Brief Profile

Nishat (Chunian) Limited was incorporated in 1990 as a public limited company with an equity investment of Rupees 100 million. A spinning mill having a capacity of 14,400 spindles was established at Bhai Pheru, Tehsil Chunian. It started commercial production on 10 March 1991. The capacity was enhanced to 19,200 spindles in 1998. In 1998, the Company diversified its business interest by venturing into a weaving project with the installation of 99 air jet looms. A new state of art spinning unit started production in November 2000, increasing the total spinning capacity to about 40,872 spindles. Subsequently weaving capacity was increased to 212 air jet looms while the spinning capacity was increased to 50,952 spindles. During the period ended 30 June 2005, the Company enhanced its spinning capacity substantially by acquiring the operating assets of Umer Fabrics Limited comprising of 38,544 spindles and by addition of a new spinning unit with 40,128 spindles. In 2006, the Company also diversified into Home Textile Business. The Company is currently operating with 144,803 spindles, 293 looms, a modern dyeing and finishing plant having capacity of 71,000 meters per day and captive power plants with a total capacity of 33MW.

Nishat Chunian Power Limited (NCPL) was incorporated in February 23, 2007, is a subsidiary of Nishat (Chunian) Limited. The gross capacity of the NCPL will be 200MW and will operate as an independent power producer selling its electricity to National Transmission & dispatch company. The expected commissioning date of the project is March 2010.

Contents

Company Information

Board of Directors:	Mr. Muhammad Saleem	Chairman
	Mrs. Farhat Saleem	
	Mr. Shahzad Saleem	Chief Executive
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Aftab Ahmad Khan	
	Mr. Manzar Mushtaq	
	Mr. Mehmood Akhtar	
Audit Committee:	Mr. Aftab Ahmad Khan	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Manzar Mushtaq	Member

Company Secretary: Mr. Ahmad Subhani

Bankers to the Company:

Allied Bank Limited
Askari Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
Barclays Bank plc
Citibank N.A.
Dawood Islamic Bank Limited
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Ltd.
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank Pakistan Limited
The Bank of Punjab
The Royal Bank of Scotland Limited
United Bank Limited

Auditors:

Riaz Ahmad & Company
Chartered Accountants

Registered & Head Office:

31-Q, Gulberg-II,
Lahore, Pakistan.
Phone : 5761730-39
Fax : 5878696-97
Web : http://nishat.net & www.nishatchunian.com

Mills:

Spinning 1, 4 & 5
49th Kilometre, Multan Road,
Bhai Pheru, Tehsil Chunian,
District Kasur.

Spinning 2, 3 & Weaving
49th Kilometre, Multan Road,
Kamogal, Tehsil Pattoki,
District Kasur.

Dyeing & Printing
4th Kilometre, Manga Road,
Raiwind.

Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Registered Office of the Company, 31-Q, Gulberg II, Lahore on October 31, 2009 (Saturday) at 10.30 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the last General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended 30 June 2009 together with Directors' and Auditors' reports thereon.
3. To approve entitlements to the shareholders (if any).
4. To appoint auditors for the year ending 30 June 2010 and to fix their remuneration. The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS

6. To consider and, if thought fit, pass the following Special Resolution with or without modification under Section 208 of the Companies Ordinance, 1984:

   "RESOLVED that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Nishat (Chunian) Limited ("the Company") be and is hereby authorized to make the investments up to US$ 10 Million (Ten Million US Dollars Only) or the equivalent amount in Pakistani Rupees from time to time in Nishat Chunian Power Limited ("NCPL"), incorporated in Pakistan and is a subsidiary of the Company, by way of advances and loans, provided that the return on outstanding amount of loan or advance be at the rate of 3 months KIBOR + 200 bps or borrowing cost of the Company whichever is higher and that such loan shall be repayable within the 5 years period or within such period as agreed by the Company.

   RESOLVED FURTHER that, the Company be and is hereby authorized to issue corporate guarantees and undertakings upto a sum of Pak Rupees 2.0 Billion (Pak Rupees Two Billion Only) to the lenders and suppliers of NCPL, issued / to be issued from time to time as and when requested by NCPL."

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

   A statement under Section 160(1)(b) of the Companies Ordinance, 1984, read with S.R.O. 865(I)/2000 issued by the Securities and Exchange Commission of Pakistan on December 6, 2000 is annexed to this Notice of Extraordinary General Meeting.

BOOKS CLOSURE

The Share Transfer Books of the Company will remain closed from 30-10-2009 to 05-11-2009 (both days inclusive).

By Order of the Board

AHMAD SUBHANI
Company Secretary

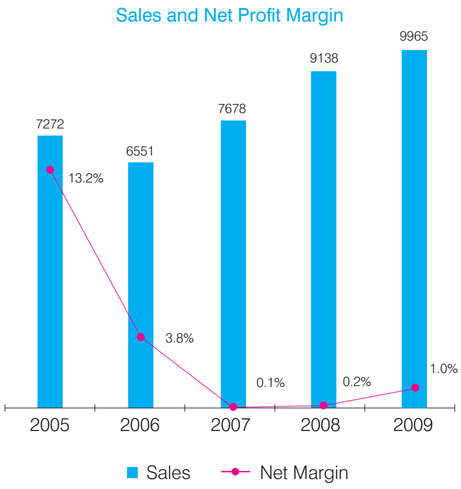
Lahore: 08 October 2009

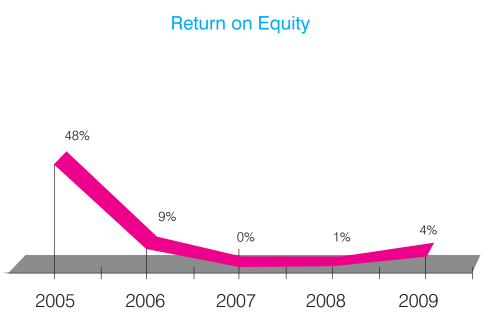
Notes:

1. The Members' Register will remain closed from 30 October 2009 to 05 November 2009 (both days inclusive). Transfers received at Hameed Majeed Associate (Pvt) Limited, H.M. House, 7-Bank Square, Lahore, the Registrar and share transfer office of the Company on close of business on 30 October 2009 will be entertained for the purpose of the attending AGM and also for preerence dividend entitlement.
2. A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.
4. CDC account holders will further have to follow the guidelines as laid down in circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

   a. For attending the meeting
      - i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
      - ii). In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

   b. For Appointing Proxies
      - i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
      - ii). The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
      - iii). Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
      - iv). The proxy shall produce his original CNIC or original passport at the time of the Meeting.
      - v). In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.
5. A statement U/S 160(1)(b) of the Companies Ordinance 1984 has been sent to the shareholders with this notice.





We are pleased to present our audited financial statements for the year ended on June 30, 2009.

Economic Environment

During the year under review, the world's economy suffered the worst recession since World War II. The global financial crisis seriously affected the demand of textile products. The business climate of Pakistan continued to be threatened by law and order concerns. Gas and electricity load shedding further exacerbated the situation. Pakistan also had highest interest rates in the world when other world economies were slashing their interest rates to record lows to help businesses. This eroded the competitiveness of the Pakistani exporters in the world markets. Overall this was one of the toughest years for textile industry of Pakistan.

Performance of the Company

During the year under review, the Company's profitability improved as compared to last year. Sales during the year are highest ever at Rs. 9,965 million as compared to Rs. 9,138 million during last year. This shows an increase of 9% over last year. Increase in sales is mainly because of higher exchange rate parity and better capacity utilization. With the increase in sales, company's gross margin has also improved to 14.96% as compared to 11.39% last year. Company's operating profit margin improved to 12.54% as compared to 8.56% last year. However company's borrowing cost during the year increased by 53% because of higher interest rates and higher level of borrowing. As a result, the Company has a net profit margin of 1.04% which is still higher than last year's net profit margin of 0.20%.

The Company had a loss of Rs. 193 million in the quarter ended 31 March 2009 – mainly due to the global slump in prices of yarn and gas load shedding. However, there was substantial recovery in the last quarter, resulting in net profit after tax of Rs. 103 million at year end. We are hopeful that the profitability trend seen in last quarter will continue in upcoming quarters.

Investments

No major investments were made in the textile business of the Company during the year. Presently we are operating with 148,000 spindles, 293 wider width looms, a dyeing and stitching plant and captive power plants with 33 MW capacity. We are planning to add a printing unit with capacity of around 8.0 million meter per annum in the current year. Total cost of this addition will be around Rs. 250 million which we intend to finance through SBP's LTF Financing.

During the year we made an investment of around Rs. 1,200 million in Nishat Chunian Power Limited (NCPL). At end of September 2009, our investment in NCPL stands at Rs. 2,123 million.

Financial Structure

We have always strived to maintain a conservative financial structure in view of the seasonality and cyclicality of the textile industry. Decisions for the future investments are made keeping in view our targeted financial ratios.

During the year NCL made an investment of around Rs. 1,200 million in NCPL. This investment was financed through internal cash generation of around Rs. 480 million, preferred equity issue of Rs. 413 million and fresh debt. As per the current project cost estimates, NCL will need to invest around Rs. 2,500 million in NCPL in total. To finance the investment in NCPL, we have decided to offer 1 for 2 rights issue which will raise Rs. 413 million of common equity. This rights issue along with internal generation of funds will finance the further investment required in NCPL.

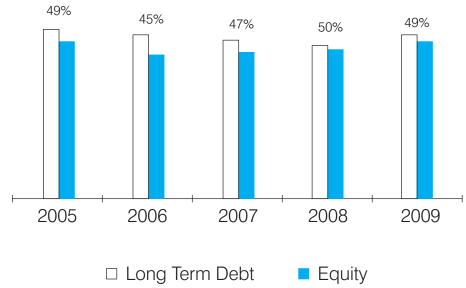
Dividends

The company financed the investments in the subsidiary through a Preference Right Issue (1 share for 2 ordinary shares held) and another Ordinary Right Issue (1 share for 2 ordinary shares held) is under process. Keeping in view the funds requirement for further investments and the Long Term Benefits expected from investments in the subsidiary no dividend has been announced for the year. The Preference Shareholders shall be entitled to the dividend on prorate basis as per the approved terms and conditions of preferential shares.

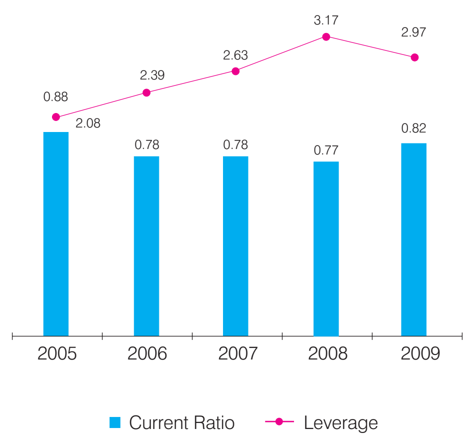
Future Outlook

The world economy is recovering rapidly and this will benefit the exporters from Pakistan as well. We face severe competition from China, India and Bangladesh.

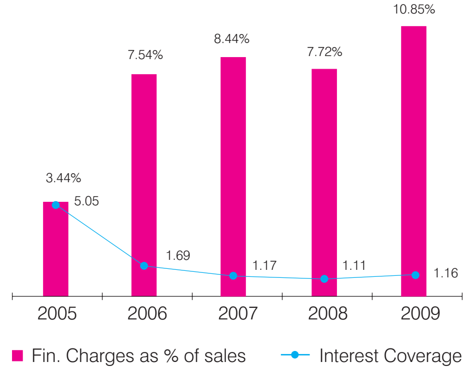
Long Term Debt to Equity Ratios



Financial Ratios



Financial Charges and Interest Coverage



The Ministry of Textile has announced certain measures to maintain the competitiveness of the Pakistani textile exporters in the world markets. These include: drawback of 2-3% on the value added products and Markup rate support on the export refinance loans and KIBOR based loans. These measures will have a positive impact on our profitability. Moreover with the gradual decrease in the interest rates in the country, our borrowing cost will also reduce.

Nishat Chunian Power Ltd.

Nishat Chunian Power Ltd is scheduled to start commercial operations in March 2010 well in advance of the commercial operations date committed to NTDC. Approximately 80% equipment in terms of value including 5 engines, 11 generators and 1 steam turbine has reached the site. The last major shipment comprising of 6 engines is expected to reach at site by November 2009. The testing and commissioning will commence from December 2009. NCPL has also successfully conducted an Initial Public Offer for Rs. 950 million. The company will be listed on Karachi & Lahore Stock Exchanges in October 2009 after completing all required formalities.

Corporate Governance

As required by the Code of Corporate Governance, Directors are pleased to report that:

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

b. Proper books of accounts have been maintained by the Company.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

d. The International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements.

e. The system of internal controls is sound in design and has been effectively implemented and monitored.

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

g. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations of the stock exchanges.

h. The value of investment of contributory provident fund as at 30 June 2009 amounts to Rupees 94.720 million.

i. The pattern of shareholding as at 30 June 2009 is annexed.

