: Utilization		
Product development	**-**	183 782
Upgradation of information technology	**-**	3 075
Professional consultancy	**-**	19 883
Market research	**-**	42 006
Environment improvement	**-**	34 488
Participation in exhibition	**-**	9 664
	-	292 898
	-	44 103

28.3.1 The research and development support was given by Ministry of Commerce to Nishat Mills Limited - Holding Company, Government of Pakistan vide SRO 803(I)/2006 dated 04 August 2006 in order to encourage and regulate the research and development in textile sector.

29. OTHER OPERATING EXPENSES

	2009	2008 (Restated)
Workers' profit participation fund (Note 8.2)	**82 641**	70 497
Workers' welfare fund	**5 886**	-
Loss on sale of property, plant and equipment	**-**	12 469
Provision for doubtful debts (Note 19)	**80 460**	27 000
Impairment loss on equity investments	**17 259**	-
Depreciation on investment properties	**2 588**	-
Amortization of deferred cost	**-**	158
Donation (Note 29.1)	**2 774**	753
	191 608	110 877

29.1 There is no interest of any director or his spouse in donees' fund.

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
30. OTHER OPERATING INCOME		
Income from financial assets		
Dividend income (Note 30.1)	**391 807**	549 410
Profit on deposits with banks	**7 324**	3 508
	399 131	552 918
Income from non financial assets		
Gain on sale of property, plant and equipment	**2 416**	-
Scrap sales	**64 911**	74 399
Rental income from investment properties	**16 951**	-
Exchange gain	**3 505**	25
Negative goodwill arising on acquisition of foreign subsidiary	**127**	-
Others	**-**	2 346
	87 910	76 770
	487 041	629 688

30.1 Dividend income

	2009	2008
From related parties		
MCB Bank Limited	**364 035**	512 268
Nishat (Chunian) Limited	**-**	15 350
Nishat (Chunian) Limited - Preferred shares	**1 781**	-
Adamjee Insurance Company Limited	**75**	90
Security General Insurance Company Limited	**25 566**	20 452
	391 457	548 160
Others		
Pakistan Strategic Allocation Fund	**350**	1 250
	391 807	549 410

	2009	2008
31. FINANCE COST		
Mark-up on:		
Long term financing	**253 319**	213 895
Short term borrowings	**986 878**	617 294
Interest on workers' profit participation fund (Note 8.2)	**2 787**	2 888
Finance charges on lease liabilities	**-**	2 186
Bank charges and commission	**203 812**	114 353
	1 446 796	950 616
32. PROVISION FOR TAXATION		
Current - for the year (Note 32.1)	**295 791**	261 100
Prior year adjustment - subsidiary company	**501**	-
	296 292	261 100

32.1 The Nishat Mills Limited - Holding Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. No temporary differences are expected to arise in the foreseeable future except for deferred tax liability as explained in note 7. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

32.2 The income of Nishat Power Limited - Subsidiary Company is exempt from tax subject to conditions and limitations provided in clause (132), Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, provision is made in profit and loss account on income from sources not covered under the aforesaid clause.

32.3 The provision for income tax of foreign subsidiary- Nishat USA Inc., is computed in accordance with the tax legislation in force in the country where the income is taxable.

		2009	2008 (Restated)

33. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

		2009	2008 (Restated)
Profit attributable to ordinary shareholders of holding company	(Rupees in thousand)	**1 642 646**	5 929 631
Weighted average number of ordinary shares	(Numbers)	**186 332 202**	158 914 725
Earnings per share	(Rupees)	**8.82**	37.31

34. CASH GENERATED FROM OPERATIONS

	(RUPEES IN THOUSAND) **2009**	2008 (Restated)
Profit before taxation	**1 938 538**	6 190 737
Adjustments for non-cash charges and other items:		
Depreciation	**1 119 619**	1 078 523
Provision for doubtful debts	**80 460**	27 000
(Gain) / loss on sale of property, plant and equipment	**(2 416)**	12 469
Gain on sale of investment	**-**	(5 060 413)
Provision for gratuity	**-**	4 655
Dividend Income	**(391 807)**	(549 410)
Share of profit from associated companies	**(494 774)**	(191 539)
Impairment loss on investments	**17 259**	-
Amortization of deferred cost	**-**	158
Finance cost	**1 446 796**	950 616
Working capital changes (Note 34.1)	**811 245**	(1 403 347)
	4 524 920	1 059 449

