NISHAT

Nishat Mills Limited

annual report

2011

50th Year of listing on KSE

NISHAT

NISHAT

Contents

Nishat Mills Limited

Nishat Mills Limited and its Subsidiary Companies

Company Information

BOARD OF DIRECTORS:	Mian Umer Mansha	Chairman/CEO
	Mian Hassan Mansha	
	Mr. Khalid Qadeer Qureshi	
	Mr. Muhammad Azam	
	Mr. Maqsood Ahmad	
	Syed Zahid Hussain	
	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:

- Albarka Islamic Bank
- Allied Bank Limited
- Askari Bank Limited
- Bank Alfalah Limited
- Bank Islami Pakistan Limited
- Barclays Bank PLC
- Citibank N.A.
- Deutsche Bank AG
- Dubai Islamic Bank Pakistan Limited
- Faysal Bank Limited
- Habib Bank Limited
- Habib Metropolitan Bank Limited
- HSBC Bank Middle East Limited
- JS Bank Limited
- KASB Bank Limited
- Meezan Bank Limited
- National Bank of Pakistan
- NIB Bank Limited
- Pak Brunei Investment Company Limited
- Pakistan Kuwait Investment Company (Pvt) Limited
- Samba Bank Limited
- Saudi Pak Industrial & Agriculture Investment Company Limited
- Silk Bank Limited
- Soneri Bank Limited
- Standard Chartered Bank (Pakistan) Limited
- The Bank of Punjab
- United Bank Limited

MILLS:	Nishatabad, Faisalabad.	(Spinning units, Yarn Dyeing & 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: 042-36360154, 042-111 113 333 Fax: 042-36367414
HEAD OFFICE:	7, Main Gulberg, Lahore. Tel: 042-35716351-59, 042-111 332 200 Fax: 042-35716349-50 E-mail: nishat@nishatmills.com Website: www.nishatmillsltd.com
LIAISON OFFICE:	Ist Floor, Karachi Chambers, Hasrat Mohani Road, Karachi. Tel: 021-32414721-23 Fax: 021-32412936

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 that is 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 that is fully equipped to play a meaningful role on sustainable basis in the economy of Pakistan.

NISHAT

annual report 2011

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 31, 2011 (Monday) at 11:00 a.m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore, to transact the following ordinary business:

1. To receive, consider and adopt the Separate and Consolidated Financial Statements of the Company for the year ended June 30, 2011 together with Directors' and Auditors' reports thereon.

2. To approve the payment of final cash dividend @ 33 % (i.e. Rs.3.30 per share) for the year ended June 30, 2011, as recommended by the Board of Directors.

3. To appoint auditors of the Company for the year ending June 30, 2012 and fix their remuneration. The Board of Directors has approved the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants, the retiring auditors on the recommendations of Audit Committee.

BY ORDER OF THE BOARD

KHALID MAHMOOD CHOHAN
(COMPANY SECRETARY)

06 September 2011
Lahore

NOTES:

1. BOOK CLOSURE NOTICE FOR ENTITLEMENT OF FINAL CASH DIVIDEND@ 33% FOR THE YEAR ENDED JUNE 30, 2011:

   The Share Transfer Books of the Company will remain closed for entitlement of Final Cash Dividend @ Rs.3.30 per share i.e. 33%, from 24-10-2011 to 31-10-2011 (both days inclusive). Physical transfers / CDS transactions / IDs. received in order at Registered Office Nishat House, 53-A, Lawrence Road, Lahore upto 1:00 p.m. on 22-10-2011, will be considered in time for the entitlement of said 33% final cash dividend and for attending of the 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. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company. 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.

Directors' Report

Directors of Nishat Mills Limited ("the Company") are pleased to present the annual report of the Company for the year ended 30 June 2011 along with the financial statements and auditors' report thereon.

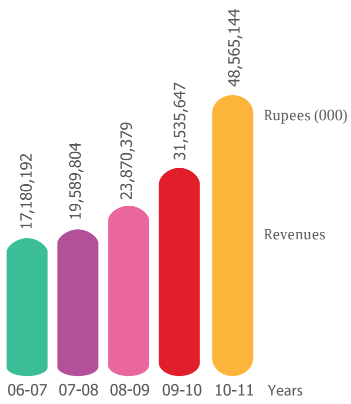
The Board is overjoyed to reveal the news of completion of Company's 50th year of listing on Karachi Stock Exchange on 27 November 2011. This has been an illustrious journey marked with achievements and accolades. **Growth through Professional Management** has always been the driving force. Our sphere of betterment has not only shaped lives of many thousands directly involved with the Company but also extends to macroeconomic environment of the country.

Operating financial results

During the year, the Company has achieved excellent growth in its revenues and profits. After tax profit of our Company for the year ended 30 June 2011 has significantly increased to Rs. 4,843.912 million as compared to Rs. 2,915.461 million for the corresponding previous year ended 30 June 2010, showing an increase of 66.15 %. Similarly, the gross profit for the current year has significantly increased to Rs. 7,846.447 million as compared to Rs. 5,980.185 million for the corresponding previous year.

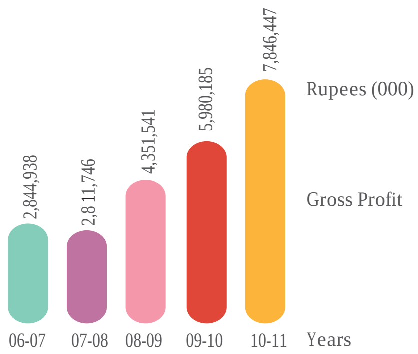
Financial highlights	2011	2010	Increase %
Net sales (Rs. '000')	48,565,144	31,535,647	54.00
Gross profit (Rs. '000')	7,846,447	5,980,185	31.21
Pre-tax profit (Rs. '000')	5,411,912	3,286,069	64.69
After tax profit (Rs. '000')	4,843,912	2,915,461	66.15
Gross profit ratio to sales (%)	16.16	18.96	
After tax profit ratio to sales (%)	9.97	9.24	
Earnings per share (Rs.)	13.78	10.50	

The significant increase in sales in 2011 by 54% over 2010 is in line with the Company's policy of yearly growth trend in sale quantities together with the significant increase in sale prices.

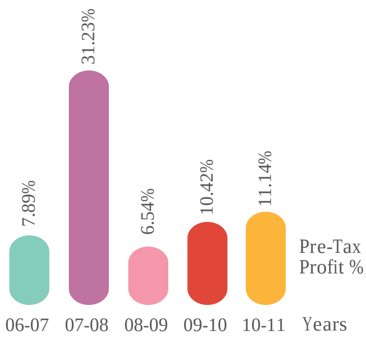


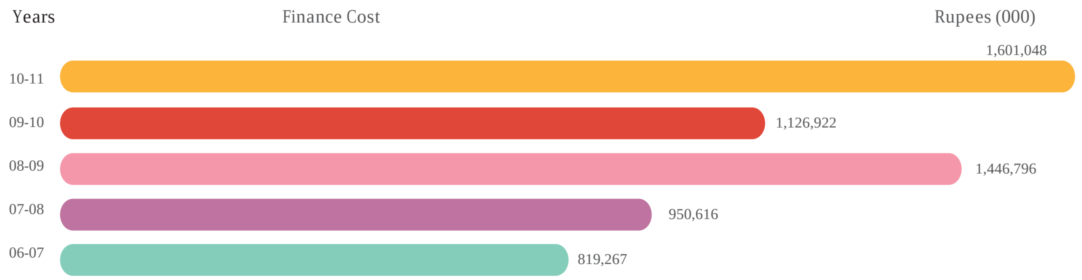
The significant increase in gross profit and net profit is mainly attributable to increase in sale quantities, good sales mix of products and increase in sale prices of the products manufactured and sold by the Company. All business segments of the Company have been able to realize benefit during the current year and have contributed towards the excellent results. In particular spinning and weaving businesses of the Company have performed tremendously well in the current year by generating higher profits. Our spinning business through effective planning, timely investment in cotton and modern production facilities has grasped optimum benefits offered by the sharp rise in demand of cotton yarn and its selling prices even though later in the year the sales margins were negatively affected because of decline in cotton prices.

However, the gross profit margin of the Company has decreased to 16.16 % in the current year from 18.96 % in the previous year. The decrease in gross profit margin is mainly due to increase in raw material prices for our value added business which could not be fully passed on to our value added business customers and increase in electricity generation cost due to excessive use of diesel and furnace oil during the frequent shutdown of gas supply.



The finance cost of the Company has increased by 42.07% (June 2010: Rs. 1,126.922 million, June 2011: Rs. 1,601.048 million) in the current year compared to the corresponding previous year owing to increase in borrowing rate of the Company which is due to increase in export refinance rates by the State Bank of Pakistan and excessive borrowing of the Company to meet the need of increased working capital requirement due to hike in raw material prices.





Furthermore, other operating income in the current year has increased substantially by 149.07% (June 2010: Rs. 981.650 million, June 2011: Rs. 2,444.985 million) mainly on account of increase in exchange gain on forward contracts by Rs. 705.035 million, increase in dividend income by Rs. 440.258 million and realization of gain on sale of investments by Rs. 138.493 million.

The Board of Directors of the Company has recommended 33% cash dividend (2010: 25%) and transferring of Rs. 3,683 million (2010: Rs. 2,036 million) to general reserve.

General market review and future prospects

Globally 2010 - 2011 was marked as year of recovery from the worst economic recession seen in decades. Road to recovery is slow but steady because of sheer intensity of the downfall. Domestically, nothing changed for the textile industry as compared to previous years. Industry had been compelled to put up with high cost of production resulting from higher cotton prices, rising energy costs, increased prices of imported inputs due to depreciation of Pakistani rupee, double digit inflation and prolonged power cuts. We have witnessed extinction of small and cottage industry fighting these demons and if the situation prolongs another year or two, medium sized entities will also start to disappear.

Our company did extremely well during the current financial year and achieved 54 % growth in total net revenues from the corresponding previous year. As we have stated on many occasions previously, Nishat's vertical integration, mass and modern production capability, effective marketing policies and campaigns, strong customer base and diversified product range allows us to grow even more when everyone else is facing decline.

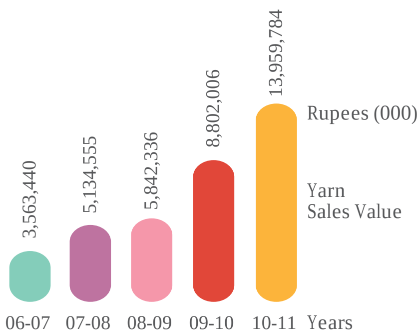
We are keeping a close eye on the unfolding of events and devise strategy accordingly. We have formulated a multi-dimensional strategy to tackle all these issues. In house power production and exploration into alternative fuels e.g. coal, rice husk, biomass and LNG will help us take care of energy shortage problem. We are focusing on diversification of our product range and consolidating good business done in work wear fabric is another dimension of this strategy.

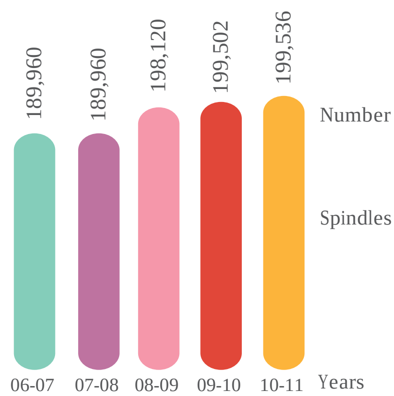
Our strength lies in our strategic planning and marketing capabilities along with our vertically integrated production facilities that can turn raw cotton to a final finished consumer product which has always attracted customers' attention all over the world. Our strategy is to expand and diversify our product range by adding value added products and systems.

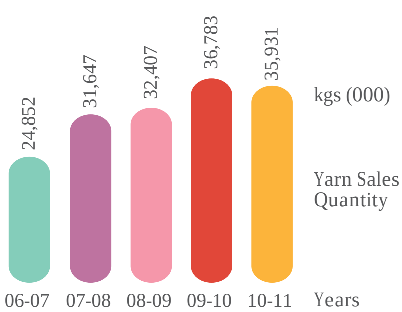
Spinning

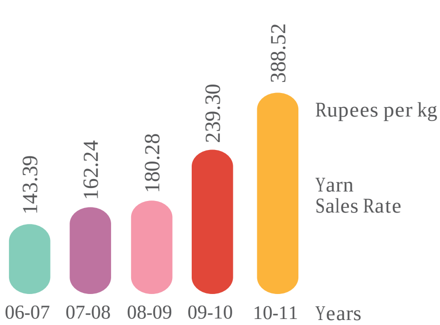
Financial Year 2010 - 11 brought bewilderment for spinning industry in the shape of volatile cotton prices in international and local markets. It all started with speculation about less and damaged local cotton crop and an inexplicable sharp rise in prices in international markets. Both these variables contributed to an uncertain situation resulting in a steady upward movement in cotton prices reaching the highest point in early March. The last quarter of the financial year unfolded a reverse story with price falling sharply in the local market. International market showed an even steeper reduction in the yarn prices.

At the start of the year, cotton yarn price did not rise along with raw cotton price in the international market and demand generated by local market was the only support available to us. Persistent and effective marketing activities provided us with adequate demand of cotton yarn in both local & international markets by the end of first quarter. This high level of demand and sales was efficiently maintained till the end of third quarter.







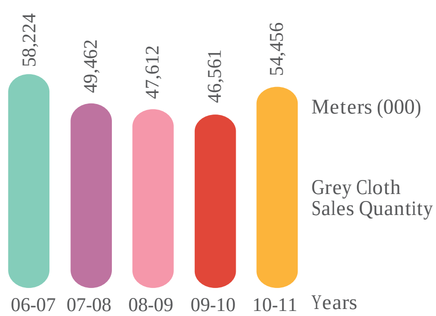


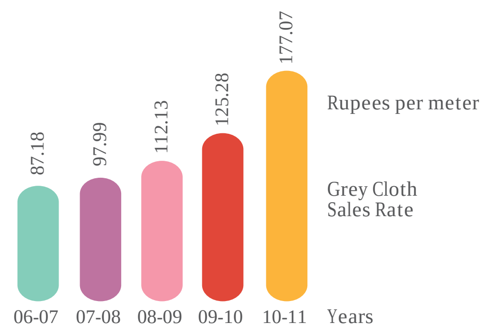
Steady decrease in cotton prices presented us with even greater challenge of selling yarn in the last quarter where buyers were reluctant in putting orders in the local market. Internationally, Far East played its vital role, where as demand in Europe and USA did not improve. Significant stocks of raw cotton and slow but steady sale of cotton yarn made a good ending of year for us.

During the financial year, relentless and determined marketing activities were initiated for "Yarn Dyeing" and we expect betterment in this section of the company in future.

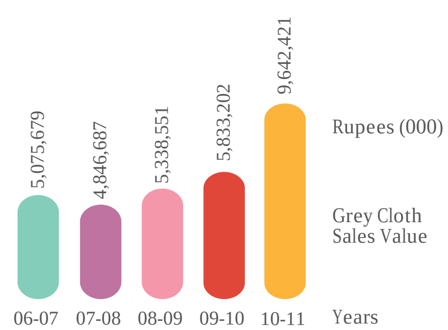
Weaving

Volatile cotton prices were the story of financial year 2010-2011 for the weaving sector of the company too. Cotton prices moved along an upward trend reaching their peak in early March with cotton index reaching to the level of US$ 2.27/lb and then nose diving to US$ 1.15/lb towards the end of June. This sharp rise and fall in prices completely disturbed the international textile market. Clients were left with expensive inventories which they had already purchased or were in transit. The instability resulted in various cancellations of export orders and price revisions. To plan ahead of time had become an impossible task.



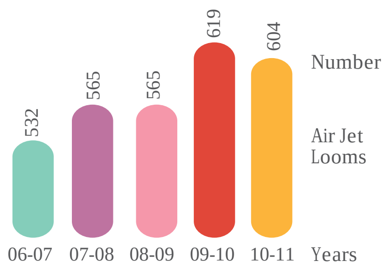


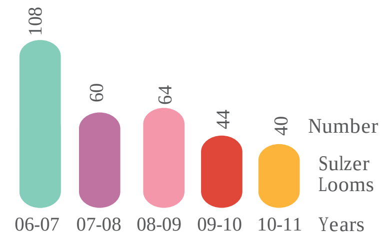
However, owing to shortage in the supply of grey fabric due to difficulties faced by small businesses, demand from our customers increased who made some panic buying thus allowed us to increase our sales volume and hence our profits. Furthermore, through our strategy to focus on and retain our valuable customers, even though our costs had increased significantly, we were able to increase our grey fabric sales volume. Also our work wear business picked up during the current year due to increase in our customer base.



During the financial year, our new 40 wider Toyota Airjet looms went up and running giving us more flexibility in wider width fabrics. Our focus had been more towards technical / work wear fabric which is a more stable and secure business line unlike more volatile fashion (apparel) business line. The strategy will be followed in the next financial year as well. We have started business with four to five new customers during the current year, namely Platex, Technofabric, Rofa and JT Inglis. We expect to increase our business volume significantly with them in the coming years.

We are planning to gradually replace our Jacquard looms with more traditional Rapier looms starting from next financial year. We shall also be adding some more specialized Airjet Dobby looms at the expense of old Sulzer machines. For the coming winter season, we are focusing on significantly increased production in Corduroy fabric.

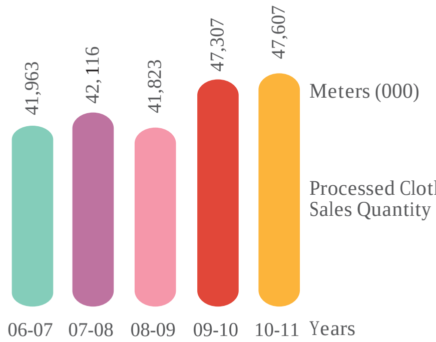


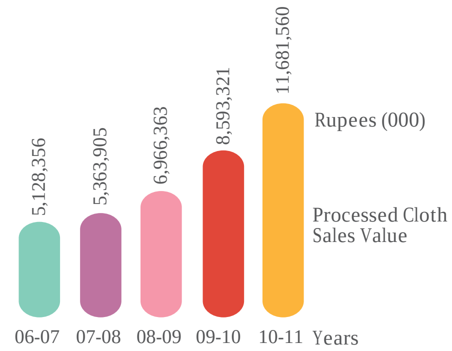


As short term future outlook, we expect a bearish trend in cotton prices at the start of the year as there seems to be abundant cotton available internationally. Pakistan is also expecting a bumper crop this year with estimates of approximately 15 million bales. After a short upward pull, prices will stabilize which will certainly be a welcome sign for everyone.

Processing and Home Textile

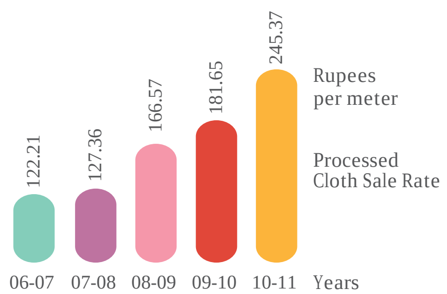
In spite of the ups and down in cotton prices, the Processing and Home Textile Section of Nishat once again performed as a market leader and touched new heights of revenues due to its extra ordinary quality of services and ability to overcome market fluctuations.

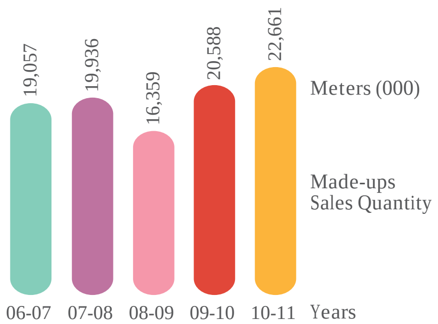




This growth in revenues is fruit of all the efforts put into this business by the company and illustrates our clients' trust in our capabilities. Our team's utmost dedication and commitment towards quality, service and in-time deliveries have been core values leading us to this success. We have been able to attract more customers during the current year due to these factors and have developed a significantly improved client base. Our product mix has increased significantly with products ranging from basic sheeting to extremely hi-tech fabrics and embellished articles. Recent addition to the installed capacity (new Bleaching and Finishing Plants) are up and running and have provided a very favourable boost to our production capacity.

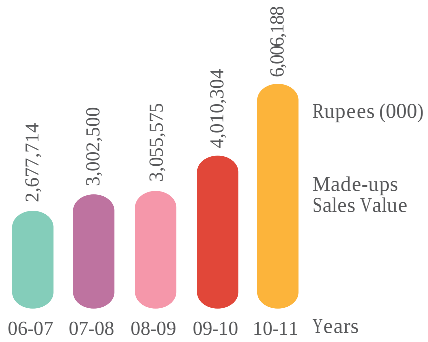
We have shown expansion in every market including Europe, America and Oceania. We are very positive to maintain this lead for the next year too. Although sharp drop in cotton prices towards the end of the year has challenged the entire market and will affect us too, but we are very hopeful to cope up with this scenario as it also opens new doors to a vast clientele.

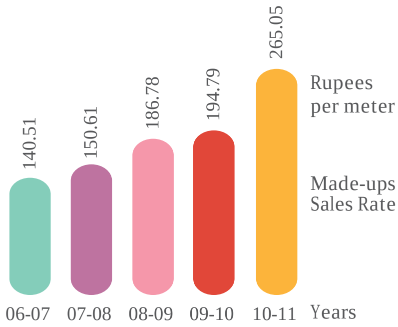




Our quality, reliability, expertise and capacity to serve massive business volumes will surely take us to the next level in months to come.

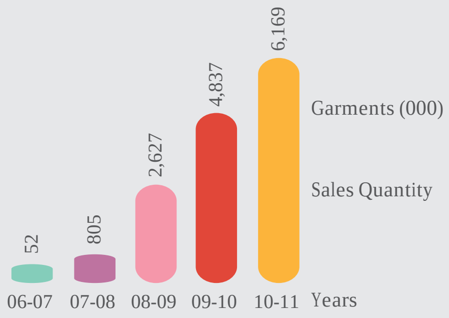
We are also increasing our retail operations all over the country which is also giving a boost to the revenues of the Company. We are currently operating 28 retail outlets in the country which are selling our products to the end consumers.





Garments

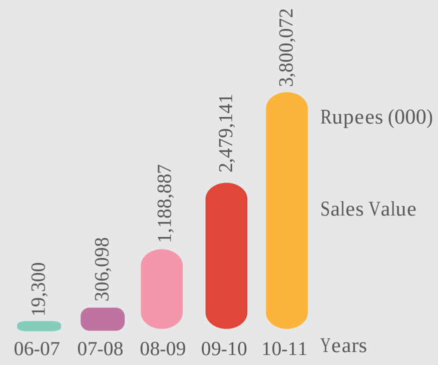
Apparel Sector at Nishat is a purpose built, state of the art garments manufacturing plant of Nishat Mills Limited established in 2007. It is in fourth financial year of its operation and is termed as a benchmark for apparel manufacturing in Pakistan. It is one of its kind project; bringing in industrial concepts into a traditionally small and medium sized business sector.

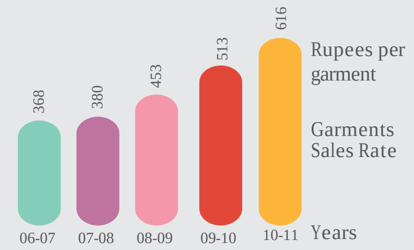


Financial year 2010 - 2011 began with its challenges of extremely high cotton prices, lowered down economic indicators and sluggish sales in International markets. The power shortages in the country and higher fuel costs have put a dent on the profitability of value added sector. The instability of cotton prices along with cotton shortages faced internationally provided challenges of extreme nature to the value chain. Buyers remained very selective and cautious in their buying patterns.

With challenges looming in the textile sector world over, the Apparel Sector growth remained unharmed. In financial year 2010 - 2011, Nishat Apparel successfully increased 25% of production capacities resulting in growth in profitability through sales of better margin products. A whole new range of value added customers were added and serviced. Diversification in markets was planned with focus on product development that paid off successfully.

For the next financial year, the Apparel Sector plans to watch cautiously as to how the market reacts to cotton prices and whether cotton price is able to sustain itself. The buying patterns are still uncertain and will seemingly be clear in the next few months. With stability back in business, the Apparel Sector will be in a strong position to grow further both in terms of capacities and market presence.



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Power Generation

Nishat Mills has established state of the art, modern, highly reliable and extremely efficient captive co-generation power plants to cater in house energy requirements at all its spinning, weaving, processing, stitching and apparel units. In the wake of current energy crisis, low cost power and self reliance has been the targeted motto behind this establishment. With depleting gas reserves and limited gas supplies in the country, we are proud to take another initiative on utilization of alternative fuel for future energy requirements.

In first phase we plan to generate power with combination of coal and biomass fuels enabling us to set up an example for the rest of the industry to follow. Production of this project is expected to start in April 2012. In the second phase of this alternate fuel exploration project, we intend to import LNG at economically viable means to combat the dire shortage of natural gas in future. To mitigate the current energy crisis in the country, as always Nishat Mills has been 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	37.37	2	6	-
Bhikki	14.71	3	4	1
Lahore	27.04	9	9	3
Ferozewatwan	9.70	4	4	-

Information Technology

IT management has been working on drafting a strategic plan for the technology needs of the Company. Adaptation in line with the ever changing IT environment is key driver behind this activity. Fast paced steep growth in the volume of business, employee strength and data needs pose an even greater challenge in our goal to achieve financial/operation reporting and office automation. Management is fully geared to establish a highly sophisticated IT infrastructure.

Financial year 2010 - 2011 saw the IT division successfully implementing time management system where time attendance machines along with turnstile for the workers are linked with payroll software.

Significant investments were made in IT infrastructure to increase the bandwidth and reliability of networks and other technology dependencies at various locations of the Company. We now have the most advanced integrated servers for web, email and data. Improvements will continue in future.

In house ERP development has been a core task of IT division for the past few years; within the domain of financial reporting automation goal. Development work on ERP for apparel/garments division was initiated. It is a complex business structure and the project will require substantial time and efforts to complete. Optimization of already developed and operational modules of ERP is another continuous endeavour. Attention is given to improving system performance, making other incremental changes and initiating a Business Intelligence Project. We are targeting to build upon the foundation created and to provide top management an ability to analyze and interpret historical information from multiple dimensions which will help drive better management decisions.

The entire IT division continues to work towards provision of best, secure and stable technology environment for the company.

Subsidiary companies:

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).

Nishat Power Limited

Nishat Power Limited, incorporated under the Companies Ordinance, 1984 on 23 February 2007, is a subsidiary company of Nishat Mills Limited and is a public listed company. The principle business of the subsidiary is to build, own, operate and maintain a fuel power station having gross capacity of 200 MW in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The subsidiary has commenced its commercial production from 9 June 2010. Nishat Mills Limited owns and controls 51.01% shares of the Nishat Power Limited.

Nishat USA Incorporation

Nishat USA, Incorporation, 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 the New York. 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. The corporation is a liaison office of Nishat Mills Limited's marketing department providing access to US market, information and other marketing services to Nishat Mills Limited.