Board Meetings

During the year under review six (6) meetings were held. Attendance by each director is as follows:

Name of Directors		Attendance
Mr. Muhammad Saleem	(Chairman)	4
Mr. Shahzad Saleem	(Chief Executive)	6
Mrs. Farhat Saleem		4
Mr. Manzoor Ahmad	(Nominee NIT)	4
Mr. Aftab Ahmad Khan		5
Mr. Mehmood Akhtar		5
Mr. Manzar Mushtaq		1

On behalf of the Board

Shahzad Saleem
Chief Executive

Lahore: 07 October 2009

Financial Highlights

(Rupees in thousand)

	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Capital	403,200	403,200	403,200	443,520	443,520	683,644	752,008	752,008	752,008	**1,240,814**
Reserves	192,289	340,409	742,888	919,106	1,444,303	1,992,547	2,036,835	1,934,191	1,848,186	**1,861,657**
Net Worth	595,489	743,609	1,146,088	1,362,626	1,886,823	2,676,191	2,788,843	2,686,199	2,600,194	**3,102,471**
Long Term Liabilities	567,030	476,321	865,539	589,642	1,116,667	2,780,833	3,413,020	2,984,127	2,591,030	**3,183,458**
Current Liabilities	619,802	1,130,202	773,885	1,110,277	1,355,126	2,790,559	3,263,315	4,083,538	5,646,893	**5,730,881**
Total Equity & Liabilities	1,782,321	2,350,132	2,785,512	3,062,545	4,358,616	8,247,583	9,465,178	9,753,863	10,838,116	**12,016,810**
Fixed Assets	1,202,614	1,537,288	1,829,775	1,954,767	2,837,084	5,778,293	6,903,335	6,544,227	6,259,570	**5,927,348**
Long Term Deposits & Advances	527	545	545	426	386	1,800	4,828	7,829	9,026	**4,621**
Current Assets	579,180	812,299	955,192	1,107,352	1,521,146	2,467,490	2,557,015	3,201,807	4,357,788	**4,646,949**
Total Assets	1,782,321	2,350,132	2,785,512	3,062,545	4,358,616	8,247,583	9,465,178	9,753,863	10,626,384	**10,578,918**
Sales	2,367,018	3,066,830	4,054,099	4,226,715	6,516,226	5,454,231	6,550,782	7,677,539	9,138,298	**9,964,545**
Gross Profit	628,457	684,287	966,745	742,242	968,808	1,225,206	1,168,532	957,209	1,040,880	**1,491,183**
Operating Profit plus Other Income	533,773	523,634	781,787	519,004	796,705	947,262	834,845	759,303	782,001	**1,249,880**
Financial & Other charges	155,772	237,811	218,099	143,586	111,014	187,899	494,045	648,146	705,822	**1,081,536**
Taxation	20,504	36,903	60,409	48,000	50,614	37,542	90,000	101,000	58,000	**65,000**
Net Profit	357,497	248,920	503,279	327,418	635,077	721,822	250,800	10,157	18,180	**103,344**
Gross Margin	26.6%	22.3%	18.9%	17.6%	14.9%	22.5%	17.8%	12.47%	11.39%	**14.96%**
Net Margin	15.1%	8.1%	12.4%	7.7%	9.7%	13.2%	3.8%	0.13%	0.20%	**1.04%**
Current Ratio	0.93	0.72	1.23	1.00	1.12	0.88	0.78	0.78	0.77	**81.08%**
Leverage (Total Liab./Net Worth)	1.99	2.16	1.43	1.25	1.31	2.08	2.39	2.63	3.17	**2.87%**
Long Term Debt : Equity	49:51	39:61	43:57	30:70	37:63	51:49	55:45	53:47	50:50	**51:49**
EPS **	4.75	3.31	6.69	4.35	8.45	9.60	3.34	0.14	0.22	**1.19**

* Performance figures for 2005 are for the period of nine months.

** Restated as per IAS 33 (Earnings per share)

Statement of Compliance

with the Code of Corporate Governance for the year ended 30 June 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 (Chapter XI) of listing regulations of Karachi Stock Exchange (Guarantee) Limited and Clause 35 (Chapter XI) of the listing regulations of Lahore Stock Exchange (Guarantee) Limited 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 one independent non-executive director.

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. No casual vacancy occured during the year.

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 a director 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. The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.

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

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

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

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

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

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

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 with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and 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 program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 ICAP.

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

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

Shahzad Saleem
Chief Executive

Lahore: 07 October 2009

Statement of Compliance

with the Best Practices on Transfer Pricing

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

Shahzad Saleem
Chief Executive

Lahore: 07 October 2009

Review Report

to the members on Statement of Compliance with best practices of Code of Corporate Governance

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

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

LAHORE: 07 October 2009

Auditors' Report to the Members

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

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

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

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

(b) in our opinion:

  i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Syed Mustafa Ali

Date: 07 October 2009
LAHORE

Balance Sheet as at

	NOTE	2009 Rupees	2008 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	3	1,750,000,000	800,000,000
Issued, subscribed and paid up share capital	4	1,240,813,830	752,008,380
Reserves	5	1,861,657,101	1,848,185,650
Total Equity		3,102,470,931	2,600,194,030
NON-CURRENT LIABILITIES			
Long term financing	6	3,181,905,316	2,586,389,516
Deferred tax liability	7	1,552,252	4,640,017
		3,183,457,568	2,591,029,533
CURRENT LIABILITIES			
Trade and other payables	8	454,523,239	378,616,664
Accrued mark-up	9	171,523,906	119,822,439
Short term borrowings	10	3,500,578,041	3,190,716,138
Current portion of non-current liabilities	11	1,604,255,864	1,957,737,473
		5,730,881,050	5,646,892,714
TOTAL LIABILITIES		8,914,338,618	8,237,922,247
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		12,016,809,549	10,838,116,277

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

CHIEF EXECUTIVE

	NOTE	2009 Rupees	2008 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	13	5,927,347,672	6,259,570,155
Investment in subsidiary - at cost	14	1,437,891,880	211,732,800
Long term loans	15	3,537,975	8,129,672
Long term security deposits		1,082,942	895,942
		7,369,860,469	6,480,328,569
CURRENT ASSETS			
Stores, spare parts and loose tools	16	333,919,097	307,096,654
Stock in trade	17	2,183,103,730	2,447,462,949
Trade debts	18	1,516,728,987	1,311,338,154
Loans and advances	19	372,218,019	113,811,784
Short term deposits and prepayments	20	487,724	936,821
Other receivables	21	211,045,658	158,895,492
Cash and bank balances	22	29,445,865	18,245,854
		4,646,949,080	4,357,787,708
TOTAL ASSETS		12,016,809,549	10,838,116,277

DIRECTOR

Profit and Loss Account

for the year ended 30 June 2009

	NOTE	2009 Rupees	2008 Rupees
Sales	23	9,964,545,471	9,138,298,052
Cost of sales	24	8,473,362,242	8,097,418,309
Gross profit		1,491,183,229	1,040,879,743
Distribution cost	25	291,799,017	224,932,148
Administrative expenses	26	105,656,507	83,975,591
Other operating expenses	27	16,467,327	6,489,259
		413,922,851	315,396,998
		1,077,260,378	725,482,745
Other operating income	28	172,619,698	56,518,520
Profit from operations		1,249,880,076	782,001,265
Finance cost	29	1,081,536,433	705,821,520
Profit before taxation		168,343,643	76,179,745
Provision for taxation	30	65,000,000	58,000,000
Profit after taxation		103,343,643	18,179,745
Basic earnings per share	31	1.19	0.22
Diluted earnings per share	31	0.83	0.22

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement
for the year ended 30 June 2009

	NOTE	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	1,584,810,043	290,225,287
Long term deposits - net		(187,000)	-
Finance cost paid		(1,029,834,966)	(689,766,409)
Income tax paid		(79,006,443)	(70,858,628)
Net (increase) / decrease in long term loans		4,591,697	(1,196,443)
Net cash (used in)/generated from operating activities		480,373,331	(471,596,193)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(216,041,103)	(346,994,230)
Investment in subsidiary company		(1,226,159,080)	(211,732,800)
Proceeds from sale of property, plant and equipment		11,227,536	7,149,566
Net cash used in investing activities		(1,430,972,647)	(551,577,464)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,537,333,333	2,250,000,000
Repayment of long term financing		(1,295,299,142)	(1,243,573,810)
Repayment of long term murabaha		-	(481,250,000)
Proceeds from issuance of preference shares		413,604,610	-
Share issuance cost		(3,667,721)	-
Dividend paid		(33,656)	(111,550,772)
Net cash generated from financing activities		651,937,424	413,625,418
Net decrease in cash and cash equivalents		(298,661,892)	(609,548,239)
Cash and cash equivalents at the beginning of the year		(3,172,470,284)	(2,562,922,045)
Cash and cash equivalents at the end of the year	33	(3,471,132,176)	(3,172,470,284)

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity
for the year ended 30 June 2009

	SHARE CAPITAL			RESERVES				
				CAPITAL RESERVE	REVENUE RESERVES			
	Ordinary shares	Preference shares	TOTAL	Hedging reserve	General reserve	Unappropr-iated profit	TOTAL	TOTAL EQUITY
	.... Rupees							
Balance as at 30 June 2007	752,008,380	-	752,008,380	-	1,629,221,278	304,968,709	1,934,189,987	2,686,198,367
Final dividend for the year ended 30 June 2007 @ Rupees 1.5 per share	-	-	-	-	-	(112,801,257)	(112,801,257)	(112,801,257)
Fair value (net of deferred tax) of quanto interest rate swap entered into as part of cash flow hedge (Note 6.1.2)	-	-	-	8,617,175	-	-	8,617,175	8,617,175
Profit for the year ended 30 June 2008	-	-	-	-	-	18,179,745	18,179,745	18,179,745
Balance as at 30 June 2008	752,008,380	-	752,008,380	8,617,175	1,629,221,278	210,347,197	1,848,185,650	2,600,194,030
Bonus share issued @ 10%	75,200,840	-	75,200,840	-	-	(75,200,840)	(75,200,840)	-
15% non-voting cumulative convertible preference shares issued	-	413,604,610	413,604,610	-	-	-	-	413,604,610
Shares issuance cost, net	-	-	-	-	-	(3,667,721)	(3,667,721)	(3,667,721)
Fair value (net of deferred tax) of quanto interest rate swap entered into as part of cash flow hedge (Note 6.1.2)	-	-	-	(5,734,422)	-	-	(5,734,422)	(5,734,422)
Preference dividend for the year ended 30 June 2009	-	-	-	-	-	(5,269,209)	(5,269,209)	(5,269,209)
Profit for the year ended 30 June 2009	-	-	-	-	-	103,343,643	103,343,643	103,343,643
Balance as at 30 June 2009	827,209,220	413,604,610	1,240,813,830	2,882,753	1,629,221,278	229,553,070	1,861,657,101	3,102,470,931

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements
for the year ended 30 June 2009

1. THE COMPANY AND ITS OPERATIONS

Nishat (Chunian) Limited (the "Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on the Lahore and Karachi Stock Exchanges. Its registered office is situated at 31-Q, Gulberg II, Lahore. The Company is engaged in business of spinning, weaving, dyeing, stitching, processing, doubling, sizing, buying, selling and otherwise dealing in yarn, fabric and made-ups 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 certain financial instruments which are carried at fair value. These financial statements represent separate financial statements of the Company. The consolidated financial statements of the Group are being issued separately.

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, including expectation 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:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and depreciable 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 impairments 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.

Accumulating compensated absences

The provision for the accumulated compensated absences is made on the basis of accumulated leave balance on account of employees.

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.

Provisions

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

Fair value of derivatives

Fair value of derivatives that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

d) Standard that is effective in current year

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

7 has only impacted the format and extent of disclosures presented in the financial statements.

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

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

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

The 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 2008 or later periods:

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

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

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

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

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

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

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

2.2 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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.3 Employee benefits

The main features of the schemes operated by the Company for its employees are as follows:

Provident fund

There is an approved contributory provident fund for employees of the Company. Equal monthly contributions are made both by the employees and the Company to the fund in accordance with the fund rules. The Company's contributions to the fund are charged to income currently.

Accumulating compensated absences

The Company provides for accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. Under the rules, head office employees and factory staff are entitled to 20 days leave per year and factory workers are entitled to 14 days leave per year respectively. Unutilized leaves can be accumulated upto 10 days in case of head office employees, 40 days in case of factory staff and upto 28 days in case of factory workers. Any further un-utilized leaves will lapse. Any un-utilized leave balance i.e. 40 days and 28 days in case of factory staff and workers respectively, can be encashed by them at any time during their employment. Unutilized leaves can be used at any time by all employees, subject to the Company's approval. Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to income.

2.4 Fixed assets

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 in relation to certain property, plant and equipment signifies historical cost and mark up etc., as referred to Note 2.8. Freehold land and capital work in progress are stated at cost less any accumulated impairment losses (if any).

Depreciation on all operating fixed assets is charged to income on the reducing balance method so as to write off the cost of the assets over their estimated useful lives at the rates given in Note 13.1. Depreciation on additions is charged from the month in which the assets are available for use and on deletions upto the month in which assets are deleted. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Impairment loss or its reversal, if any, is also charged to profit and loss account. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

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 cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

Change in accounting estimate

Depreciation of buildings

Previously, depreciation on buildings was charged at the rate of 10%. Now, the Company has changed its accounting estimate to charge depreciation on building at the rate of 5% as a result of annual review of useful lives of fixed assets. This change in accounting estimate has been applied prospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting estimate, the figures recognized in these financial statements would have been different as follows:

	2009 RUPEES
Depreciation on buildings would have been increased by	48,011,127
Profit after taxation would have been lower by	44,650,348

Intangible asset - Computer software

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programme are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits accruing for a period exceeding one year, are recognized as intangible asset. Direct costs include the purchase costs of software and related overhead costs.

Intangible asset is amortized from the month when such asset is available for use on written down value basis over its useful economic life.

2.5 Investments

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

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

Available for sale

Investments available for sale are initially recognized at fair value. Subsequently, these are restated to fair value, with difference taken to the equity.

Investment in subsidiary

Long term investment in subsidiary company is accounted for at cost in accordance with IAS 27 "Consolidated and Separate Financial Statements".

2.6 Inventories

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

Stores and spares

Usable stores and spares 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 represents:

- Spinning: annual average cost
- Weaving, dyeing and stitching: moving average cost

Cost of work-in-process and finished goods comprise cost of direct material, labor and appropriate manufacturing overheads. Cost of goods purchased for resale is based on FIFO.

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

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

2.7 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. 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.

2.8 Borrowing cost

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of cost of that asset.

2.9 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers.

Return on bank deposits is accrued on a time proportionate basis by reference to the principal outstanding and the applicable rate of return.

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

Dividend income on equity investments is recognized as and when the right to receive dividend is established.

2.10 Share capital

Ordinary shares and irredeemable preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Financial instruments

Financial instruments carried on the balance sheet include trade debts, loans and advances, deposits, other receivables, cash and bank balances, short term borrowings, long term financing and trade and other payables. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized 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 derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except investments) and derecognition is charged to the profit and loss account currently.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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.

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 rate method.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair value. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and short term borrowings. In the balance sheet, short term borrowings are included in current liabilities.

2.12 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will affect profit or loss.

2.13 Provisions

Provisions are recorded when the Company has a present obligation as a result of past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.14 Related party transactions and transfer pricing

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

2.15 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

2.16 Dividend and other appropriations

Dividend and transfer among reserves are treated as post balance sheet non adjusting events hence do not qualify for provision in the financial statements as per the requirements of IAS 10 "Events after the reporting date". These transfers are therefore recorded in the next year's financial statements.