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
34.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	**(48 266)**	(80 449)
- Stock in trade	**70 682**	(1 025 241)
- Trade debts	**6 320**	(627 501)
- Loans and advances	**(46 608)**	29 817
- Short term deposits and prepayments	**3 042**	(3 018)
- Other receivables	**49 114**	(33 402)
	34 284	(1 739 794)
Increase in trade and other payables	**776 961**	336 447
	811 245	(1 403 347)

35. ACQUISITION OF FOREIGN SUBSIDIARY

On 01 October 2008, 100% shares in Nishat USA Inc., were acquired by Nishat Mills Limited. Detail of net assets acquired and goodwill are as follows:

	(RUPEES IN THOUSAND) 2009
Purchase consideration (in cash)	**2 930**
Fair value of assets acquired	**3 057**
Negative goodwill	**127**
The assets and (liabilities) arising from acquisition are as follows:	
Long term security deposits	**313**
Other receivables	**2 964**
Loans and advances	**118**
Prepaid expenses	**157**
Cash at banks	**129**
Accrued liabilities	**(624)**
	3 057

35.1 The carrying value of assets and liabilities acquired are approximate to their fair value.

36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Nishat Mills Limited - Holding Company has proposed a cash dividend for the year ended 30 June 2009 of Rupees 2 per share (30 June 2008: Rupees 2.50 per share) at their meeting held on 25 August 2009.The Board of directors also proposed to transfer Rupees 1 350 million (30 June 2008: Rupees 5 294 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Balance Sheet Date' and have not been recognized in these financial statements.

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including all benefits to Chief Executive, Directors and Executives of the Holding Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2009	2008	**2009**	2008	**2009**	2008
			(RUPEES IN THOUSAND)			
Managerial remuneration	**6 297**	3 871	**2 043**	2 453	**53 195**	41 162
Allowances						
Cost of living allowance	**-**	-	**7**	8	**248**	227
House rent	**2 519**	1 742	**775**	1 115	**17 092**	15 562
Conveyance	**-**	-	**-**	-	**84**	96
Medical	**-**	-	**205**	90	**3 627**	1 733
Utilities	**630**	194	**186**	147	**4 572**	2 665
Special allowance	**-**	-	**2**	2	**91**	92
Contribution to provident fund	**-**	-	**162**	136	**4 177**	3 125
Leave encashment	**-**	-	**-**	-	**1 559**	1 089
	9 446	5 807	**3 380**	3 951	**84 645**	65 751
Number of persons	**1**	1	**3**	4	**65**	58

37.1 Chief executive, three directors and certain executives of Nishat Mills Limited - Holding Company are provided with free maintained vehicles and certain executives are also provided with free housing facility alongwith utilities.

37.2 No remuneration was paid to directors as meeting fee during the current year and previous year.

38. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. In the normal course of business management carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	(RUPEES IN THOUSAND) 2009	2008 (Restated)
Associated companies		
Purchase of goods and services	**16 174**	201 619
Sale of goods and services	**31**	-
Sale of vehicles	**800**	-
Purchase of plant and machinery	**-**	19 587
Purchase of vehicles	**2 129**	-
Sale of property, plant and equipment	**-**	-
Dividend income	**509 202**	652 232
Dividend paid	**52 564**	52 564
Insurance premium paid	**52 571**	195 194
Insurance claim received	**16 089**	1 949
Profit on saving accounts	**88**	37
Subscription paid	**375**	-
Other related parties		
Purchase of goods and services	**127 669**	132 958
Sale of goods and services	**107 233**	83 203
Sale of property, plant and equipment	**300**	-
Dividend income	**-**	15 350
Group's contribution to provident fund trust	**63 126**	50 062

39. PLANT CAPACITY AND ACTUAL PRODUCTION

a) Holding Company - Nishat Mills Limited

		(FIGURES IN THOUSAND) 2009	2008 (Restated)
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Kgs.)	**62 944**	62 106
Actual production converted to 20s count based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Kgs.)	**57 088**	55 643
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Sq.Mt.)	**218 015**	208 869