Nishat Linen Trading L.L.C

Nishat Linen Trading L.L.C is a limited liability company incorporated in Dubai, UAE in pursuance to statutory provisions of the U.A.E. Federal Law No. (8) of 1984 and is registered with the Department of Economic Development, of Dubai. Nishat Linen Trading L.L.C is a subsidiary of Nishat Mills Limited as Nishat Mills Limited, through the powers given to it under Article 11 of the Memorandum of Association, exercise full control on the management of Nishat Linen Trading L.L.C. The Subsidiary is principally engaged in trading of textile, blankets, towels, linens, ready-made garments, garments accessories and leather products along with ancillaries thereto through retail outlets and warehouses across the United Arab Emirates. The operations of subsidiary have expanded the business horizon of Nishat Mills beyond Pakistan. The Subsidiary is currently operating three retail outlets and a warehouse in Dubai with the first retail outlet starting its operations in mid May 2011. The retail outlets are located in Festival City Mall, Outlet Mall and Lamcy Plaza and the warehouse is located in Alquoz Industrial Area. We are very optimistic about the future results of this Subsidiary.

Nishat Linen (Private) Limited

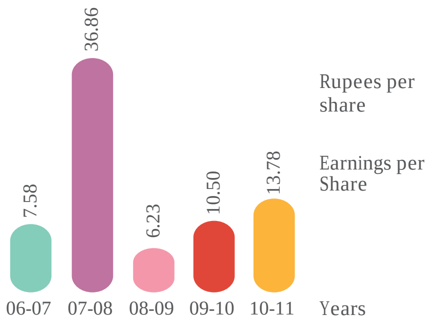
Nishat Linen (Private) Limited, incorporated on 15 March 2011, is a wholly owned subsidiary of Nishat Mills Limited. The principal business of the subsidiary company is to operate retail outlets for sale of textile and other products along with manufacturing, production and sale of all types of textile goods and products. The company has started its operations in July 2011.

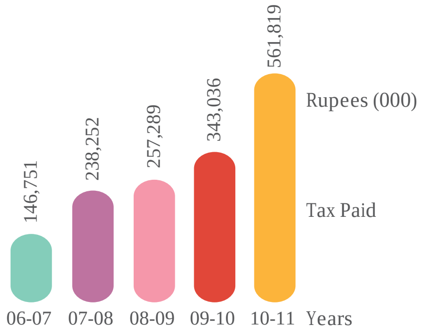
Nishat Hospitality (Private) Limited

Nishat Hospitality (Private) Limited is incorporated on 1 July 2011 as a wholly owned subsidiary of Nishat Mills Limited with the object of running hotel business in Pakistan. The Subsidiary will construct and operate a four star hotel in Lahore on international standards under the name of "Nishat Botique Hotel". The hotel is expected to start its operations in 2013.

Earnings per share

The earnings per share of the company have increased to Rs. 13.78 in 2011 as compared to Rs. 10.50 in 2010.





Related parties

Transactions with 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 best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan.

Corporate Social Responsibility (CSR)

Donations: During the financial year 2010-2011 the Company contributed a total of Rupees 7.8 million towards various social welfare projects through donations to different charitable organisations and trusts.

Environmental Protection Measures: Effluent Water Treatment Plants have been in operation for the past 10 years at the Company's dyeing and finishing facility in Lahore. The plants treat the water used in production process for contamination and other impurities before its final drainage.

Equal Opportunity Employer: The Company has been offering employment opportunities to people from various ethnicities and both the genders without any prejudice or bias. Equal Opportunity Employer is a label we are proud to claim for ourselves.

Occupational Safety and Health Standards: Most of the production units of the Company are ISO-9001 and SA-8000 certified. These standards are being developed and monitored by "International Organization for Standardization" and "Social Accountability International", ensuring quality management systems and excellent working conditions for employees.

Corporate Governance

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

Corporate and Financial Reporting Framework

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

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 the financial statements and accounting estimates are based on reasonable and prudent judgment.
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, 2011: Rs. 1,375.7 Million Un-audited (2010: Rs. 1,228.4 Million-Audited)
9. During the year under review, eight meetings of the Board of Directors of the Company were held and the attendance position was as under:

Sr. No.	Name of Director	No. of Meetings Attended
1	Mian Umer Mansha (Chairman / Chief Executive Officer)	5
2	Mian Hassan Mansha	3
3	Syed Zahid Hussain (Nominee NIT)	6
4	Mr. Khalid Qadeer Qureshi	5
5	Mr. Muhammad Azam	5
6	Ms. Nabiha Shahnawaz Cheema	5
7	Mr. Muhammad Ali Zeb (resigned on 30 December 2010)	0
8	Mr. Maqsood Ahmad (appointed on 18 February 2011)	2

Audit Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance has established an Audit Committee. The names of its members are given in the Company information.

Auditors

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

Pattern of shareholding and information under clause XIX (i) and (j) of the Code of Corporate Governance

The information under this head as on 30 June 2011 is annexed.

Key operating and financial data

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

Acknowledgment

The Board is pleased with the continued dedication and efforts of the employees of the Company.

For and on behalf of the Board of Directors

Umer Mansha

Mian Umer Mansha
Chairman / Chief Executive Officer

06 September 2011
Lahore

Financial Highlights

	2011	2010	2009	2008	2007	2006
			(Rupees in Thousands)			
Profit & Loss						
Net Sales	48,565,144	31,535,647	23,870,379	19,589,804	17,180,192	16,659,607
Gross Profit	7,846,447	5,980,185	4,351,541	2,811,746	2,844,938	2,957,981
Profit before tax	5,411,912	3,286,069	1,561,501	6,118,687	1,356,208	1,758,866
Profit after tax	4,843,912	2,915,461	1,268,001	5,857,587	1,211,208	1,632,866
Cash outflows						
Tax paid	561,819	343,036	257,289	238,252	146,751	196,772
Financial Charges Paid	1,474,841	1,096,389	1,458,602	875,636	838,759	692,267
Fixed capital expenditure	2,848,115	1,955,542	917,312	1,239,492	1,076,493	2,331,519
Balance sheet						
Current assets	18,441,959	11,732,928	8,294,838	8,818,379	13,309,087	9,743,720
Current liabilities	15,322,349	10,568,415	9,602,265	12,053,926	7,649,373	7,051,533
Operating fixed assets – Owned	12,107,389	11,476,005	11,102,355	11,188,560	10,309,611	8,398,310
Total assets	54,088,904	46,182,314	31,512,686	40,277,289	39,587,091	30,661,326
Long term loans and finances	2,861,956	2,980,694	2,334,411	1,321,912	1,773,820	3,015,384
Shareholders' Equity	35,393,959	31,376,313	19,330,767	26,492,070	30,163,898	20,594,409
Ratios						
Current ratio	1.20 : 1	1.11 : 1	0.86 : 1	0.73 : 1	1.74 : 1	1.38 : 1
Gearing ratio	29.23	25.53	34.34	30.62	21.17	29.49
Gross profit %	16.16	18.96	18.23	14.35	16.56	17.76
Pre Tax profit %	11.14	10.42	6.54	31.23	7.89	10.56
After tax Profit %	9.97	9.24	5.31	29.90	7.05	9.80
Earnings per share	13.78	10.50	6.23	36.86	7.58	10.22
Proposed dividend %	33	25	20	25	25	15
Bonus %	-	-	-	-	10	-
Right issue per share	-	45% at Rs. 40	50% at Rs. 25	-	-	-
Production machines						
No. of Spindles	199,536	199,502	198,120	189,960	189,960	183,576
No of Sulzar Looms	40	44	64	60	108	108
No. of Airjet Looms	604	619	565	565	532	484
No. of Thermosole Dyeing machines	5	5	5	5	5	4
No. of Rotary Printing machines	3	3	3	3	3	3

Horizontal Analysis

	2011	2010	2009	2008	2007	2006
Balance Sheet						
Total Equity	172%	152%	94%	122%	146%	100%
Non-current Liabilities	112%	141%	86%	35%	59%	100%
Current Liabilities	217%	150%	136%	166%	108%	100%
Total Liabilities	186%	147%	121%	127%	94%	100%
Total Equity And Liabilities	176%	151%	103%	124%	129%	100%
Assets						
Non-current Assets	170%	165%	111%	115%	126%	100%
Current Assets	189%	120%	85%	143%	137%	100%
Total Assets	176%	151%	103%	124%	129%	100%
Profit And Loss Account						
Sales	292%	189%	143%	116%	103%	100%
Cost Of Sales	297%	187%	142%	119%	105%	100%
Gross Profit	265%	202%	147%	100%	96%	100%
Distribution Cost	242%	189%	145%	106%	103%	100%
Administrative Expenses	248%	206%	164%	151%	121%	100%
Other Operating Expenses	548%	367%	244%	141%	117%	100%
	262%	204%	155%	118%	107%	100%
	267%	201%	141%	88%	88%	100%
Other Operating Income	304%	122%	74%	721%	83%	100%
Profit From Operations	279%	176%	120%	291%	87%	100%
Finance Cost	212%	149%	192%	120%	109%	100%
Profit Before Taxation	308%	187%	89%	364%	77%	100%
Provision For Taxation	451%	294%	233%	205%	115%	100%
Profit After Taxation	297%	179%	78%	376%	74%	100%

Vertical Analysis

	2011	2010	2009	2008	2007	2006
Balance Sheet						
Total Equity	65%	68%	61%	66%	76%	67%
Non-current Liabilities	6%	9%	8%	3%	4%	10%
Current Liabilities	28%	23%	30%	31%	19%	23%
Total Liabilities	35%	32%	39%	34%	24%	33%
Total Equity And Liabilities	100%	100%	100%	100%	100%	100%
Assets						
Non-current Assets	66%	75%	74%	63%	66%	68%
Current Assets	34%	25%	26%	37%	34%	32%
Total Assets	100%	100%	100%	100%	100%	100%
Profit And Loss Account						
Sales	100%	100%	100%	100%	100%	100%
Cost Of Sales	84%	81%	82%	85%	83%	82%
Gross Profit	16%	19%	18%	15%	17%	18%
Distribution Cost	5%	5%	6%	5%	5%	5%
Administrative Expenses	1%	2%	2%	2%	2%	2%
Other Operating Expenses	1%	1%	1%	1%	1%	0%
	7%	8%	8%	8%	8%	7%
	9%	11%	10%	8%	9%	10%
Other Operating Income	5%	3%	3%	30%	4%	5%
Profit From Operations	14%	14%	13%	38%	13%	15%
Finance Cost	3%	4%	6%	5%	5%	5%
Profit Before Taxation	11%	10%	7%	33%	8%	11%
Provision For Taxation	1%	1%	1%	1%	1%	1%
Profit After Taxation	10%	9%	5%	32%	7%	10%

Pattern of Holding

of the Shares Held by the Shareholders

of Nishat Mills Limited as at 30 June 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
4,466	1	100	164,815
4,542	101	500	1,180,153
1,544	501	1,000	1,209,220
1,801	1,001	5,000	4,251,020
400	5,001	10,000	3,054,406
145	10,001	15,000	1,843,510
95	15,001	20,000	1,722,165
83	20,001	25,000	1,946,627
37	25,001	30,000	1,045,463
31	30,001	35,000	1,023,200
15	35,001	40,000	582,814
11	40,001	45,000	474,748
30	45,001	50,000	1,473,425
12	50,001	55,000	627,395
11	55,001	60,000	637,435
12	60,001	65,000	766,402
12	65,001	70,000	818,988
7	70,001	75,000	510,222
8	75,001	80,000	624,325
6	80,001	85,000	492,631
3	85,001	90,000	267,000
3	90,001	95,000	277,515
7	95,001	100,000	700,000
4	100,001	105,000	408,496
8	105,001	110,000	868,269
4	110,001	115,000	456,616
4	115,001	120,000	469,134
1	120,001	125,000	124,453
1	125,001	130,000	129,216
2	130,001	135,000	269,500
3	135,001	140,000	413,961
3	140,001	145,000	429,122
1	145,001	150,000	150,000
1	150,001	155,000	151,394
2	155,001	160,000	316,500
2	160,001	165,000	323,348
1	165,001	170,000	169,187
2	170,001	175,000	349,900
4	175,001	180,000	712,057
3	185,001	190,000	559,509
4	195,001	200,000	800,000
2	205,001	210,000	415,960
1	215,001	220,000	218,575
2	220,001	225,000	448,515
2	240,001	245,000	482,744
1	245,001	250,000	250,000
1	255,001	260,000	256,165
1	270,001	275,000	275,000
1	280,001	285,000	285,000
1	285,001	290,000	285,319
1	290,001	295,000	292,001
2	295,001	300,000	600,000

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
1	300,001	305,000	300,021
1	305,001	310,000	307,092
1	310,001	315,000	313,170
1	330,001	335,000	333,500
2	335,001	340,000	678,000
2	340,001	345,000	687,300
2	365,001	370,000	734,039
1	375,001	380,000	378,892
2	380,001	385,000	764,597
1	385,001	390,000	389,521
1	405,001	410,000	410,000
2	420,001	425,000	842,713
1	430,001	435,000	434,970
2	435,001	440,000	872,000
2	450,001	455,000	906,900
1	475,001	480,000	476,068
1	500,001	505,000	500,611
1	505,001	510,000	510,000
2	545,001	550,000	1,096,338
1	560,001	565,000	563,417
1	625,001	630,000	629,324
2	630,001	635,000	1,265,000
1	650,001	655,000	650,173
2	655,001	660,000	1,313,957
1	665,001	670,000	666,395
1	695,001	700,000	695,314
1	720,001	725,000	724,006
1	725,001	730,000	727,923
1	760,001	765,000	763,000
1	770,001	775,000	775,000
1	775,001	780,000	775,895
1	825,001	830,000	828,514
1	870,001	875,000	871,788
1	895,001	900,000	899,847
1	900,001	905,000	904,195
1	945,001	950,000	945,255
1	970,001	975,000	970,050
1	995,001	1,000,000	1,000,000
1	1,020,001	1,025,000	1,024,411
2	1,045,001	1,050,000	2,100,000
1	1,060,001	1,065,000	1,061,285
1	1,145,001	1,150,000	1,150,000
1	1,175,001	1,180,000	1,177,780
1	1,195,001	1,200,000	1,200,000
1	1,255,001	1,260,000	1,258,650
1	1,320,001	1,325,000	1,320,250
1	1,355,001	1,360,000	1,359,810
1	1,360,001	1,365,000	1,362,130
1	1,400,001	1,405,000	1,401,047
1	1,410,001	1,415,000	1,412,500
1	1,490,001	1,495,000	1,494,000
1	1,515,001	1,520,000	1,517,067
1	1,525,001	1,530,000	1,529,980
1	1,580,001	1,585,000	1,585,000
1	1,645,001	1,650,000	1,650,000
1	1,695,001	1,700,000	1,700,000
1	1,745,001	1,750,000	1,750,000
1	1,780,001	1,785,000	1,780,177
1	1,830,001	1,835,000	1,831,640

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
2	1,995,001	2,000,000	4,000,000
1	2,030,001	2,035,000	2,033,705
1	2,120,001	2,125,000	2,122,706
1	2,175,001	2,180,000	2,176,476
1	2,605,001	2,610,000	2,610,000
1	2,835,001	2,840,000	2,839,871
1	3,030,001	3,035,000	3,032,125
1	3,850,001	3,855,000	3,854,104
1	4,780,001	4,785,000	4,785,000
1	5,325,001	5,330,000	5,329,630
1	6,160,001	6,165,000	6,163,323
1	6,320,001	6,325,000	6,324,048
1	10,350,001	10,355,000	10,352,748
1	11,085,001	11,090,000	11,088,794
1	13,840,001	13,845,000	13,844,092
1	14,375,001	14,380,000	14,377,649
1	18,695,001	18,700,000	18,698,357
1	19,995,001	20,000,000	20,000,000
1	21,190,001	21,195,000	21,191,146
1	23,100,001	23,105,000	23,101,426
1	24,595,001	24,600,000	24,598,841
1	25,670,001	25,675,000	25,673,659
1	29,225,001	29,230,000	29,228,216
13,440		Total	351,599,848

Sr. No.	Categories of Shareholders	Shares Held	Percentage
1	DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN	88,669,938	25.22
2	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES (Also included in Joint Stock Companies & Insurance Companies)	31,548,151	8.97
3	NIT AND ICP (Also included in Financial Institutions)	11,731,336	3.34
4	Banks Development Financial Institutions, Non banking Financial Institutions	31,610,711	9.00
5	Insurance Companies	15,378,652	4.37
6	Modarabas And Mutual Funds	20,728,583	5.90
7	Share Holders Holding 10% (Also Included in Directors)	88,664,588	25.22
8	General Public		
	Local	92,344,609	26.26
	Foreign	59,967,795	17.06
9	Others		
	Investment Companies	2,841,090	0.81
	Joint Stock Companies	37,272,169	10.60
	Pension Funds And Miscellaneous	2,786,301	0.78

Information Under Clause XIX (I)

of the Code of Corporate Governance as on 30 June 2011

			SHARES HELD	PERCENT-AGE
(A)	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
	1. D. G. Khan Cement Company Limited		30,289,501	8.61
	2. Adamjee Insurance Company Limited		1,258,650	0.36
(B)	NIT AND ICP			
	1. National Bank of Pakistan - Trustee Department		11,228,501	3.20
	2. Investment Corporation of Pakistan		502,835	0.14
(C)	DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN			
	1. Mian Umer Mansha	Chairman / Chief Executive Officer	44,292,572	12.60
	2. Mian Hassan Mansha	Director	44,372,016	12.62
	3. Mr. Khalid Qadeer Qureshi	Director	725	0.00
	4. Mr. Muhammad Azam	Director	500	0.00
	5. Ms. Nabiha Shahnawaz Cheema	Director	3,625	0.00
	6. Mr. Maqsood Ahmed	Director	500	0.00
(D)	EXECUTIVES		NIL	-
(E)	PUBLIC SECTOR, COMPANIES AND CORPORATIONS JOINT STOCK COMPANIES		37,272,169	10.60
(F)	BANKS, DEVELOPMENT FINANCE INSTITUTIONS,NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS			
	1. Investment Companies		2,841,090	0.81
	2. Insurance Companies		15,378,652	4.37
	3. Financial Institutions		31,610,711	9.00
	4. Modarabas, Mutual Funds & Leasing Companies, etc.,		20,728,583	5.90
(G)	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY			
	1. Mian Umer Mansha	Chairman / Chief Executive Officer	44,292,572	12.60
	2. Mian Hassan Mansha	Director	44,372,016	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	DATE	RATE (RS.)
Mr. Muhammad Azam - Director	Purchased	500	03.03.2011	63.88
Mr. Maqsood Ahmed - Director	Purchased	500	02.07.2010	43.01

Statement of Compliance

with the Code of Corporate Governance for the Year Ended 30 June 2011

This statement is being presented to comply with the Code of Corporate Governance contained in 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. Two casual vacancies occurred in the board during the year and were filled on the same day.

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. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation course.

10. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, has 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 of 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. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges. All transactions with related parties were made on an arm's length basis.

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

Umer Mansha

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

06 September 2011
Lahore

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 2011, 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, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require 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 2011.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name Of Engagement Partner:
Sarfraz Mahmood

06 September 2011
Lahore

annual report 2011

NISHAT

Nishat Mills Limtied

Financial Statements

For the year ended 30 June 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nishat Mills Limited as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, 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;

    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, statement of comprehensive income, 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 2011 and of the profit, its comprehensive income, 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

Name of engagement partner:
Sarfraz Mahmood

06 September 2011
Lahore

BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011	2010
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1,100,000,000 (2010: 1,100,000,000) ordinary shares of Rupees 10 each		**11,000,000**	11,000,000
Issued, subscribed and paid-up share capital	3	**3,515,999**	3,515,999
Reserves	4	**31,877,960**	27,860,314
Total equity		**35,393,959**	31,376,313
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	**2,659,328**	2,980,694
Liabilities against assets subject to finance lease	6	**202,628**	-
Deferred income tax	7	**510,640**	1,256,892
		3,372,596	4,237,586
CURRENT LIABILITIES			
Trade and other payables	8	**2,577,020**	2,139,321
Accrued mark-up	9	**358,454**	232,247
Short term borrowings	10	**10,471,685**	6,649,447
Current portion of non-current liabilities	11	**1,283,865**	1,128,632
Provision for taxation		**631,325**	418,768
		15,322,349	10,568,415
TOTAL LIABILITIES		**18,694,945**	14,806,001
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		**54,088,904**	46,182,314

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

Umer Mansha

CHIEF EXECUTIVE OFFICER

	Note	2011	2010
		(RUPEES IN THOUSAND)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**13,303,514**	11,841,667
Investment properties	14	**126,834**	132,550
Long term investments	15	**21,337,889**	21,959,543
Long term loans	16	**849,206**	498,803
Long term deposits and prepayments	17	**29,502**	16,823
		35,646,945	34,449,386
CURRENT ASSETS			
Stores, spare parts and loose tools	18	**955,136**	688,832
Stock in trade	19	**9,846,680**	6,060,441
Trade debts	20	**2,481,259**	2,041,256
Loans and advances	21	**756,351**	504,046
Short term deposits and prepayments	22	**47,211**	31,912
Other receivables	23	**1,406,890**	724,407
Accrued interest	24	**34,260**	16,906
Short term investments	25	**1,781,471**	1,554,543
Cash and bank balances	26	**1,132,701**	110,585
		18,441,959	11,732,928
TOTAL ASSETS		**54,088,904**	46,182,314

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		(RUPEES IN THOUSAND)	
SALES	27	48,565,144	31,535,647
COST OF SALES	28	(40,718,697)	(25,555,462)
GROSS PROFIT		7,846,447	5,980,185
DISTRIBUTION COST	29	(2,190,496)	(1,714,598)
ADMINISTRATIVE EXPENSES	30	(656,756)	(545,166)
OTHER OPERATING EXPENSES	31	(431,220)	(289,080)
		(3,278,472)	(2,548,844)
		4,567,975	3,431,341
OTHER OPERATING INCOME	32	2,444,985	981,650
PROFIT FROM OPERATIONS		7,012,960	4,412,991
FINANCE COST	33	(1,601,048)	(1,126,922)
PROFIT BEFORE TAXATION		5,411,912	3,286,069
PROVISION FOR TAXATION	34	(568,000)	(370,608)
PROFIT AFTER TAXATION		4,843,912	2,915,461
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	35	13.78	10.50

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

Umer Mansha

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	(RUPEES IN THOUSAND)	
PROFIT AFTER TAXATION	**4,843,912**	2,915,461
OTHER COMPREHENSIVE INCOME		
Surplus/(deficit) arising on remeasurement of available for sale investments to fair value	**(584,488)**	6,314,129
Reclassification adjustments for gains included in profit or loss	**(109,030)**	(52,118)
Deferred income tax relating to surplus on available for sale investments	**746,252**	(1,011,649)
Other comprehensive income for the year - net of tax	**52,734**	5,250,362
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,896,646**	8,165,823

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

Umer Mansha

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	**1,614,622**	2,386,569
Finance cost paid		**(1,474,841)**	(1,096,389)
Income tax paid		**(561,819)**	(343,036)
Exchange gain on forward exchange contract received		**706,160**	64,725
Net increase in long term loans to employees		**(9,690)**	(19,570)
Net increase in long term deposits and prepayments		**(13,909)**	(4,106)
Net cash generated from operating activities		**260,523**	988,193
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		**(2,848,115)**	(1,955,542)
Proceeds from sale of property, plant and equipment		**275,447**	145,490
Investments made		**(710,655)**	(4,249,397)
Proceeds from sale of investment		**301,282**	430,000
Long term loan to subsidiary company		**(345,335)**	(472,885)
Interest received on loan to subsidiary company		**106,200**	22,331
Dividends received		**998,675**	559,134
Net cash used in investing activities		**(2,222,501)**	(5,520,869)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**1,152,150**	1,937,415
Repayment of long term financing		**(1,078,628)**	(595,813)
Repayment of assets subject to finance lease		**(37,027)**	-
Proceeds from issue of right shares		**-**	4,364,688
Short term borrowings - net		**3,822,238**	(693,153)
Dividend paid		**(874,639)**	(481,370)
Net cash from financing activities		**2,984,094**	4,531,767
Net increase / (decrease) in cash and cash equivalents		**1,022,116**	(909)
Cash and cash equivalents at the beginning of the year		**110,585**	111,494
Cash and cash equivalents at the end of the year		**1,132,701**	110,585

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 2011

(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	Unappro-priated profit	Sub Total		
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**
Final dividend for the year ended 30 June 2009 @ Rupees 2 per share	-	-	-	-	-	(484,965)	(484,965)	(484,965)	(484,965)
Transfer to general reserve	-	-	-	-	948,000	(948,000)	-	-	-
Right shares issued during the year ended 30 June 2010	1,091,172	3,273,516	-	3,273,516	-	-	-	3,273,516	4,364,688
Total comprehensive income for the year ended 30 June 2010	-	-	5,250,362	5,250,362	-	2,915,461	2,915,461	8,165,823	8,165,823
Balance as at 30 June 2010	**3,515,999**	**5,499,530**	**5,651,352**	**11,150,882**	**13,792,028**	**2,917,404**	**16,709,432**	**27,860,314**	**31,376,313**
Final dividend for the year ended 30 June 2010 @ Rupees 2.5 per share	-	-	-	-	-	(879,000)	(879,000)	(879,000)	(879,000)
Transfer to general reserve	-	-	-	-	2,036,000	(2,036,000)	-	-	-
Total comprehensive income for the year ended 30 June 2011	-	-	52,734	52,734	-	4,843,912	4,843,912	4,896,646	4,896,646
Balance as at 30 June 2011	**3,515,999**	**5,499,530**	**5,704,086**	**11,203,616**	**15,828,028**	**4,846,316**	**20,674,344**	**31,877,960**	**35,393,959**

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

Umer Mansha

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. THE COMPANY AND ITS OPERATIONS

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.

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 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.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

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 subsidiaries and equity method accounted associated companies

In making an estimate of recoverable amount of the Company's investments in subsidiaries and equity method accounted associated companies, the management considers future cash flows.

d) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IFRS 8 (Amendment), 'Operating Segments' (effective for annual periods beginning on or after 01 January 2010). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2010 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 standards that are not yet effective but relevant to the company

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 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid amendment on the Company's financial statements.

IFRS 10 'Consolidated Financial Statements' (effective for annual period beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual period beginning on or after 01 January 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' 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 standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 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 to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 currencies 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 gains and losses are recorded in the 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 benefits 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.

Leased

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

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 13.1. 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. Land is stated at cost less any recognized impairment loss. Depreciation on buildings is charged to profit and loss account applying the reducing balance method so as to write off the cost of buildings over their estimated useful lives at a rate of 10% per annum.

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 and re-evaluates such designation on regular basis.

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 initially measured at fair value.

The Company assesses 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 equity method accounted 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 are 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. 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 statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

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

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

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 necessary 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 Share Capital

Ordinary shares are classified as share capital.

2.11 Revenue recognition

Revenue from different sources is recognized as under:

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

- Revenue from 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.

2.12 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, liabilities against assets subject to finance lease, 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 instruments at fair value through profit or loss" which are initially measured 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

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial 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 that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

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 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has five reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles), Garments (Manufacturing garments using processed fabric) and Power Generation (Generating and distributing power).