3. AUTHORIZED SHARE CAPITAL

2009 (Number of shares)	2008 (Number of shares)		2009 Rupees	2008 Rupees
130,000,000	80,000,000	Ordinary shares of Rupees 10 each	1,300,000,000	800,000,000
45,000,000	-	15% non-voting cumulative convertible preference shares of Rupees 10 each	450,000,000	-
175,000,000	80,000,000		1,750,000,000	800,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2009 (Number of shares)	2008 (Number of shares)		2009 Rupees	2008 Rupees
12,000,000	12,000,000	Ordinary shares of Rupees 10 each fully paid in cash	120,000,000	120,000,000
69,496,657	61,976,573	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	694,966,570	619,765,730
1,224,265	1,224,265	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of arrangement as approved by the Honourable Lahore High Court, Lahore.	12,242,650	12,242,650
82,720,922	75,200,838		827,209,220	752,008,380
Preference shares				
41,360,461	-	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	413,604,610	-
124,081,383	75,200,838		1,240,813,830	752,008,380

	2009	2008
	(Number of Shares)	
4.1 Ordinary shares of the company held by Nishat Mills Limited - related party		
Ordinary shares	11,256,661	10,233,329
Preference shares	5,628,330	-
	16,884,991	10,233,329

4.2 Movement during the year

Ordinary shares			2009 Rupees	2008 Rupees
75,200,838	75,200,838	At 01 July	752,008,380	752,008,380
7,520,084	-	Ordinary shares of Rupees 10 Issued as fully paid bonus shares	75,200,840	-
82,720,922	75,200,838		827,209,220	752,008,380
Preference shares				
-	-	At 01 July	-	-
41,360,461	-	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	413,604,610	-
41,360,461	-		413,604,610	-

4.3 The Company, during the financial year ended 30 June 2009, had offered to the shareholders of the Company 41,360,461 preference shares of Rupees 10 each at par value. This preference shares right issue was made in the ratio of 50 preference shares (non-voting cumulative convertible) for every 100 ordinary shares held by the Company's shareholders as on 10 February 2009. These shares are listed on Lahore and Karachi Stock Exchanges of Pakistan. The salient terms of this issue are as follows:

4.3.1 The preference shares are non-voting in nature and enjoy preference over ordinary shares in case of payment of dividend and liquidation. No cash dividend on ordinary shares will be payable until all the dividends on preference shares have been paid.

4.3.2 The preference shareholders are not entitled to bonus or right shares in the event the Company increases its share capital by the issue of further ordinary shares or otherwise, except on preference shares which have been converted into ordinary shares.

4.3.3 The preference shareholders will have the option to serve the conversion notice after the end of the three months from the date of issue of preference shares and upto three years from the date of issue. At the expiry of three years from the date of issue, all outstanding preference shares will be converted into ordinary shares at the conversion price. Preference shareholders will have the option to serve a notice to convert the preference shares along with the accumulated dividend into the ordinary shares of the Company within the conversion period by providing a two months written notice to the Company. The Company will have one month after the two months conversion notice to issue ordinary shares to the preference shareholders at the conversion price. The preference shares along with the accumulated dividend will be convertible into ordinary shares at a price Rupees 10 per ordinary share. No put or call option is available.

4.3.4 Preferred dividend will be paid on an annual basis at the end of each accounting period subsequent to 30 June 2009 or proportionately for the period prior to 30 June 2009 from the date of issue and after the approval of the dividend payment in the Annual General Meeting. The preferred dividend amount will be determined after applying the relevant dividend rate to the outstanding preference shares. The preferred dividend will be paid at the rate of 15%.

	2009 Rupees	2008 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Capital reserve		
Hedging reserve (note 5.1)	2,882,753	8,617,175
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	229,553,070	210,347,197
	1,858,774,348	1,839,568,475
	1,861,657,101	1,848,185,650

5.1 This represents the unrealized gain on remeasurement of derivative quanto (interest rate) swap at fair value and is not available for distribution. Reconciliation of hedging reserve is as under:

	2009 Rupees	2008 Rupees
Balance as at 01 July	8,617,175	-
Add / (Less): Fair value adjustment during the year	(4,182,170)	13,257,192
	4,435,005	13,257,192
Less: Deferred tax liability	1,552,252	4,640,017
Balance as at 30 June	2,882,753	8,617,175

	2009 Rupees	2008 Rupees
6. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 6.1)	4,536,161,180	4,294,126,989
Long term musharika (Note 6.2)	250,000,000	250,000,000
	4,786,161,180	4,544,126,989
Less: Current portion shown under current liabilities (Note 11)	1,604,255,864	1,957,737,473
	3,181,905,316	2,586,389,516

6.1

Lender	2009 Rupees	2008 Rupees	Rate of mark up per annum	Number of installments	Mark up repricing	Mark up payable
Standard Chartered Bank (Pakistan) Limited	50,000,000	100,000,000	6-month KIBOR +0.5%	Eight equal half yearly installments commenced on 25 August 2006 and ending on 25 February 2010	Half Yearly	Half Yearly
The Royal Bank of Scotland Limited-1	-	150,000,000	3-month KIBOR +0.5%	Bullet Payment on 16 August 2008	Quarterly	Quarterly
The Royal Bank of Scotland Limited-2	300,000,000	300,000,000	6-month KIBOR +1.25%	Bullet Payment on 30 June 2009	Half Yearly	Half Yearly
United Bank Limited-1	71,428,645	214,285,787	6-month KIBOR +0.50%	Seven equal half yearly installments commenced on 28 September 2006 and ending on 28 September 2009	Half Yearly	Quarterly
United Bank Limited-2	250,000,000	312,500,000	SBP rate for LTF-EOP+ 3%	Eight equal half yearly installments commenced on 28 February 2007 and ending on 31 July 2011	-	Quarterly
United Bank Limited-3	120,000,000	160,000,000	6-month KIBOR +1.05%	Ten equal half yearly installments commenced on 27 December 2007 and ending on 27 June 2012	Half Yearly	Half Yearly
United Bank Limited-4	350,000,000	450,000,000	6-month KIBOR +0.95%	Ten equal half yearly installments commenced on 24 June 2008 and ending on 24 December 2012	Half Yearly	Half Yearly
United Bank Limited-5	500,000,000	-	6-month KIBOR +1.75%	Eight equal half yearly installments commencing on 31 March 2010 and ending on 30 September 2013	Half Yearly	Quarterly
United Bank Limited-6	250,000,000	-	6-month KIBOR +2.40%	Six equal half yearly installments commencing on 31 December 2010 and ending on 30 June 2013	Half Yearly	Quarterly
Habib Bank Limited-1	58,600,000	89,850,000	SBP rate for LTF-EOP+2%	Six equal half yearly installments commenced on 30 March 2007 and ending on 30 September 2010	-	Quarterly
Habib Bank Limited-2	93,750,000	125,000,000	SBP rate for LTF-EOP+3%	Eight equal half yearly installments commenced on 25 December 2006 and ending on 25 June 2011	-	Quarterly
Habib Bank Limited-3	36,623,184	45,778,980	SBP rate for LTF-EOP+3%	Eight equal half yearly installments commenced on 24 May 2007 and ending on 24 November 2011	-	Quarterly
Habib Bank Limited-4	38,096,020	45,715,224	SBP rate for LTF-EOP+3%	Eight equal half yearly installments commenced on 03 August 2007 and ending on 03 February 2012	-	Quarterly
Habib Bank Limited-5	260,000,000	-	6-month KIBOR +2.50%	Nine equal half yearly installments commencing on 01 April 2010 and ending on 01 April 2014	Half Yearly	Quarterly
Habib Bank Limited-6	240,000,000	-	6-month KIBOR +2.50%	Nine equal half yearly installments commencing on 25 June 2010 and ending on 25 June 2014	Half Yearly	Quarterly
Citibank N.A	149,333,334	149,333,334	SBP rate for LTF-EOP+2%	Six equal half yearly installments commenced on 31 December 2007 and ending on 27 June 2011	-	Half Yearly
Allied Bank Limited-1	83,329,997	166,663,664	SBP rate for LTF-EOP+2%	Twelve equal quarterly installments commenced on 28 September 2006 and ending on 28 June 2010	-	Quarterly
Allied Bank Limited-2	100,000,000	200,000,000	SBP rate for LTF-EOP+2%	Ten equal quarterly installments commenced on 15 March 2007 and ending on 15 June 2010	-	Quarterly
Allied Bank Limited-3	300,000,000	300,000,000	6-month KIBOR +1.05%	Six equal half yearly installments commencing on 23 December 2009 and ending on 23 June 2012	Half Yearly	Half Yearly
Allied Bank Limited-4	350,000,000	450,000,000	6-month KIBOR +1.05%	Ten equal half yearly installments commenced on 28 March 2008 and ending on 28 September 2012	Half Yearly	Half Yearly
Allied Bank Limited-5	490,000,000	630,000,000	6-month KIBOR +0.85%	Ten equal half yearly installments commenced on 14 June 2008 and ending on 14 December 2012	Half Yearly	Half Yearly
The Hong Kong and Shanghai Banking Corporation Limited	-	150,000,000	6-month KIBOR (Average of last 15 working days) +1.00%	Bullet Payment on 29 December 2008	Half Yearly	Half Yearly
Atlas Bank Limited	195,000,000	255,000,000	6-month KIBOR +1.05%	Twenty equal quarterly installments commenced on 29 December 2007 and ending on 29 September 2012	Half Yearly	Quarterly
National Bank of Pakistan	250,000,000	-	6-month KIBOR +2.50%	Eight equal half yearly installments commencing on 30 September 2009 and ending on 31 March 2013	Half Yearly	Half Yearly
	4,536,161,180	4,294,126,989				

6.1.1 These are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 8,033 million (2008: Rupees 8,140 million).

6.1.2 Derivative quanto (interest rate) swap

The Company has entered into a derivative quanto (interest rate) swap of notional amount of Rupees 500 million for its local currency loans to hedge the possible adverse movement in interest rates. Under the terms of the agreement, the Company pays JPY London Interbank Offered Rate (LIBOR) plus bank spread @ 10.15% semi annually to the arranging bank on the local currency loan and receives Karachi Interbank Offered Rate (KIBOR). There has been no transfer of liability in this arrangement, only nature of interest payment has been changed. As this arrangement is effective and meets the criteria for cash flow hedge, this arrangement qualified for hedge accounting as per IAS 39 'Financial Instruments: Recognition and Measurement'.

6.2 This facility carries mark-up @ 6-month KIBOR + 1.25% per annum. The principal amount is repayable in sixteen equal quarterly installments commencing from 30 September 2009 and ending on 30 June 2013. This facility is secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 333 million (2008: Rupees 334 million).

7. DEFERRED TAX LIABILITY

This represents deferred tax liability on fair value of cash flow hedge as stated in Note 6.1.2. No provision for deferred tax on other temporary differences was required due to available tax losses. Further, the Company's future tax liability is expected to be limited to tax under section 169 of the Income Tax Ordinance, 2001. Accordingly, the temporary differences are not likely to reverse in the foreseeable future and no deferred tax asset was recognized.

	2009 Rupees	2008 Rupees
8. TRADE AND OTHER PAYABLES		
Creditors	208,463,332	184,009,533
Accrued liabilities	148,572,231	94,345,918
Advances from customers	26,477,001	36,765,877
Retention money	6,046,272	8,904,679
Payable to provident fund trust	-	613,976
Income tax deducted at source	3,376,930	1,893,979
Unpaid and unclaimed dividend	13,551,654	13,585,310
Preference dividend payable	5,269,209	-
Workers' profit participation fund (Note 8.1)	9,066,344	4,036,732
Workers' welfare fund	9,511,304	6,075,719
Fair value loss on foreign currency forward contracts	-	4,626,999
Loss on interest rate swap	-	3,329,049
Others	24,188,962	20,428,893
	454,523,239	378,616,664
8.1 Workers' profit participation fund		
Balance as on 01 July	4,036,732	6,249,651
Interest for the year (Note 29)	481,311	518,165
Add: Provision for the year (Note 27)	9,066,344	4,036,732
	13,584,387	10,804,548
Less : Payments during the year	4,518,043	6,767,816
	9,066,344	4,036,732

8.1.1 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.

	2009 Rupees	2008 Rupees
9. ACCRUED MARK-UP		
Long term financing	87,632,838	69,531,776
Short term borrowings	83,891,068	50,290,663
	171,523,906	119,822,439
10. SHORT TERM BORROWINGS		
From banking companies-secured		
Short term running finances (Notes 10.1 and 10.2)	1,212,392,470	627,434,495
Export finances-Preshipment / SBP refinance (Notes 10.1 and 10.3)	1,008,185,571	1,583,281,643
Other short term finances (Notes 10.1 and 10.4)	1,280,000,000	980,000,000
	3,500,578,041	3,190,716,138

10.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Company and lien on export bills.

10.2 The rates of mark-up range from 3.01% to 17% (2008: 1.58% to 14.38%) per annum on the balance outstanding.

10.3 The rates of mark-up range from 3.33% to 15.13% (2008: 3.05% to 13.41%) per annum on the balance outstanding.

10.4 The rates of mark-up range from 14.20% to 15.22% (2008: 9.56% to 13.31%) per annum on the balance outstanding.

	2009 Rupees	2008 Rupees
11. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 6)	1,541,755,864	1,957,737,473
Long term musharika (Note 6)	62,500,000	-
	1,604,255,864	1,957,737,473

12. CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 Guarantees of Rupees 187.219 million (2008: Rupees 168.115 million) have been issued by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections.

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

- Performance guarantee of USD 1 million (Pak Rupees 81.100 million) [2008:USD 1 million (Pak Rupees 68.350 million)] in favour of Private Power and Infrastructure Board (Government of Pakistan) to secure performance of Nishat Chunian Power Limited under Implementation Agreement and Power Purchase Agreement.

- The Company has issued irrevocable standby letters of credit of Rupees 882.876 million (2008: Rupees 1,437.599 million) for equity injection and Rupees 147.120 million (2008: Rupees 147.120 million) for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Chunian Power Limited.

12.3 The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2008: 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Company has not submitted Appendix-1 as per rule 297-A of the above referred scheme. The Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal (custom, excise and sales tax) Karachi bench which is still pending. The Company had also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Company and forwarded the case to FBR. The matter is still pending at FBR end.

12.4 Orders were issued by the Taxation Officer under Section 221 of the Income Tax Ordinance, 2001 for assessment years 1998-99 to 2001-02 under which the assessing officer has levied tax under Section 80D on local sales of the Company irrespective of the tax paid under Section 80CC and thus creating a demand of Rupees 1.470 million, Rupees 1.436 million, Rupees 2.250 million and Rupees 2.713 million respectively for said years. An appeal against said orders had been filed before the CIT (Appeals) who decided the case in favour of the Company. The department has filed appeal before Income Tax Appellate Tribunal (ITAT) which has been heard by ITAT and the Company expects a favourable order as the Lahore High Court has decided an identical case in taxpayers favour. No provision has been made there against in these financial statements based on advice of the legal counsel.

12.5 Order was issued by the Assistant Commissioner of Income Tax (ACIT) under section 122(1) of the Income Tax Ordinance, 2001 for tax year 2008 as a result of audit of the Company under section 177 of the Income Tax Ordinance, 2001 whereby a demand of Rupees 42.833 million has been raised against the Company on various grounds. The Company has filed an appeal before CIT (Appeals) and considers that its stance is based on reasonable grounds and appeal is likely to succeed. Hence, no provision has been recognized in the financial statements based on advice of the legal counsel.