		(FIGURES IN THOUSAND) 2009	2008 (Restated)
Actual production converted to 50 picks based on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Sq.Mt.)	**203 034**	195 222
Dyeing and Finishing			
Production capacity for 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Mt.)	**48 000**	48 132
Actual production on 3 shifts per day for 1 095 shifts (30 June 2008: 1 098 shifts)	(Mt.)	**45 256**	43 371
Power Plant			
Generation capacity	(KWH)	**494 784**	446 991
Actual generation	(KWH)	**341 964**	301 360

Processing, Stitching and Apparel

The plant capacity of these divisions are indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

b) Subsidiary Company - Nishat Power Limited

After completion of the project, the gross available capacity will be of 200MW. The expected commencing date is 30 September 2009.

39.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to normal maintenance.

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors of the holding company and subsidiary companies (the respective Boards). The Boards provide principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) **Market risk**

(i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Group's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Group's exposure to currency risk was as follows:

	2009	2008
Cash at banks - USD	**290 881**	153 283
Cash at banks - Euro	**980**	980
Trade debts - USD	**1 349 986**	534 354
Trade debts - Euro	**1 549 868**	1 003 304
Other assets - USD	**5 500**	-
Trade and other payable - USD	**7 196 984**	542 474
Trade and other payable - Euro	**5 887 298**	8 120
Net exposure - USD	**(5 550 617)**	145 163
Net exposure - Euro	**(4 336 450)**	996 164

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	**79.09**	62.77
Reporting date rate	**81.47**	68.35
Rupees per Euro		
Average rate	**108.05**	93.38
Reporting date rate	**115.24**	107.40

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 33.878 million and Rupees 42.133 million (30 June 2008: Rupees 40.368 million and Rupees 4.995 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Group is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the equity instruments moved according to the historical correlation with the index.

Index	Impact on profit after taxation		Impact on other components of equity (fair value reserve)	
	2009	2008	**2009**	2008
	.... (Rupees in thousand)			
KSE 100 (5% increase)	**-**	-	**7 885**	12 923
KSE 100 (5% decrease)	**7 333**	215	**-**	12 692

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no significant long-term interest-bearing assets. The Group's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

	(RUPEES IN THOUSAND)	
	2009	2008
Fixed rate instruments		
Financial liabilities		
Long term financing	**1 692 724**	2 051 037
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	**28 905**	4 691
Financial liabilities		
Long term financing	**12 724 986**	3 141 613
Short term borrowings	**7 342 600**	9 338 574

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 200.676 million (30 June 2008: Rupees 124.802 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	(RUPEES IN THOUSAND)	
	2009	2008
Investments	**1 118 971**	1 863 980
Loans and advances	**95 077**	57 559
Deposits	**37 040**	36 538
Trade debts	**1 300 366**	1 387 146
Other receivables	**25 324**	12 600
Bank balances	**164 838**	71 917
	2 741 616	3 429 740

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2009	2008
	Short Term	**Long term**	**Agency**	**(Rupees in thousand)**	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**2 030**	1 842
Allied Bank Limited	A1+	AA	PACRA	**6 511**	-
Askari Bank Limited	A1+	AA	PACRA	**211**	310
Bank Alfalah Limited	A1+	AA	PACRA	**2 825**	54
Faysal Bank Limited	A1+	AA	PACRA	**618**	8 849
Habib Bank Limited	A-1+	AA+	JCR-VIS	**51 423**	2 890
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**38**	30
JS Bank Limited	A1	A	PACRA	**9 168**	163
KASB Bank Limited	A1	A	PACRA	**77**	894
MCB Bank Limited	A1+	AA+	PACRA	**56 704**	34 897
NIB Bank Limited	A1+	AA -	PACRA	**204**	207
The Royal Bank of Scotland Limited	A1+	AA	PACRA	**140**	624
Samba Bank Limited	A-1	A	JCR-VIS	**5**	105
Silkbank Limited	A-3	A -	JCR-VIS	**47**	8
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**12 589**	6 805
United Bank Limited	A-1+	AA+	JCR-VIS	**110**	149
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	**225**	426
Citibank N.A.	P-1	A1	Moody's	**12 618**	11 577
Deutsche Bank AG	P-1	Aa1	Moody's	**5**	454
HSBC Bank Middle East Limited	P-1	Aa2	Moody's	**4 214**	-
Bank Islami Pakistan Limited	A1	A	PACRA	**2 605**	43
Meezan Bank Limited	A-1	A+	JCR-VIS	**1 292**	1 590
JP Morgan Chase Bank	P-1	Aa1	Moody's	**1 179**	-
				164 838	71 917
Investments					
Adamjee Insurance Company Limited	AA		PACRA	**2 775**	8 130
Security General Insurance Company Limited	A		JCR-VIS	**961 267**	1 605 520
Pakistan Strategic Allocation Fund	4 Star		PACRA	**1 715**	4 605
				965 757	1 618 255
				1 130 595	1 690 172