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

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. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011	2010		2011	2010
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
256,772,316	256,772,316	Ordinary shares of Rupees 10 each fully paid-up in cash	**2,567,723**	2,567,723
2,804,079	2,804,079	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited under the Scheme of Amalgamation	**28,041**	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
351,599,848	351,599,848		**3,515,999**	3,515,999

3.1 Movement during the year

351,599,848	242,482,654	At 01 July	**3,515,999**	2,424,827
-	109,117,194	Ordinary shares of Rupees 10 each issued during the year as fully paid right shares	**-**	1,091,172
351,599,848	351,599,848		**3,515,999**	3,515,999

3.2 Ordinary shares of the Company held by the associated companies:

	2011	2010
	(NUMBER OF SHARES)	
D.G. Khan Cement Company Limited	**30,289,501**	30,289,501
Adamjee Insurance Company Limited	**1,258,650**	1,258,650
	31,548,151	31,548,151

	2011	2010
	(RUPEES IN THOUSAND)	

4. RESERVES

Composition of reserves is as follows:

	2011	2010
Capital		
Premium on issue of right shares	5,499,530	5,499,530
Fair value reserve - net of deferred tax (Note 4.1)	5,704,086	5,651,352
	11,203,616	11,150,882
Revenue		
General reserve	15,828,028	13,792,028
Unappropriated profit	4,846,316	2,917,404
	20,674,344	16,709,432
	31,877,960	27,860,314

4.1 This represents the unrealized gain on re-measurement of available for sale equity 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 of deferred tax is as under:

	2011	2010
Balance as at 01 July	6,908,244	646,233
(Less) / Add: Fair value adjustment during the year	(584,488)	6,314,129
Reclassification adjustments for gains included in profit or loss	(109,030)	(52,118)
	6,214,726	6,908,244
Less: Deferred tax liability on unquoted equity investments	510,640	1,256,892
Balance as at 30 June	5,704,086	5,651,352

5. LONG TERM FINANCING

From banking companies - secured

	2011	2010
Long term loans (Note 5.1)	3,157,849	3,309,326
Long term musharika (Note 5.2)	725,000	800,000
	3,882,849	4,109,326
Less: Current portion shown under current liabilities (Note 11)	1,223,521	1,128,632
	2,659,328	2,980,694

5.1 Long term loans

Lender	2011	2010	Rate of interest per annum	Number of instalments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Allied Bank Limited	75,000	225,000	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	-	37,500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 30 June 2006 and ended on 31 December 2010.	-	Quarterly	Mortgage charge on the immovable property and machinery of the Company.
Habib Bank Limited	200,000	400,000	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	137,500	187,500	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced 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.
Citibank N.A.	-	62,500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 21 April 2006 and ended on 21 October 2010.	-	Quarterly	First ranking pari passu charge on all present and future fixed assets, excluding land and building.
Faysal Bank Limited	-	35,294	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced on 15 February 2006 and ended 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	50,000	100,000	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 01 December 2006 and ending on 01 June 2012.	-	Quarterly	Registered ranking charge on plant and machinery of the Company.
Habib Bank limited:							
Loan provided by the bank from own sources	537,755	752,857	6 Month offer KIBOR + 2.50%	Eight equal half yearly installments commenced on 10 May 2010 and ending on 10 November 2013.	Half yearly	Quarterly	First pari-passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
Refinanced by SBP under scheme of LTFF	87,245	122,143	SBP rate for LTFF + 2.5%	Eight equal half yearly installments commenced on 09 May 2010 and ending on 09 November 2013.	-	Quarterly	
	625,000	875,000					
Allied Bank Limited	49,023	98,047	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	25,000	50,000	6 Month offer KIBOR + 1.50 %	Eight equal half yearly installments commenced on 07 October 2008 and ending on 07 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	72,193	101,070	SBP rate for LTF - EOP + 2%	Ninety unequal 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.
Samba Bank Limited:							
Loan provided by the bank from own sources	368,622	421,282	6 Month offer KIBOR + 1.25%	Eight equal half yearly installments commenced on 30 June 2011 and ending on 31 December 2014.	Half yearly	Half yearly	First pari passu hypothecation charge on all present and future plant and machinery of the Company (excluding land and building and any other fixed assets under exclusive charge of any bank) to the extent of Rupees 667 million with 25% margin.
Refinanced by SBP under scheme of LTFF	78,718	78,718	SBP rate for LTFF + 2.5%	Eight equal half yearly installments commencing on 27 July 2011 and ending on 27 January 2015.	-	Quarterly	
	447,340	500,000					

Lender	2011	2010	Rate of interest per annum	Number of instalments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Silk Bank Limited	**89,415**	102,188	SBP rate for LTFF + 2.5%	Sixteen equal quarterly installments commenced on 31 March 2011 and ending on 31 December 2014.	-	Quarterly	Ranking charge on plant and machinery of the Company (excluding those assets on which the Company has provided first exclusive charge to its various lenders) for Rupees 135 million.
Pak Brunei Investment Company Limited	**235,227**	235,227	SBP rate for LTFF + 2.25%	Twelve half yearly installments commencing on 19 July 2011 and ending on 19 January 2017.	-	Quarterly	Ranking charge by way of hypothecation over all the present and future plant and machinery of the Company excluding those assets (part of the plant and machinery) on which the Company has created exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	**283,539**	-	SBP rate for LTFF + 2.50%	Twenty two equal quarterly installments commencing on 05 July 2012 and ending on 05 October 2017.	-	Quarterly	First pari passu hypothecation charge over all present and future plant and machinery of the Company (net of exclusive hypothecation charge on specific plant and machinery) with 25% margin.
The Bank of Punjab	**493,905**	-	3 Month offer KIBOR + 1.25%	Sixteen equal quarterly installments commencing on 06 January 2012 and ending on 06 October 2015.	Quarterly	Quarterly	Hypothecation charge of Rupees 666.667 million on all present and future fixed assets of the Company excluding land and buildings.
Faysal Bank Limited	**224,707**	-	SBP rate for LTFF + 1.50%	Seventy six unequal installments commencing on 29 September 2012 and ending on 29 June 2016.	-	Quarterly	Ranking charge of Rupees 400 million on all present and future plant and machinery of the Company (excluding those on which charge has already been created).
Standard Chartered Bank (Pakistan) Limited	**150,000**	-	SBP rate for LTFF + 1.50%	Sixteen equal quarterly installments commencing on 09 September 2012 and ending on 09 June 2016.	-	Quarterly	First pari passu charge of Rupees 334 million on all present and future fixed assets of the Company.
Pakistan Kuwait Investment Company (Private) Limited (Note 6):							
Refinanced by SBP under scheme of LTFF	**-**	149,979	SBP rate for LTFF + 2.5%	Eighteen equal quarterly installments commenced on 09 December 2010 and ending on 09 March 2015.	-	Quarterly	Ranking charge of Rupees 400 million on plant, machinery and equipment of the Company with 25 % margin.
Loan provided by the investment company from own sources	**-**	150,021	6 Month offer KIBOR + 2%	Eighteen equal quarterly installments commenced on 09 December 2010 and ending on 09 March 2015.	Half yearly	Quarterly	
	-	300,000					
	3,157,849	3,309,326					

5.2 Long term musharika

Lender	2011	2010	Rate of interest per annum	Number of instalments	Interest repricing	Interest payable	Security
Meezan Bank Limited	**225,000**	300,000	3 Month offer KIBOR + 1.25%	Eight equal quarterly installments commenced on 29 March 2011 and ending on 29 December 2012.	Quarterly	Quarterly	Exclusive charge on specific plant and machinery at least equal to outstanding facility amount plus 25% margin thereof.
Standard Chartered Bank (Pakistan) Limited	**500,000**	500,000	6 Month offer KIBOR + 1.25% margin for first two years and 1.75% margin for remaining period	Eight equal half yearly installments commencing on 12 October 2011 and ending on 12 April 2015.	Half yearly	Half yearly	Registered first charge amounting to Rupees 667 million on specific fixed assets of the Company.
	725,000	800,000					

	2011	2010
	(RUPEES IN THOUSAND)	

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011	2010
Future minimum lease payments	337,928	-
Less: Un-amortized finance charge	74,956	-
Present value of future minimum lease payments	262,972	-
Less: Current portion shown under current liabilities (Note 11)	60,344	-
	202,628	-

6.1 During the year, the Company has entered into a sale and leaseback arrangement with Pak Kuwait Investment Company (Private) Limited. According to the lease agreement, leasing company has contributed Rupees 150.021 million from its own sources and the remaining amount of Rupees 149.979 million has been financed under Long Term Finance Facility (LTFF) scheme of State Bank of Pakistan. Minimum lease payments have been discounted using implicit interest rate ranging from 9.70% to 15.62% per annum. Balance rentals are payable in quarterly installments. Taxes, repairs and insurance costs are borne by the Company. These are secured against the leased assets and demand promissory notes.

6.2 Minimum lease payments and their present values are regrouped as under:

	2011		2010	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	------------ (RUPEES IN THOUSAND) ------------			
Future minimum lease payments	91,678	246,250	-	-
Less: Un-amortized finance charge	31,334	43,622	-	-
Present value of future minimum lease payments	60,344	202,628	-	-

7. DEFERRED INCOME TAX

This represents deferred income tax liability on surplus on revaluation of unquoted equity investments available for sale. 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

	2011	2010
	(RUPEES IN THOUSAND)	
Creditors (Note 8.1)	**1,374,519**	1,287,902
Accrued liabilities	**523,954**	442,349
Advances from customers	**141,720**	114,617
Securities from contractors - Interest free, repayable on completion of contracts	**23,856**	10,307
Retention money payable	**5,965**	7,968
Income tax deducted at source	**1,386**	3,307
Dividend payable	**36,136**	31,775
Payable to employees' provident fund trust	**11,903**	932
Workers' profit participation fund (Note 8.2)	**280,071**	173,101
Workers' welfare fund	**177,510**	67,063
	2,577,020	2,139,321

8.1 This includes amount of Rupees 2.563 million (2010: Rupees 2.316 million) due to Nishat USA Inc. - subsidiary company and amounts in aggregate of Rupees 50.724 million (2010: Rupees 29.498 million) due to related parties.

8.2 Workers' profit participation fund

	2011	2010
Balance as on 01 July	**173,101**	82,641
Interest for the year (Note 33)	**2,757**	1,053
Add: Provision for the year (Note 31)	**280,071**	173,101
	455,929	256,795
Less: Payments during the year	**175,858**	83,694
	280,071	173,101

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.

	2011	2010
	(RUPEES IN THOUSAND)	

9. ACCRUED MARK-UP

Long term financing	**124,251**	105,827
Short term borrowings	**234,203**	126,420
	358,454	232,247

10. SHORT TERM BORROWINGS

From banking companies - secured

Short term running finances (Note 10.1 and 10.2)	**79,842**	232,827
State Bank of Pakistan (SBP) refinance (Note 10.1 and 10.3)	**9,855,153**	6,114,243
Other short term finances (Note 10.1 and 10.4)	**296,812**	-
Temporary bank overdrafts (Note 10.1 and 10.2)	**239,878**	302,377
	10,471,685	6,649,447

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, other instruments, ranking hypothecation charge on plant and machinery and equity investments of the Company. These form part of total credit facility of Rupees 24,754 million (2010: Rupees 19,569 million).

10.2 The rates of mark-up range from 12.69% to 15.59% (2010: 12.39% to 16.11%) per annum on the balance outstanding.

10.3 The rates of mark-up range from 8.50% to 11.00% (2010: 7.00% to 9.00%) per annum on the balance outstanding.

10.4 The rates of mark-up on Pak Rupee finances and US Dollar finances range from 11.99% to 13.60% (2010: 11.68% to 13.60%) per annum and 1.0962% to 2.0595% (2010: Nil) per annum respectively on the balance outstanding.

11. CURRENT PORTION OF NON-CURRENT LIABILITIES

Current portion of long term financing (Note 5)	**1,223,521**	1,128,632
Current portion of liabilities against assets subject to finance lease (Note 6)	**60,344**	-
	1,283,865	1,128,632

12. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) The Company is contingently liable for Rupees 0.631 million (2010: Rupees 87.378 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.

ii) Guarantees of Rupees 590.321 million (2010: Rupees 472.398 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited and Pakistan State Oil Limited against purchase of furnace oil, Director Excise and Taxation, Karachi against infrastructure cess, a foreign supplier against purchase of stores and a shipping line against import shipment.

iii) Post dated cheques of Rupees 911.545 million (2010: Rupees 537.000 million) are issued to customs authorities in respect of duties on imported items 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.

b) Commitments

i) Contracts for capital expenditure are approximately of Rupees 65.057 million (2010: Rupees 935.095 million).

ii) Letters of credit other than for capital expenditure are Rupees 401.140 million (2010: Rupees 313.142 million).

13. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	(RUPEES IN THOUSAND)	
Operating fixed assets (Note 13.1)		
Owned	12,107,389	11,476,005
Leased	273,105	-
Capital work-in-progress (Note 13.2)	923,020	365,662
	13,303,514	11,841,667

13.1 Operating fixed assets

	Owned Assets									Leased Assets
	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Total	Plant and machinery
										(RUPEES IN THOUSAND)
At 01 July 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	-
Year ended 30 June 2010										
Opening net book value	474,185	1,949,824	7,926,818	315,533	105,120	136,677	36,152	158,046	11,102,355	-
Additions	144,262	144,833	1,259,480	16,322	16,509	18,842	15,237	71,836	1,687,321	-
Transfer to investment properties:										
Cost	(56,632)	(46,048)	-	-	-	-	-	-	(102,680)	-
Accumulated depreciation	-	4,827	-	-	-	-	-	-	4,827	-
	(56,632)	(41,221)	-	-	-	-	-	-	(97,853)	-
Transfer:										
Cost	-	-	(14,506)	-	-	-	-	14,506	-	-
Accumulated depreciation	-	-	8,583	-	-	-	-	(8,583)	-	-
	-	-	(5,923)	-	-	-	-	5,923	-	-
Disposals:										
Cost	-	-	(301,931)	(10,245)	(1,713)	(693)	(132)	(25,608)	(340,322)	-
Accumulated depreciation	-	-	200,515	6,879	1,335	567	82	14,808	224,186	-
	-	-	(101,416)	(3,366)	(378)	(126)	(50)	(10,800)	(116,136)	-
Depreciation charge	-	(194,904)	(796,519)	(32,790)	(11,323)	(16,291)	(12,678)	(35,177)	(1,099,682)	-
Closing net book value	561,815	1,858,532	8,282,440	295,699	109,928	139,102	38,661	189,828	11,476,005	-
At 30 June 2010										
Cost	561,815	3,679,141	14,863,196	657,455	195,829	267,486	123,688	332,598	20,681,208	-
Accumulated depreciation	-	(1,820,609)	(6,580,756)	(361,756)	(85,901)	(128,384)	(85,027)	(142,770)	(9,205,203)	-
Net book value	561,815	1,858,532	8,282,440	295,699	109,928	139,102	38,661	189,828	11,476,005	-
Year ended 30 June 2011										
Opening net book value	561,815	1,858,532	8,282,440	295,699	109,928	139,102	38,661	189,828	11,476,005	-
Additions	13,206	183,719	1,932,168	10,206	16,461	25,362	9,042	100,664	2,290,828	300,000
Disposals:										
Cost	-	-	(912,799)	(538)	(175)	(213)	(55)	(55,136)	(968,916)	-
Accumulated depreciation	-	-	418,473	327	47	99	27	31,973	450,946	-
	-	-	(494,326)	(211)	(128)	(114)	(28)	(23,163)	(517,970)	-
Depreciation charge	-	(191,841)	(840,783)	(29,585)	(11,726)	(14,212)	(12,848)	(40,479)	(1,141,474)	(26,895)
Closing net book value	575,021	1,850,410	8,879,499	276,109	114,535	150,138	34,827	226,850	12,107,389	273,105
At 30 June 2011										
Cost	575,021	3,862,860	15,882,565	667,123	212,115	292,635	132,675	378,126	22,003,120	300,000
Accumulated depreciation	-	(2,012,450)	(7,003,066)	(391,014)	(97,580)	(142,497)	(97,848)	(151,276)	(9,895,731)	(26,895)
Net book value	575,021	1,850,410	8,879,499	276,109	114,535	150,138	34,827	226,850	12,107,389	273,105
Annual rate of depreciation (%)	-	10	10	10	10	10	30	20	-	10

13.1.1 Detail of operating fixed 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								
Ring Frames China	2	5,689	4,624	1,065	1,600	535	Negotiation	Shadman Cotton Mills Limited
Ring Frames China	2	5,689	4,626	1,063	1,600	537	Negotiation	Shadman Cotton Mills Limited
Drawing Frames Rieter	1	2,548	2,114	434	589	155	Negotiation	Comfort Knitwear (Private) Limited
Drawing Frames Rieter	1	2,548	2,115	433	588	155	Negotiation	Asher Imran Spinning Mills (Private) Limited
Drawing Frames Rieter	1	2,548	2,117	431	588	157	Negotiation	Olympia Textile International Lahore
Old Used Spare Parts	1	1,792	1,017	775	775	-	Negotiation	Muhammad Sadiq
Ring Frames China	9	17,660	14,760	2,900	6,300	3,400	Negotiation	Azgard Nine Limited
Ring Frames China	3	5,887	4,925	962	2,100	1,138	Negotiation	Azgard Nine Limited
Ring Frames China	1	1,962	1,642	320	735	415	Negotiation	Reliance Weaving Mills Limited
Ring Frames China	6	11,773	9,859	1,914	4,800	2,886	Negotiation	Mohammad Yaseen
Ring Frames China	2	3,924	3,285	639	1,470	831	Negotiation	Taqees Private Limited
Ring Frames China	8	15,697	13,142	2,555	6,272	3,717	Negotiation	Ayesha Textile Mills Limited
Toyota Ring Frames	1	2,100	1,758	342	833	491	Negotiation	Ayesha Spinning Mills Limited
Toyota Draw Frames	2	4,201	3,520	681	1,666	985	Negotiation	Al-Zamin Textile Mills Limited
Sulzer Ruti Looms	8	20,222	12,928	7,294	12,800	5,506	Negotiation	Kamal Fabrics
Tsudakoma Air Jet Looms	24	67,040	46,173	20,867	30,600	9,733	Negotiation	Zephyer Textile Limited
Tsudakoma Air Jet Looms	9	17,604	12,722	4,882	7,127	2,245	Negotiation	Hashmani Industries
Tsudakoma Air Jet Looms	21	41,078	29,799	11,279	16,631	5,352	Negotiation	Hashmani Industries
Tsudakoma Air Jet Looms	8	25,165	14,406	10,759	10,200	(559)	Negotiation	Zephyer Textile Limited
Air Compressor and Air Dryer	2	6,690	4,690	2,000	2,000	-	Negotiation	Atlas Copco Pakistan (Private) Limited
Air Compressor and Air Dryer	2	6,690	4,746	1,944	1,990	46	Negotiation	U.S. Denim Mills (Private) Limited
Old Used Spare Parts	1	12,940	8,840	4,100	4,100	-	Negotiation	Malik Zahir-ud-Din and Company
Old Waste Heat Recovery Boiler	1	3,350	2,350	1,000	1,000	-	Negotiation	Abdul Rahman Corporation (Private) Limited
Gas Turbine Centaur	1	211,499	97,845	113,654	121,000	7,346	Negotiation	Feroz Textile Industries (Private) Limited
Transformer	1	2,969	960	2,009	2,009	-	Negotiation	Mr. Iftikhar Ahmad
Yarn Dyeing Machines	11	141,847	-	141,847	141,847	-	Sale and lease back	Pak Kuwait Investment Company (Private) Limited
Stitching Machines	427	83,702	749	82,953	82,953	-	Sale and lease back	Pak Kuwait Investment Company (Private) Limited
Gas Turbine Centaur	1	187,945	112,745	75,200	75,200	-	Sale and lease back	Pak Kuwait Investment Company (Private) Limited
		912,759	418,457	494,302	539,373	45,071		
Factory Equipment								
Containers	2	175	47	128	278	150	Negotiation	Hayat Terminal and Logistics
Electric Installations								
Old Used Electric Parts	-	538	327	211	211	-	Negotiation	Mr. Muhammad Saddique Ejaz
Vehicles								
Honda City LZY-2065	1	891	587	304	765	461	Negotiation	Mr. Muhammad Ilyas
Toyota Corolla Saloon LWH-1592	1	1,330	767	563	574	11	Negotiation	Mr. Sarfraz Hassan
Honda City LEA-4240	1	1,136	641	495	502	7	Company Policy	Mr. Sardar Mahmood Akhtar (Company's employee)
Toyota Corolla FDV-7640	1	805	719	86	700	614	Insurance Claim	Security General Insurance Company Limited
Suzuki Cultus LW-8173	1	646	388	258	262	4	Company Policy	Malik Abdul Qayyum (Company's employee)
Honda Civic VTI LEA-9692	1	1,425	737	688	755	67	Negotiation	Lalpir Power Limited
Honda City LXZ-6662	1	727	624	103	455	352	Negotiation	Mr. Muhammad Ilyas
Suzuki Alto LEA-09-6315	1	714	205	509	557	48	Negotiation	Lalpir Power Limited
Suzuki Cultus LWO-4264	1	616	362	254	551	297	Negotiation	Mr. Muhammad Ilyas
Suzuki Baleno LRN-1401	1	753	491	262	573	311	Negotiation	Mr.Umer Haroon
Suzuki Bolan LWM-3152	1	476	282	194	200	6	Company Policy	Mr. Muhammad Yousuf (Company's employee)
Toyota Corolla LEB-4606	1	1,320	751	569	576	7	Negotiation	Mr. Arif Jala
Honda Civic LEA-10-9488	1	1,900	372	1,528	1,800	272	Negotiation	Nishat Power Limited
Honda Civic LEA-6132	1	1,402	790	612	617	5	Negotiation	Mrs. Robina Shaheen
Toyota Corolla LEC-4565	1	1,024	560	464	557	93	Negotiation	Nishat Power Limited
Toyota Corolla LEB-8715	1	1,074	597	477	484	7	Negotiation	Mr. Nadeem Ahmad
Honda Civic LWO-500	1	1,501	912	589	1,431	842	Negotiation	Argosy Enterprises
Toyota Corolla LEA-07-7993	1	1,012	587	425	429	4	Company Policy	Mr. Khalid Mehmood Chohan (Company's employee)
Mercedes Benz LEC-08-800	1	7,879	3,688	4,191	9,500	5,309	Negotiation	KBK Electronics (Private) Limited
Toyota Corolla LEB-07-7265	1	1,318	756	562	574	12	Negotiation	Mr. Behzad Ahmad Rouf
Suzuki Bolan LWK-1940	1	475	305	170	488	318	Negotiation	Mr. Muhammad Shoaib
Honda City LWJ-1578	1	940	553	387	398	11	Company Policy	Mr. Waris Ali Nadeem (Company's employee)
Suzuki Cultus LWK-1943	1	662	387	275	287	12	Company Policy	Mr. Muhammad Ashraf (Company's employee)

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
		(RUPEES IN THOUSAND)						
Suzuki Cultus LZU-1263	1	646	420	226	234	8	Company Policy	Mr. Sohail Amjad Qureshi (Company's employee)
Suzuki Cultus LWO-4267	1	658	389	269	270	1	Company Policy	Mr. Muzammil Yasin (Company's employee)
Toyota Corolla LEA-1653	1	947	550	397	404	7	Company Policy	Mr. Muhammad Abid Khan (Company's employee)
Suzuki Cultus LWM-3164	1	662	383	279	290	11	Company Policy	Mr. Muhammad Israr (Company's employee)
Suzuki Cultus LWJ-1614	1	662	390	272	276	4	Company Policy	Mr. Muhammad Imran Raza (Company's employee)
Suzuki Alto LWQ-3703	1	518	299	219	230	11	Company Policy	Mirza Muhammad Nadeem (Company's employee)
Honda City LZY-2053	1	931	593	338	344	6	Company Policy	Rana Muhammad Imran (Company's employee)
Toyota Corolla LEB-07-8720	1	1,318	750	568	572	4	Company Policy	Mr. Saeed Nawaz Khan (Company's employee)
Hyundai Santro LZU-8347	1	578	404	174	505	331	Negotiation	Mr. Muhammad Shoaib
Suzuki Cultus LRH-8896	1	606	481	125	128	3	Company Policy	Mr. Rizwan Aziz (Company's employee)
Toyota Corolla LEA-4421	1	951	544	407	412	5	Company Policy	Mr. Zahid Javaid (Company's employee)
Suzuki Cultus LRF-9252	1	602	479	123	125	2	Company Policy	Mr. Muhammad Younas (Company's employee)
Toyota Corolla LWO-8739	1	950	593	357	362	5	Company Policy	Mr. Rizwan Aslam (Company's employee)
Toyota Corolla LEB-06-2517	1	951	566	385	389	4	Company Policy	Mr. Muhammad Ramzan (Company's employee)
Toyota Corolla LEA-06-1049	1	911	553	358	363	5	Company Policy	Rana Hammad Latif Khan (Company's employee)
Toyota Corolla LEB-06-2488	1	951	565	386	389	3	Company Policy	Mr. Athar Bashir (Company's employee)
Toyota Corolla LWL-5539	1	909	515	394	413	19	Company Policy	Mr. Faisal Hafeez (Company's employee)
Suzuki Cultus LZU-1819	1	646	413	233	251	18	Company Policy	Mr. Qaiser Bashir Chaudhary (Company's employee)
Suzuki Cultus LWD-9760	1	646	393	253	258	5	Company Policy	Mr.Babar Nawaz (Company's employee)
Suzuki Baleno LRE-1540	1	802	662	140	156	16	Company Policy	Mr. Bilal Siddique Chaudhary (Company's employee)
Suzuki Cultus LW-6864	1	655	421	234	536	302	Negotiation	Mr. Muhammad Azam
Suzuki Cultus LWB-2413	1	611	386	225	524	299	Negotiation	Argosy Enterprises
Mitsubishi Lancer LEA-1605	1	908	529	379	385	6	Company Policy	Rana Muhammad Shahzad (Company's employee)
Suzuki Alto LWG-8081	1	513	322	191	310	119	Negotiation	Mr.Mazhar Noor
Suzuki Liana LEA-9276	1	856	487	369	374	5	Company Policy	Mr. Muhammad Atif (Ex-Company's employee)
Honda City LWG-1022	1	1,006	633	373	787	414	Negotiation	Mr. Shahzada Gulfam Khawar
Toyota Hiace Van LZR-9371	1	2,001	1,328	673	1,722	1,049	Negotiation	Mr. Gul Akbar Khan
Suzuki Cultus LWJ-1591	1	632	364	268	287	19	Company Policy	Mr.Mazhar Noor (Company's employee)
Honda City LEB-7035	1	903	512	391	395	4	Company Policy	Mr. Muhammad Aslam (Company's employee)
		53,956	30,985	22,971	34,726	11,755		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		1,488	1,130	358	859	501	Negotiation	
		968,916	**450,946**	**517,970**	**575,447**	**57,477**		

	2011	2010
	(RUPEES IN THOUSAND)	

13.1.2 Depreciation charge for the year has been allocated as follows:

	2011	2010
Cost of sales (Note 28)	**1,100,805**	1,035,536
Distribution cost (Note 29)	**3,941**	3,767
Administrative expenses (Note 30)	**63,552**	60,218
Capital work-in-progress	**71**	161
	1,168,369	1,099,682

13.2 Capital work-in-progress

	2011	2010
Buildings on freehold land	**219,295**	106,742
Plant and machinery	**691,655**	245,225
Electric installations	**-**	546
Unallocated expenses	**1,964**	7,219
Letters of credit against machinery	**144**	2,631
Advances against furniture and office equipment	**-**	652
Advances against vehicles	**9,962**	2,647
	923,020	365,662

13.3 Borrowing cost of Rupees 2.315 million (2010: Rupees 4.835 million) was capitalized during the year using the capitalization rate ranging from 9.70% to 14.37% (2010: 9.70% to 14.40%) per annum.