12.6 While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-2003 the Income Tax Officer disallowed certain expenses on pro-rata basis. The Company being aggrieved has filed appeals with the CIT (Appeals) which have been decided in Company's favour against which the department has preferred an appeal to Income Tax Appellate Tribunal (ITAT). ITAT has now decided the case in favour of the Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances has been made in the financial statements as the management is confident that the matter would be settled in the Company's favour. If the decision of ITAT is not upheld, the provision for taxation amounting to Rupees 17.157 million (2008: Rupees 17.157 million) would be required.

12.7 The Company has preferred appeal against the Government of Punjab in the Lahore High Court against imposition of Electricity Duty on internal generation. The Company has fully provided and paid its liability in respect of generation for the current year.

12.8 The Deputy Collector (Refund – Gold) by order dated 16 May 2007 rejected the input tax claim of the Company, for the month of June 2005, amounting to Rupees 1.604 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June, 2005, if not used for the purpose of exports made up to the 31 December 2005. Consequently, the Company has filed an appeal before the Collector of Sales Tax. Pending the outcome of appeal no provision for inadmissible input tax has been recognized in the financial statements, since the Company has strong grounds against the order of taxation authority.

12.9 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 24.689 million (2008: Rupees 23.793 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheque issued as security shall be encashable.

Commitments

i) Contracts for capital expenditure are amounting to Rupees 19.499 million (2008: Rupees 171.090 million).

ii) Letters of credit other than for capital expenditure are amounting to Rupees 291.489 million (2008: Rupees 151.583 million).

iii) Quanto (interest rate) swap of Rupees 500.000 million (outstanding notional amount) (2008: Rupees 500.000 million) as on 30 June 2009.

iv) Outstanding foreign currency forward contracts of Rupees 1,131.288 million (2008: Rupees 439.705 million).

	2009 Rupees	2008 Rupees
13. FIXED ASSETS		
Property, plant and equipment		
Operating assets (Note 13.1)	5,905,713,184	6,067,386,394
Capital work in progress (Note 13.2)	20,711,188	190,864,761
	5,926,424,372	6,258,251,155
Intangible asset:		
Computer software	923,300	-
Intangible asset under development - computer software	-	1,319,000
	5,927,347,672	6,259,570,155

13.1 Reconciliation of carrying amounts at the beginning and at end of the year is as follows:

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total operating assets	Computer software
At 01 July 2007										
Cost	188,776,332	1,429,108,475	7,194,588,182	157,527,106	58,190,718	37,552,754	123,292,143	110,188,196	9,299,223,906	-
Accumulated depreciation	-	(500,320,639)	(2,220,068,290)	(70,974,325)	(33,279,449)	(13,435,968)	(26,319,938)	(44,875,542)	(2,909,274,151	-
Net book value	188,776,332	928,787,836	4,974,519,892	86,552,781	24,911,269	24,116,786	96,972,205	65,312,654	6,389,949,755	-
Year ended 30 June 2008										
Opening net book value	188,776,332	928,787,836	4,974,519,892	86,552,781	24,911,269	24,116,786	96,972,205	65,312,654	6,389,949,755	-
Additions	-	95,068,296	192,238,853	1,350,102	5,000,667	2,802,852	3,182,627	9,444,134	309,087,531	-
Disposals:										
Cost	-	-	-	-	-	(834,619)	(31,979)	(11,987,470)	(12,854,068)	-
Accumulated depreciation	-	-	-	-	-	323,405	8,019	7,202,108	7,533,532	-
	-	-	-	-	-	(511,214)	(23,960)	(4,785,362)	(5,320,536)	-
Depreciation charge	-	(94,959,374)	(494,504,295)	(8,773,480)	(2,900,786)	(2,649,284)	(9,909,157)	(12,633,980)	(626,330,356)	-
Closing net book value	188,776,332	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,221,715	57,337,446	6,067,386,394	-
At 01 July 2008										
Cost	188,776,332	1,524,176,771	7,386,827,035	158,877,208	63,191,385	39,520,987	126,442,791	107,644,860	9,595,457,369	-
Accumulated depreciation	-	(595,280,013)	(2,714,572,585)	(79,747,805)	(36,180,235)	(15,761,847)	(36,221,076)	(50,307,414)	(3,528,070,975)	-
Net book value	188,776,332	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,221,715	57,337,446	6,067,386,394	-
Year ended 30 June 2009										
Opening net book value	188,776,332	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,221,715	57,337,446	6,067,386,394	-
Additions	-	50,229,330	306,220,996	9,694,793	78,100	1,110,918	3,279,498	15,581,041	386,194,676	1,319,000
Disposals:										
Cost	-	-	(13,491,708)	-	-	-	-	(16,111,871)	(29,603,579)	-
Accumulated depreciation	-	-	9,153,885	-	-	-	-	9,741,999	18,895,884	-
	-	-	(4,337,823)	-	-	-	-	(6,369,872)	(10,707,695)	-
Depreciation / amortisation charge	-	(48,011,127)	(456,605,549)	(8,000,889)	(2,703,218)	(2,446,805)	(9,233,922)	(10,158,681)	(537,160,191)	(395,700)
Closing net book value	188,776,332	931,114,961	4,517,532,074	80,823,307	24,386,032	22,423,253	84,267,291	56,389,934	5,905,713,184	923,300
At 30 June 2009										
Cost	188,776,332	1,574,406,101	7,679,556,323	168,572,001	63,269,485	40,631,905	129,722,289	107,114,030	9,952,048,466	1,319,000
Accumulated depreciation / amortisation	-	(643,291,140)	(3,162,024,249)	(87,748,694)	(38,883,453)	(18,208,652)	(45,454,998)	(50,724,096)	(4,046,335,282)	(395,700)
Net book value	188,776,332	931,114,961	4,517,532,074	80,823,307	24,386,032	22,423,253	84,267,291	56,389,934	5,905,713,184	923,300
Annual rate of depreciation / amortization (%)	-	5	10	10	10	10	10	20		30

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

Description	Cost	Accumulated depreciation	Net Book Value	Sale Proceeds	(Gain)/ Loss	Mode of Disposal	Particulars of Purchaser
		.... Rupees					
Plant & Machinery							
Boiler	4,750,000	3,215,080	1,534,920	825,000	709,920	Negotiation	Madina Engineering, Manga Mandi
Atlas Copco ZR-315	8,741,708	5,938,805	2,802,903	2,300,000	502,903	Negotiation	Fatima Enterprises, Multan
Vehicles							
Employees							
Honda CD-70	55,740	19,658	36,082	54,000	(17,918)	As per policy	Wajid Farooq, Main Bazar Rana Colony, Gujranwala
Suzuki Cultus LWG-3289	634,400	242,358	392,042	439,879	(47,837)	As per policy	Zawar Iqbal Rao, Gulberg III, Lahore
Toyota Corolla LEB-06-3460	1,246,545	375,266	871,279	1,246,545	(375,266)	As per policy	Aliya Hamza Malik, DHA, Lahore
Honda Civic EXI-LZG-645	981,427	604,062	377,365	229,376	147,989	As per policy	Jamal-ud-Din, Thokar Niaz Baig, Lahore
Outsiders							
Suzuki Alto LRH-8743	596,200	418,107	178,093	385,000	(206,907)	Negotiation	Rashid Maqbool, Tajpura Chahmeeran, Lahore
Mitsubishi LWC-3578	1,271,060	500,906	770,154	520,000	250,154	Negotiation	Mirza Aftab Ali, Township, Lahore
Suzuki Mehran LEC-07-6908	406,553	97,500	309,053	375,000	(65,947)	Negotiation	Sultan Habib, Canal View Housing Society, Lahore
Honda Civic LRT-468	1,269,560	817,048	452,512	750,000	(297,488)	Negotiation	Sabir Ali, Habib Homes Peco Road, Lahore
Mercedez Benz LRL-467	7,696,816	5,462,572	2,234,244	2,900,000	(665,756)	Negotiation	Sabir Ali, Habib Homes Peco Road, Lahore
Toyota Corolla LRW-9370	1,218,980	817,263	401,717	820,000	(418,283)	Negotiation	Rashid Maqbool,Tajpura Chahmeeran, Lahore
Suzuki Cultus LWG-8665	734,590	387,259	347,331	382,736	(35,405)	Negotiation	Fahad Saeed Dar, Gulberg II, Lahore
	29,603,579	18,895,884	10,707,695	11,227,536	(519,841)		

	2009 Rupees	2008 Rupees
13.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 24)	527,628,997	613,894,012
Administrative expenses (Note 26)	9,926,894	12,436,344
	537,555,891	626,330,356
13.2 Capital work-in-progress		
Plant and machinery	2,245,715	147,861,191
Civil works on freehold land	18,162,458	42,187,474
Mobilization advance	303,015	816,096
	20,711,188	190,864,761
14. INVESTMENT IN SUBSIDIARY - AT COST		
Nishat Chunian Power Limited - unquoted (Note 14.1) 143,789,188 (2008: 21,173,280) fully paid ordinary shares of Rupees 10 each. Equity held 80% (2008: 80%)	1,437,891,880	211,732,800

14.1 The Company has to maintain at least 51% holding in the share capital of Nishat Chunian Power Limited (NCPL) during the period of first six years from the date of commercial operations of NCPL. Moreover, the Company has pledged its 13,497,966 shares to lenders of NCPL for the purpose of securing finance. NCPL will be engaged in production and dispatch of electricity to WAPDA. The expected commercial operation date of NCPL is 31 March 2010.

	2009 Rupees	2008 Rupees
15. LONG TERM LOANS		
Executives (Note 15.1)	976,542	6,292,655
Other employees	3,207,167	2,867,397
	4,183,709	9,160,052
Less: Current portion shown under current assets (Note 19)		
Executives	384,708	730,608
Other employees	261,026	299,772
	645,734	1,030,380
	3,537,975	8,129,672
15.1 Reconciliation of carrying amount of loans to executives:		
Opening balance as at 01 July	6,292,655	5,378,999
Disbursements	1,678,203	2,162,140
Less: Repayments	6,994,316	1,248,484
Closing balance as at 30 June	976,542	6,292,655

15.1.1 Maximum aggregate balance due from executives at the end of any month during the year is Rupees 7.109 million (2008: Rupees 6.699 million).

15.2 These represent car and house construction loans to executives and employees, payable in 48 and 15 monthly installments respectively. These carry interest at the rate 9.00 % to 13.50% per annum (2008: 9.00 to 10.5% per annum). Car loans are secured against registration of cars in the name of the Company, whereas house construction loans are unsecured.

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

	2009 Rupees	2008 Rupees
16. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	205,247,070	204,824,436
Spare parts	126,616,302	95,721,213
Loose tools	2,055,725	6,551,005
	333,919,097	307,096,654
17. STOCK IN TRADE		
Raw materials (Note 17.1)	1,494,506,123	1,799,479,746
Work in process	304,749,505	195,443,205
Finished goods - own produced (Note 17.2)	361,764,128	421,026,976
Finished goods - trading stock	-	6,412,705
Waste	22,083,974	25,100,317
	2,183,103,730	2,447,462,949

17.1 Raw materials include stock in transit of Rupees 2.551 million (30 June 2008: NIL).

17.2 Finished goods include inventory of Rupees 2.940 million (30 June 2008: Rupees 0.854 million valued at net realizable value.

	2009 Rupees	2008 Rupees

18. TRADE DEBTS

	2009 Rupees	2008 Rupees
Considered good:		
Secured (against letters of credit)	904,445,228	834,181,356
Unsecured (Note 18.3)	612,283,759	477,156,798
	1,516,728,987	1,311,338,154
Considered doubtful:		
Others - unsecured	1,908,098	-
Less: Provision for doubtful debts		
As at 01 July	-	-
Bad debts written off against provision for the year	1,908,098	-
	1,908,098	-
As at 30 June	-	-

18.1 As at 30 June 2009, trade debts of Rupees 43.420 million (30 June 2008 : Rupees 47.905 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2009 Rupees	2008 Rupees
Upto 1 month	1,666,889	7,961,166
1 to 6 months	7,217,067	25,526,317
More than 6 months	34,535,666	14,417,456
	43,419,622	47,904,939

18.2 As at 30 June 2009, trade debts of Rupees 1.908 million (30 June 2008 : Nil) were impaired and written off. The aging of these trade debts was more than six month.

18.3 Trade debts include Rupees 0.051 million (2008: Nil) due from Nishat Mills Limited - related party.

19. LOANS AND ADVANCES

	2009 Rupees	2008 Rupees
Considered good:		
Employees:		
-Executives	2,121,791	423,828
-Other employees	10,016,474	8,495,190
	12,138,265	8,919,018
Current portion of long term loans (Note 15)	645,734	1,030,380
Advances to suppliers (Note 19.1)	64,608,368	66,374,161
Advances to contractors	7,061,933	6,670,052
Letters of credit	287,763,719	30,818,173
	372,218,019	113,811,784

19.1 Advances to suppliers include Nil (2008: Rupees 5.652 million) due from Nishat Mills Limited - related party.

	2009 Rupees	2008 Rupees
20. SHORT TERM DEPOSITS AND PREPAYMENTS		
Short term deposits	-	20,000
Prepayments	487,724	916,821
	487,724	936,821
21. OTHER RECEIVABLES		
Sales tax recoverable	77,212,256	65,556,136
Advance income tax - net	33,277,165	17,787,772
Export rebate	11,401,176	9,497,532
Research and development support receivable	2,791,494	31,539,760
Fair value gain on forward contracts	5,459,532	-
Fair value of interest rate swap	15,982,394	13,257,192
Subsidy receivable against financing of import of spinning machinery	5,943,260	11,125,650
Receivable from provident fund trust	750,942	-
Others	58,227,439	10,131,450
	211,045,658	158,895,492
22. CASH AND BANK BALANCES		
With Banks:		
On PLS saving accounts (Note 22.1) Including US$ 3,840 (2008: US$ 20,795)	312,144	1,421,991
On current accounts (Note 22.2) Including US$ 73,063 (2008: US$ 28,618)	26,952,338	15,207,293
	27,264,482	16,629,284
Cash in hand	2,181,383	1,616,570
	29,445,865	18,245,854

22.1 Rate of profit on bank deposits is 5% (2008: 0.50% to 5%) per annum.

22.2 Included in cash at bank are Rupees 9.460 million (2008: Rupees 10.360 million) deposited with MCB Bank Limited - associated undertaking.