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 19.

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2009, the Group had Rupees 13 344 million available borrowing / financing limits from financial institutions and Rupees 170.864 million cash and bank balances. Inspite the fact that the Group is in a negative working capital position at the year end, management believes the liquidity risk to be low.

Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities as at 30 June 2009:

	Carrying amount	Contractual cash flow	6 month or less	6-12 month	1-2 Year	More than 2 Years
	---------------------------- (Rupees in thousand) ----------------------------					
Long term financing	14 417 710	28 143 857	1 581 323	1 712 947	4 691 701	20 157 886
Trade and other payables	1 806 713	1 806 713	1 806 713	-	-	-
Short term borrowings	7 342 600	7 906 428	7 079 921	826 507	-	-
	23 567 023	37 856 998	10 467 957	2 539 454	4 691 701	20 157 886

Contractual maturities of financial liabilities as at 30 June 2008:

	Carrying amount	Contractual cash flow	6 month or less	6-12 month	1-2 Year	More than 2 Years
	---------------------------- (Rupees in thousand) ----------------------------					
Long term financing	5 192 650	28 012 339	1 062 807	827 092	3 402 299	22 720 141
Trade and other payables	989 917	989 917	989 917	-	-	-
Short term borrowings	9 338 574	10 139 255	8 445 872	1 693 383	-	-
	15 521 141	39 141 511	10 498 596	2 520 475	3 402 299	22 720 141

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rate / markup rates effective as at 30 June. The rates of interest / markup have been disclosed in note 6 and note 10 to these financial statements.

40.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
		(Rupees in thousand)	
As at 30 June 2009			
Assets as per balance sheet			
Investments	-	1 118 971	1 118 971
Loans and advances	95 077	-	95 077
Deposits	37 040	-	37 040
Trade debts	1 300 366	-	1 300 366
Other receivables	25 324	-	25 324
Cash and bank balances	170 864	-	170 864
	1 628 671	1 118 971	2 747 642

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	14 417 710
Accrued mark-up	638 872
Short term borrowings	7 342 600
Trade and other payables	1 806 713
	24 205 895

	Loans and receivables	Available for sale	Total
		(Rupees in thousand)	
As at 30 June 2008			
Assets as per balance sheet			
Investments	-	1 863 980	1 863 980
Loans and advances	57 559	-	57 559
Deposits	36 438	-	36 438
Trade debts	1 387 146	-	1 387 146
Other receivables	12 600	-	12 600
Cash and bank balances	78 933	-	78 933
	1 572 676	1 863 980	3 436 656

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	5 192 650
Short term borrowings	9 338 574
Trade and other payables	989 917
Accrued mark-up	305 155
	15 826 296

40.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Group as referred to in note 6 and 10 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Group's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity.

		2009	2008 (Restated)
Borrowings	Rupees in thousand	**21 760 310**	14 531 224
Total equity	Rupees in thousand	**25 517 189**	31 418 137
Total capital employed	Rupees in thousand	**47 277 499**	45 949 361
Gearing ratio	Percentage	**46.03**	31.62

The increase in the gearing ratio resulted primarily from increase in borrowings from the banks and decrease in fair value reserves due to decrease in market value of shares.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 25 August 2009 by the Board of Directors.

42. CORRESPONDING FIGURES

Corresponding figures of assets, liabilities, income and expenses have been restated and include amounts pertaining to Nishat Apparel Limited (Formerly Gulf Nishat Apparel Limited) pursuant to its amalgamation with Nishat Mills Limited - Holding Company which is effective from 01 July 2008 (as more fully explained in note 3 to the financial statements).

43. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER **DIRECTOR**