14. INVESTMENT PROPERTIES

	Land	Buildings	Total
	------ (RUPEES IN THOUSAND) ------		
At 01 July 2009			
Cost	18,756	46,090	64,846
Accumulated depreciation	-	(23,797)	(23,797)
Net book value	18,756	22,293	41,049
Year ended 30 June 2010			
Opening net book value	18,756	22,293	41,049
Transfer from operating fixed assets:			
Cost	56,632	46,048	102,680
Accumulated depreciation	-	(4,827)	(4,827)
	56,632	41,221	97,853
Depreciation charge	-	(6,352)	(6,352)
Closing net book value	75,388	57,162	132,550

	Land	Buildings	Total
	------ (RUPEES IN THOUSAND) ------		
At 30 June 2010			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(34,976)	(34,976)
Net book value	75,388	57,162	132,550
Year ended 30 June 2011			
Opening net book value	75,388	57,162	132,550
Depreciation charge	-	(5,716)	(5,716)
Closing net book value	75,388	51,446	126,834
At 30 June 2011			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(40,692)	(40,692)
Net book value	75,388	51,446	126,834

14.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 5.716 million (2010: Rupees 6.352 million) charged during the year is allocated to other operating expenses. No expenses directly related to investment properties were incurred during the year. The market value of land and buildings is estimated at Rupees 377.705 million (2010: Rupees 346.215 million). The valuation has been carried out by an independent valuer.

	2011	2010
	(RUPEES IN THOUSAND)	
15. LONG TERM INVESTMENTS		
Subsidiary Companies		
Nishat Power Limited - quoted (Note 15.1) 180,632,955 (2010: 201,288,498) fully paid ordinary shares of Rupees 10 each. Equity held 51.01% (2010: 56.85%)	**1,806,329**	2,012,885
Nishat USA Inc. - unquoted 200 (2010: 200) fully paid shares with no par value per share	**3,227**	3,210
Nishat Linen (Private) Limited - unquoted 700,000 (2010: Nil) fully paid ordinary shares of Rupees 10 each Equity held 100% (2010: Nil)	**7,000**	-
Nishat Linen Trading LLC - unquoted (Note 15.3) 1,470 (2010: Nil) fully paid shares of UAE Dirhams 1,000 each	**69,990**	-
Available for sale		
Associated companies (with significant influence)		
MCB Bank Limited - quoted (Note 15.4) Nil (2010: 52,591,266) fully paid ordinary shares of Rupees 10 each. Equity held Nil (2010: 6.92%)	**-**	7,955,322
D.G. Khan Cement Company Limited - quoted (Note 15.5) 137,574,201 (2010: 114,645,168) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (2010: 31.40%)	**3,418,145**	2,959,565
Nishat Paper Products Company Limited - unquoted (Note 15.6) 11,634,199 (2010:11,634,199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (2010: 25%)	**116,342**	116,342
Lalpir Power Limited [Formerly AES Lal Pir (Private) Limited] -unquoted (Note 15.7 and 15.9) 110,498,540 (2010: 110,498,540) fully paid ordinary shares of Rupees 10 each. Equity held 32% (2010: 32%)	**1,822,629**	1,822,629
Pakgen Power Limited [Formerly AES Pak Gen Company Limited] - unquoted (Note 15.8, 15.9 and 15.10) 102,524,728 (2010: 119,066,110) fully paid ordinary shares of Rupees 10 each. Equity held 27.55% (2010: 32%)	**1,272,194**	1,477,450

	2011	2010
	(RUPEES IN THOUSAND)	
Associated companies (others)		
MCB Bank Limited - quoted		
58,790,392 (2010: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 7.03% (2010: Nil)	8,129,753	-
Advance for purchase of 5,000 shares	998	-
	8,130,751	-
Adamjee Insurance Company Limited - quoted		
36,337 (2010: 36,337) fully paid ordinary shares of Rupees 10 each Equity held 0.03% (2010: 0.03%)	2,774	2,774
Other		
Habib Bank Limited - quoted		
159 (2010: 145) fully paid ordinary shares of Rupees 10 each	12	12
	16,649,393	16,350,189
Less: Impairment loss recognized during the year (Note 31)	(413)	-
Add: Fair value adjustment	4,688,909	5,609,354
	21,337,889	21,959,543

15.1 The Company has to maintain at least 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 180,585,155 (2010: 180,585,155) shares to lenders of NPL for the purpose of securing finance.

15.2 Based on value in use calculations as at 30 June 2011, there was no impairment loss on investments in subsidiaries and other investments in associates with significant influence (tested for impairment under IAS 36 'Impairment of Assets').

15.3 The Company is also the beneficial owner of remaining 1,530 shares of UAE Dirhams 1,000 each of Nishat Linen Trading LLC held under Nominee Agreement dated 30 December 2010, whereby the Company has right over all dividends, interests, benefits and other distributions on liquidation. The Company through the powers given to it under Article 11 of the Memorandum of Association of the investee company, exercises full control on the management of Nishat Linen Trading LLC.

15.4 As a result of decrease in representation of the Company on the board of directors of MCB Bank Limited and management's assessment of loss of significant influence over the investee company, the Company has reclassified its investment in MCB Bank Limited as available for sale investment in associated company without significant influence. Previously, this investment was classified as available for sale investment in associated company with significant influence.

15.5 Investment in D.G. Khan Cement Company 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 costs to sell and value in use. Based on favourable value in use, the management concludes that the carrying amount of investment in D.G. Khan Cement Company Limited does not exceed its recoverable amount. Moreover, the Company has pledged 52 (2010: 40) million shares of D.G. Khan Cement Company Limited as security against short term borrowings.

15.6 Investment in Nishat Paper Products Company Limited is valued at Rupees 10 (2010: Rupees 10) per share. Fair value is calculated by an independent valuer on the basis of net assets value method applied on unaudited financial statements of the investee company for the year ended 30 June 2011.

15.7 Fair value per share of Rupees 22.66 (2010: Rupees 26.53) of Lal Pir Power Limited [Formerly AES Lal Pir (Private) Limited] has been calculated by an independent valuer on the basis of dividend stream method.

15.8 During the year, the Company has changed its accounting estimate of valuation of investment in Pakgen Power Limited (Formerly AES Pak Gen Company Limited). Investment in Pakgen Power Limited (Formerly AES Pak Gen Company Limited) is measured at fair value of Rupees 19 per share, the price at which these shares were offered for sale to general public. Therefore, it is more appropriate to value this investment at Rupees 19 per share being the fair value based on the recent arm's length transaction between knowledgeable willing parties as required by IAS 39, "Financial Instruments: Recognition and Measurement". Previously, the fair value of these shares was calculated by an independent valuer on the basis of dividend stream method. Had there been no change in the valuation method of investment in Pakgen Power Limited (Formerly AES Pak Gen Company Limited), long term investments and fair value reserve would have been higher by Rupees 1,104.191 million.

15.9 Investments in Lal Pir Power Limited [Formerly AES Lal Pir (Private) Limited] and Pakgen Power Limited [Formerly AES Pak Gen Company Limited] include 500 shares each, held in the name of nominee director of the Company.

15.10 Subsequent to the reporting period, the status of Pakgen Power Limited (Formerly AES Pak Gen Company Limited) has been changed from unquoted to quoted company.

15.11 During the year ended 30 June 2010, the Company incurred a total cost of Rupees 3,300 million on acquisition of ordinary shares of Lalpir Power Limited (Formerly AES Lal Pir (Private) Limited) and Pakgen Power Limited (Formerly AES Pak Gen Company Limited). There was a joint agreement to acquire ordinary shares of these two investee companies. Out of the total cost of acquisition of these shares, an amount of Rupees 174.185 million was incorrectly allocated between these two investee companies. This constitutes a prior period error as defined in International Accounting Standard (IAS) 8, " Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the above mentioned prior period error has been corrected retrospectively in these financial statements by restating the carrying values of both investments. Consequently, as on 30 June 2010, the carrying value of investment in Lalpir Power Limited (Formerly AES Lal Pir (Private) Limited) has increased and carrying value of investment in Pakgen Power Limited (Formerly AES Pak Gen Company Limited) has decreased by Rupees 174.185 million. There is no other financial impact of this prior period error on these financial statements.

16. LONG TERM LOANS

	2011	2010
	(RUPEES IN THOUSAND)	
Considered good:		
Executives - secured (Note 16.1 and Note 16.2)	35,226	26,819
Other employees - secured (Note 16.2)	15,496	14,213
Subsidiary company-unsecured (Note 16.4)	818,220	472,885
	868,942	513,917
Less: Current portion shown under current assets (Note 21)		
Executives	13,435	8,522
Other employees	6,301	6,592
	19,736	15,114
	849,206	498,803

16.1 Reconciliation of carrying amount of loans to executives:

Opening balance as at 01 July	26,819	11,688
Add: Disbursements	20,511	23,342
	47,330	35,030
Less: Repayments	12,104	8,211
Closing balance as at 30 June	35,226	26,819

16.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 37.494 million (2010: Rupees 27.259 million).

16.2 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.

16.3 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.

16.4 These represent subordinated long term loans given to Nishat Power Limited - subsidiary company. These loans carry markup at the rate of 3 month KIBOR plus 2% per annum payable on quarterly basis. The principal amount will be repaid in bullet payments on 05 July 2015 and 29 July 2015.

	2011	2010
	(RUPEES IN THOUSAND)	

17. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits	**27,964**	14,323
Margin against bank guarantees	**-**	2,500
Prepayments	**2,768**	-
	30,732	16,823
Less: Current portion shown under current assets	**1,230**	-
	29,502	16,823

18. STORES, SPARE PARTS AND LOOSE TOOLS

Stores (Note 18.1)	**746,896**	473,896
Spare parts	**224,568**	240,686
Loose tools	**1,661**	1,307
	973,125	715,889
Less: Provision for slow moving items (Note 31)	**17,989**	27,057
	955,136	688,832

18.1 This includes stores in transit of Rupees 95.387 million (2010: Rupees 53.009 million).

19. STOCK IN TRADE

Raw materials	**1,611,113**	1,595,668
Work-in-process	**5,432,669**	2,921,946
Finished goods (Note 19.2)	**2,802,898**	1,545,610
	9,846,680	6,063,224
Less: Provision for slow moving stocks (Note 31)	**-**	2,783
	9,846,680	6,060,441

19.1 Stock in trade of Rupees 1,804.906 million (2010: Rupees 214.263 million) is being carried at net realizable value.

19.2 Finished goods include stock in transit of Rupees 271.818 million (2010: Rupees 188.010 million).

19.3 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 395.345 million (2010: Rupees Nil).

	2011	2010
	(RUPEES IN THOUSAND)	

20. TRADE DEBTS

	2011	2010
Considered good:		
Secured (against letters of credit)	883,851	871,217
Unsecured (Note 20.1)	1,597,408	1,170,039
	2,481,259	2,041,256
Considered doubtful:		
Others - unsecured	131,758	119,460
Less: Provision for doubtful debts		
As at 01 July	119,460	107,460
Add: Provision for the year (Note 31)	12,298	12,000
As at 30 June	131,758	119,460
	-	-

20.1 This includes an amount of Rupees 45.809 million (2010: Rupees Nil) due from Nishat Linen Trading LLC - subsidiary company.

20.2 As at 30 June 2011, trade debts of Rupees 52.204 million (2010: Rupees 271.291 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:

	2011	2010
Upto 1 month	46,465	202,322
1 to 6 months	1,379	68,556
More than 6 months	4,360	413
	52,204	271,291

20.3 As at 30 June 2011, trade debts of Rupees 131.758 million (2010: Rupees 119.460 million) were impaired and provided for. The ageing of these trade debts was more than six months.

	2011	2010
	(RUPEES IN THOUSAND)	

21. LOANS AND ADVANCES

	2011	2010
Considered good:		
Employees - interest free:		
– Executives	484	1,579
– Other employees	5,018	4,188
	5,502	5,767
Current portion of long term loans (Note 16)	19,736	15,114
Advances to suppliers	83,679	80,948
Letters of credit	1,554	884
Income tax	580,582	374,206
Other advances	65,298	27,127
	756,351	504,046
Considered doubtful:		
Others	108	108
Less: Provision for doubtful debts	108	108
	-	-
	756,351	504,046

22. SHORT TERM DEPOSITS AND PREPAYMENTS

	2011	2010
Deposits	1,117	25,973
Prepayments - including current portion	46,094	5,939
	47,211	31,912

23. OTHER RECEIVABLES

	2011	2010
Considered good:		
Export rebate and claims	505,556	212,874
Sales tax refundable	240,569	343,907
Fair value of forward exchange contracts	267,218	101,809
Markup rate support receivable from financial institution	58,372	34,764
Receivable against sale of investment (Note 23.1)	299,811	-
Miscellaneous receivables	35,364	31,053
	1,406,890	724,407

23.1 This amount, net of Company's share of offer for sale expenses, is receivable from Pakgen Power Limited (PPL) [Formerly AES Pak Gen Company Limited] pursuant to the offer for sale of 16,541,382 ordinary shares of PPL at a price of Rupees 19 per share.

24. ACCRUED INTEREST

This represents interest receivable on long term loans given to Nishat Power Limited - subsidiary company and term deposit receipts.

25. SHORT TERM INVESTMENTS

	2011	2010
	(RUPEES IN THOUSAND)	
Available for sale		
Associated company (Other)		
Security General Insurance Company Limited - unquoted (Note 25.1) 10,226,244 (2010: 10,226,244) fully paid ordinary shares of Rupees 10 each. Equity held 15.02% (2010: 15.02%)	**11,188**	11,188
Others		
Nishat (Chunian) Limited - quoted 22,513,321 (2010: 22,513,321) fully paid ordinary shares of Rupees 10 each. Equity held 13.89% (2010: 14.20 %)	**242,750**	242,750
Pakistan Strategic Allocation Fund - quoted 500,000 (2010: 500,000) fully paid certificates of Rupees 10 each	**1,715**	1,715
	255,653	255,653
Add: Fair value adjustment	**1,525,818**	1,298,890
	1,781,471	1,554,543

25.1 Fair value per share of Rupees 124.70 (2010: Rupees 116.94) has been calculated by an independent valuer on the basis of dividend stream method. Security General Insurance Company Limited is associated company due to common directorship.

	2011	2010
	(RUPEES IN THOUSAND)	

26. CASH AND BANK BALANCES

With banks:		
On current accounts (Note 26.1)		
Including US$ 68,089 (2010: US$ 220,929)	**48,708**	93,994
Term deposit receipts (Note 26.2)	**1,073,000**	-
On PLS saving accounts (Note 26.3)		
Including US$ 17,200 (2010: US$ 86,962)	**1,480**	7,444
	1,123,188	101,438
Cash in hand	**9,513**	9,147
	1,132,701	110,585

26.1 Cash at banks includes balance of Rupees 5.115 million (2010: Rupees 13.626 million) with MCB Bank Limited - associated company.

26.2 These represent deposits with banking companies having maturity period of one month and carry rate of profit ranging from 13.05% to 13.50% (2010: Nil).

26.3 Rate of profit on Pak Rupees bank deposits and US Dollar bank deposit ranges from 5.00% to 5.17% (2010: 4.50% to 12.00%) and 0.08% (2010: Nil) per annum respectively.

27. SALES

Export (Note 27.3)	**36,014,677**	23,928,427
Local (Note 27.1)	**12,084,595**	7,312,240
Duty draw back	**316,341**	189,865
Export rebate	**149,531**	105,115
	48,565,144	31,535,647

27.1 Local sales

Sales (Note 27.2)	**12,123,124**	7,335,284
Less: Sales tax	**24,664**	39,202
Less: Discount	**75,335**	49,371
	12,023,125	7,246,711
Processing income	**60,048**	64,340
Doubling income	**1,422**	1,189
	12,084,595	7,312,240

27.2 This includes sale of Rupees 2,609.550 million (2010: Rupees 1,323.913 million) made to direct exporters against special purchase order (SPO). Further, local sales includes waste sale of Rupees 1,442.026 million (2010: Rupees 668.292 million).

27.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 400.985 million (2010: Rupees 130.182 million) has been included in export sales.

28. COST OF SALES

	2011	2010
	(RUPEES IN THOUSAND)	
Raw material consumed (Note 28.1)	**13,801,336**	7,208,294
Cloth and yarn purchased / used	**19,276,624**	10,786,734
Processing charges	**201,522**	125,041
Salaries, wages and other benefits (Note 28.2)	**2,301,801**	1,927,950
Stores, spare parts and loose tools consumed	**3,402,585**	2,839,582
Packing materials consumed	**759,545**	548,786
Repair and maintenance	**236,532**	296,972
Fuel and power	**3,118,911**	2,324,652
Insurance	**33,131**	27,246
Other factory overheads	**253,916**	208,368
Depreciation (Note 13.1.2)	**1,100,805**	1,035,536
	44,486,708	27,329,161
Work-in-process		
Opening stock	**2,921,946**	1,529,335
Closing stock	**(5,432,669)**	(2,921,946)
	(2,510,723)	(1,392,611)
Cost of goods manufactured	**41,975,985**	25,936,550
Finished goods		
Opening stock	**1,545,610**	1,164,522
Closing stock	**(2,802,898)**	(1,545,610)
	(1,257,288)	(381,088)
Cost of sales	**40,718,697**	25,555,462

28.1 Raw material consumed

	2011	2010
Opening stock	**1,595,668**	1,398,655
Add: Purchased during the year	**13,816,781**	7,405,307
	15,412,449	8,803,962
Less: Closing stock	**1,611,113**	1,595,668
	13,801,336	7,208,294

28.2 Salaries, wages and other benefits include provident fund contribution of Rupees 61.518 million (2010: Rupees 52.143 million) by the Company.

	2011	2010
	(RUPEES IN THOUSAND)	

29. DISTRIBUTION COST

	2011	2010
Salaries and other benefits (Note 29.1)	**139,597**	120,369
Outward freight and handling	**1,098,833**	901,927
Commission to selling agents	**653,925**	476,818
Rent, rates and taxes	**23,119**	12,218
Insurance	**16,168**	10,713
Travelling and conveyance	**68,179**	62,950
Vehicles' running	**7,498**	7,001
Entertainment	**2,975**	2,180
Advertisement	**85,927**	45,366
Postage, telephone and telegram	**75,015**	57,107
Electricity and gas	**3,318**	3,083
Printing and stationery	**1,879**	1,711
Repair and maintenance	**10,058**	9,280
Fee and subscription	**64**	108
Depreciation (Note 13.1.2)	**3,941**	3,767
	2,190,496	1,714,598

29.1 Salaries and other benefits include provident fund contribution of Rupees 7.139 million (2010: Rupees 5.616 million) by the Company.

30. ADMINISTRATIVE EXPENSES

	2011	2010
Salaries and other benefits (Note 30.1)	**408,699**	343,325
Rent, rates and taxes	**11,632**	5,169
Legal and professional	**13,137**	9,602
Insurance	**4,702**	4,190
Travelling and conveyance	**24,067**	20,588
Vehicles' running	**37,571**	23,958
Entertainment	**13,905**	10,671
Auditors' remuneration (Note 30.2)	**2,505**	2,275
Advertisement	**133**	293
Postage, telephone and telegram	**6,324**	5,704
Electricity and gas	**19,945**	14,519
Printing and stationery	**13,876**	11,191
Repair and maintenance	**19,191**	11,976
Fee and subscription	**3,726**	6,358
Depreciation (Note 13.1.2)	**63,552**	60,218
Miscellaneous	**13,791**	15,129
	656,756	545,166

30.1 Salaries and other benefits include provident fund contribution of Rupees 16.236 million (2010: Rupees 13.427 million) by the Company.

	2011	2010
	(RUPEES IN THOUSAND)	
30.2 Auditors' remuneration		
Riaz Ahmad and Company		
Audit fee	2,004	1,822
Half yearly review	419	381
Reimbursable expenses	82	72
	2,505	2,275

31. OTHER OPERATING EXPENSES

	2011	2010
Workers' profit participation fund (Note 8.2)	280,071	173,101
Workers' welfare fund	110,447	67,063
Provision for doubtful debts (Note 20)	12,298	12,000
Offer for sale expenses (Note 31.1)	14,475	-
Impairment loss on equity investments (Note 15)	413	-
Depreciation on investment properties	5,716	6,352
Provision for slow moving stores, spare parts and loose tools (Note 18)	-	27,057
Provision for slow moving stock in trade (Note 19)	-	2,783
Donations (Note 31.2)	7,800	724
	431,220	289,080

31.1 This represents Company's share of expenses in connection with offer for sale of ordinary shares of Pakgen Power Limited (Formerly AES Pak Gen Company Limited).

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

32. OTHER OPERATING INCOME

	2011	2010
Income from financial assets		
Dividend income (Note 32.1)	998,675	558,417
Profit on deposits with banks	41,227	18,059
Net exchange gain including loss on forward contracts	871,569	166,534
Gain on sale of investments	203,756	65,263
Interest income on loans and advances to subsidiary companies	120,954	39,237
	2,236,181	847,510
Income from non-financial assets		
Gain on sale of property, plant and equipment	57,477	29,354
Scrap sales	119,635	76,203
Rental income from investment properties	31,331	28,428
Other	361	155
	208,804	134,140
	2,444,985	981,650

	2011	2010
	(RUPEES IN THOUSAND)	

32.1 Dividend income

From related parties / associated companies

MCB Bank Limited	655,998	537,865
Adamjee Insurance Company Limited	91	99
Security General Insurance Company Limited	25,566	20,452
Nishat (Chunian) Limited	33,770	-
Pakgen Power Limited [Formerly AES Pak Gen Company Limited]	89,300	-
Lalpir Power Limited [Formerly AES Lal Pir (Private) Limited]	193,372	-
	998,097	558,416
Others		
Pakistan Strategic Allocation Fund	577	-
Habib Bank Limited	1	1
	998,675	558,417

33. FINANCE COST

Mark-up on:		
Long term financing	466,176	320,835
Short term borrowings	927,304	636,564
Interest on workers' profit participation fund (Note 8.2)	2,757	1,053
Bank charges and commission	204,811	168,470
	1,601,048	1,126,922

34. PROVISION FOR TAXATION

Current (Note 34.1)	568,000	400,608
Prior year adjustment	-	(30,000)
	568,000	370,608

34.1 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.

34.2 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.

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

35. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2011	2010
Profit attributable to ordinary shares	(Rupees in thousand)	**4,843,912**	2,915,461
Weighted average number of ordinary shares	(Numbers)	**351,599,848**	277,557,804
Earnings per share	(Rupees)	**13.78**	10.50

36. CASH GENERATED FROM OPERATIONS

	2011	2010
	(RUPEES IN THOUSAND)	
Profit before taxation	**5,411,912**	3,286,069
Adjustments for non-cash charges and other items:		
Depreciation	**1,174,014**	1,105,873
Provision for doubtful debts	**12,298**	12,000
Provision for slow moving stores, spare parts and loose tools	**-**	27,057
Provision for slow moving stock in trade	**-**	2,783
Gain on sale of property, plant and equipment	**(57,477)**	(29,354)
Gain on sale of investments	**(203,756)**	(65,263)
Exchange difference on translation of investment in foreign subsidiary	**(361)**	(155)
Dividend income	**(998,675)**	(558,417)
Impairment loss on investment	**413**	-
Net exchange gain including loss on forward contracts	**(871,569)**	(166,534)
Interest income on loan to subsidiary company	**(120,907)**	(39,237)
Finance cost	**1,601,048**	1,126,922
Working capital changes (Note 36.1)	**(4,332,318)**	(2,315,175)
	1,614,622	2,386,569

36.1 Working capital changes

	2011	2010
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	**(266,304)**	(154,638)
- Stock in trade	**(3,786,239)**	(1,970,712)
- Trade debts	**(452,301)**	(752,890)
- Loans and advances	**(41,307)**	30,929
- Short term deposits and prepayments	**(14,069)**	(2,901)
- Other receivables	**(205,436)**	(301,379)
	(4,765,656)	(3,151,591)
Increase in trade and other payables	**433,338**	836,416
	(4,332,318)	(2,315,175)

37. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2011 of Rupees 3.30 per share (2010: Rupees 2.5 per share) at their meeting held on September 06, 2011. The Board of Directors also proposed to transfer Rupees 3,683 million (2010: Rupees 2,036 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2011	2010	**2011**	2010	**2011**	2010
	(RUPEES IN THOUSAND)					
Managerial remuneration	**7,557**	7,557	**2,319**	1,997	**129,678**	73,710
Allowances						
Cost of living allowance	**-**	-	**7**	6	**529**	323
House rent	**3,023**	3,023	**571**	764	**33,477**	24,130
Conveyance	**-**	-	**-**	-	**215**	126
Medical	**-**	-	**231**	199	**9,351**	5,771
Utilities	**756**	756	**355**	200	**11,674**	6,011
Special allowance	**-**	-	**1**	-	**271**	159
Contribution to provident fund	**-**	-	**221**	190	**10,994**	6,632
Leave encashment	**-**	-	**-**	-	**2,882**	1,646
	11,336	11,336	**3,705**	3,356	**199,071**	118,508
Number of persons	**1**	1	**2**	2	**136**	94

38.1 Chief executive, two 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.

38.2 Aggregate amount charged in the financial statements for meeting fee to one director was Rupees 30,000 (2010: Rupees 40,000).