	2009 Rupees	2008 Rupees
23. SALES		
Export	6,288,427,221	5,865,020,185
Local (Note 23.1)	3,664,102,751	3,250,731,973
Export rebate	12,015,499	22,545,894
	9,964,545,471	9,138,298,052
23.1 Local sales		
Sales	3,430,689,394	3,108,019,590
Processing Income	193,199,342	142,712,383
Sale of electricity to WAPDA	40,214,015	-
	3,664,102,751	3,250,731,973

	2009 Rupees	2008 Rupees
24. COST OF SALES		
Raw material consumed (Note 24.1)	5,508,354,923	5,216,394,420
Packing materials consumed	264,564,347	324,428,293
Stores, spare parts and loose tools	611,599,466	525,403,798
Salaries, wages and other benefits (Note 24.2)	634,677,628	565,619,267
Fuel and power	824,488,263	568,870,641
Insurance	27,202,583	21,634,338
Postage and telephone	416,526	654,447
Traveling and conveyance	7,116,335	11,770,947
Vehicles' running and maintenance	10,653,164	9,121,798
Entertainment	1,622,616	1,088,958
Depreciation (Note 13.1.2)	527,628,997	613,894,012
Repair and maintenance	22,222,365	11,368,868
Other factory overheads	61,272,551	54,690,077
	8,501,819,764	7,924,939,864
Work-in-process		
Opening stock	195,443,205	268,870,213
Closing stock	(304,749,505)	(195,443,205)
	(109,306,300)	73,427,008
Cost of goods manufactured	8,392,513,464	7,998,366,872
Finished goods and waste - opening stocks		
Finished goods	421,026,976	513,446,035
Waste	25,100,317	12,493,371
	446,127,293	525,939,406
	8,838,640,757	8,524,306,278
Finished goods and waste - closing stocks		
Finished goods	(361,764,128)	(421,026,976)
Waste	(22,083,974)	(25,100,317)
	(383,848,102)	(446,127,293)
Cost of sales - own manufactured goods	8,454,792,655	8,078,178,985
Opening stock of purchased finished goods	6,412,705	1,670,072
Finished goods purchased	12,156,882	23,981,957
Closing stock of purchased finished goods	-	(6,412,705)
Cost of sales - purchased finished goods	18,569,587	19,239,324
	8,473,362,242	8,097,418,309

	2009 Rupees	2008 Rupees
24.1 Raw material consumed		
Opening stock	1,799,479,746	1,003,422,670
Add: Purchased during the year	5,203,381,300	6,012,451,496
	7,002,861,046	7,015,874,166
Less: Closing stock	1,494,506,123	1,799,479,746
	5,508,354,923	5,216,394,420

24.2 Salaries, wages and other benefits include Rupees 7.503 million (2008: Rupees 6.136 million) and Rupees 15.635 million (2008: Rupees 15.869 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

	2009 Rupees	2008 Rupees
25. DISTRIBUTION COST		
Salaries and other benefits (Note 25.1)	23,722,407	21,783,711
Ocean freight	77,626,924	59,460,621
Freight and octroi	38,348,896	24,035,965
Forwarding and other expenses	15,177,380	11,966,725
Export marketing expenses	44,172,137	22,931,063
Commission to selling agents	92,751,273	84,754,063
	291,799,017	224,932,148

25.1 Salaries and other benefits include Rupees 0.479 million (2008: Rupees 0.547 million) and Rupees 1.193 million (2008: Rupees 1.024 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

	2009 Rupees	2008 Rupees
26. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 26.1)	48,901,035	30,423,298
Printing and stationery	1,949,161	1,729,417
Vehicles' running and maintenance	4,400,749	2,764,807
Traveling and conveyance	13,349,741	6,744,281
Postage, telephone and telegraph	4,519,281	4,644,680
Fee and subscription	1,849,922	740,491
Legal and professional	4,336,240	4,870,057
Electricity and sui gas	2,901,965	2,925,322
Insurance	2,459,196	2,736,470
Repair and maintenance	1,896,987	880,196
Research and development (Note 26.2)	-	6,167,297
Entertainment	1,590,452	1,323,599
Auditors' remuneration (Note 26.3)	1,041,450	814,000
Advertisement	670,510	404,747
Depreciation (Note 13.1.2)	9,926,894	12,436,344
Miscellaneous	5,862,924	4,370,585
	105,656,507	83,975,591

26.1 Salaries and other benefits include Rupees 2.188 million (2008: Rupees 1.946 million) and Rupees 1.321 million (2008: Rupees 1.503 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

	2009 Rupees	2008 Rupees
26.2 Research and development		
Support on account of research and development (Note 26.2.1)	-	112,314,980
Less: Utilization		
Product development	-	71,727,208
Professional consultancy	-	24,350,898
Market research	-	19,227,974
Participation in exhibitions	-	3,176,197
	-	118,482,277
	-	6,167,297

26.2.1 The research and development support was given by Ministry of Commerce, Government of Pakistan vide SRO 803(1)/2006 dated 04 August 2006 in order to encourage and regulate the research and development in textile sector.

	2009 Rupees	2008 Rupees
26.3 Auditors' remuneration		
Audit fee	750,000	544,500
Half yearly review	143,000	130,000
Certification fees	50,000	50,000
Reimbursable expenses	98,450	89,500
	1,041,450	814,000
27. OTHER OPERATING EXPENSES		
Workers' profit participation fund (Note 8.1)	9,066,344	4,036,732
Workers' welfare fund	3,435,585	-
Bad debts written off	1,908,098	-
Donations (Note 27.1)	2,057,300	2,452,527
	16,467,327	6,489,259
27.1 Name of donee in which a director or his spouse has an interest:		
Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.	2,057,300	1,892,527

	2009 Rupees	2008 Rupees
28. OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposits	25,499	29,746
Exchange gain - net	152,679,402	35,118,651
Income from non financial assets		
Profit on sale of property, plant and equipment	519,840	1,829,030
Others		
Sale of scrap	17,978,809	19,280,351
Miscellaneous	1,416,148	260,742
	172,619,698	56,518,520
29. FINANCE COST		
Mark-up on:		
- long term financing - net (Note 29.1)	520,877,094	372,050,676
- long term murabaha	-	10,790,485
- long term musharika	40,457,397	-
- short term running finances	214,975,933	65,648,195
- export finances - Preshipment / SBP refinances	135,504,251	108,830,944
- short term finances	114,376,009	79,028,355
Interest on workers' profit participation fund (Note 8.1)	481,311	518,165
Loss on interest rate swap	-	6,501,075
Exchange loss on foreign currency forward contracts	-	27,657,140
Bank and other charges	54,864,438	34,796,485
	1,081,536,433	705,821,520

29.1 This includes subsidy @ 3% amounting to Rupees 25.097 million (2008: Rupees 23.837 million) received / receivable from Government of Pakistan on mark up rates for financing of import of spinning machinery vide SRO No.973(I)/2007 dated 06 September 2007.

	2009 Rupees	2008 Rupees
30. PROVISION FOR TAXATION		
Current - (Note 30.1)	65,000,000	58,000,000

30.1 The Company is under the ambit of final tax upto the extent of export sales under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. No provision for income tax was considered necessary for income which is not subject to final tax under section 169 of the Income Tax Ordinance, 2001, as the Company has estimated carry forwardable tax losses of Rupees 474.784 million (2008: Rupees 396.581 million). Further, numerical reconciliation between the average effective tax rate and the applicable tax rate has not been given, being impracticable.

31. EARNINGS PER SHARE

Basic			
Profit after taxation (Rupees)		103,343,643	18,179,745
Preference dividend (Rupees)		5,269,209	-
Profit after taxation attributable to ordinary shareholders	(Rupees)	98,074,434	18,179,745
			Restated
Weighted average number of ordinary shares outstanding during the year		82,720,922	82,720,922
			Restated
Earnings per share - basic (Rupees) (Note 31.1)		1.19	0.22
Diluted			
Profit after taxation	(Rupees)	103,343,643	18,179,745
Weighted average number of ordinary shares outstanding during the year		82,720,922	82,720,922
Effect of dilutive potential preference shares		41,360,461	-
		124,081,383	82,720,922
Earnings per share - diluted	(Rupees)	0.83	0.22

31.1 Basic earning per share has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issued.

	2009 Rupees	2008 Rupees
32. CASH GENERATED FROM OPERATIONS		
Profit before taxation	168,343,643	76,179,745
Adjustment for non cash charges and other items:		
Depreciation / amortisation	537,555,891	626,330,356
Gain on sale of property, plant and equipment	(519,841)	(1,829,030)
Finance cost	1,081,536,433	705,821,520
Working capital changes (Note 32.1)	(202,106,083)	(1,116,277,304)
	1,584,810,043	290,225,287

32.1 Working capital changes

(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(26,822,443)	(73,822,337)
Stock in trade	264,359,219	(647,560,588)
Trade debts	(205,390,833)	(469,225,269)
Loans and advances	(258,406,235)	30,799,500
Short term deposits and prepayments	449,097	1,012,677
Other receivables	(45,482,960)	(13,492,967)
	(271,294,155)	(1,172,288,984)
Increase in current liabilities:		
Trade and other payables	69,188,072	56,011,680
	(202,106,083)	(1,116,277,304)

	2009 Rupees	2008 Rupees
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances (Note 22)	29,445,865	18,245,854
Short term borrowings (Note 10)	(3,500,578,041)	(3,190,716,138)
	(3,471,132,176)	(3,172,470,284)

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
Managerial remuneration	-	1,666,680	1,600,080	2,200,116	21,705,004	24,007,234
Contribution to provident fund	-	-	-	-	1,808,027	1,833,202
House rent	-	666,650	639,912	879,876	8,681,728	9,602,718
Utilities	-	435,850	160,008	383,248	2,170,318	2,400,439
Others	-	530,300	572,724	749,076	563,175	3,173,295
	-	3,299,480	2,972,724	4,212,316	34,928,252	41,016,888
Number of persons	1	1	1	1	23	23

34.1 The Company also provides to Chief Executive, Directors and certain Executives with free use of Company maintained cars and residential telephones.

35. TRANSACTIONS WITH RELATED PARTIES

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

	2009 Rupees	2008 Rupees
Subsidiary Company		
Investment made	1,226,159,080	211,732,800
Interest received	354,859	238,246
Bridge financing during the year	210,853,032	-
Other related party		
Purchase of goods	107,532,958	82,964,290
Sales of goods	128,241,936	128,015,048
Post employment benefit plan		
Expense charged in respect of retirement benefit plans	18,148,606	18,396,902

	2009	2008

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	2009	2008
Spinning		
Number of spindles installed	148,357	144,803
Number of spindles worked	139,008	137,170
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	49,507,139	50,499,811
Actual production of yarn after conversion into 20/1 count (Kgs.)	48,775,505	49,753,511

Under utilization of available capacity was due to normal maintenance and time lost in shifting of coarser counts to finer counts and vice versa.

	2009	2008
Weaving		
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	182,694,493	182,694,493
Actual production after conversion into 50 picks - square yards	177,425,527	175,508,331

Under utilization of available capacity was due to the following reasons:
- change of articles required
- higher count and cover factor
- due to normal maintenance

	2009	2008
Power Plant		
Number of engines installed	10	10
Number of engines worked	10	10
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	270,088,758
Actual generation (KWh)	179,605,840	180,715,176

Under utilization of available capacity was due to normal maintenance.

	2009	2008
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	2	2
Number of shifts per day	3	3
Capacity in meters	26,400,000	26,400,000
Actual processing of fabrics - meters	18,526,893	21,111,835

Under utilization of available capacity was due to low demand and normal maintenance.

	2009	2008
Stitching		
Number of stitching machines	240	240
Number of shifts per day	1	1
Capacity in meters	16,800,000	16,800,000
Actual stitching of fabrics - meters	5,045,555	10,406,322

Under utilization of available capacity was due to low demand.

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2009	2008
Cash at banks - USD	76,903	49,413
Trade debts - USD	15,425,686	13,210,419
Trade and other payable - USD	744,149	634,997
Short term borrowings as FE 25 import / export loans - USD	9,133,236	2,112,176
Accrued mark-up on FE 25 import / export loans - USD	73,222	20,844
Net exposure - USD	5,551,982	10,491,815

The following significant exchange rates were applied during the year:

Rupees per US Dollar	2009	2008
Average rate	78.23	64.31
Reporting date rate	81.10	68.35

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 20.312 million (30 June 2008: Rupees 32.894 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2009 Rupees	2008 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	809,732,535	1,134,841,202
Short term borrowings	2,022,532,124	2,428,281,643
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	312,144	1,421,991
Financial liabilities		
Long term financing	3,976,428,645	3,409,285,787
Short term borrowings	1,478,045,917	762,434,495

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 50.274 million (30 June 2008: Rupees 38.784 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:

	2009 Rupees	2008 Rupees
Loans and advances	16,321,973	18,079,070
Deposits	1,082,942	915,942
Trade debts	1,516,728,987	1,311,338,154
Other receivables	80,153,092	34,514,292
Bank balances	27,264,482	16,629,284
	1,641,551,476	1,381,476,742

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

	Rating			2009 Rupees	2008 Rupees
	Short term	Long term	Agency		
Banks					
Askari Bank Limited	A1+	AA	PACRA	644,845	47,507
The Royal Bank of Scotland Limited	A1+	AA	PACRA	10,488,038	634,767
Atlas Bank Limited	A2	A-	PACRA	4,800	4,800
Bank Alfalah Limited	A1+	AA	PACRA	215,212	1,336,806
The Bank of Punjab	A1+	AA -	PACRA	25,136	3,823
Bank Islami (Pakistan) Limited	A1	A	PACRA	5,500	-
Citibank N.A.	P-1	A1	Moody's	2,159	1,819
Dubai Islamic Bank Pakistan Limited	A-2	A	JCR-VIS	78,596	207,033
Dawood Islamic Bank Limited	A-2	A-	JCR-VIS	4,346	4,945
Faysal Bank Limited	A-1+	AA	PACRA	45,437	1,647
Habib Bank Limited	A-1+	AA+	JCR-VIS	96,233	93,900
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	20	319
HSBC Bank Middle East Limited	P-1	Aa2	Moody's	479,023	-
Meezan Bank Limited	A-1	A+	JCR-VIS	460,349	102,233
MCB Bank Limited	A1+	AA+	PACRA	9,460,653	10,359,963
NIB Bank Limited	A1+	AA -	PACRA	546,299	341,021
Standard Chartered Bank (Pakistan) Limited	A-1+	AA+	JCR-VIS	461,804	2,081,788
United Bank Limited	A-1+	AA+	JCR-VIS	4,246,032	1,406,912
				27,264,482	16,629,283

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 18.