39. 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:

	2011	2010
	(RUPEES IN THOUSAND)	
Subsidiary companies		
Sale of operating fixed assets	2,386	34
Investment made	76,646	510,885
Purchase of goods and services	18,470	17,016
Purchase of operating fixed assets	215	-
Loan term loans made	345,335	-
Interest income	120,954	-
Short term loans made	4,761	-
Short term loans repayments received	4,761	-
Associated companies		
Investment made	458,581	3,682,230
Purchase of goods and services	22,624	29,330
Sale of goods	598	8,411
Rental income	10,372	-
Purchase of operting fixed assets	23,862	-
Sale of operating fixed assets	2,057	1,200
Dividend income	964,327	558,417
Dividend paid	78,870	43,515
Insurance premium paid	78,093	65,002
Insurance claim received	13,519	21,370
Profit on saving accounts	7	1,399
Subscription paid	750	713
Other related parties		
Investment made	-	56,283
Dividend income	33,770	-
Preference shares converted into ordinary shares	-	89,547
Purchase of goods and services	102,728	172,487
Sale of goods and services	100,899	182,313
Company's contribution to provident fund trust	84,914	71,222

40. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Elimination of Inter-segment transactions		Total - Company	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)													
Sales	19,001,978	11,745,361	17,449,395	10,984,102	19,209,933	13,581,592	4,015,757	2,601,780	3,079,937	2,453,697	(14,191,856)	(9,830,885)	48,565,144	31,535,647
Cost of sales	(16,268,378)	(9,449,567)	(15,550,671)	(9,906,924)	(16,707,775)	(11,473,587)	(3,307,533)	(2,106,298)	(3,076,196)	(2,449,971)	14,191,856	9,830,885	(40,718,697)	(25,555,462)
Gross profit	2,733,600	2,295,794	1,898,724	1,077,178	2,502,158	2,108,005	708,224	495,482	3,741	3,726	-	-	7,846,447	5,980,185
Distribution cost	(327,669)	(251,423)	(455,895)	(408,334)	(1,175,411)	(933,389)	(231,521)	(121,452)	-	-	-	-	(2,190,496)	(1,714,598)
Administrative expenses	(198,166)	(154,638)	(159,039)	(136,319)	(228,388)	(195,129)	(52,773)	(43,074)	(18,390)	(16,006)	-	-	(656,756)	(545,166)
	(525,835)	(406,061)	(614,934)	(544,653)	(1,403,799)	(1,128,518)	(284,294)	(164,526)	(18,390)	(16,006)	-	-	(2,847,252)	(2,259,764)
Profit / (loss) before taxation and unallocated income and expenses	2,207,765	1,889,733	1,283,790	532,525	1,098,359	979,487	423,930	330,956	(14,649)	(12,280)	-	-	4,999,195	3,720,421
Unallocated income and expenses:														
Other operating expenses													(431,220)	(289,080)
Other operating income													2,444,985	981,650
Finance cost													(1,601,048)	(1,126,922)
Provision for taxation													(568,000)	(370,608)
Profit after taxation													4,843,912	2,915,461

40.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Total - Company	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)											
Total assets for reportable segments	7,072,828	6,184,668	4,617,050	3,635,533	10,628,062	7,359,656	2,108,078	1,763,519	2,379,218	1,849,672	26,805,236	20,793,048
Unallocated assets:												
Long term investments											21,337,889	21,959,543
Other receivables											1,406,890	724,407
Cash and bank balances											1,132,701	110,585
Other corporate assets											3,406,188	2,594,731
Total assets as per balance sheet											54,088,904	46,182,314
Total liabilities for reportable segments	695,690	494,758	683,520	289,050	758,906	730,752	317,211	263,311	788,013	781,401	3,243,340	2,559,272
Unallocated liabilities:												
Deferred tax											510,640	1,256,892
Provision for taxation											631,325	418,768
Other corporate liabilities											14,309,640	10,571,069
Total liabilities as per balance sheet											18,694,945	14,806,001

40.2 Geographical information

The Company's revenue from external customers by geographical location is detailed below:

	2011	2010
	(RUPEES IN THOUSAND)	
Europe	**13,331,136**	8,759,128
Asia, Africa and Australia	**16,999,046**	11,803,566
United States of America and Canada	**6,150,367**	3,660,713
Pakistan	**12,084,595**	7,312,240
	48,565,144	31,535,647

40.3 All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

40.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

41. PLANT CAPACITY AND ACTUAL PRODUCTION

		2011	2010
		(FIGURES IN THOUSAND)	
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Kgs.)	**67,635**	64,713
Actual production converted to 20s count based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Kgs.)	**56,856**	57,222
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Sq.Mt.)	**230,010**	307,971
Actual production converted to 50 picks based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Sq.Mt.)	**221,714**	280,160
Dyeing and Finishing			
Production capacity for 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Mt.)	**48,000**	48,000
Actual production on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Mt.)	**47,227**	47,818
Power Plant			
Generation capacity	(MWH)	**501**	503
Actual generation	(MWH)	**306**	346

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.

41.1 Reason for low production

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

42. FINANCIAL RISK MANAGEMENT

42.1 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 minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. 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, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(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's exposure to currency risk was as follows:

	2011	2010
Cash at banks - USD	**85,289**	307,891
Trade debts - USD	**21,354,052**	16,629,464
Trade debts - Euro	**1,297,983**	1,883,128
Trade and other payables - USD	**1,291,530**	2,308,900
Trade and other payables - Euro	**221,680**	178,640
Short term borrowings - FE-25 - USD	**3,450,000**	-
Net exposure - USD	**16,697,811**	14,628,455
Net exposure - Euro	**1,076,303**	1,704,488

The following significant exchange rates were applied during the year:

	2011	2010
Rupees per US Dollar		
Average rate	**85.76**	84.27
Reporting date rate	**86.05**	85.60
Rupees per Euro		
Average rate	**117.96**	116.35
Reporting date rate	**124.89**	104.50

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 65.895 million and Rupees 6.169 million (2010: Rupees 57.601 million and Rupees 8.193 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 instruments 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		Statement of other comprehensive income (fair value reserve)	
	2011	2010	**2011**	2010
	.... (RUPEES IN THOUSAND)			
KSE 100 (5% increase)	**109**	-	**611,160**	18,081
KSE 100 (5% decrease)	**(109)**	(17)	**(611,160)**	(18,064)

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 interest-bearing assets except for term deposit receipts and loans to subsidiary company. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipts and loans to subsidiary company. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments 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:

	2011	2010
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial liabilities		
Long term financing	1,732,567	1,935,166
Liabilities against assets subject to finance lease	124,960	-
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	1,480	7,444
Term deposit receipts	1,073,000	-
Loans to subsidiary company	818,220	472,885
Financial liabilities		
Long term financing	2,150,282	2,174,160
Liabilities against assets subject to finance lease	138,012	-
Short term borrowings	10,471,685	6,649,447

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 101.066 million (2010: Rupees 77.592 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:

	2011	2010
	(RUPEES IN THOUSAND)	
Investments	**13,501,772**	1,557,459
Loans and advances	**939,742**	546,811
Deposits	**29,081**	42,796
Trade debts	**2,481,259**	2,041,256
Other receivables	**602,393**	132,862
Accrued interest	**34,260**	16,906
Bank balances	**1,123,188**	101,438
	18,711,695	4,439,528

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			**2011**	2010
Banks	**Short term**	**Long term**	**Agency**	**(Rupees in thousand)**	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**409**	1,354
Allied Bank Limited	A1+	AA	PACRA	**1**	3,606
Askari Bank Limited	A1+	AA	PACRA	**293,863**	794
Bank Alfalah Limited	A1+	AA	PACRA	**1,419**	9,317
Faysal Bank Limited	A1+	AA	PACRA	**205**	7,208
Habib Bank Limited	A-1+	AA+	JCR-VIS	**703**	6,691
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**410**	199
JS Bank Limited	A1	A	PACRA	**200,010**	10
KASB Bank Limited	A2	A -	PACRA	**7**	160
MCB Bank Limited	A1+	AA+	PACRA	**5,115**	13,626
NIB Bank Limited	A1+	AA -	PACRA	**216**	214
The Royal Bank of Scotland Limited	A1+	AA	PACRA	**-**	38
Samba Bank Limited	A-1	A	JCR-VIS	**71**	128
Silkbank Limited	A-2	A -	JCR-VIS	**347**	15,752
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**2,256**	2,078
United Bank Limited	A-1+	AA+	JCR-VIS	**121**	115
Al-Baraka Bank (Pakistan) Limited	A2	A	PACRA	**382**	401
Citibank N.A.	P-1	A1	Moody's	**31,192**	33,107
Deutsche Bank AG	P-1	Aa3	Moody's	**339**	337
HSBC Bank Middle East Limited	P-1	A1	Moody's	**107**	107
Bank Islami Pakistan Limited	A1	A	PACRA	**710**	45
Meezan Bank Limited	A-1	AA -	JCR-VIS	**3,913**	6,151
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	**89**	-
The Bank of Punjab	A1+	AA-	PACRA	**580,534**	-
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody's	**761**	-
Soneri Bank Limited	A1+	AA-	PACRA	**8**	-
				1,123,188	101,438

	Rating			2011	2010
	Short term	Long term	Agency	(Rupees in thousand)	
Investments					
Adamjee Insurance Company Limited		AA	PACRA	2,361	2,903
Security General Insurance Company Limited		A+	JCR-VIS	1,275,213	1,195,857
Habib Bank Limited	A-1+	AA+	JCR-VIS	18	14
Pakistan Strategic Allocation Fund		4 Star	PACRA	4,435	3,425
MCB Bank Limited	A1+	AA+	PACRA	11,717,922	-
				12,999,949	1,202,199
				14,123,137	1,303,637

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the 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 2011, the Company had Rupees 14,282 million (2010: Rupees 12,920 million) available borrowing limits from financial institutions and Rupees 1,132.701 million (2010: Rupees 110.585 million) cash and bank balances. The 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 2011

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------ (Rupees in thousand) ----------------------					
Non-derivative financial liabilities:						
Long term financing	3,882,849	4,843,866	862,365	779,425	1,193,863	2,008,213
Liabilities against assets subject to finance lease	262,972	337,928	46,305	45,373	88,243	158,007
Trade and other payables	1,964,430	1,964,430	1,964,430	-	-	-
Short term borrowings	10,471,685	11,044,315	10,700,664	343,650	-	-
Accrued mark-up	358,454	358,454	358,454	-	-	-
	16,940,390	18,548,993	13,932,218	1,168,448	1,282,106	2,166,220

Contractual maturities of financial liabilities as at 30 June 2010

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	---------------------	(Rupees in	thousand)	---------------------		
Non-derivative financial liabilities:						
Long term financing	4,109,326	5,047,657	763,468	761,435	1,398,919	2,123,835
Trade and other payables	1,780,301	1,780,301	1,780,301	-	-	-
Short term borrowings	6,649,447	6,970,342	6,612,076	358,266	-	-
Accrued mark-up	232,247	232,247	232,247	-	-	-
	12,771,321	14,030,547	9,388,092	1,119,701	1,398,919	2,123,835

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 5, note 6 and note 10 to these financial statements.

42.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	------------(Rupees	in thousand)	-----------	
As at 30 June 2011				
Assets				
Available for sale financial assets	**12,226,559**	**-**	**1,275,213**	**13,501,772**
As at 30 June 2010				
Assets				
Available for sale financial assets	361,602	-	1,195,857	1,557,459

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 June 2011.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

42.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	--------------(Rupees in thousand)--------------		
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	13,501,772	13,501,772
Loans and advances	939,742	-	939,742
Deposits	29,081	-	29,081
Trade debts	2,481,259	-	2,481,259
Other receivables	602,393	-	602,393
Accrued interest	34,260	-	34,260
Cash and bank balances	1,132,701	-	1,132,701
	5,219,436	13,501,772	18,721,208

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	3,882,849
Liabilities against assets subject to finance lease	262,972
Accrued mark-up	358,454
Short term borrowings	10,471,685
Trade and other payables	1,964,430
	16,940,390

	Loans and receivables	Available for sale	Total
	--------------(Rupees in thousand)--------------		
As at 30 June 2010			
Assets as per balance sheet			
Investments	-	1,557,459	1,557,459
Loans and advances	546,811	-	546,811
Deposits	42,796	-	42,796
Trade debts	2,041,256	-	2,041,256
Other receivables	132,862	-	132,862
Accrued interest	16,906	-	16,906
Cash and bank balances	110,585	-	110,585
	2,891,216	1,557,459	4,448,675

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	4,109,326
Accrued mark-up	232,247
Short term borrowings	6,649,447
Trade and other payables	1,780,301
	12,771,321

42.4 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, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 5, note 6 and note 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.

		2011	2010
Borrowings	Rupees in thousand	**14,617,506**	10,758,773
Total equity	Rupees in thousand	**35,393,959**	31,376,313
Total capital employed	Rupees in thousand	**50,011,465**	42,135,086
Gearing ratio	Percentage	**29.23**	25.53

The increase in the gearing ratio resulted primarily from increase in borrowings from the banks.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 06 September 2011 by the Board of Directors of the Company.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made except for the deduction of discount on local sales which has been shown separately, previously, this was netted off against local sales.

45. GENERAL

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

Umer Mansha

CHIEF EXECUTIVE OFFICER **DIRECTOR**

annual report 2011

NISHAT

Nishat Mills Limited and its Subsidiary Companies

Consolidated Financial Statements

For the year ended 30 June 2011

DIRECTORS' REPORT

The Directors are pleased to present their report together with the consolidated financial statements of Nishat Mills Limited and its Subsidiary Companies for the year ended 30 June 2011. The consolidated results comprise of financial statements of Nishat Mills Limited, Nishat Linen Trading L.L.C, Nishat Linen (Private) Limited, Nishat USA Incorporation and Nishat Power Limited. The Company has annexed its consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Accounting Standard 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 2011 has been presented separately.

Nishat Linen Trading L.L.C

Nishat Linen Trading L.L.C is a limited liability company incorporated in Dubai, UAE in pursuance to statutory provisions of the U.A.E Federal Law No. (8) of 1984 and is registered with the Department of Economic Development of Dubai. Nishat Linen Trading L.L.C is a subsidiary of Nishat Mills Limited as Nishat Mills Limited, through the powers given to it under Article 11 of the Memorandum of Association, exercise full control on the management of Nishat Linen Trading L.LC. The Subsidiary is principally engaged in trading of textile, blankets, towels, linens, ready-made garments, garments accessories and leather products along with ancillaries thereto; through retail outlets and warehouses across the United Arab Emirates. The operations of subsidiary have expanded the business horizon of Nishat Mills beyond Pakistan. The Subsidiary is currently operating three retail outlets and a warehouse in Dubai with the first retail outlet starting its operations in mid May 2011. The retail outlets are located in Festival City Mall, Outlet Mall and Lamcy Plaza, and the warehouse is located in Alquoz Industrial Area. We are very optimistic about the future results of this Subsidiary.

Nishat Linen (Private) Limited

Nishat Linen (Private) Limited, incorporated on 15 March 2011, is a wholly owned subsidiary of Nishat Mills Limited. The principal business of the subsidiary company is to operate retail outlets for sale of textile and other products along with manufacturing, production and sale of all types of textile goods and products. The company has started its operations in July 2011.

Nishat USA Incorporation

Nishat USA Incorporation is a corporation service company incorporated on 22 May 2006 under the Business Corporation Law of The State of New York. It is a wholly owned subsidiary of Nishat Mills Limited. 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 February 2007, is a subsidiary company of Nishat Mills Limited and is a public listed company. The principle business of the subsidiary is to build, own, operate and maintain a fuel power station having gross capacity of 200 MW in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The subsidiary has commenced its commercial production from 9 June 2010. The subsidiary has obtained Generation

License from NEPRA and a Letter of Support and Implementation Agreement from Government of Pakistan. It has a 25 years Power Purchase Agreement with WAPDA whereby it supplies electricity to National Transmission and Dispatch Company Limited. It has generated sales of Rs. 20,986.894 million and earned a net profit of Rs. 1,879.083 million in the year ended 30 June 2011. Nishat Mills Limited owns and controls 51.01% shares of Nishat Power Limited.

Clarification to Qualifications in Audit Report

In their Report to the Members, Auditors have stated that consolidated financial statements include un-audited figures pertaining to a subsidiary company, Nishat USA Incorporation. As stated above, the Subsidiary Company is incorporated under the Business Corporation Law of The State of New York. The governing law does not require audit of financial statement of the Subsidiary Company. Hence, we have used un-audited financial statements of the Subsidiary Company to prepare Consolidated Financial Statements.

Auditors have also stated that an adjustment in the carrying amount of investment in Lalpir Power Limited (Formerly AES Lal Pir (Private) Limited) "Associated Company", accounted for under equity method, is based on un-audited financial statements of the Associated Company. The Associated Company is an unlisted public company with financial year starting from January and ending on 31st of December. As the financial year of the Associated Company does not correspond to that of Nishat Mills Limited, we have used un-audited financial statements of the Associated Company for its accounting under equity method.

For and on behalf of the Board of Directors

Umer Mansha

Mian Umer Mansha
Chairman / Chief Executive Officer

06 September 2011
Lahore

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 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, 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 opinions on the financial statements of Nishat Mills Limited and Nishat Linen (Private) Limited. The financial statements of the Subsidiary Companies, Nishat Power Limited and Nishat Linen Trading L.L.C were audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Companies, is based solely on the report of such other auditors. 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.

The financial statements of Nishat USA, Inc. (Subsidiary Company) for the year ended 30 June 2011 were un-audited. Hence, total assets and total liabilities of Rupees 3,959,397 and Rupees 434,949 respectively as at 30 June 2011 and net profit of Rupees 59,427 for the year ended 30 June 2011 pertaining to such Subsidiary Company have been incorporated in these consolidated financial statements by the management using the un-audited financial statements.

Adjustments of Rupees 355,110,000 made during the year ended 30 June 2011 in the carrying amount of investment in Lalpir Power Limited (Formerly AES Lal Pir (Private) Limited), accounted for under equity method, are based on un-audited financial statements of that associated company.

In our opinion, except for any adjustments that may have been required due to the un-audited figures in respect of Nishat USA, Inc. (Subsidiary Company) and Lalpir Power Limited (Formerly AES Lal Pir (Private) Limited) as referred to in above paragraphs of the report, the consolidated financial statements present fairly the financial position of Nishat Mills Limited and its Subsidiary Companies as at 30 June 2011 and the results of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Sarfraz Mahmood

06 September 2011
Lahore

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011	2010
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1,100,000,000 (2010: 1,100,000,000) ordinary shares of Rupees 10 each		**11,000,000**	11,000,000
Issued, subscribed and paid-up share capital	3	**3,515,999**	3,515,999
Reserves	4	**43,718,037**	34,762,289
Equity attributable to equity holders of the Holding Company		**47,234,036**	38,278,288
Non-controlling interest		**2,691,679**	1,559,986
Total equity		**49,925,715**	39,838,274
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	**15,264,443**	16,404,955
Liabilities against assets subject to finance lease	6	**202,628**	-
Long term security deposit	7	**3,000**	-
Deferred income tax	8	**331,807**	310,976
		15,801,878	16,715,931
CURRENT LIABILITIES			
Trade and other payables	9	**2,947,934**	2,909,695
Accrued mark-up	10	**971,414**	816,436
Short term borrowings	11	**13,665,483**	9,441,973
Current portion of non-current liabilities	12	**1,900,853**	1,867,912
Provision for taxation		**658,893**	438,248
		20,144,577	15,474,264
TOTAL LIABILITIES		**35,946,455**	32,190,195
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**85,872,170**	72,028,469

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

Umer Mansha

CHIEF EXECUTIVE OFFICER

	Note	2011	2010
		(RUPEES IN THOUSAND)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	29,136,666	28,473,874
Investment properties	15	126,834	132,550
Long term investments	16	30,168,316	25,892,058
Long term loans	17	30,986	25,918
Long term deposits and prepayments	18	30,127	17,166
		59,492,929	54,541,566
CURRENT ASSETS			
Stores, spare parts and loose tools	19	1,377,790	904,316
Stock in trade	20	10,906,622	6,414,919
Trade debts	21	8,809,977	4,709,853
Loans and advances	22	768,836	1,144,952
Short term deposits and prepayments	23	66,136	32,430
Other receivables	24	1,506,773	839,564
Accrued interest	25	2,690	-
Short term investments	26	1,781,471	1,554,543
Cash and bank balances	27	1,158,946	1,886,326
		26,379,241	17,486,903
TOTAL ASSETS		85,872,170	72,028,469

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		(RUPEES IN THOUSAND)	
SALES	28	**69,476,556**	32,554,012
COST OF SALES	29	**(56,793,348)**	(26,350,899)
GROSS PROFIT		**12,683,208**	6,203,113
DISTRIBUTION COST	30	**(2,195,083)**	(1,714,571)
ADMINISTRATIVE EXPENSES	31	**(717,977)**	(562,171)
OTHER OPERATING EXPENSES	32	**(1,223,892)**	(289,080)
		(4,136,952)	(2,565,822)
		8,546,256	3,637,291
OTHER OPERATING INCOME	33	**4,617,049**	424,445
PROFIT FROM OPERATIONS		**13,163,305**	4,061,736
FINANCE COST	34	**(4,394,486)**	(1,308,396)
		8,768,819	2,753,340
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	16.5	**1,717,456**	5,857,043
PROFIT BEFORE TAXATION		**10,486,275**	8,610,383
PROVISION FOR TAXATION	35	**(581,739)**	(395,631)
PROFIT AFTER TAXATION		**9,904,536**	8,214,752
SHARE OF PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF HOLDING COMPANY		**9,007,003**	8,194,245
NON-CONTROLLING INTEREST		**897,533**	20,507
		9,904,536	8,214,752
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	36	**25.62**	29.52

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

Uma Mansha

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	(RUPEES IN THOUSAND)	
PROFIT AFTER TAXATION	**9,904,536**	8,214,752
OTHER COMPREHENSIVE INCOME		
Surplus arising on remeasurement of available for sale investments	**226,803**	401,171
Reclassification adjustments relating to gain realized on disposal of available for sale investment	**-**	(52,229)
Reclassification adjustment on loss of significant influence on associated company	**(191,771)**	-
Share of other comprehensive income of associates	**757,939**	1,342,120
Exchange differences on translating foreign operation	**991**	161
Deferred income tax relating to surplus on available for sale investment	**(20,831)**	(61,580)
Other comprehensive income for the year - net of tax	**773,131**	1,629,643
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,677,667**	9,844,395
SHARE OF PROFIT ATTRIBUTABLE TO:		
EQUITY HOLDERS OF HOLDING COMPANY	**9,780,134**	9,823,888
NON-CONTROLLING INTEREST	**897,533**	20,507
	10,677,667	9,844,395

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

Umer Mansha

CHIEF EXECUTIVE OFFICER | **DIRECTOR**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	37	**3,263,812**	(539,838)
Finance cost paid		**(4,239,508)**	(3,183,416)
Income tax paid		**(567,470)**	(350,581)
Long term security deposit received		**3,000**	-
Exchange gain on forward exchange contract received		**706,160**	64,725
Net increase in long term loans		**(9,690)**	(19,570)
Net increase in long term deposits and prepayments		**(14,191)**	(4,123)
Net cash used in operating activities		**(857,887)**	(4,032,803)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**274,889**	145,457
Dividends received		**998,675**	559,134
Investments made		**(634,010)**	(3,738,515)
Capital expenditure on property, plant and equipment		**(3,255,248)**	(1,603,319)
Net cash used in investing activities		**(2,615,694)**	(4,637,243)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**1,152,150**	4,450,969
Proceeds from issue of right shares		**-**	4,364,688
Proceeds from disposal of interest to non-controlling interest		**301,282**	547,500
Repayment of long term financing		**(2,020,066)**	(595,813)
Repayment of assets subject to finance lease		**(37,027)**	-
Exchange difference on translation of net investments in foreign subsidiaries		**991**	161
Short term borrowings - net		**4,223,510**	2,099,373
Dividend paid		**(874,639)**	(481,370)
Net cash from financing activities		**2,746,201**	10,385,508
Net (decrease) / increase in cash and cash equivalents		**(727,380)**	1,715,462
Cash and cash equivalents at the beginning of the year		**1,886,326**	170,864
Cash and cash equivalents at the end of the year		**1,158,946**	1,886,326

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

Umer Mansha

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

(RUPEES IN THOUSAND)

	SHARE CAPITAL	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY											NON-CONTROLLING 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	Statutory reserve	Sub Total	General reserve	Unappro-priated profit	Sub Total				
Balance as at 30 June 2009	**2,424,827**	**2,226,014**	**3,492,679**	**1,937**	**111,002**	**25,061**	**5,856,693**	**14,373,882**	**1,886,524**	**16,260,406**	**22,117,099**	**24,541,926**	**1,023,169**	**25,565,095**
Final dividend for the year ended 30 June 2009														
@ Rupees 2 per share	-	-	-	-	-	-	-	-	(484,965)	(484,965)	(484,965)	(484,965)	-	(484,965)
Transfer to general reserve	-	-	-	-	-	-	-	1,350,000	(1,350,000)	-	-	-	-	-
Right shares issued during the year ended 30 June 2010	1,091,172	3,273,516	-	-	-	-	3,273,516	-	-	-	3,273,516	4,364,688	-	4,364,688
Share in reserves of associated companies under equity method	-	-	-	-	-	108,512	108,512	-	(108,512)	(108,512)	-	-	-	-
Share in surplus on revaluation of fixed assets relating to														
incremental depreciation- net of tax - under equity method	-	-	-	-	-	-	-	-	1,561	1,561	1,561	1,561	-	1,561
Disposal of interest to non-controlling interest	-	-	-	-	-	-	-	-	31,190	31,190	31,190	31,190	516,310	547,500
Total comprehensive income for the year ended 30 June 2010	-	-	1,622,529	7,114	-	-	1,629,643	-	8,194,245	8,194,245	9,823,888	9,823,888	20,507	9,844,395
Balance as at 30 June 2010	**3,515,999**	**5,499,530**	**5,115,208**	**9,051**	**111,002**	**133,573**	**10,868,364**	**15,723,882**	**8,170,043**	**23,893,925**	**34,762,289**	**38,278,288**	**1,559,986**	**39,838,274**
Final dividend for the year ended 30 June 2010														
@ Rupees 2 per share	-	-	-	-	-	-	-	-	(879,000)	(879,000)	(879,000)	(879,000)	-	(879,000)
Transfer to general reserve	-	-	-	-	-	-	-	7,335,000	(7,335,000)	-	-	-	-	-
Share in reserves of associated companies under equity method	-	-	-	-	-	62,556	62,556	-	(75,827)	(75,827)	(13,271)	(13,271)	-	(13,271)
Share in surplus on revaluation of fixed assets relating to														
incremental depreciation - net of tax - under equity method	-	-	-	-	-	-	-	-	763	763	763	763	-	763
Transfer to unappropriated profit on loss of significant														
influence on an associate	-	-	-	-	-	(196,129)	(196,129)	-	196,129	196,129	-	-	-	-
Disposal of interest to non-controlling interest	-	-	-	-	-	-	-	-	67,122	67,122	67,122	67,122	234,160	301,282
Total comprehensive income for the year ended 30 June 2011	-	-	780,922	(7,791)	-	-	773,131	-	9,007,003	9,007,003	9,780,134	9,780,134	897,533	10,677,667
Balance as at 30 June 2011	**3,515,999**	**5,499,530**	**5,896,130**	**1,260**	**111,002**	**-**	**11,507,922**	**23,058,882**	**9,151,233**	**32,210,115**	**43,718,037**	**47,234,036**	**2,691,679**	**49,925,715**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

-Nishat Mills Limited

Subsidiary Companies

-Nishat Power Limited
-Nishat Linen (Private) Limited
-Nishat USA, Inc.
-Nishat Linen Trading L.L.C

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 a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 and listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited in Pakistan. The Company is a subsidiary of Nishat Mills Limited. The principal activity of the Company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. Its registered office is situated at 53-A, Lawrence Road, Lahore.

NISHAT LINEN (PRIVATE) LIMITED

Nishat Linen (Private) Limited, a wholly owned subsidiary of Nishat Mills Limited, is a private limited company incorporated in Pakistan under the Companies Ordinance 1984 on 15 March 2011. The registered office of Nishat Linen (Private) Limited is situated at 3-Yahya Block Nishatabad, Faisalabad. The principal objects of the Company are to operate retail outlets for sale of textile and other products and to manufacture and sale the textile products by processing the textile goods in own or outside manufacturing facility.

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 676 Broadway, New York, NY 10012, U.S.A. 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.

NISHAT LINEN TRADING L.L.C

Nishat Linen Trading L.L.C is a limited liability company formed in pursuance to statutory provisions of the United Arab Emirates (UAE) Federal Law No. (8) of 1984 as amended and registered with the Department of Economic Development, Government of Dubai. Nishat Linen Trading L.L.C is a subsidiary of Nishat Mills Limited as Nishat Mills Limited, through the powers given to it under Article 11 of the Memorandum of Association, exercise full control on the management of Nishat Linen Trading L.L.C. Date of incorporation of the Company was 29 December 2010. The registered office of Nishat Linen Trading L.L.C is situated at P.O. Box 28189 Dubai, UAE. The principal business of the Subsidiary Company is to operate retail outlets in UAE for sale of textile and related products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated 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 consolidated 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 consolidated 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 these consolidated 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 consolidated 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.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

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.

Impairment of investments in equity method accounted associated companies

In making an estimate of recoverable amount of the Group's investments in equity method accounted associated companies, the management considers future cash flows.

d) Amendments to published approved standards that are effective in current year and are relevant to the Group

The following amendments to published approved standards are mandatory for the Group's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the consolidated balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the consolidated cash flow statement and the presentation of recognized assets in the consolidated balance sheet. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

IFRS 8 (Amendment), 'Operating Segments' (effective for annual periods beginning on or after 01 January 2010). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Group

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Group is in the process of evaluating the impacts of the aforesaid amendment on the Group's consolidated financial statements.

IFRS 10 'Consolidated Financial Statements' (effective for annual period beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual period beginning on or after 01 January 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the Group's consolidated financial statements. These amendments are unlikely to have a significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Group

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

h) Exemption from applicability of IFRIC 4 'Determining whether an Arrangement contains a Lease'

- IFRIC 4 'Determining Whether an Arrangement Contains a Lease' is applicable for periods beginning on or after 01 January 2006, however, Independent Power Producers (IPPs), whose letter of intent has been signed on or before 30 June 2010, have been exempted from its application by the Securities and Exchange Commission of Pakistan (SECP). This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with International Accounting Standard (IAS) 17 'Leases'.

Consequently, the Subsidiary Company is not required to account for a portion of its Power Purchase Agreement (PPA) with National Transmission and Dispatch Company Limited (NTDCL) as a lease under IAS 17 'Leases'. If the Subsidiary Company were to follow IFRIC 4 and IAS 17, the effect on these consolidated financial statements would be as follows:

	2011	2010
	(RUPEES IN THOUSAND)	
De-recognition of property, plant and equipment	(15,769,284)	(16,659,643)
Recognition of lease debtor	16,089,788	16,663,574
Increase in unappropriated profit at the beginning of the year	3,931	-
Increase in profit for the year	223,821	3,931
Increase in unappropriated profit at the end of the year	227,752	3,931

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 statements from the date control commences until 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.

Non-controlling 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. Non-controlling 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, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated profit and loss account, consolidated statement of comprehensive income and reserves respectively. 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 subsidiaries 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 profits and gains of Nishat Power Limited - Subsidiary Company derived from electric power generation are exempt from tax in terms of Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause 11(v) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Subsidiary Company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

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 consolidated 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 to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Nishat Power Limited- Subsidiary Company has not made provision for deferred tax as the Subsidiary Company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

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 recognized immediately through the consolidated profit and loss account and is not subsequently reversed.

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

2.6 Foreign currencies

These consolidated 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 currencies (except the results of foreign operation which are translated to Pak Rupees at the average rate of exchange for the year) 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 gains and losses are recorded in consolidated 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 benefits 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 consolidated profit and loss account during the period in which they are incurred.

Leased

Leases where the Group has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to consolidated profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to consolidated profit and loss account.

Depreciation

Depreciation on property, plant and equipment is charged to consolidated profit and loss account applying the reducing balance method, except in case of Nishat Power Limited - Subsidiary Company, where this accounting estimate is based on straight line method, so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 14.1. 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 consolidated 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 consolidated 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% per annum.

2.9 Leases

The Group Companies are the lessee:

a) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated profit and loss account on a straight line basis over the lease term.

2.10 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 and re-evaluates such designation on regular basis.

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 assesses 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 consolidated 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 consolidated 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. 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 consolidated statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in consolidated statement of other comprehensive income is included in consolidated profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined with reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

2.11 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 necessary to make a sale.

2.12 Borrowing cost

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

2.13 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, if any.

2.14 Revenue recognition

Revenue from different sources is recognized as under:

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

- Revenue on account of energy is recognized at the time of transmission whereas on account of capacity is recognized when due.

- The share of profits or losses of the associated companies after tax is included in the consolidated 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 'Investments in Associates'.

- Dividend on other 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.

2.15 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 consolidated 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.

2.16 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.

2.17 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 consolidated profit and loss account over the period of the borrowings using the effective interest method.

2.18 Trade and other payables

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

2.19 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.

2.20 Impairment

a) Financial assets

A financial asset is considered to be impaired, if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the non-financial 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 consolidated 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 consolidated profit and loss account.

2.21 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognized in the consolidated balance sheet at estimated fair value with corresponding effect to consolidated profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.22 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated 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.

2.23 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.

2.24 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has five reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles), Garments (Manufacturing garments using processed fabric) and Power Generation (Generating, transmitting and distributing power).

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

2.25 Dividend and other appropriations

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the periods 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. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011	2010		2011	2010
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
256,772,316	256,772,316	Ordinary shares of Rupees 10 each fully paid up in cash	**2,567,723**	2,567,723
2,804,079	2,804,079	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited under the Scheme of Amalgamation	**28,041**	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
351,599,848	351,599,848		**3,515,999**	3,515,999

3.1 Movement during the year

351,599,848	242,482,654	At 01 July	**3,515,999**	2,424,827
-	109,117,194	Ordinary shares of Rupees 10 each issued during the year as fully paid right shares	**-**	1,091,172
351,599,848	351,599,848		**3,515,999**	3,515,999

3.2 Ordinary shares of the Holding Company held by the associated companies:

	2011	2010
	(NUMBER OF SHARES)	
D.G. Khan Cement Company Limited	**30,289,501**	30,289,501
Adamjee Insurance Company Limited	**1,258,650**	1,258,650
	31,548,151	31,548,151

	2011	2010
	(RUPEES IN THOUSAND)	

4. RESERVES

Composition of reserves is as follows:

	2011	2010
Capital		
Premium on issue of right shares	5,499,530	5,499,530
Fair value reserve - net of deferred tax (Note 4.1)	5,896,130	5,115,208
Exchange translation reserve	1,260	9,051
Statutory reserve	-	133,573
Capital redemption reserve fund	111,002	111,002
	11,507,922	10,868,364
Revenue		
General	23,058,882	15,723,882
Unappropriated profit	9,151,233	8,170,043
	32,210,115	23,893,925
	43,718,037	34,762,289

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

	2011	2010
Balance as at 01 July	5,426,184	3,742,075
Fair value adjustment during the year	226,803	401,171
Share of fair value reserve of associates	754,641	1,335,167
Reclassification adjustments relating to gain realized on disposal of available for sale investment	-	(52,229)
Reclassification adjustment on loss of significant influence on associated company	(179,691)	-
	6,227,937	5,426,184
Less: Deferred tax liability on unquoted equity investment	(331,807)	(310,976)
Balance as at 30 June	5,896,130	5,115,208

5. LONG TERM FINANCING

From banking companies - secured

	2011	2010
Long term loans (Note 5.1)	16,379,952	17,472,867
Long term musharika (Note 5.2)	725,000	800,000
	17,104,952	18,272,867
Less: Current portion shown under current liabilities (Note 12)	1,840,509	1,867,912
	15,264,443	16,404,955

5.1 Long term loans

Lender	2011	2010	Rate of interest per annum	Number of instalments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Nishat Mills Limited - Holding Comapany							
Allied Bank Limited	75,000	225,000	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	-	37,500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 30 June 2006 and ended on 31 December 2010.	-	Quarterly	Mortgage charge on the immovable property and machinery of the Company.
Habib Bank Limited	200,000	400,000	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	137,500	187,500	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced 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.
Citibank N.A.	-	62,500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 21 April 2006 and ended on 21 October 2010.	-	Quarterly	First ranking pari passu charge on all present and future fixed assets, excluding land and building.
Faysal Bank Limited	-	35,294	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced on 15 February 2006 and ended 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	50,000	100,000	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 01 December 2006 and ending on 01 June 2012.	-	Quarterly	Registered ranking charge on plant and machinery of the Company.
Habib Bank limited:							
Loan provided by the bank from own sources	537,755	752,857	6 Month offer KIBOR + 2.50%	Eight equal half yearly installments commenced on 10 May 2010 and ending on 10 November 2013.	Half yearly	Quarterly	First pari-passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
Refinanced by SBP under scheme of LTFF	87,245	122,143	SBP rate for LTFF + 2.5%	Eight equal half yearly installments commenced on 09 May 2010 and ending on 09 November 2013.	-	Quarterly	
	625,000	875,000					
Allied Bank Limited	49,023	98,047	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	25,000	50,000	6 Month offer KIBOR + 1.50 %	Eight equal half yearly installments commenced on 07 October 2008 and ending on 07 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	72,193	101,070	SBP rate for LTF - EOP + 2%	Ninety unequal 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.
Samba Bank Limited:							
Loan provided by the bank from own sources	368,622	421,282	6 Month offer KIBOR + 1.25%	Eight equal half yearly installments commenced on 30 June 2011 and ending on 31 December 2014.	Half yearly	Half yearly	First pari passu hypothecation charge on all present and future plant and machinery of the Company (excluding land and building and any other fixed assets under exclusive charge of any bank) to the extent of Rupees 667 million with 25% margin.
Refinanced by SBP under scheme of LTFF	78,718	78,718	SBP rate for LTFF + 2.5%	Eight equal half yearly installments commencing on 27 July 2011 and ending on 27 January 2015.	-	Quarterly	
	447,340	500,000					

Lender	2011	2010	Rate of interest per annum	Number of instalments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Silk Bank Limited	89,415	102,188	SBP rate for LTFF + 2.5%	Sixteen equal quarterly installments commenced on 31 March 2011 and ending on 31 December 2014.	-	Quarterly	Ranking charge on plant and machinery of the Company (excluding those assets on which the Company has provided first exclusive charge to its various lenders) for Rupees 135 million.
Pak Brunei Investment Company Limited	235,227	235,227	SBP rate for LTFF + 2.25%	Twelve half yearly installments commencing on 19 July 2011 and ending on 19 January 2017.	-	Quarterly	Ranking charge by way of hypothecation over all the present and future plant and machinery of the Company excluding those assets (part of the plant and machinery) on which the Company has created exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	283,539	-	SBP rate for LTFF + 2.50%	Twenty two equal quarterly installments commencing on 05 July 2012 and ending on 05 October 2017.	-	Quarterly	First pari passu hypothecation charge over all present and future plant and machinery of the Company (net of exclusive hypothecation charge on specific plant and machinery) with 25% margin.
The Bank of Punjab	493,905	-	3 Month offer KIBOR + 1.25%	Sixteen equal quarterly installments commencing on 06 January 2012 and ending on 06 October 2015.	Quarterly	Quarterly	Hypothecation charge of Rupees 666.667 million on all present and future fixed assets of the Company excluding land and buildings.
Faysal Bank Limited	224,707	-	SBP rate for LTFF + 1.50%	Seventy six unequal installments commencing on 29 September 2012 and ending on 29 June 2016.	-	Quarterly	Ranking charge of Rupees 400 million on all present and future plant and machinery of the Company (excluding those on which charge has already been created).
Standard Chartered Bank (Pakistan) Limited	150,000	-	SBP rate for LTFF + 1.50%	Sixteen equal quarterly installments commencing on 09 September 2012 and ending on 09 June 2016.	-	Quarterly	First pari passu charge of Rupees 334 million on all present and future fixed assets of the Company.
Pakistan Kuwait Investment Company (Private) Limited (Note 6):							
Refinanced by SBP under scheme of LTFF	-	149,979	SBP rate for LTFF + 2.5%	Eighteen equal quarterly installments commenced on 09 December 2010 and ending on 09 March 2015.	-	Quarterly	Ranking charge of Rupees 400 million on plant, machinery and equipment of the Company with 25 % margin.
Loan provided by the investment company from own sources	-	150,021	6 Month offer KIBOR + 2%	Eighteen equal quarterly installments commenced on 09 December 2010 and ending on 09 March 2015.	Half yearly	Quarterly	
	-	300,000					
	3,157,849	3,309,326					

Nishat Power Limited - Subsidiary Company

Lender	2011	2010	Rate of interest per annum	Number of instalments	Interest repricing	Interest payable	Security
Consortium of banks (Note 5.1.1)	13,222,103	14,163,541	3 Month KIBOR + 3.00%	Thirty six quarterly installments ending on 01 July 2020.	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 (excluding the mortgaged immovable property), lien over project bank accounts and pledge of shares of the Holding Company in Nishat Power Limited.
	13,222,103	14,163,541					
	16,379,952	17,472,867					

5.1.1 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 original project financing facility was for Rupees 12,260 million (2010: Rupees 12,260 million). During the previous year, the Subsidiary Company obtained a term finance facility of Rupees 1,904 million to cover the additional cost of the power project from the lenders of the original project finance facility on the same terms and conditions. The effective markup rate charged during the year ranges from 15.29% to 16.52% (2010: 15.34% to 15.77%) per annum.

5.2 Long term musharika - Nishat Mills Limited - Holding Company

Lender	2011	2010	Rate of interest per annum	Number of instalments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Meezan Bank Limited	**225,000**	300,000	3 Month offer KIBOR + 1.25%	Eight equal quarterly installments commenced on 29 March 2011 and ending on 29 December 2012.	Quarterly	Quarterly	Exclusive charge on specific plant and machinery at least equal to outstanding facility amount plus 25% margin thereof.
Standard Chartered Bank (Pakistan) Limited	**500,000**	500,000	6 Month offer KIBOR + 1.25% margin for first two years and 1.75% margin for remaining period	Eight equal half yearly installments commencing on 12 October 2011 and ending on 12 April 2015.	Half yearly	Half yearly	Registered first charge amounting to Rupees 667 million on specific fixed assets of the Company.
	725,000	800,000					

	2011	2010
	(RUPEES IN THOUSAND)	

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011	2010
Future minimum lease payments	337,928	-
Less: Un-amortized finance charge	74,956	-
Present value of future minimum lease payments	262,972	-
Less: Current portion shown under current liabilities (Note 12)	60,344	-
	202,628	-

6.1 During the year, the Holding Company has entered into a sale and leaseback arrangement with Pak Kuwait Investment Company (Private) Limited. According to the lease agreement, leasing company has contributed Rupees 150.021 million from its own sources and the remaining amount of Rupees 149.979 million has been financed under Long Term Finance Facility (LTFF) scheme of State Bank of Pakistan. Minimum lease payments have been discounted using implicit interest rate ranging from 9.70% to 15.62% per annum. Balance rentals are payable in quarterly installments. Taxes, repairs and insurance costs are borne by the Company. These are secured against the leased assets and demand promissory notes.

6.2 Minimum lease payments and their present values are regrouped as under:

	2011		2010	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	----------- (RUPEES IN THOUSAND) -----------			
Future minimum lease payments	91,678	246,250	-	-
Less: Un-amortized finance charge	31,334	43,622	-	-
Present value of future minimum lease payments	60,344	202,628	-	-

7. LONG TERM SECURITY DEPOSIT

This represents long term security deposit received by Nishat Linen (Private) Limited - Subsidiary Company.

8. DEFERRED TAX

This represents deferred tax liability on surplus on revaluation of unquoted equity investment available for sale. 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 and temporary differences of Nishat Power Limited - Subsidiary Company are not expected to reverse in the foreseeable future due to the fact that the profits and gains derived from electric power generation are exempt from tax.

9. TRADE AND OTHER PAYABLES

	2011	2010
	(RUPEES IN THOUSAND)	
Creditors (Note 9.1)	**1,573,248**	2,044,080
Accrued liabilities	**533,234**	448,556
Advances from customers	**141,720**	114,617
Securities from contractors-Interest free, repayable on completion of contracts	**23,856**	12,547
Retention money payable	**6,170**	7,968
Income tax deducted at source	**2,200**	4,002
Sales tax payable	**67,217**	-
Dividend payable	**36,136**	31,775
Payable to employees provident fund trust	**11,903**	932
Workers' profit participation fund (Note 9.2)	**374,740**	176,711
Workers' welfare fund	**177,510**	68,507
	2,947,934	2,909,695

9.1 This includes amount in aggregate of Rupees 60.921 million (2010: Rupees 44.001 million) due to associated undertakings.

9.2 Workers' profit participation fund

	2011	2010
Balance as on 01 July	**176,711**	82,641
Interest for the year (Note 34)	**2,790**	1,053
Add: Provision for the year	**374,713**	176,711
	554,214	260,405
Less: Payments during the year	**179,474**	83,694
	374,740	176,711

9.2.1 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 till the date of allocation to workers.

	2011	2010
	(RUPEES IN THOUSAND)	
10. ACCRUED MARK-UP		
Long term financing	603,231	647,511
Short term borrowings	368,183	168,925
	971,414	816,436

11. SHORT TERM BORROWINGS

	2011	2010
From banking companies - secured		
Nishat Mills Limited - Holding Company		
Short term running finances (Note 11.1 and Note 11.2)	79,842	232,827
State Bank of Pakistan (SBP) refinance (Note 11.1 and 11.3)	9,855,153	6,114,243
Other short term finances (Note 11.1 and 11.4)	296,812	-
Temporary bank overdrafts (Note 11.1 and 11.2)	239,878	302,377
	10,471,685	6,649,447
Nishat Power Limited - Subsidiary Company		
Short term running finances (Note 11.5)	1,267,196	1,792,526
Short term finances (Note 11.6)	1,926,602	1,000,000
	3,193,798	2,792,526
	13,665,483	9,441,973

11.1 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, other instruments, ranking hypothecation charge on plant and machinery and equity investments of the Holding Company. These form part of total credit facility of Rupees 24,754 million (2010: Rupees 19,569 million).

11.2 The rates of mark-up range from 12.69% to 15.59% (2010: 12.39% to 16.11%) per annum on the balance outstanding.

11.3 The rates of mark up range from 8.50% to 11.00% (2010: 7.00% to 9.00%) per annum on the balance outstanding.

11.4 The rates of mark up on Pak Rupee finances and US Dollar finances range from 11.99% to 13.60% (2010: 11.68% to 13.60%) per annum and 1.0962% to 2.0595% (2010: Nil) per annum respectively on the balance outstanding.

11.5 Short term running finance facilities available from a consortium of commercial banks under mark up arrangements amount to Rupees 4,823 million (2010: Rupees 2,573 million) at mark up rate of 3 months KIBOR plus 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against first pari passu assignment of the present or future energy payment price of the tariff, first pari passu hypothecation charge on the fuel stock / inventory, ranking charge over all present and future project assets (including moveable / immoveable assets) of the Subsidiary Company. The effective mark-up rate charged during the year on the outstanding balance ranges from 14.29% to 15.62% (2010: 14.12% to 14.75%) per annum.

11.6 This represents murabaha and term finance facilities aggregating Rupees 2,050 million under mark up arrangements from commercial banks at mark up rates ranging from three to six months KIBOR plus 2% per annum, to finance the procurement of multiple oils from the fuel supplier. Mark up is payable at the maturity of the respective murabaha transaction / term finance facility. The aggregate facilities are secured against first pari passu charge on current assets comprising of fuel stocks, inventories and assignment of energy payment receivables from NTDCL. The effective mark up rate charged during the year on the outstanding balance ranges from 14.24% to 15.79% (2010: 14.18% to 14.85%) per annum.

11.7 Of the aggregate facility of Rupees 1,100 million (2010: Rupees 0.67 million) for opening letters of credit and guarantees, the amount utilized at 30 June 2011 was Rupees 84.33 million (2010: Rupees 0.67 million). The aggregate facilities for opening letters of credit and guarantees are secured by ranking charge on current assets comprising of fuel stocks and inventories of the Subsidiary Company.

12. CURRENT PORTION OF NON-CURRENT LIABILITIES

	2011	2010
	(RUPEES IN THOUSAND)	
Current portion of long term financing (Note 5)	1,840,509	1,867,912
Current portion of liabilities against assets subject to finance lease (Note 6)	60,344	-
	1,900,853	1,867,912

13. CONTINGENCIES AND COMMITMENTS

Contingencies

i) Nishat Mills Limited - Holding Company is contingently liable for Rupees 0.631 million (2010: Rupees 87.378 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.

ii) Guarantees of Rupees 590.321 million (2010: Rupees 472.398 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 and Pakistan State Oil Limited against purchase of furnace oil, Director Excise and Taxation, Karachi against infrastructure cess, a foreign supplier against purchase of stores and a shipping line against import shipment.

iii) Post dated cheques of Rupees 911.545 million (2010: Rupees 537.000 million) are issued by the Nishat Mills Limited - Holding Company to customs authorities in respect of duties on imported items 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's share in contingencies of associated companies' accounted for under equity method is Rupees 1,435 million (2010: Rupees 5,706.861 million).

v) The bank of Nishat Power Limited - Subsidiary Company has issued an irrevocable standby letter of credit on behalf of Subsidiary Company in favour of Wartsila Pakistan (Private) Limited for Rupees 45 million (2010: Rupees 45 million) as required under the terms of the Operation and Maintenance agreement.

Commitments

i) Contracts for capital expenditure of the Group are approximately of Rupees 65.057 million (2010: Rupees 935.095 million).

ii) Letters of credit other than for capital expenditure of the Group are of Rupees 440.468 million (2010: Rupees 313.814 million).

iii) Nishat Power Limited - Subsidiary Company has also commitments in respect of other contractors of Rupees 2.670 million (2010: Rupees 1.313 million)

iv) The amount of future payments under operating leases and the period in which these payments will become due from Nishat Power Limited - Subsidiary Company are as follows:

	2011	2010
	(RUPEES IN THOUSAND)	
Not later than one year	7,269	-

v) 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 i.e. 09 June 2010. Under the terms of the Fuel Supply Agreement, the Subsidiary Company is not required to buy any minimum quantity of oil from SPL.

vi) Nishat Power Limited - Subsidiary Company has also entered into an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance (O&M) of the power station for a five years period starting from the commercial operations date of the power station i.e. 09 June 2010. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output, both of which are adjustable according to the Wholesale Price Index.

14. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	(RUPEES IN THOUSAND)	
Operating fixed assets (Note 14.1)		
Owned	27,938,481	28,108,212
Leased	273,105	-
Capital work in progress (Note 14.2)	925,080	365,662
	29,136,666	28,473,874

14.1 Operating fixed assets

	Owned Assets									Leased Assets
	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Total	Plant and machinery
									(RUPEES IN THOUSAND)	
At 01 July 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	-
Year ended 30 June 2010										
Opening net book value	554,871	1,949,824	7,926,818	315,671	105,120	137,930	36,630	162,847	11,189,711	-
Additions	144,262	323,269	17,664,376	16,322	16,509	19,874	15,825	73,211	18,273,648	-
Transfer to investment properties:										
Cost	(56,632)	(46,048)	-	-	-	-	-	-	(102,680)	-
Accumulated depreciation	-	4,827	-	-	-	-	-	-	4,827	-
	(56,632)	(41,221)	-	-	-	-	-	-	(97,853)	-
Transfer:										
Cost	-	-	(14,506)	-	-	-	-	14,506	-	-
Accumulated depreciation	-	-	8,583	-	-	-	-	(8,583)	-	-
	-	-	(5,923)	-	-	-	-	5,923	-	-
Disposals:										
Cost	-	-	(301,931)	(10,245)	(1,713)	(693)	(132)	(25,551)	(340,265)	-
Accumulated depreciation	-	-	200,515	6,879	1,335	567	82	14,784	224,162	-
	-	-	(101,416)	(3,366)	(378)	(126)	(50)	(10,767)	(116,103)	-
Depreciation charge	-	(195,334)	(835,530)	(32,806)	(11,323)	(16,528)	(13,107)	(36,563)	(1,141,191)	-
Closing net book value	642,501	2,036,538	24,648,325	295,821	109,928	141,150	39,298	194,651	28,108,212	-
At 30 June 2010										
Cost	642,501	3,857,577	31,268,092	657,610	195,829	269,858	124,940	340,946	37,357,353	-
Accumulated depreciation	-	(1,821,039)	(6,619,767)	(361,789)	(85,901)	(128,708)	(85,642)	(146,295)	(9,249,141)	-
Net book value	642,501	2,036,538	24,648,325	295,821	109,928	141,150	39,298	194,651	28,108,212	-
Year ended 30 June 2011										
Opening net book value	642,501	2,036,538	24,648,325	295,821	109,928	141,150	39,298	194,651	28,108,212	-
Additions	13,206	245,002	2,236,659	10,712	16,461	55,430	10,118	108,313	2,695,901	300,000
Disposals:										
Cost	-	-	(912,799)	(538)	(175)	(213)	(27)	(54,231)	(967,983)	-
Accumulated depreciation	-	-	418,473	327	47	99	13	31,844	450,803	-
	-	-	(494,326)	(211)	(128)	(114)	(14)	(22,387)	(517,180)	-
Depreciation charge	-	(200,895)	(2,035,083)	(29,618)	(11,726)	(15,295)	(13,301)	(42,534)	(2,348,452)	(26,895)
Closing net book value	655,707	2,080,645	24,355,575	276,704	114,535	181,171	36,101	238,043	27,938,481	273,105
At 30 June 2011										
Cost	655,707	4,102,579	32,591,952	667,784	212,115	325,075	135,031	395,028	39,085,271	300,000
Accumulated depreciation	-	(2,021,934)	(8,236,377)	(391,080)	(97,580)	(143,904)	(98,930)	(156,985)	(11,146,790)	(26,895)
Net book value	655,707	2,080,645	24,355,575	276,704	114,535	181,171	36,101	238,043	27,938,481	273,105
Annual rate of depreciation (%)	-	4-10	4-32	10	10	10	30-33	20		10