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2009, the Company had Rupees 4,654 million available borrowing limits from financial institutions and Rupees 329.445 million cash and bank balances. Inspite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2009:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
Long term financing	4,786,161,180	6,123,162,455	1,151,037,630	1,093,105,525	1,691,468,942	2,187,550,358
Trade and other payables	406,091,660	406,091,660	406,091,660	-	-	-
Short term borrowings	3,500,578,041	4,887,399,612	3,694,485,554	1,192,914,058	-	-
	8,692,830,881	11,416,653,727	5,251,614,844	2,286,019,583	1,691,468,942	2,187,550,358

Contractual maturities of financial liabilities as at 30 June 2008:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
Long term financing	4,544,126,989	7,993,682,355	1,190,913,338	679,606,562	2,244,143,155	3,879,019,300
Trade and other payables	329,844,357	329,844,357	329,844,357	-	-	-
Short term borrowings	3,190,716,138	3,351,308,632	2,686,352,578	664,956,054	-	-
	8,064,687,484	11,674,835,344	4,207,110,273	1,344,562,616	2,244,143,155	3,879,019,300

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

37.2 Fair values of financial assets and liabilities

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

37.3 Financial instruments by categories

	Loans and receivables
	Rupees
As at 30 June 2009	
Assets as per balance sheet	
Loans and advances	16,321,973
Deposits	1,082,942
Trade debts	1,516,728,987
Other receivables	80,153,092
Cash and bank balances	29,445,865
	1,643,732,859

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	4,786,161,180
Accrued mark-up	171,523,906
Short term borrowings	3,500,578,041
Trade and other payables	406,091,660
	8,864,354,787

	Loans and receivables
	Rupees
As at 30 June 2008	
Assets as per balance sheet	
Loans and advances	18,079,070
Deposits	915,942
Trade debts	1,311,338,154
Other receivables	34,514,292
Cash and bank balances	18,245,854
	1,383,093,312

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	4,544,126,989
Short term borrowings	3,190,716,138
Trade and other payables	329,844,357
Accrued mark-up	119,822,439
	8,184,509,923

38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 6 and 10 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 75% debt and 25% equity.

		2009	2008
Borrowings	Rupees	8,286,739,221	7,734,843,127
Total equity	Rupees	3,102,470,931	2,600,194,030
Total capital employed	Rupees	11,389,210,152	10,335,037,157
Gearing ratio	Percentage	72.76	74.84

39. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 8,455 million (2008: Rupees 8,860 million) out of which Rupees 5,059 million (2008: Rupees 5,669 million) remained unutilized at the end of the year.

40. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on 07 October 2009 has not proposed any bonus issue and cash dividend on ordinary shares (2008: 10% bonus issue and NIL cash dividend). Moreover, 15% preference dividend has been proposed by the Board of Directors for payment after approval in forthcoming Annual General Meeting, in accordance with the approved terms and conditions of preference share issue. Subsequent to the reporting date, the Board of Directors has also approved right issue of one ordinary share for every two ordinary shares held.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 October 2009 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of comparison. However, no significant rearrangements / regroupings have been made.

43. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

DIRECTOR

Categories of Shareholders
as on 30 June 2009

Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
Directors/Chief Executive Officer and their spouse and minor Children			
Mr. Muhamamd Saleem - Chairman	1	3,410,000	4.12
Mr. Shahzad Saleem - Chief Executive	1	7,260,000	8.78
Mrs. Farhat Salee - Director	1	3,993,000	4.83
Spouse			0.00
Mrs. Ayesha Shahzad W/o Mr. Shahzad Saleem	1	81856	0.10
TOTAL: -	4	14,744,856	17.82
Executives	-	-	0.00
Associated Companies, Undertakings and related parties	*1	*11,256,661	*13.61
Public Sectors Companies & Corporations	-	-	0.00
NIT and IDBP (ICP UNIT)	6	5,943,243	7.18
Banks, Development Financial Institutions & Non-Banking Financial Institutions	30	3,880,337	4.69
Insurance Companies	8	3,877,545	4.69
Modarabas & Mutual Funds	8	421,762	0.51
Joint Stock Companies	108	20,919,852	25.29
Others	28	2,442,490	2.95
General Public	6,830	30,490,837	36.86
TOTAL: -	**7,022**	**82,720,922**	**100.00**

* Shareholders having 10% or above shares exist in other categories therefore not included in total.

Shareholding Detail of 10% or more

Name of Shareholder	Shares held	%
Nishat Mills Limited	11,256,661	13.61
TOTAL :-	**11,256,661**	**13.61**

INFORMATION UNDER CLAUSE XIX(j) OF THE CODE OF CORPORATE GOVERNANCE
All trade in the Company's shares, carried out by its Directors , CEO ,CFO, Company Secretary and their spouses and minor children during the year July 01, 2008 to June 30, 2009:

Sale	Purchase
Nil	Nil

Pattern of Shareholding
as at 30 June 2009

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
2571	1	100	60,200
1177	101	500	311,952
1010	501	1000	701,104
1601	1001	5000	3,892,130
310	5001	10000	2,196,955
118	10001	15000	1,403,027
53	15001	20000	941,494
31	20001	25000	684,395
17	25001	30000	469,943
15	30001	35000	496,255
9	35001	40000	345,130
11	40001	45000	467,105
9	45001	50000	447,912
7	50001	55000	364,900
9	55001	60000	519,900
5	60001	65000	312,380
4	65001	70000	263,403
2	70001	75000	141,770
2	75001	80000	154,060
6	80001	85000	494,281
1	85001	90000	88,000
3	95001	100000	298,500
1	100001	105000	100,734
3	105001	110000	330,000
2	120001	125000	241,793
1	135001	140000	135,500
1	140001	145000	140,350
1	150001	155000	154,275
2	160001	165000	328,000
2	165001	170000	334,240
1	170001	175000	170,230
1	185001	190000	188,500
1	195001	200000	200,000
1	200001	205000	203,500
1	230001	235000	234,000
1	270001	275000	272,000
1	285001	290000	286,000
1	385001	390000	386,000
1	390001	395000	394,438
1	410001	415000	413,380
1	415001	420000	419,700
1	460001	465000	464,500
1	470001	475000	472,000
1	585001	590000	585,882
1	590001	595000	594,550
1	620001	625000	622,425
1	655001	660000	660,000
1	695001	700000	699,912
1	700001	705000	702,750
1	800001	805000	801,163
1	830001	835000	833,000
1	970001	975000	974,292
1	1155001	1160000	1,155,964
1	1315001	1320000	1,317,000
1	1325001	1330000	1,326,240
1	1485001	1490000	1,485,948
1	2220001	2225000	2,220,176
1	2680001	2685000	2,682,025
1	2785001	2790000	2,787,840
1	2950001	2955000	2,954,479
1	2980001	2985000	2,982,606
1	3015001	3020000	3,018,708
1	3385001	3390000	3,385,697
1	3405001	3410000	3,410,000
1	4470001	4475000	4,472,160
1	4575001	4580000	4,577,974
1	7775001	7780000	7,775,482
1	9770001	9775000	9,770,713
7,022			82,720,922

Nishat (Chunian) Limited and its Subsidiary Company

Consolidated Financial Statements With Accompanying Information

30 June 2009

Directors' Report

The Directors are pleased to present their report together with the consolidated audited results of Nishat (Chunian) Limited and its subsidiary for the year ended 30 June, 2009. The group results comprise of financial statements of Nishat (Chunian) Limited and Nishat Chunian Power Limited.

Nishat Chunian Power Limited, incorporated under the Companies Ordinance, 1984 on 23 February, 2007, is the subsidiary company of Nishat (Chunian) Limited. The Company is in the process of listing on Karachi and Lahore Stock Exchanges. The principal business of the subsidiary is to build, own, operate and maintain a Residual Furnace Oil (RFO) fired Independent Power Plant (IPP) on BOO (Build, Own and Operate) basis for power generation and its sale to National Transmission and Dispatch company Limited under a 25 years agreement with WAPDA. The project is a 200MW RFO fired reciprocating engine technology combined cycle power plant comprising of 11 proven Engine sets of type 18V46 manufactured by WARTSILA of Finland and eleven generating sets, one Heat Recovery Steam Turbine with generator. Nishat (Chunian) Limited currently owns and controls 57.81% shares of Nishat Chunian Power Limited. Work on project of Nishat Chunian Power Limited is progressing as per the schedule and 5 Engines, steam turbine and 11 Alternator have arrived at site and their erection work is in progress. The remaining six engines have been shipped and are expected to arrive at site at the start of November 2009. All power transformers are also on their found lines and most of the equipments for switchyard have been installed. Although the commercial operation date agreed with the government is June 30, 2010 but the subsidiary is expected to achieve its commercial operations by March 2010.

The Directors' Report giving a commentary on the performance of Nishat (Chunian) Limited for the year ended 30 June 2009, has been presented separately.

On behalf of the Board

Shahzad Saleem
Chief Executive

Lahore: 07 October 2009

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **NISHAT (CHUNIAN) LIMITED** (the Holding Company) and its Subsidiary Company, Nishat Chunian Power Limited as at 30 June 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Nishat (Chunian) Limited and its Subsidiary Company, Nishat Chunian Power Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Nishat (Chunian) Limited and its Subsidiary Company, Nishat Chunian Power Limited as at 30 June 2009 and the results of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

Syed Mustafa Ali

Date: 07 October 2009
LAHORE

Consolidated Balance Sheet as at

	NOTE	2009 Rupees	(Restated) 2008 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	3	1,750,000,000	800,000,000
Issued, subscribed and paid up share capital	4	1,240,813,830	752,008,380
Reserves	5	1,859,810,971	1,847,575,347
Equity attributable to equity holders of the parent		3,100,624,801	2,599,583,727
Minority interest		359,011,447	52,780,624
Total Equity		3,459,636,248	2,652,364,351
NON-CURRENT LIABILITIES			
Long term financing	6	10,296,389,685	3,634,707,643
Deferred tax liability	7	1,552,252	4,640,017
		10,297,941,937	3,639,347,660
CURRENT LIABILITIES			
Trade and other payables	8	459,619,896	382,825,333
Accrued mark-up	9	412,461,194	151,730,763
Short term borrowings	10	3,500,578,041	3,190,716,138
Current portion of non-current liabilities	11	1,679,207,525	1,957,737,473
		6,051,866,656	5,683,009,707
TOTAL LIABILITIES		16,349,808,593	9,322,357,367
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		19,809,444,841	11,974,721,718

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

CHIEF EXECUTIVE

30 June 2009

	NOTE	2009 Rupees	(Restated) 2008 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	13	15,145,261,812	7,594,267,891
Long term loans	14	3,537,975	9,706,688
Long term security deposits		1,187,942	895,942
		15,149,987,729	7,604,870,521
CURRENT ASSETS			
Stores, spare parts and loose tools	15	333,919,097	307,096,654
Stock in trade	16	2,183,103,730	2,447,462,949
Trade debts	17	1,516,728,987	1,311,338,154
Loans and advances	18	374,538,500	114,414,578
Short term deposits and prepayments	19	487,724	936,821
Other receivables	20	216,500,366	159,147,351
Cash and bank balances	21	34,178,708	29,454,690
		4,659,457,112	4,369,851,197
TOTAL ASSETS		19,809,444,841	11,974,721,718

DIRECTOR

Consolidated Profit and Loss Account
for the year ended 30 June 2009

	NOTE	2009 Rupees	(Restated) 2008 Rupees
Sales	22	9,964,545,471	9,138,298,052
Cost of sales	23	8,473,362,242	8,097,418,309
Gross profit		1,491,183,229	1,040,879,743
Distribution cost	24	291,799,017	224,932,148
Administrative expenses	25	107,814,894	84,892,252
Other operating expenses	26	16,467,327	6,489,259
		416,081,238	316,313,659
		1,075,101,991	724,566,084
Other operating income	27	173,233,301	56,672,302
Profit from operations		1,248,335,292	781,238,386
Finance cost	28	1,081,536,433	705,821,520
Profit before taxation		166,798,859	75,416,866
Provision for taxation	29	65,000,000	58,000,000
Profit after taxation		101,798,859	17,416,866
Share of profit attributable to:			
Equity holders of parent		102,107,816	17,569,442
Minority interest		(308,957)	(152,576)
		101,798,859	17,416,866
Basic earnings per share	30	1.17	0.21
Diluted earnings per share	30	0.82	0.21

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Cash Flow Statement
for the year ended 30 June 2009

	NOTE	2009 Rupees	(Restated) 2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	1,578,568,269	293,453,557
Long term deposits - net		(292,000)	-
Finance cost paid		(820,806,002)	(711,503,331)
Income tax paid		(79,787,880)	(70,875,558)
Net (increase) / decrease in long term loans		6,168,713	(3,373,459)
Net cash (used in) / generated from operating activities		683,851,100	(492,298,791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(8,099,811,628)	(1,628,066,923)
Proceeds from sale of property, plant and equipment		11,227,536	7,149,566
Net cash used in investing activities		(8,088,584,092)	(1,620,917,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		7,678,451,236	3,298,318,127
Repayment of long term financing		(1,295,299,142)	(1,243,573,810)
Repayment of long term murabaha		-	(481,250,000)
Proceeds from issuance of preference shares		413,604,610	-
Proceeds from minority shareholders		306,539,780	52,933,200
Share issuance cost		(3,667,721)	-
Dividend paid		(33,656)	(111,550,772)
Net cash generated from financing activities		7,099,595,107	1,514,876,745
Net decrease in cash and cash equivalents		(305,137,885)	(598,339,403)
Cash and cash equivalents at the beginning of the year		(3,161,261,448)	(2,562,922,045)
Cash and cash equivalents at the end of the year	32	(3,466,399,333)	(3,161,261,448)

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Changes in Equity

for the year ended 30 June 2009

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY								MINORITY INTEREST	TOTAL EQUITY
	SHARE CAPITAL			RESERVES						
				CAPITAL RESERVE	REVENUE RESERVES			TOTAL		
	Ordinary shares	Preference shares	TOTAL	Hedging reserve	General reserve	Unappropriated profit	Sub Total			
	.... Rupees									
Balance as at 30 June 2007	752,008,380	-	752,008,380	-	1,629,221,278	304,968,709	1,934,189,987	2,686,198,367	-	2,686,198,367
Final dividend for the year ended 30 June 2007 @ Rupees 1.5 per share	-	-	-	-	-	(112,801,257)	(112,801,257)	(112,801,257)	-	(112,801,257)
Fair value (net of deferred tax) of quanto interest rate swap entered into as part of cash flow hedge (Note 6.1.2)	-	-	-	8,617,175	-	-	8,617,175	8,617,175	-	8,617,175
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	52,933,200	52,933,200
Profit for the year ended 30 June 2008 - restated	-	-	-	-	-	17,569,442	17,569,442	17,569,442	(152,576)	17,416,866
Balance as at 30 June 2008 - restated	752,008,380	-	752,008,380	8,617,175	1,629,221,278	209,736,894	1,847,575,347	2,599,583,727	52,780,624	2,652,364,351
Bonus share issued @ 10%	75,200,840	-	75,200,840	-	-	(75,200,840)	(75,200,840)	-	-	-
15% non-voting cumulative convertible preference shares issued	-	413,604,610	413,604,610	-	-	-	-	413,604,610	-	413,604,610
Shares issuance cost, net	-	-	-	-	-	(3,667,721)	(3,667,721)	(3,667,721)	-	(3,667,721)
Fair value (net of deferred tax) of quanto interest rate swap entered into as part of cash flow hedge (Note 6.1.2)	-	-	-	(5,734,422)	-	-	(5,734,422)	(5,734,422)	-	(5,734,422)
Preference dividend for the year ended 30 June 2009	-	-	-	-	-	(5,269,209)	(5,269,209)	(5,269,209)	-	(5,269,209)
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	306,539,780	306,539,780
Profit for the year ended 30 June 2009	-	-	-	-	-	102,107,816	102,107,816	102,107,816	(308,957)	101,798,859
Balance as at 30 June 2009	**827,209,220**	**413,604,610**	**1,240,813,830**	**2,882,753**	**1,629,221,278**	**227,706,940**	**1,859,810,971**	**3,100,624,801**	**359,011,447**	**3,459,636,248**

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Consolidated Financial Statements
for the year ended 30 June 2009

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company	- Nishat (Chunian) Limited
Subsidiary Company	- Nishat Chunian Power Limited

Nishat (Chunian) Limited

Nishat (Chunian) Limited ("the Holding Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on the Lahore and Karachi Stock Exchanges. Its registered office is situated at 31-Q, Gulberg II, Lahore. The Company is engaged in business of spinning, weaving, dyeing, stitching, processing, doubling, sizing, buying, selling and otherwise dealing in yarn, fabric and made-ups made from raw cotton, synthetic fibre and cloth and to generate, accumulate, distribute, supply and sell electricity.