14.1.1 Detail of operating fixed 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								
Ring Frames China	2	5,689	4,624	1,065	1,600	535	Negotiation	Shadman Cotton Mills Limited
Ring Frames China	2	5,689	4,626	1,063	1,600	537	Negotiation	Shadman Cotton Mills Limited
Drawing Frames Rieter	1	2,548	2,114	434	589	155	Negotiation	Comfort Knitwear (Private) Limited
Drawing Frames Rieter	1	2,548	2,115	433	588	155	Negotiation	Asher Imran Spinning Mills (Private) Limited
Drawing Frames Rieter	1	2,548	2,117	431	588	157	Negotiation	Olympia Textile International Lahore
Old Used Spare Parts	1	1,792	1,017	775	775	-	Negotiation	Muhammad Sadiq
Ring Frames China	9	17,660	14,760	2,900	6,300	3,400	Negotiation	Azgard Nine Limited
Ring Frames China	3	5,887	4,925	962	2,100	1,138	Negotiation	Azgard Nine Limited
Ring Frames China	1	1,962	1,642	320	735	415	Negotiation	Reliance Weaving Mills Limited
Ring Frames China	6	11,773	9,859	1,914	4,800	2,886	Negotiation	Mohammad Yaseen
Ring Frames China	2	3,924	3,285	639	1,470	831	Negotiation	Taqees Private Limited
Ring Frames China	8	15,697	13,142	2,555	6,272	3,717	Negotiation	Ayesha Textile Mills Limited
Toyota Ring Frames	1	2,100	1,758	342	833	491	Negotiation	Ayesha Spinning Mills Limited
Toyota Draw Frames	2	4,201	3,520	681	1,666	985	Negotiation	Al-Zamin Textile Mills Limited
Sulzer Ruti Looms	8	20,222	12,928	7,294	12,800	5,506	Negotiation	Kamal Fabrics
Tsudakoma Air Jet Looms	24	67,040	46,173	20,867	30,600	9,733	Negotiation	Zephyer Textile Limited
Tsudakoma Air Jet Looms	9	17,604	12,722	4,882	7,127	2,245	Negotiation	Hashmani Industries
Tsudakoma Air Jet Looms	21	41,078	29,799	11,279	16,631	5,352	Negotiation	Hashmani Industries
Tsudakoma Air Jet Looms	8	25,165	14,406	10,759	10,200	(559)	Negotiation	Zephyer Textile Limited
Air Compressor and Air Dryer	2	6,690	4,690	2,000	2,000	-	Negotiation	Atlas Copco Pakistan (Private) Limited
Air Compressor and Air Dryer	2	6,690	4,746	1,944	1,990	46	Negotiation	U.S. Denim Mills (Private) Limited
Old Used Spare Parts	1	12,940	8,840	4,100	4,100	-	Negotiation	Malik Zahir-ud-Din and Company
Old Waste Heat Recovery Boiler	1	3,350	2,350	1,000	1,000	-	Negotiation	Abdul Rahman Corporation (Private) Limited
Gas Turbine Centaur	1	211,499	97,845	113,654	121,000	7,346	Negotiation	Feroz Textile Industries (Private) Limited
Transformer	1	2,969	960	2,009	2,009	-	Negotiation	Mr. Iftikhar Ahmad
Yarn Dyeing Machines	11	141,847	-	141,847	141,847	-	Sale and lease back	Pak Kuwait Investment Company (Private) Limited
Stitching Machines	427	83,702	749	82,953	82,953	-	Sale and lease back	Pak Kuwait Investment Company (Private) Limited
Gas Turbine Centaur	1	187,945	112,745	75,200	75,200	-	Sale and lease back	Pak Kuwait Investment Company (Private) Limited
		912,759	418,457	494,302	539,373	45,071		
Factory Equipment								
Containers	2	175	47	128	278	150	Negotiation	Hayat Terminal and Logistics
Electric Installations								
Old Used Electric Parts	-	538	327	211	211	-	Negotiation	Mr. Muhammad Saddique Ejaz
Vehicles								
Honda City LZY-2065	1	891	587	304	765	461	Negotiation	Mr. Muhammad Ilyas
Toyota Corolla Saloon LWH-1592	1	1,330	767	563	574	11	Negotiation	Mr. Sarfraz Hassan
Honda City LEA-4240	1	1,136	641	495	502	7	Company Policy	Mr. Sardar Mahmood Akhtar (Holding Company's employee)
Toyota Corolla FDV-7640	1	805	719	86	700	614	Insurance Claim	Security General Insurance Company Limited
Suzuki Cultus LW-8173	1	646	388	258	262	4	Company Policy	Malik Abdul Qayyum (Holding Company's employee)
Honda Civic VTI LEA-9692	1	1,425	737	688	738	50	Negotiation	Lalpir Power Limited
Honda City LXZ-6662	1	727	624	103	455	352	Negotiation	Mr. Muhammad Ilyas
Suzuki Alto LEA-09-6315	1	714	205	509	545	36	Negotiation	Lalpir Power Limited
Suzuki Cultus LWO-4264	1	616	362	254	551	297	Negotiation	Mr. Muhammad Ilyas
Suzuki Baleno LRN-1401	1	753	491	262	573	311	Negotiation	Mr.Umer Haroon
Suzuki Bolan LWM-3152	1	476	282	194	200	6	Company Policy	Mr. Muhammad Yousuf (Holding Company's employee)
Toyota Corolla LEB-4606	1	1,320	751	569	576	7	Negotiation	Mr. Arif Jala
Honda Civic LEA-6132	1	1,402	790	612	617	5	Negotiation	Mrs. Robina Shaheen
Toyota Corolla LEB-8715	1	1,074	597	477	484	7	Negotiation	Mr. Nadeem Ahmad
Honda Civic LWO-500	1	1,501	912	589	1,431	842	Negotiation	Argosy Enterprises
Toyota Corolla LEA-07-7993	1	1,012	587	425	429	4	Company Policy	Mr. Khalid Mehmood Chohan (Holding Company's employee)
Mercedes Benz LEC-08-800	1	7,879	3,688	4,191	9,500	5,309	Negotiation	KBK Electronics (Private) Limited
Toyota Corolla LEB-07-7265	1	1,318	756	562	574	12	Negotiation	Mr. Behzad Ahmad Rouf
Suzuki Bolan LWK-1940	1	475	305	170	488	318	Negotiation	Mr. Muhammad Shoaib
Honda City LWJ-1578	1	940	553	387	398	11	Company Policy	Mr. Waris Ali Nadeem (Holding Company's employee)
Suzuki Cultus LWK-1943	1	662	387	275	287	12	Company Policy	Mr. Muhammad Ashraf (Holding Company's employee)
Suzuki Cultus LZU-1263	1	646	420	226	234	8	Company Policy	Mr. Sohail Amjad Qureshi (Holding Company's employee)

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
			(RUPEES IN THOUSAND)					
Suzuki Cultus LWO-4267	1	658	389	269	270	1	Company Policy	Mr. Muzammil Yasin (Holding Company's employee)
Toyota Corolla LEA-1653	1	947	550	397	404	7	Company Policy	Mr. Muhammad Abid Khan (Holding Company's employee)
Suzuki Cultus LWM-3164	1	662	383	279	290	11	Company Policy	Mr. Muhammad Israr (Holding Company's employee)
Suzuki Cultus LWJ-1614	1	662	390	272	276	4	Company Policy	Mr. Muhammad Imran Raza (Holding Company's employee)
Suzuki Alto LWQ-3703	1	518	299	219	230	11	Company Policy	Mirza Muhammad Nadeem (Holding Company's employee)
Honda City LZY-2053	1	931	593	338	344	6	Company Policy	Rana Muhammad Imran (Holding Company's employee)
Toyota Corolla LEB-07-8720	1	1,318	750	568	572	4	Company Policy	Mr. Saeed Nawaz Khan (Holding Company's employee)
Hyundai Santro LZU-8347	1	578	404	174	505	331	Negotiation	Mr. Muhammad Shoaib
Suzuki Cultus LRH-8896	1	606	481	125	128	3	Company Policy	Mr. Rizwan Aziz (Holding Company's employee)
Toyota Corolla LEA-4421	1	951	544	407	412	5	Company Policy	Mr. Zahid Javaid (Holding Company's employee)
Suzuki Cultus LRF-9252	1	602	479	123	125	2	Company Policy	Mr. Muhammad Younas (Holding Company's employee)
Toyota Corolla LWO-8739	1	950	593	357	362	5	Company Policy	Mr. Rizwan Aslam (Holding Company's employee)
Toyota Corolla LEB-06-2517	1	951	566	385	389	4	Company Policy	Mr. Muhammad Ramzan (Holding Company's employee)
Toyota Corolla LEA-06-1049	1	911	553	358	363	5	Company Policy	Rana Hammad Latif Khan (Holding Company's employee)
Toyota Corolla LEB-06-2488	1	951	565	386	389	3	Company Policy	Mr. Athar Bashir (Holding Company's employee)
Toyota Corolla LWL-5539	1	909	515	394	413	19	Company Policy	Mr. Faisal Hafeez (Holding Company's employee)
Suzuki Cultus LZU-1819	1	646	413	233	251	18	Company Policy	Mr. Qaiser Bashir Chaudhary (Holding Company's employee)
Suzuki Cultus LWD-9760	1	646	393	253	258	5	Company Policy	Mr.Babar Nawaz (Holding Company's employee)
Honda Civic LEA-10-9488	1	930	182	748	882	134	Negotiation	Subsidiary Company - Nishat Power Limited
Suzuki Baleno LRE-1540	1	802	662	140	156	16	Company Policy	Mr. Bilal Siddique Chaudhary (Holding Company's employee)
Suzuki Cultus LW-6864	1	655	421	234	536	302	Negotiation	Mr. Muhammad Azam
Suzuki Cultus LWB-2413	1	611	386	225	524	299	Negotiation	Argosy Enterprises
Mitsubishi Lancer LEA-1605	1	908	529	379	385	6	Company Policy	Rana Muhammad Shahzad (Holding Company's employee)
Suzuki Alto LWG-8081	1	513	322	191	310	119	Negotiation	Mr.Mazhar Noor
Suzuki Liana LEA-9276	1	856	487	369	374	5	Company Policy	Mr. Muhammad Atif (Ex-Holding Company's employee)
Honda City LWG-1022	1	1,006	633	373	787	414	Negotiation	Mr. Shahzada Gulfam Khawar
Toyota Hiace Van LZR-9371	1	2,001	1,328	673	1,722	1,049	Negotiation	Mr. Gul Akbar Khan
Toyota Corolla LEC-4565	1	502	275	227	273	46	Negotiation	Subsidiary Company - Nishat Power Limited
Suzuki Cultus LWJ-1591	1	632	364	268	287	19	Company Policy	Mr.Mazhar Noor (Holding Company's employee)
Honda City LEB-7035	1	903	512	391	395	4	Company Policy	Mr. Muhammad Aslam (Holding Company's employee)
Suzuki Baleno LRZ-8743	1	343	202	141	583	442	Bid	Argosy Enterprises
Suzuki Cultus LWQ-5819	1	244	144	100	105	5	Negotiation	Holding Company - Nishat Mills Limited
		53,051	30,856	22,195	34,183	11,988		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		1,460	1,116	344	844	500	Negotiation	
		967,983	**450,803**	**517,180**	**574,889**	**57,709**		

	(RUPEES IN THOUSAND) 2011	2010
14.1.2 Depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 29)	**2,303,829**	1,075,032
Distribution cost (Note 30)	**3,961**	3,796
Administrative expenses (Note 31)	**67,486**	60,453
Capital work-in-progress	**71**	1,910
	2,375,347	1,141,191

	2011	2010
	(RUPEES IN THOUSAND)	

14.2 Capital work-in-progress

	2011	2010
Building on freehold land	**219,676**	261,535
Plant and machinery	**691,655**	14,506,900
Electric installations	**-**	546
Unallocated expenses	**1,964**	7,219
Letters of credit against machinery	**144**	2,631
Advances against furniture and office equipment	**-**	652
Advances against vehicles	**9,962**	2,647
Advances to contractors	**1,679**	-
Unallocated capital expenditures (Note 14.2.1)	**-**	2,166,865
	925,080	16,948,995
Transfer to operating fixed assets	**-**	(16,583,333)
	925,080	365,662

14.2.1 Unallocated expenditures - Nishat Power Limited - Subsidiary Company

	2011	2010
Raw material consumed	**-**	2,189,759
Stores, spares and loose tools consumed	**-**	1,169
Salaries and other benefits (Note 14.2.2)	**-**	42,982
Electricity consumed in-house	**-**	23,123
Insurance	**-**	204,282
Traveling and conveyance	**-**	12,213
Rent, rates and taxes	**-**	1,415
Postage and telephone	**-**	1,370
Legal and professional charges	**-**	7,191
Consultancy charges	**-**	18,429
Fee and subscription	**-**	45,381
Mark-up on:		
Long term financing - secured	**-**	3,041,941
Short term borrowings - secured	**-**	108,817
Bank charges and financing fee	**-**	169,502
Bank guarantee commission	**-**	10,092
Depreciation	**-**	2,741
Miscellaneous	**-**	4,566
	-	5,884,973
Delay liquidity damages recovered (Note 14.2.3)	**-**	(1,461,648)
Sale of trial production	**-**	(2,256,460)
	-	2,166,865

14.2.2 Salaries and other benefits include Rupees Nil (2010: Rupees 760,568) in respect of provident fund contribution by Nishat Power Limited - Subsidiary Company.

14.2.3 This represents net liquidated damages received by Nishat Power Limited - Subsidiary Company from Wartsila Pakistan (Private) Limited for delay in achieving commercial operations.

15. INVESTMENT PROPERTIES

	Land	Buildings	Total
	----- (RUPEES IN THOUSAND) -----		
At 01 July 2009			
Cost	18,756	46,090	64,846
Accumulated depreciation	-	(23,797)	(23,797)
Net book value	18,756	22,293	41,049
Year ended 30 June 2010			
Opening net book value	18,756	22,293	41,049
Transfer from operating fixed assets:			
Cost	56,632	46,048	102,680
Accumulated depreciation	-	(4,827)	(4,827)
	56,632	41,221	97,853
Depreciation charge	-	(6,352)	(6,352)
Closing net book value	75,388	57,162	132,550
At 30 June 2010			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(34,976)	(34,976)
Net book value	75,388	57,162	132,550
Year ended 30 June 2011			
Opening net book value	75,388	57,162	132,550
Depreciation charge	-	(5,716)	(5,716)
Closing net book value	75,388	51,446	126,834
At 30 June 2011			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(40,692)	(40,692)
Net book value	75,388	51,446	126,834

15.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 5.716 million (2010: Rupees 6.352 million) charged during the year is allocated to other operating expenses. No expenses directly related to investment properties were incurred during the year. The market value of land and buildings is estimated at Rupees 377.705 million (2010: Rupees 346.215 million). The valuation has been carried out by an independent valuer.

16. LONG TERM INVESTMENTS

	2011	2010
	(RUPEES IN THOUSAND)	
Associated companies (with significant influence) - under equity method		
D.G. Khan Cement Company Limited - quoted 137,574,201 (2010: 114,645,168) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (2010: 31.40%)	**10,091,604**	9,017,542
MCB Bank Limited - quoted Nil (2010: 52,591,266) fully paid ordinary shares of Rupees 10 each. Equity held Nil (2010: 6.92%)	**-**	8,718,007
Lalpir Power Limited [Formerly AES Lal Pir (Private) Limited] - unquoted 110,498,540 (2010: 110,498,540) fully paid ordinary shares of Rupees 10 each. Equity held 32% (2010: 32%)	**4,158,308**	3,803,198
Pakgen Power Limited [Formerly AES Pak Gen Company Limited] - unquoted 102,524,728 (2010: 119,066,110) fully paid ordinary shares of Rupees 10 each. Equity held 27.55% (2010: 32%)	**4,093,765**	4,255,502
Nishat Paper Products Company Limited - unquoted 11,634,199 (2010:11,634,199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (2010: 25%)	**104,336**	94,892
	18,448,013	25,889,141
Available for Sale		
Associated companies (Others)		
Adamjee Insurance Company Limited - quoted 36,337 (2010: 36,337) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (2010: 0.03%)	**2,774**	2,774
MCB Bank Limited - quoted 58,790,392 (2010: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 7.03% (2010: Nil)	**12,175,279**	-
Advance for purchase of 5,000 shares	**998**	-
Other		
Habib Bank Limited - quoted 159 (2010: 145) fully paid ordinary shares of Rupees 10 each	**12**	12
	12,179,063	2,786
Less: Impairment loss recognized (Note 32)	**(458,767)**	-
Add: Fair value adjustment	**7**	131
	11,720,303	2,917
	30,168,316	25,892,058

16.1 As a result of decrease in representation of the Holding Company on the board of directors of MCB Bank Limited and management's assessment of loss of significant influence over the investee company, the Holding Company has reclassified its investment in MCB Bank Limited as available for sale investment in associated company without significant influence. Previously, this investment was classified as available for sale investment in associated company with significant influence. This has resulted in a gain of Rupees 3,062 million which has been recognized in consolidated profit and loss account as per provisions of IAS 28 'Investments in Associates'.

16.2 Investments in Lal Pir Power Limited [Formerly AES Lal Pir (Private) Limited] and Pakgen Power Limited [Formerly AES Pak Gen Company Limited] include 500 shares each, held in the name of nominee director of the Holding Company.

16.3 Subsequent to the reporting period, the status of Pakgen Power Limited (Formerly AES Pak Gen Company Limited) has been changed from unquoted to quoted company.

16.4 During the year ended 30 June 2010, the Holding Company incurred a total cost of Rupees 3,300 million on acquisition of ordinary shares of Lalpir Power Limited (Formerly AES Lal Pir (Private) Limited) and Pakgen Power Limited (Formerly AES Pak Gen Company Limited). There was a joint agreement to acquire ordinary shares of these two investee companies. Out of the total cost of acquisition of these shares, an amount of Rupees 174.185 million was incorrectly allocated between these two investee companies. This constitutes a prior period error as defined in International Accounting Standard (IAS) 8, " Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the above mentioned prior period error has been corrected retrospectively in these consolidated financial statements by restating the carrying values of both investments. Consequently, as on 30 June 2010, the carrying value of investment in Lalpir Power Limited (Formerly AES Lal Pir (Private) Limited) has increased and carrying value of investment in Pakgen Power Limited (Formerly AES Pak Gen Company Limited) has decreased by Rupees 174.185 million. There is no other financial impact of this prior period error on these consolidated financial statements.

16.5 Reconciliation of investments in associated companies under equity method:

	D. G. KHAN CEMENT COMPANY LIMITED		NISHAT PAPER PRODUCTS COMPANY LIMITED		MCB BANK LIMITED		LALPIR POWER LIMITED		PAKGEN POWER LIMITED		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	RUPEES IN THOUSAND											
Cost	3,418,145	2,959,565	116,342	116,342	8,129,753	7,955,322	1,822,629	1,822,629	1,272,194	1,477,450	14,759,063	14,331,308
Share of post acquisition reserves:												
As at 01 July	6,057,977	4,769,505	(21,450)	(49,609)	762,685	175,078	1,980,569	-	2,778,052	-	11,557,833	4,894,974
Share of profit / (loss) after income tax	(33,464)	(14,865)	9,444	28,159	622,224	1,085,128	561,034	1,980,569	558,218	2,778,052	1,717,456	5,857,043
Share of other comprehensive income	648,946	1,303,337	-	-	108,993	38,783	-	-	-	-	757,939	1,342,120
Share of items directly credited in equity	-	-	-	-	763	1,561	(12,552)	-	(719)	-	(12,508)	1,561
Partial disposal of investment	-	-	-	-	-	-	-	-	(424,680)	-	(424,680)	-
Dividend received	-	-	-	-	(319,508)	(537,865)	(193,372)	-	(89,300)	-	(602,180)	(537,865)
As at 30 June	615,482	1,288,472	9,444	28,159	412,472	587,607	355,110	1,980,569	43,519	2,778,052	1,436,027	6,662,859
	6,673,459	6,057,977	(12,006)	(21,450)	1,175,157	762,685	2,335,679	1,980,569	2,821,571	2,778,052	12,993,860	11,557,833
	10,091,604	9,017,542	104,336	94,892	9,304,910	8,718,007	4,158,308	3,803,198	4,093,765	4,255,502	27,752,923	25,889,141
Adjustment of carrying amount of Investment due to loss of significant influence	-	-	-	-	(9,304,910)	-	-	-	-	-	(9,304,910)	-
As at 30 June	10,091,604	9,017,542	104,336	94,892	-	8,718,007	4,158,308	3,803,198	4,093,765	4,255,502	18,448,013	25,889,141

16.5.1 Share of profit / (loss) after tax and share of other comprehensive income from associated companies amounting to Rupees 1,717.456 million and Rupees 757.939 million (2010: Rupees 5,857.043 million and Rupees 1,342.120 million) respectively is based on unaudited financial statements of associated companies.

16.5.2 Aggregate market value of investment in D. G. Khan Cement Company Limited - quoted associated company as on 30 June 2011 was Rupees 3,163 million (2010: Rupees 2,708 million).

16.5.3 Summarized financial information of associated companies:

Name of associated company	Annual / Quarterly	Status	Assets	Liabilities	Net assets	Revenues	Profit
			RUPEES IN THOUSAND				
30 June 2011							
D. G. Khan Cement Company Limited	Annual	Audited	49,669,607	19,478,163	30,191,444	18,577,198	145,120
Nishat Paper Products Company Limited	Annual	Audited	1,885,943	1,469,355	416,588	1,745,258	48,228
Lalpir Power Limited [Formerly AES Lal Pir (Private) Limited]	Half yearly	Un-audited	19,515,051	6,520,338	12,994,713	14,753,274	1,078,161
Pakgen Power Limited [Formerly AES Pak Gen Company Limited]	Half yearly	Reviewed	20,854,000	6,366,671	14,487,329	13,420,700	1,107,320
30 June 2010							
D.G Khan Cement Company Limited	Annual	Un-audited	47,271,798	20,500,883	26,770,915	16,303,074	484,662
Nishat Paper Products Company Limited	Annual	Un-audited	1,741,198	1,362,387	378,811	1,712,229	123,910
MCB Bank Limited	Quarterly	Un-audited	532,101,944	458,826,963	73,274,981	26,395,968	7,942,235
Lalpir Power Limited [Formerly AES Lal Pir (Private) Limited]	Half yearly	Un-audited	18,474,349	6,589,354	11,884,995	15,327,250	833,349
Pakgen Power Limited [Formerly AES Pak Gen Company Limited]	Half yearly	Un-audited	17,870,516	4,572,071	13,298,445	13,893,614	802,496

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

16.7 Based on value in use calculations as at 30 June 2011, there was no impairment loss on other investments in associates with significant influence (tested for impairment under IAS 36 'Impairment of Assets').

		2011	2010
		(RUPEES IN THOUSAND)	
17.	**LONG TERM LOANS**		
	Considered good:		
	Executives - secured (Note 17.1 and Note 17.2)	35,226	26,819
	Other employees - secured (Note 17.2)	15,496	14,213
		50,722	41,032
	Less: Current portion shown under current assets (Note 22)		
	Executives	13,435	8,522
	Other employees	6,301	6,592
		19,736	15,114
		30,986	25,918

17.1 Reconciliation of carrying amount of loans to executives:

	2011	2010
Opening balance as at 01 July	26,819	11,688
Add: Disbursements	20,511	23,342
	47,330	35,030
Less: Repayments	12,104	8,211
Closing balance as at 30 June	35,226	26,819

17.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 37.494 million (2010: Rupees 27.259 million).

17.2 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.

17.3 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.

18. LONG TERM DEPOSITS AND PREPAYMENTS

	2011	2010
	(RUPEES IN THOUSAND)	
Security deposits	28,589	14,666
Margin against bank guarantee	-	2,500
Prepayments	2,768	-
	31,357	17,166
Less: Current portion shown under current assets (Note 23)	1,230	-
	30,127	17,166

19. STORES, SPARE PARTS AND LOOSE TOOLS

Stores (Note 19.1)	749,325	474,508
Spare parts (Note 19.2)	641,895	455,545
Loose tools	4,559	1,320
	1,395,779	931,373
Less: Provision for slow moving items	17,989	27,057
	1,377,790	904,316

19.1 This includes stores in transit of Rupees 95.387 million (2010: Rupees 53.009 million).

19.2 This includes spare in transit of Rupees 9.633 million (2010: Rupees 3.685 million).

19.3 Stores and spare parts includes items which may result in fixed capital expenditure but are not distinguishable.

20. STOCK IN TRADE

Raw materials	2,623,460	1,950,146
Work in process	5,432,669	2,921,946
Finished goods (Note 20.2)	2,850,493	1,545,610
	10,906,622	6,417,702
Less: Provision for slow moving items	-	2,783
	10,906,622	6,414,919

20.1 Stock in trade of Rupees 1,804.906 million (2010: Rupees 214.263 million) is being carried at net realizable value.

20.2 Finished goods include stock in transit of Rupees 281.999 million (2010: Rupees 188.010 million).

20.3 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 395.345 million (2010: Rupees Nil).

	2011	2010
	(RUPEES IN THOUSAND)	

21. TRADE DEBTS

Considered good:		
Secured (Note 21.3)	**7,258,378**	3,539,814
Unsecured	**1,551,599**	1,170,039
	8,809,977	4,709,853
Considered doubtful:		
Others - unsecured	**131,758**	119,460
Less: Provision for doubtful debts		
As at 01 July	**119,460**	107,460
Add: Provision for the year (Note 32)	**12,298**	12,000
As at 30 June	**131,758**	119,460
	-	-

21.1 As at 30 June 2011, trade debts of Rupees 4,492 million (2010: Rupees 339.902 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:

Upto 1 month	**46,465**	270,933
1 to 6 months	**4,441,385**	68,556
More than 6 months	**4,360**	413
	4,492,210	339,902

21.2 As at 30 June 2011, trade debts of Rupees 131.758 million (2010: Rupees 119.460 million) were impaired and provided for. The ageing of these trade debts was more than six months.

21.3 Trade debts of Nishat Power Limited - Subsidiary Company are receivables from National Transmission and Despatch Company Limited (NTDCL) and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a penal markup at the rate of 3 months KIBOR plus 4.5% is charged in case the amounts are not paid within due dates. The effective rate of penal mark up charged during the year on outstanding amounts ranges from 16.75% to 18.22% (2010: 16.68% to 17.32%) per annum.

	2011	2010
	(RUPEES IN THOUSAND)	
22. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
– Executives	**484**	1,579
– Other employees	**5,467**	4,587
	5,951	6,166
Current portion of long term loans (Note 17)	**19,736**	15,114
Advances to suppliers	**95,555**	721,396
Letters of credit	**1,659**	888
Income tax	**580,637**	374,261
Other advances	**65,298**	27,127
	768,836	1,144,952
Considered doubtful:		
Others	**108**	108
Less: Provision for doubtful debts	**108**	108
	-	-
	768,836	1,144,952

23. SHORT TERM DEPOSITS AND PREPAYMENTS

	2011	2010
Deposits	**6,578**	26,148
Prepayments - including current portion (Note 18)	**59,558**	6,282
	66,136	32,430

24. OTHER RECEIVABLES

	2011	2010
Considered good:		
Export rebate and claims	**505,556**	263,380
Sales tax refundable	**240,572**	382,280
Fair value of forward exchange contract	**267,218**	101,809
Markup rate support receivable from financial institutions	**58,372**	34,764
Receivable against sale of investment (Note 24.1)	**299,811**	-
WPPF and WWF receivable (Note 24.2)	**98,251**	5,054
Miscellaneous receivables	**36,993**	52,277
	1,506,773	839,564

24.1 This amount, net of Holding Company's share of offer for sale expenses, is receivable from Pakgen Power Limited (PPL) [Formerly AES Pak Gen Company Limited] pursuant to the offer for sale of 16,541,382 ordinary shares of PPL at a price of Rupees 19 per share.

24.2 Under section 9.3(a) of the Power Purchase Agreement (PPA) between Nishat Power Limited - Subsidiary Company and National Transmission and Despatch Company Limited, payments to Workers' Profit Participation Fund and Workers' Welfare Fund are recoverable from NTDCL as a pass through item. The balance in respect of Worker's Welfare Fund which has been provided for in the previous year, has now been written back based on the advice of the Subsidiary Company's consultant.

25. ACCRUED INTEREST

This represents interest receivable on term deposit receipts and saving account.

26. SHORT TERM INVESTMENTS

	2011	2010
	(RUPEES IN THOUSAND)	
Available for sale		
Associated company (Other)		
Security General Insurance Company Limited - unquoted (Note 26.1) 10,226,244 (2010: 10,226,244) fully paid ordinary shares of Rupees 10 each Equity held 15.02% (2010: 15.02%)	**11,188**	11,188
Others		
Nishat (Chunian) Limited - quoted 22,513,321 (2010: 22,513,321) fully paid ordinary shares of Rupees 10 each Equity held 13.89% (2010: 14.20 %)	**242,750**	242,750
Pakistan Strategic Allocation Fund - quoted 500,000 (2010: 500,000) fully paid certificates of Rupees 10 each	**1,715**	1,715
	255,653	255,653
Add: Fair value adjustment	**1,525,818**	1,298,890
	1,781,471	1,554,543

26.1 Fair value per share of Rupees 124.70 (2010: Rupees 116.94) has been calculated by an independent valuer on the basis of dividend stream method. Security General Insurance Company Limited is associated company due to common directorship.

27. CASH AND BANK BALANCES

	2011	2010
With banks:		
On current accounts (Note 27.1) Including US$ 70,089 (2010: US$ 222,929), Euro 980.1 (2010: Euro 980.1) and UAE Dirham 251 (2010: Nil)	**63,455**	94,519
Term deposit receipts (Note 27.2)	**1,073,000**	-
On PLS saving accounts (Note 27.3) Including US$ 17,200 (2010: US$ 99,416.32)	**11,941**	1,782,567
	1,148,396	1,877,086
Cash in hand	**10,550**	9,240
	1,158,946	1,886,326

27.1 Cash at bank includes balance of Rupees 5.129 million (2010: Rupees 13.640 million) with MCB Bank Limited - associated company.