Nishat Chunian Power Limited

Nishat Chunian Power Limited ("the Subsidiary Company") is an unlisted public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The principal activity of the Company is to build, own, operate and maintain a fuel fired power station based on Reciprocating Engine Technology having gross capacity of 200 MW ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan and to generate, sell and supply electricity. The expected project commissioning date is 31 March 2010. Its registered office is situated at 31-Q, Gulberg II, Lahore. The Company is in the process of listing on the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited and has made an initial public offer.

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 certain financial instruments which are 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 accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the analysis of the management. Further, the values of assets are reviewed for possible impairments 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.

Accumulating compensated absences

The provision for the accumulated compensated absences is made by the Holding Company on the basis of accumulated leave balance on account of employees.

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.

Provisions

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

Fair value of derivatives

Fair value of derivatives that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

d) Standard that is effective in current year

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

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

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

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

The 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 2008 or later periods:

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

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

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

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

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

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

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

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

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

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

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

2.2 Consolidation

Subsidiary

Subsidiary is that entity 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 Company are included in the consolidated financial statements from the date control commences until the date that control ceases.

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

Intra group balances and transactions have been eliminated.

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

2.3 Taxation

Holding Company

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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

Subsidiary Company

The Company's profits and gains from electric power generation are exempt from tax under clause (132), Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company is also exempt from minimum tax on turnover under clause (11A), Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

2.4 Employee benefits

The main features of the schemes operated are as follows:

Provident fund

The Group operates a funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the employees and the employer to the fund in accordance with the fund rules. The employer's contributions to the fund are charged to profit and loss account currently.

Accumulating compensated absences

The Holding Company provides for accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. Under the rules, head office employees and factory staff are entitled to 20 days leave per year and factory workers are entitled to 14 days leave per year respectively. Unutilized leaves can be accumulated upto 10 days in case of head office employees, 40 days in case of factory staff and upto 28 days in case of factory workers. Any further un-utilized leaves will lapse. Any un-utilized leave balance i.e. 40 days and 28 days in case of factory staff and workers respectively, can be encashed by them at any time during their employment. Unutilized leaves can be used at any time by all employees, subject to the Holding Company's approval. Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

2.5 Fixed assets

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 in relation to certain property, plant and equipment signifies historical cost and mark up etc., as referred to Note 2.8. Freehold land and capital work in progress are stated at cost less any accumulated impairment losses (if any).

Depreciation on all operating fixed assets is charged to income on the reducing balance method so as to write off the cost of the assets over their estimated useful lives at the rates given in Note 13.1. Depreciation on additions is charged from the month in which the assets are available for use and on deletions upto the month in which assets are deleted. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Impairment loss or its reversal, if any, is also charged to profit and loss account. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

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 cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

Change in accounting estimate

Depreciation of buildings

Previously, depreciation on buildings was charged at the rate of 10%. Now, the Group has changed its accounting estimate to charge depreciation on buildings at the rate of 5% as a result of annual review of useful lives of fixed assets. This change in accounting estimate has been applied prospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting estimate, the figures recognized in these consolidated financial statements would have been different as follows:

	2009 RUPEES
Depreciation on buildings would have been increased by	48,011,127
Profit after taxation would have been lower by	44,650,348

Intangible asset - Computer software

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programme are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits accruing for a period exceeding one year, are recognized as intangible asset. Direct costs include the purchase costs of software and related overhead costs.

Intangible asset is amortized from the month when such asset is available for use on written down value basis over its useful economic life.

2.6 Investments

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

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

Available for sale

Investments available for sale are initially recognized at fair value. Subsequently, these are restated to fair value, with difference taken to the equity.

2.7 Inventories

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

Stores and spares

Usable stores and spares 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 represents:

- Spinning: annual average cost
- Weaving, dyeing and stitching: moving average cost

Cost of work-in-process and finished goods comprise cost of direct material, labor and appropriate manufacturing overheads. Cost of goods purchased for resale is based on FIFO.

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

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

2.8 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. 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.

2.9 Borrowing cost

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of cost of that asset.

2.10 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers.

Return on bank deposits is accrued on a time proportionate basis by reference to the principal outstanding and the applicable rate of return.

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

Dividend income on equity investments is recognized as and when the right to receive dividend is established.

2.11 Share capital

Ordinary shares and irredeemable preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Financial instruments

Financial instruments carried on the balance sheet include trade debts, loans and advances, deposits, other receivables, cash and bank balances, short term borrowings, long term financing and trade and other payables, accrued markup, long term loan, long term security deposits, interest accrued. Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized 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 derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except investments) and derecognition is charged to the profit and loss account currently.

Financial assets and liabilities are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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.

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 rate method.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair value. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts, demand deposits, other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and short term borrowings. In the balance sheet, short term borrowings are included in current liabilities.

2.13 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will affect profit or loss.

2.14 Provisions

Provisions are recorded when the Group has a present obligation as a result of past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.15 Related party transactions and transfer pricing

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

2.16 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

2.17 Dividend to ordinary shareholders and other appropriations

Dividend to ordinary shareholders and transfer among reserves are treated as post balance sheet non adjusting events hence do not qualify for provision in the financial statements as per the requirements of IAS 10 "Events after the Reporting Date". These transfers are therefore recorded in the next year's financial statements.

3. AUTHORIZED SHARE CAPITAL

2009	2008		2009	2008
(Number of shares)			Rupees	Rupees
130,000,000	80,000,000	Ordinary shares of Rupees 10 each	1,300,000,000	800,000,000
45,000,000	-	15% non-voting cumulative convertible preference shares of Rupees 10 each	450,000,000	-
175,000,000	80,000,000		1,750,000,000	800,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2009	2008		2009	2008
(Number of shares)			Rupees	Rupees
Ordinary shares				
12,000,000	12,000,000	Ordinary shares of Rupees 10 each fully paid in cash	120,000,000	120,000,000
69,496,657	61,976,573	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	694,966,570	619,765,730
1,224,265	1,224,265	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of arrangement as approved by the Honourable Lahore High Court, Lahore.	12,242,650	12,242,650
82,720,922	75,200,838		827,209,220	752,008,380
Preference shares				
41,360,461	-	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	413,604,610	-
124,081,383	75,200,838		1,240,813,830	752,008,380

	2009	2008
	(Number of Shares)	
4.1 Ordinary shares of the Holding Company held by Nishat Mills Limited - related party		
Ordinary shares	11,256,661	10,233,329
Preference shares	5,628,330	-
	16,884,991	10,233,329

4.2 Movement during the year

Ordinary shares			2009 Rupees	2008 Rupees
75,200,838	75,200,838	At 01 July	752,008,380	752,008,380
7,520,084	-	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	75,200,840	-
82,720,922	75,200,838		827,209,220	752,008,380
Preference shares				
-	-	At 01 July	-	-
41,360,461	-	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	413,604,610	-
41,360,461	-		413,604,610	-

4.3 The Holding Company, during the financial year ended 30 June 2009, had offered to the shareholders of the Holding Company 41,360,461 preference shares of Rupees 10 each at par value. This preference shares right issue was made in the ratio of 50 preference shares (non-voting cumulative convertible) for every 100 ordinary shares held by the Holding Company's shareholders as on 10 February 2009. These shares are listed on Lahore and Karachi Stock Exchanges of Pakistan. The salient terms of this issue are as follows:

4.3.1 The preference shares are non-voting in nature and enjoy preference over ordinary shares in case of payment of dividend and liquidation. No cash dividend on ordinary shares will be payable until all the dividends on preference shares have been paid.

4.3.2 The preference shareholders are not entitled to bonus or right shares in the event the Holding Company increases its share capital by the issue of further ordinary shares or otherwise, except on preference shares which have been converted into ordinary shares.

4.3.3 The preference shareholders will have the option to serve the conversion notice after the end of the three months from the date of issue of preference shares and upto three years from the date of issue. At the expiry of three years from the date of issue, all outstanding preference shares will be converted into ordinary shares at the conversion price. Preference shareholders will have the option to serve a notice to convert the preference shares along with the accumulated dividend into the ordinary shares of the Holding Company within the conversion period by providing a two months written notice to the Holding Company. The Holding Company will have one month after the two months conversion notice to issue ordinary shares to the preference shareholders at the conversion price. The preference shares along with the accumulated dividend will be convertible into ordinary shares at a price Rupees 10 per ordinary share. No put or call option is available.

4.3.4 Preferred dividend will be paid on an annual basis at the end of each accounting period subsequent to 30 June 2009 or proportionately for the period prior to 30 June 2009 from the date of issue and after the approval of the dividend payment in the Annual General Meeting of the Holding Company. The preferred dividend amount will be determined after applying the relevant dividend rate to the outstanding preference shares. The preferred dividend will be paid at the rate of 15%.

	2009 Rupees	2008 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Capital reserve		
Hedging reserve (note 5.1)	2,882,753	8,617,175
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	227,706,940	209,736,894
	1,856,928,218	1,838,958,172
	1,859,810,971	1,847,575,347

5.1 This represents the unrealized gain on remeasurement of derivative quanto (interest rate) swap at fair value and is not available for distribution. Reconciliation of hedging reserve is as under:

	2009 Rupees	2008 Rupees
Balance as at 01 July	8,617,175	-
Add / (Less): Fair value adjustment during the year	(4,182,170)	13,257,192
	4,435,005	13,257,192
Less: Deferred tax liability	1,552,252	4,640,017
Balance as at 30 June	2,882,753	8,617,175

	2009 Rupees	2008 Rupees
6. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 6.1)	4,536,161,180	4,294,126,989
Long term musharika (Note 6.2)	250,000,000	250,000,000
Long term financing by consortium of banks (Note 6.3)	7,189,436,030	1,048,318,127
	11,975,597,210	5,592,445,116
Less: Current portion shown under current liabilities (Note 11)	1,679,207,525	1,957,737,473
	10,296,389,685	3,634,707,643

6.1

Lender	2009 Rupees	2008 Rupees	Rate of mark up per annum	Number of installments	Mark up repricing	Mark up payable
Nishat (Chunian) Limited - Holding Company						
Standard Chartered Bank (Pakistan) Limited	50,000,000	100,000,000	6-month KIBOR +0.5%	Eight equal half yearly installments commenced on 25 August 2006 and ending on 25 February 2010	Half Yearly	Half Yearly
The Royal Bank of Scotland Limited-1	-	150,000,000	3-month KIBOR +0.5%	Bullet Payment on 16 August 2008	Quarterly	Quarterly
The Royal Bank of Scotland Limited-2	300,000,000	300,000,000	6-month KIBOR +1.25%	Bullet Payment on 30 June 2009	Half Yearly	Half Yearly
United Bank Limited-1	71,428,645	214,285,787	6-month KIBOR +0.50%	Seven equal half yearly installments commenced on 28 September 2006 and ending on 28 September 2009	Half Yearly	Quarterly
United Bank Limited-2	250,000,000	312,500,000	SBP rate for LTF-EOP+ 3%	Eight equal half yearly installments commenced on 28 February 2007 and ending on 31 July 2011	-	Quarterly
United Bank Limited-3	120,000,000	160,000,000	6-month KIBOR +1.05%	Ten equal half yearly installments commenced on 27 December 2007 and ending on 27 June 2012	Half Yearly	Half Yearly
United Bank Limited-4	350,000,000	450,000,000	6-month KIBOR +0.95%	Ten equal half yearly installments commenced on 24 June 2008 and ending on 24 December 2012	Half Yearly	Half Yearly
United Bank Limited-5	500,000,000	-	6-month KIBOR +1.75%	Eight equal half yearly installments commencing on 31 March 2010 and ending on 30 September 2013	Half Yearly	Quarterly
United Bank Limited-6	250,000,000	-	6-month KIBOR +2.40%	Six equal half yearly installments commencing on 31 December 2010 and ending on 30 June 2013	Half Yearly	Quarterly
Habib Bank Limited-1	58,600,000	89,850,000	SBP rate for LTF-EOP+2%	Six equal half yearly installments commenced on 30 March 2007 and ending on 30 September 2010	-	Quarterly
Habib Bank Limited-2	93,750,000	125,000,000	SBP rate for LTF-EOP+3%	Eight equal half yearly installments commenced on 25 December 2006 and ending on 25 June 2011	-	Quarterly
Habib Bank Limited-3	36,623,184	45,778,980	SBP rate for LTF-EOP+3%	Eight equal half yearly installments commenced on 24 May 2007 and ending on 24 November 2011	-	Quarterly
Habib Bank Limited-4	38,096,020	45,715,224	SBP rate for LTF-EOP+3%	Eight equal half yearly installments commenced on 03 August 2007 and ending on 03 February 2012	-	Quarterly
Habib Bank Limited-5	260,000,000	-	6-month KIBOR +2.50%	Nine equal half yearly installments commencing on 01 April 2010 and ending on 01 April 2014	Half Yearly	Quarterly
Habib Bank Limited-6	240,000,000	-	6-month KIBOR +2.50%	Nine equal half yearly installments commencing on 25 June 2010 and ending on 25 June 2014	Half Yearly	Quarterly
Citibank N.A	149,333,334	149,333,334	SBP rate for LTF-EOP+2%	Six equal half yearly installments commenced on 31 December 2007 and ending on 27 June 2011	-	Half Yearly
Allied Bank Limited-1	83,329,997	166,663,664	SBP rate for LTF-EOP+2%	Twelve equal quarterly installments commenced on 28 September 2006 and ending on 28 June 2010	-	Quarterly
Allied Bank Limited-2	100,000,000	200,000,000	SBP rate for LTF-EOP+2%	Ten equal quarterly installments commenced on 15 March 2007 and ending on 15 June 2010	-	Quarterly
Allied Bank Limited-3	300,000,000	300,000,000	6-month KIBOR +1.05%	Six equal half yearly installments commencing on 23 December 2009 and ending on 23 June 2012	Half Yearly	Half Yearly
Allied Bank Limited-4	350,000,000	450,000,000	6-month KIBOR +1.05%	Ten equal half yearly installments commenced on 28 March 2008 and ending on 28 September 2012	Half Yearly	Half Yearly
Allied Bank Limited-5	490,000,000	630,000,000	6-month KIBOR +0.85%	Ten equal half yearly installments commenced on 14 June 2008 and ending on 14 December 2012	Half Yearly	Half Yearly
The Hong Kong and Shanghai Banking Corporation Limited	-	150,000,000	6-month KIBOR (Average of last 15 working days) +1.00%	Bullet Payment on 29 December 2008	Half Yearly	Half Yearly
Atlas Bank Limited	195,000,000	255,000,000	6-month KIBOR +1.05%	Twenty equal quarterly installments commenced on 29 December 2007 and ending on 29 September 2012	Half Yearly	Quarterly
National Bank of Pakistan	250,000,000	-	6-month KIBOR +2.50%	Eight equal half yearly installments commencing on 30 September 2009 and ending on 31 March 2013	Half Yearly	Half Yearly
	4,536,161,180	4,294,126,989				