27.2 These represent deposits with banking companies having maturity period of one month and carry rate of profit ranging from 13.05% to 13.50% (2010: Nil).

27.3 Rate of profit on Pak Rupees bank deposits and US Dollar bank deposit ranges from 5.00% to 10.00% (2010: 4.50% to 12.00%) and 0.08% (2010: Nil) per annum respectively. Cash at bank includes balance of Rupees 0.853 million (2010: Rupees 0.02 million) with MCB Bank Limited - an associated company.

28. SALES

	2011 (RUPEES IN THOUSAND)	2010 (RUPEES IN THOUSAND)
Export (Note 28.3)	**35,937,069**	23,928,427
Local (Note 28.1)	**33,073,615**	8,330,605
Duty drawback	**316,341**	189,865
Export rebate	**149,531**	105,115
	69,476,556	32,554,012

28.1 Local sales

	2011	2010
Sales (Note 28.2 and Note 28.4)	**35,801,519**	8,489,566
Less: Sales tax	**2,714,039**	175,119
Less: Discount	**75,335**	49,371
	33,012,145	8,265,076
Processing income	**60,048**	64,340
Doubling income	**1,422**	1,189
	33,073,615	8,330,605

28.2 This includes sale of Rupees 2,609.550 million (2010: Rupees 1,323.913 million) made to direct exporters against special purchase order (SPO). Further, local sales includes waste sale of Rupees 1,442.026 million (2010: Rupees 668.292 million).

28.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 369.206 million (2010: Rupees 130.182 million) has been included in export sales.

28.4 Included in energy purchase price and capacity purchase price are amounts of Rupees 18,999,599 and Rupees 92,799,191 respectively which represent differential amounts of sales for the month of June 2010 due to change in tariff. These were not recognized in the previous year as the revised tariff was provisionally approved by National Electric Power Regulator Authority (NEPRA) through its decision dated 27 August 2010 and was subject to notification by the Federal Government as required by section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997. Consequently, it had not became part of the PPA signed between the company and NTDCL. However, during the current period, the revised tariff was notified by the Federal Government and became part of the PPA. Under these circumstances, the differential amount of sales relating to the previous year, due to change in tariff has been claimed and recognized in the current year.

	2011	2010
	(RUPEES IN THOUSAND)	

29. COST OF SALES

	2011	2010
Raw material consumed (Note 29.1)	28,202,431	7,937,614
Cloth and yarn purchased / used	19,276,624	10,786,734
Processing charges	201,522	125,041
Salaries, wages and other benefits (Note 29.2)	2,323,858	1,929,103
Stores, spare parts and loose tools consumed	3,469,041	2,840,555
Electricity consumed in-house	2,059	-
Packing materials consumed	759,545	548,786
Repair and maintenance	507,910	311,035
Fuel and power	3,118,911	2,324,652
Insurance	178,077	36,238
Other factory overheads	265,147	209,808
Depreciation (Note 14.1.2)	2,303,829	1,075,032
	60,608,954	28,124,598
Work-in-process		
Opening stock	2,921,946	1,529,335
Closing stock	(5,432,669)	(2,921,946)
	(2,510,723)	(1,392,611)
Cost of goods manufactured	58,098,231	26,731,987
Finished goods		
Opening stock	1,545,610	1,164,522
Closing stock	(2,850,493)	(1,545,610)
	(1,304,883)	(381,088)
	56,793,348	26,350,899

29.1 Raw material consumed

	2011	2010
Opening stock	1,950,146	1,398,784
Add: Purchased during the year	28,875,745	8,488,976
	30,825,891	9,887,760
Less: Closing stock	2,623,460	1,950,146
	28,202,431	7,937,614

29.2 Salaries, wages and other benefits include provident fund contribution of Rupees 62.539 million (2010: Rupees 52.186 million).

	2011	2010
	(RUPEES IN THOUSAND)	

30. DISTRIBUTION COST

	2011	2010
Salaries and other benefits (Note 30.1)	151,782	132,312
Outward freight and handling	1,081,936	886,209
Commission to selling agents	654,031	476,818
Rent, rates and taxes	25,177	14,241
Insurance	16,329	10,780
Traveling and conveyance	70,246	64,104
Vehicles' running	7,498	7,001
Entertainment	3,213	2,307
Advertisement	90,076	45,366
Postage, telephone and telegram	75,310	57,356
Electricity and gas	3,318	3,083
Printing and stationery	1,879	1,711
Repair and maintenance	10,245	9,357
Fee and subscription	82	130
Depreciation (Note 14.1.2)	3,961	3,796
	2,195,083	1,714,571

30.1 Salaries and other benefits include provident fund contribution of Rupees 7.139 million (2010: Rupees 5.616 million).

31. ADMINISTRATIVE EXPENSES

	2011	2010
Salaries and other benefits (Note 31.1)	431,310	346,785
Rent, rates and taxes	20,195	5,269
Legal and professional	17,580	12,068
Insurance	4,702	4,190
Traveling and conveyance	30,748	21,111
Vehicles' running	38,609	24,076
Entertainment	14,293	10,879
Auditors' remuneration (Note 31.2)	4,570	4,547
Advertisement	190	638
Postage, telephone and telegram	6,856	6,117
Electricity and gas	19,945	14,519
Printing and stationery	14,485	12,047
Repair and maintenance	19,191	11,976
Fee and subscription	5,586	7,219
Depreciation (Note 14.1.2)	67,486	60,453
Miscellaneous	22,231	20,277
	717,977	562,171

31.1 Salaries and other benefits include provident fund contribution of Rupees 16.753 million (2010: Rupees 13.515 million).

	2011	2010
	(RUPEES IN THOUSAND)	
31.2 Auditors' remuneration		
Riaz Ahmad and Company		
Audit fee	**2,079**	1,822
Half yearly review	**419**	381
Reimbursable expenses	**82**	72
	2,580	2,275
A.F. Ferguson and Company		
Statutory audit fee	**1,000**	700
Half yearly review	**500**	250
Tax services	**100**	300
Other certification services	**270**	905
Reimbursable expenses	**120**	117
	1,990	2,272
	4,570	4,547

32. OTHER OPERATING EXPENSES

	2011	2010
Workers' profit participation fund	**280,071**	173,101
Workers' welfare fund	**110,447**	67,063
Provision for doubtful debts (Note 21)	**12,298**	12,000
Offer for sale expenses (Note 32.1)	**14,475**	-
Impairment loss on equity investments (Note 16)	**458,767**	-
Depreciation on investment properties	**5,716**	6,352
Provision for slow moving stores, spare parts and loose tools	**-**	27,057
Provision for slow moving stock-in-trade	**-**	2,783
Loss on disposal of investment in associate (Note 32.2)	**315,650**	-
Interest on delayed payment	**16,668**	-
Donation (Note 32.3)	**9,800**	724
	1,223,892	289,080

32.1 This represents Holding Company - Nishat Mills Limited share of expenses in connection with offer for sale of ordinary shares of Pakgen Power Limited (Formerly AES Pak Gen Company Limited).

32.2 This represents loss on disposal of a portion of investment in Pakgen Power Limited (Formerly AES Pak Gen Company Limited) - equity method accounted for associated company.

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

		2011	2010
		(RUPEES IN THOUSAND)	
33.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Dividend income (Note 33.1)	396,495	20,552
	Profit on deposits with banks	67,717	70,111
	Net exchange gain including loss on forward contracts	871,569	166,534
	Gain on sale of investment	-	33,263
	Gain on loss of significant influence over investee company	3,062,140	-
		4,397,921	290,460
	Income from non financial assets		
	Gain on sale of property, plant and equipment	57,709	29,354
	Scrap sales	130,298	76,203
	Rental income from investment properties	31,121	28,428
		219,128	133,985
		4,617,049	424,445
	33.1 Dividend income		
	From related parties / associated companies		
	MCB Bank Limited	336,490	-
	Nishat (Chunian) Limited - ordinary shares	33,770	-
	Adamjee Insurance Company Limited	91	99
	Security General Insurance Company Limited	25,566	20,452
		395,917	20,551
	Others		
	Pakistan Strategic Allocation Fund	577	-
	Habib Bank Limited	1	1
		396,495	20,552
34.	**FINANCE COST**		
	Mark-up on:		
	Long term financing	2,664,822	476,574
	Short term borrowings	1,513,403	656,210
	Interest on workers' profit participation fund (Note 9.2)	2,790	1,053
	Bank charges and commission	213,471	174,559
		4,394,486	1,308,396
35.	**PROVISION FOR TAXATION**		
	Current - for the year	581,739	425,631
	Prior year adjustment	-	(30,000)
		581,739	395,631

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

35.2 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.

35.3 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.

36. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2011	2010
Profit attributable to ordinary shareholders of Holding Company	(Rupees in thousand)	**9,007,003**	8,194,245
Weighted average number of ordinary shares	(Numbers)	**351,599,848**	277,557,804
Earnings per share	(Rupees)	**25.62**	29.52

37. CASH GENERATED FROM / (USED IN) OPERATIONS

	2011	2010
	(RUPEES IN THOUSAND)	
Profit before taxation	**10,486,275**	8,610,383
Adjustments for non-cash charges and other items:		
Depreciation	**2,380,992**	1,145,633
Provision for doubtful debts	**12,298**	12,000
Provision for slow moving stores, spare parts and loose tools	**-**	27,057
Provision for slow moving stock-in-trade	**-**	2,783
Offer for sale expenses	**14,475**	-
Gain on loss of significant influence over investee company	**(3,062,140)**	-
Net exchange gain including loss on forward contracts	**(871,569)**	(166,534)
Gain on sale of property, plant and equipment	**(57,709)**	(29,354)
Gain on sale of investment	**-**	(33,263)
Loss on disposal of investment in associate (Note 32.2)	**315,650**	-
Dividend Income	**(396,495)**	(20,552)
Interest Income	**(2,690)**	-
Share of profit from associated companies	**(1,717,456)**	(5,857,043)
Impairment loss on investment	**458,767**	-
Finance cost	**4,394,486**	1,308,396
Working capital changes (Note 37.1)	**(8,691,072)**	(5,539,344)
	3,263,812	(539,838)

	2011	2010
	(RUPEES IN THOUSAND)	

37.1 Working capital changes

	2011	2010
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(473,474)	(370,122)
- Stock in trade	(4,491,703)	(2,325,061)
- Trade debts	(4,112,422)	(3,421,487)
- Loans and advances	587,114	(609,745)
- Short term deposits and prepayments	(32,476)	(2,808)
- Other receivables	(201,989)	(408,281)
	(8,724,950)	(7,137,504)
Increase in trade and other payables	33,878	1,598,160
	(8,691,072)	(5,539,344)

38. 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 2011 of Rupees 3.30 per share (2010: Rupees 2.50 per share) at their meeting held on 06 September 2011. The Board of Directors also proposed to transfer Rupees 7,846 million (2010: Rupees 7,335 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these consolidated financial statements.

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	(RUPEES IN THOUSAND)					
Managerial remuneration	7,557	7,557	2,319	1,997	129,678	73,710
Allowances						
Cost of living allowance	-	-	7	6	529	323
House rent	3,023	3,023	571	764	33,477	24,130
Conveyance	-	-	-	-	215	126
Medical	-	-	231	199	9,351	5,771
Utilities	756	756	355	200	11,674	6,011
Special allowance	-	-	1	-	271	159
Contribution to provident fund	-	-	221	190	10,994	6,632
Leave encashment	-	-	-	-	2,882	1,646
	11,336	11,336	3,705	3,356	199,071	118,508
Number of persons	1	1	2	2	136	94

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

39.2 Aggregate amount charged in these Consolidated financial statements for fee to one director of the Holding Company was Rupees 30,000 (2010: Rupees 40,000).

40. TRANSACTIONS WITH RELATED PARTIES

'The related parties comprise associated undertakings, other related companies and key management personnel. The Group 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 Consolidated financial statements are as follows:

	2011	2010
	(RUPEES IN THOUSAND)	
Associated companies		
Investment made	**458,581**	3,682,230
Purchase of goods and services	**30,656**	31,563
Sale of goods and services	**598**	8,411
Rental income	**10,372**	-
Sale of operating fixed assets	**2,057**	1,200
Purchase of operating fixed assets	**23,862**	-
Rent paid	**4,154**	-
Insurance premium paid	**223,482**	74,058
Insurance claim received	**13,819**	21,370
Profit on saving accounts	**127**	1,890
Subscription paid	**750**	713
Other related parties		
Investment made	**-**	56,283
Preference shares converted into ordinary shares	**-**	89,547
Purchase of goods and services	**102,728**	172,487
Sale of goods and services	**100,899**	182,313
Group's contribution to provident fund trust	**86,452**	72,113

		2011	2010
		(FIGURES IN THOUSAND)	

41. PLANT CAPACITY AND ACTUAL PRODUCTION

(a) Holding Company - Nishat Mills Limited

Spinning

100 % plant capacity converted to 20s count based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Kgs.)	**67,635**	64,713
Actual production converted to 20s count based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Kgs.)	**56,856**	57,222

Weaving

100 % plant capacity at 50 picks based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Sq.Mt.)	**230,010**	307,971
Actual production converted to 50 picks based on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Sq.Mt.)	**221,714**	280,160

Dyeing and Finishing

Production capacity for 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Mt.)	**48,000**	48,000
Actual production on 3 shifts per day for 1,095 shifts (2010: 1,095 shifts)	(Mt.)	**47,227**	47,818

Power Plant

Generation capacity	(MWH)	**501**	503
Actual generation	(MWH)	**306**	346

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

Installed capacity (Based on 8,760 hours)	MWH	**1,711**	1,711
Actual energy delivered	MWH	**1,473**	343

41.1 REASON FOR LOW PRODUCTION

a) Under utilization of available capacity by Holding Company is mainly due to normal maintenance.

b) Under utilization of available capacity of Nishat Power Limited - Subsidiary Company is due to less demand by NTDCL.

42. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Elimination of Inter-segment transactions		Total - Group	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(Rupees in thousand)													
Sales	**19,001,978**	11,745,361	**17,449,395**	10,984,102	**19,166,250**	13,581,592	**4,015,757**	2,601,780	**24,035,032**	3,472,062	**(14,191,856)**	(9,830,885)	**69,476,556**	32,554,012
Cost of sales	**(16,268,378)**	(9,449,567)	**(15,550,671)**	(9,906,924)	**(16,663,032)**	(11,473,587)	**(3,307,533)**	(2,106,298)	**(19,195,590)**	(3,245,408)	**14,191,856**	9,830,885	**(56,793,348)**	(26,350,899)
Gross profit	**2,733,600**	2,295,794	**1,898,724**	1,077,178	**2,503,218**	2,108,005	**708,224**	495,482	**4,839,442**	226,654	**-**	-	**12,683,208**	6,203,113
Distribution cost	**(327,669)**	(251,423)	**(455,895)**	(408,334)	**(1,179,998)**	(933,362)	**(231,521)**	(121,452)	**-**	-	**-**	-	**(2,195,083)**	(1,714,571)
Administrative expenses	**(198,960)**	(154,638)	**(159,039)**	(136,319)	**(241,343)**	(195,129)	**(52,773)**	(43,074)	**(65,862)**	(33,011)	**-**	-	**(717,977)**	(562,171)
	(526,629)	(406,061)	**(614,934)**	(544,653)	**(1,421,341)**	(1,128,491)	**(284,294)**	(164,526)	**(65,862)**	(33,011)	**-**	-	**(2,913,060)**	(2,276,742)
Profit before taxation and unallocated income and expenses	**2,206,971**	1,889,733	**1,283,790**	532,525	**1,081,877**	979,514	**423,930**	330,956	**4,773,580**	193,643	**-**	-	**9,770,148**	3,926,371
Unallocated income and expenses:														
Other operating expenses													**(1,223,892)**	(289,080)
Other operating income													**4,617,049**	424,445
Finance cost													**(4,394,486)**	(1,308,396)
Share of profit from associated companies													**1,717,456**	5,857,043
Provision for taxation													**(581,739)**	(395,631)
Profit after taxation													**9,904,536**	8,214,752

42.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Total - Group	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(Rupees in thousand)											
Total assets for reportable segments	**7,074,788**	6,184,668	**4,617,050**	3,635,533	**10,679,109**	7,360,584	**2,108,076**	1,763,519	**26,002,802**	22,361,278	**50,481,825**	41,305,582
Unallocated assets:												
Long term investments											**30,168,316**	25,892,058
Other receivables											**1,506,773**	839,564
Cash and bank balances											**1,158,946**	1,886,326
Other corporate assets											**2,556,310**	2,104,939
Total assets as per balance sheet											**85,872,170**	72,028,469
Total liabilities for reportable segments	**698,871**	494,758	**683,520**	289,050	**759,628**	729,316	**317,211**	263,311	**18,186,884**	19,093,467	**20,646,114**	20,869,902
Unallocated liabilities:												
Deferred tax											**331,807**	310,976
Provision for taxation											**658,893**	438,248
Other corporate liabilities											**14,309,641**	10,571,069
Total liabilities as per balance sheet											**35,946,455**	32,190,195

42.2 Geographical information

The Group's revenue from external customers by geographical location is detailed below:

	2011	2010
	(RUPEES IN THOUSAND)	
Europe	**13,320,536**	8,759,128
Asia, Africa and Australia	**16,944,763**	11,803,566
United States of America and Canada	**6,139,768**	3,660,713
Pakistan	**33,071,489**	8,330,605
	69,476,556	32,554,012

42.3 Almost all of the non-current assets of the Group as at reporting dates are located and operating in Pakistan.

42.4 Revenue from major customers

Nishat Power Limited - Subsidiary Company sells electricity only to NTDCL whereas the Group's revenue from other segments is earned from a large mix of customers.

43. FINANCIAL RISK MANAGEMENT

43.1 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department of the Holding Company and Subsidiary Companies under the policies approved by the respective Board of Directors. The Companies' finance departments evaluate and hedge financial risks. The Board of each respective Group Company 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, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(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's exposure to currency risk was as follows:

	2011	2010
Cash at banks - USD	90,841	322,345
Cash at banks - Euro	122	980
Cash at banks - AED	250,519	-
Trade debts - USD	21,354,052	16,629,464
Trade debts - Euro	1,297,983	1,883,128
Trade debts - AED	13,659	-
Other assets - USD	-	5,500
Trade and other payables - USD	1,291,530	3,300,031
Trade and other payables - Euro	221,680	6,063,310
Short term borrowings - FE-25 - USD	3,450,000	-
Net exposure - USD	16,703,363	13,657,278
Net exposure - Euro	1,076,425	(4,179,202)
Net exposure - AED	264,178	-

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	85.76	84.27
Reporting date rate	86.05	85.60

Rupees per Euro

Average rate	117.96	116.35
Reporting date rate	124.89	104.50

Rupees per AED

Averate rate	23.46	-
Reporting date rate	23.33	-

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and AED with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 65.918 million, Rupees 6.252 million and Rupees 0.308 million (2010: Rupees 53.445 million, Rupees 22.573 million and Rupees Nil) 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 instruments 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 Group's profit after taxation for the year and on other comprehensive income (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 Group's equity instruments moved according to the historical correlation with the index.

Index	Impact on profit after taxation		Statement of other comprehensive income (fair value reserve)	
	2011	2010	**2011**	2010
	.... (Rupees in thousand)			
KSE 100 (5% increase)	**109**	-	**611,160**	18,081
KSE 100 (5% decrease)	**(109)**	(17)	**(611,160)**	(18,064)

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 except for term deposit receipts. The Group's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings and term deposit receipts. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments 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:

	2011	2010
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial liabilities		
Long term financing	1,732,567	1,935,166
Liabilities against assets subject to finance lease	124,960	-
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	11,941	1,782,567
Term deposit receipts	1,073,000	-
Trade debts - overdue	4,440,006	68,611
Financial liabilities		
Long term financing	15,372,385	16,337,701
Liabilities against assets subject to finance lease	138,012	-
Short term borrowings	13,665,483	9,441,973

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 228.330 million (2010: Rupees 250.865 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:

	2011	2010
	(RUPEES IN THOUSAND)	
Investments	13,501,774	1,557,459
Loans and advances	121,971	74,325
Deposits	35,167	43,314
Trade debts	8,809,977	4,709,853
Other receivables	604,022	159,140
Accrued interest	2,690	-
Bank balances	1,148,396	1,877,086
	24,223,997	8,421,177

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			2011	2010
Banks	Short term	Long term	Agency	(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,341	1,488
Allied Bank Limited	A1+	AA	PACRA	1	3,606
Askari Bank Limited	A1+	AA	PACRA	294,194	794
Bank Alfalah Limited	A1+	AA	PACRA	1,419	9,317
Faysal Bank Limited	A-1+	AA	JCR-VIS	210	7,208
Habib Bank Limited	A-1+	AA+	JCR-VIS	7,574	1,781,100
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	410	204
JS Bank Limited	A1	A	PACRA	200,010	10
KASB Bank Limited	A2	A -	PACRA	7	160
MCB Bank Limited	A1+	AA+	PACRA	8,813	13,660
NIB Bank Limited	A1+	AA -	PACRA	216	214
The Royal Bank of Scotland Limited	A1+	AA	PACRA	-	38
Samba Bank Limited	A-1	A	JCR-VIS	71	128
Silkbank Limited	A-3	A -	JCR-VIS	347	15,752
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,256	2,078
United Bank Limited	A-1+	AA+	JCR-VIS	140	115
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	382	401
Citibank N.A.	P-1	A1	Moody's	38,192	33,107
Deutsche Bank AG	P-1	Aa3	Moody's	339	337
HSBC Bank Middle East Limited	F1+	AA -	Fitch	107	107
Bank Islami Pakistan Limited	A1	A	PACRA	714	45
Meezan Bank Limited	A-1	AA -	JCR-VIS	3,913	6,151
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	89	-
The Bank of Punjab	A1+	AA-	PACRA	580,574	-
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody's	761	-
Soneri Bank Limited	A1+	AA-	PACRA	8	-
JP Morgan Chase Bank	P-1	Aa1	Moody's	463	1,066
Habib Bank AG Zurich	Not Available			4,657	-
Mashreq Bank	Not Available			1,188	-
				1,148,396	1,877,086

	Rating			2011	2010
	Short term	Long term	Agency	(Rupees in thousand)	
Investments					
Adamjee Insurance Company Limited		AA	PACRA	2,361	2,903
Security General Insurance Company Limited		A	JCR-VIS	1,275,213	1,195,857
Habib Bank Limited	A-1+	AA+	JCR-VIS	18	14
Pakistan Strategic Allocation Fund		4 Star	PACRA	4,435	3,425
MCB Bank Limited				11,717,922	-
				12,999,949	1,202,199
				14,148,345	3,079,285

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 21.

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 counter parties 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 2011, the Group had Rupees 35,037 million (2010: Rupees 31,225 million) available borrowing / financing limits from financial institutions and Rupees 1,158.946 million (2010: Rupees 1,886.326 million) cash and bank balances. 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 2011:

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------- (Rupees in thousand) --------------------					
Non-derivative financial liabilities:						
Long term financing	17,104,952	30,281,435	1,623,848	2,255,216	6,914,441	19,487,930
Liabilities against assets subject to finance lease	262,972	337,928	46,305	45,373	88,243	158,007
Trade and other payables	2,172,644	2,172,644	2,172,644	-	-	-
Short term borrowings	13,665,483	14,302,524	13,958,874	343,650	-	-
Accrued mark-up	971,414	971,414	971,414	-	-	-
	34,177,465	48,065,945	18,773,085	2,644,239	7,002,684	19,645,937

Contractual maturities of financial liabilities as at 30 June 2010:

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	-------------------	(Rupees in thousand)	--------------------			
Non-derivative financial liabilities:						
Long term financing	18,272,867	33,373,859	1,823,711	1,991,015	3,899,762	25,659,371
Trade and other payables	2,544,926	2,544,926	2,544,926	-	-	-
Short term borrowings	9,441,973	9,863,017	9,504,751	358,266	-	-
Accrued mark-up	816,436	816,436	816,436	-	-	-
	31,076,202	46,598,238	14,689,824	2,349,281	3,899,762	25,659,371

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / markup rates effective as at 30 June. The rates of interest / markup have been disclosed in note 5, note 6 and note 11 to these consolidated financial statements.

43.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	------------(Rupees in thousand)------------			
As at 30 June 2011				
Assets				
Available for sale financial assets	12,226,559	-	1,275,213	13,501,772
As at 30 June 2010				
Assets				
Available for sale financial assets	361,602	-	1,195,857	1,557,459

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Group has no such type of financial instruments as on 30 June 2011.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

43.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	-------------(Rupees in thousand)-------------		
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	13,501,774	13,501,774
Loans and advances	121,971	-	121,971
Deposits	35,167	-	35,167
Trade debts	8,809,977	-	8,809,977
Other receivables	604,022	-	604,022
Accrued interest	2,690	-	2,690
Cash and bank balances	1,158,946	-	1,158,946
	10,732,773	13,501,774	24,234,547

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	17,104,952
Liabilities against assets subject to finance lease	262,972
Accrued mark-up	971,414
Short term borrowings	13,665,483
Trade and other payables	2,172,644
	34,177,465

	Loans and receivables	Available for sale	Total
	-------------(Rupees in thousand)-------------		
As at 30 June 2010			
Assets as per balance sheet			
Investments	-	1,557,459	1,557,459
Loans and advances	74,325	-	74,325
Deposits	43,314	-	43,314
Trade debts	4,709,853	-	4,709,853
Other receivables	159,140	-	159,140
Cash and bank balances	1,886,326	-	1,886,326
	6,872,958	1,557,459	8,430,417

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	18,272,867
Accrued mark-up	816,436
Short term borrowings	9,441,973
Trade and other payables	2,544,926
	31,076,202

43.4 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, liabilities against assets subject to finance lease and short term borrowings obtained by the Group as referred to in note 5, note 6 and note 11 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.

		2011	2010
Borrowings	Rupees in thousand	**31,033,407**	27,714,840
Total equity	Rupees in thousand	**49,925,715**	39,838,274
Total capital employed	Rupees in thousand	**80,959,122**	67,553,114
Gearing ratio	Percentage	**38.33**	41.03

44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 06 September 2011 by the Board of Directors.

45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

46. GENERAL

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

CHIEF EXECUTIVE OFFICER | **DIRECTOR**

FORM OF PROXY

I/We ____

of ____

being a member of Nishat Mills Limited, hereby appoint ______________________________

____

of____

or failing him/her ____

of ____

member(s) of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 31 October 2011 (Monday), at 11.00 a.m. at Nishat House, 53-A, Lawrence Road, Lahore.

as witness may hand this ____________ day of _______ 2011

Signed by the said member ____________________________

in presence of ____

Please affix revenue stamp Rs. 5

Signature of witness ....

Name ....

Address ....

....

CNIC # ....

Signature(s) of Member(s)

Please quote:

Folio No.	Shares held	CDC A/C. NO

IMPORTANT: This instrument appointing a proxy, duly completed, must be received at the Registered Office of the Company at Nishat House, 53-A, Lawrence Road, Lahore not later than 48 hours before the time to holding the annual general meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary

NISHAT MILLS LIMITED
Nishat House,
53 - A, Lawrence Road, Lahore.
Tel: 042-36360154
UAN: 042-111 113 333

Nishat Mills Limited

Head Office
7, Main Gulberg, Lahore.
Tel: 042-35716351-59, 042-111 332 200
Fax: 042-35716349-50
E-mail: nishat@nishatmills.com
Website: www.nishatmillsltd.com