6.1.1 These are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 8,033 million (2008: Rupees 8,140 million).

6.1.2 Derivative quanto (interest rate) swap

The Company has entered into a derivative quanto (interest rate) swap of notional amount of Rupees 500 million for its local currency loans to hedge the possible adverse movement in interest rates. Under the terms of the agreement, the Company pays JPY London Interbank Offered Rate (LIBOR) plus bank spread @ 10.15% semi annually to the arranging bank on the local currency loan and receives Karachi Interbank Offered Rate (KIBOR). There has been no transfer of liability in this arrangement, only nature of interest payment has been changed. As this arrangement is effective and meets the criteria for cash flow hedge, this arrangement qualified for hedge accounting as per IAS 39 'Financial Instruments: Recognition and Measurement'.

6.2 This facility carries mark-up @ 6-month KIBOR + 1.25% per annum. The principal amount is repayable in sixteen equal quarterly installments commencing from 30 September 2009 and ending on 30 June 2013. This facility is secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 333 million (2008: Rupees 334 million).

6.3 This represents long term financing obtained by Nishat Chunian Power Limited - Subsidiary Company from a consortium of banks led by United Bank Limited (agent bank) and includes National Bank of Pakistan, Habib Bank Limited, Allied Bank Limited, Faysal Bank Limited and Arif Habib Bank Limited on murabaha basis. The total project financing facility amounts to Rupees 12,354.502 million. The financing is secured against first joint pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of the Subsidiary Company (excluding the mortgaged immovable property), lien over project bank accounts and pledge of shares of Holding Company. It carries mark-up at the rate of three months KIBOR plus three percent per annum payable on quarterly basis. The effective mark-up rate during the year ended 30 June 2009 ranged from 15.77% to 18.52% (2008: 12.85% to 13.14%) per annum. The finance is repayable in forty unequal quarterly installments commencing from 30 June 2010

7. DEFERRED TAX LIABILITY

This represents deferred tax liability on fair value of cash flow hedge as stated in Note 6.1.2. No provision for deferred tax on other temporary differences was required due to available tax losses. Further, the Holding Company's future tax liability is expected to be limited to tax under section 169 of the Income Tax Ordinance, 2001. Accordingly, the temporary differences are not likely to reverse in the foreseeable future and no deferred tax asset was recognized.

	2009 Rupees	(Restated) 2008 Rupees
8. TRADE AND OTHER PAYABLES		
Creditors	209,805,572	184,065,132
Accrued liabilities	148,682,231	94,385,918
Advances from customers	26,477,001	36,765,877
Retention money	7,983,112	9,001,017
Payable to provident fund trust	-	1,073,914
Income tax deducted at source	3,376,930	2,327,934
Unpaid and unclaimed dividend	13,551,654	13,585,310
Preference dividend payable	5,269,209	-
Workers' profit participation fund (Note 8.1)	9,066,344	4,036,732
Workers' welfare fund	9,511,304	6,075,719
Fair value loss on foreign currency forward contracts	-	4,626,999
Loss on interest rate swap	-	3,329,049
Commitment fee	1,707,577	3,122,839
Others	24,188,962	20,428,893
	459,619,896	382,825,333

	2009 Rupees	2008 Rupees
8.1 Workers' profit participation fund		
Balance as on 01 July	4,036,732	6,249,651
Interest for the year (Note 29)	481,311	518,165
Add: Provision for the year (Note 27)	9,066,344	4,036,732
	13,584,387	10,804,548
Less : Payments during the year	4,518,043	6,767,816
	9,066,344	4,036,732

8.1.1 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.

	2009 Rupees	2008 Rupees
9. ACCRUED MARK-UP		
Long term financing	328,570,126	101,440,100
Short term borrowings	83,891,068	50,290,663
	412,461,194	151,730,763
10. SHORT TERM BORROWINGS		
From banking companies-secured		
Short term running finances (Notes 10.1 and 10.2)	1,212,392,470	627,434,495
Export finances-Preshipment / SBP refinance (Notes 10.1 and 10.3)	1,008,185,571	1,583,281,643
Other short term finances (Notes 10.1 and 10.4)	1,280,000,000	980,000,000
	3,500,578,041	3,190,716,138

10.1 These finances are obtained by Holding Company from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Holding Company and lien on export bills.

10.2 The rates of mark-up range from 3.01% to 17% (2008: 1.58% to 14.38%) per annum on the balance outstanding.

10.3 The rates of mark-up range from 3.33% to 15.13% (2008: 3.05% to 13.41%) per annum on the balance outstanding.

10.4 The rates of mark-up range from 14.20% to 15.22% (2008: 9.56% to 13.31%) per annum on the balance outstanding.

	2009 Rupees	2008 Rupees
11. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 6)	1,541,755,864	1,957,737,473
Long term musharika (Note 6)	62,500,000	-
Long term financing by consortium of banks (Note 6)	74,951,661	-
	1,679,207,525	1,957,737,473

12. CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 Guarantees of Rupees 187.219 million (2008: Rupees 168.115 million) have been issued by the banks of the Holding Company to Sui Northern Gas Pipelines Limited against gas connections.

12.2 The Holding Company has given following guarantees on behalf of Nishat Chunian Power Limited - Subsidiary Company:

- Performance guarantee of USD 1 million (Pak Rupees 81.100 million) [2008:USD 1 million (Pak Rupees 68.350 million)] in favour of Private Power and Infrastructure Board (Government of Pakistan) to secure performance of Nishat Chunian Power Limited under Implementation Agreement and Power Purchase Agreement.

- The Holding Company has issued irrevocable standby letters of credit of Rupees 882.876 million (2008: Rupees 1,437.599 million) for equity injection and Rupees 147.120 million (2008: Rupees 147.120 million) for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Chunian Power Limited - Subsidiary Company.

12.3 Irrevocable letter of credit of USD 5,369,650 (30 June 2008: USD 5,369,650) equivalent to Rupees 436,552,545 (30 June 2008: Rupees 366,102,737) given by Subsidiary Company in favour of National Transmission and Despatch Company as required under the Power Purchase Agreement.

12.4 Payment guarantee of USD 3,844,080 (30 June 2008: Nil) equivalent to Rupees 312,139,296 (30 June 2008: Nil) given by Subsidiary Company in favour of Wartsila Pakistan (Private) Limited to secure payment obligation by the Company under construction services contract.

12.5 The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2008: 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Holding Company has not submitted Appendix-1 as per rule 297-A of the above referred scheme. The Holding Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal (custom, excise and sales tax) Karachi bench which is still pending. The Holding Company had also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Holding Company and forwarded the case to FBR. The matter is still pending at FBR end.

12.6 Orders were issued by the Taxation Officer under Section 221 of the Income Tax Ordinance, 2001 for assessment years 1998-99 to 2001-02 under which the assessing officer has levied tax under Section 80D on local sales of the Holding Company irrespective of the tax paid under Section 80CC and thus creating a demand of Rupees 1.470 million, Rupees 1.436 million, Rupees 2.250 million and Rupees 2.713 million respectively for said years. An appeal against said orders had been filed before the CIT (Appeals) who decided the case in favour of the Holding Company. The department has filed appeal before Income Tax Appellate Tribunal (ITAT) which has been heard by ITAT and the Holding Company expects a favourable order as the Lahore High Court has decided an identical case in taxpayers favour. No provision has been made there against in these consolidated financial statements based on advice of the legal counsel.

12.7 Order was issued by the Assistant Commissioner of Income Tax (ACIT) under section 122(1) of the Income Tax Ordinance, 2001 for tax year 2008 as a result of audit of the Holding Company under section 177 of the Income Tax Ordinance, 2001 whereby a demand of Rupees 42.833 million has been raised against the Holding Company on various grounds. The Holding Company has filed an appeal before CIT (Appeals) and consider that its stance is based on reasonable grounds and appeal is likely to succeed. Hence, no provision has been recognized in the consolidated financial statements based on advice of the legal counsel.

12.8 While framing assessment orders of Umer Fabrics Limited (entity now merged in Holding Company) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-2003 the Income Tax Officer disallowed certain expenses on pro-rata basis. The Holding Company being aggrieved has filed appeals with the CIT (Appeals) which have been decided in Holding Company's favour against which the department has preferred an appeal to Income Tax Appellate Tribunal (ITAT). ITAT has now decided the case in favour of the Holding

Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances has been made in the consolidated financial statements as the management is confident that the matter would be settled in the Holding Company's favour. If the decision of ITAT is not upheld, the provision for taxation amounting to Rupees 17.157 million (2008: Rupees 17.157 million) would be required.

12.9 The Holding Company has preferred appeal against the Government of Punjab in the Lahore High Court against imposition of Electricity Duty on internal generation. The Holding Company has fully provided and paid its liability in respect of generation for the current year.

12.10 The Deputy Collector (Refund – Gold) by order dated 16 May 2007 rejected the input tax claim of the Holding Company, for the month of June 2005, amounting to Rupees 1.604 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June, 2005, if not used for the purpose of exports made up to the 31 December 2005. Consequently, the Holding Company has filed an appeal before the Collector of Sales Tax. Pending the outcome of appeal no provision for inadmissible input tax has been recognized in the financial statements, since the Holding Company has strong grounds against the order of taxation authority.

12.11 Post dated cheques have been issued by Holding Company to custom authorities in respect of duties amounting to Rupees 456.052 million (2008: Rupees 23.793 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheque issued as security shall be encashable.

Commitments

i) Contracts for capital expenditure of the Group are amounting to Rupees 7,095.186 million (2008: Rupees 13,191.704 million).

ii) Letters of credit other than for capital expenditure of the Holding Company are amounting to Rupees 291.489 million (2008: Rupees 151.583 million).

iii) Quanto (interest rate) swap entered by Holding Company of Rupees 500.000 million (outstanding notional amount) (2008: Rupees 500.000 million) as on 30 June 2009.

iv) The Holding Company has entered into foreign currency forward contracts of Rupees 1,131.288 million (2008: Rupees 439.705 million).

	2009 Rupees	2008 Rupees
13. FIXED ASSETS		
Property, plant and equipment		
Operating assets (Note 13.1)	5,981,577,203	6,139,633,290
Capital work in progress (Note 13.2)	9,162,761,309	1,453,315,601
	15,144,338,512	7,592,948,891
Intangible asset:		
Computer software	923,300	-
Intangible asset under development - computer software	-	1,319,000
	15,145,261,812	7,594,267,891

13.1 Reconciliation of carrying amounts at the beginning and at end of the year is as follows:

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total operating assets	Computer software
At 01 July 2007										
Cost	188,776,332	1,429,108,475	7,194,588,182	157,527,106	58,190,718	37,552,754	123,292,143	110,188,196	9,299,223,906	-
Accumulated depreciation	-	(500,320,639)	(2,220,068,290)	(70,974,325)	(33,279,449)	(13,435,968)	(26,319,938)	(44,875,542)	(2,909,274,151)	-
Net book value	188,776,332	928,787,836	4,974,519,892	86,552,781	24,911,269	24,116,786	96,972,205	65,312,654	6,389,949,755	-
Year ended 30 June 2008										
Opening net book value	188,776,332	928,787,836	4,974,519,892	86,552,781	24,911,269	24,116,786	96,972,205	65,312,654	6,389,949,755	-
Additions	70,016,715	95,068,296	192,238,853	1,350,102	5,000,667	2,802,852	3,319,563	11,682,635	381,479,683	-
Disposals:										
Cost	-	-	-	-	-	(834,619)	(31,979)	(11,987,470)	(12,854,068)	-
Accumulated depreciation	-	-	-	-	-	323,405	8,019	7,202,108	7,533,532	-
	-	-	-	-	-	(511,214)	(23,960)	(4,785,362)	(5,320,536)	-
Depreciation charge	-	(94,959,374)	(494,504,295)	(8,773,480)	(2,900,786)	(2,649,284)	(9,925,305)	(12,763,088)	(626,475,612)	-
Closing net book value	258,793,047	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,342,503	59,446,839	6,139,633,290	-
At 01 July 2008										
Cost	258,793,047	1,524,176,771	7,386,827,035	158,877,208	63,191,385	39,520,987	126,579,727	109,883,361	9,667,849,521	-
Accumulated depreciation	-	(595,280,013)	(2,714,572,585)	(79,747,805)	(36,180,235)	(15,761,847)	(36,237,224)	(50,436,522)	(3,528,216,231)	-
Net book value	258,793,047	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,342,503	59,446,839	6,139,633,290	-
Year ended 30 June 2009										
Opening net book value	258,793,047	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,342,503	59,446,839	6,139,633,290	-
Additions	1,000,000	50,229,330	306,220,996	9,694,793	78,100	1,135,718	3,595,748	18,411,235	390,365,920	1,319,000
Disposals:										
Cost	-	-	(13,491,708)	-	-	-	-	(16,111,871)	(29,603,579)	-
Accumulated depreciation	-	-	9,153,885	-	-	-	-	9,741,999	18,895,884	-
	-	-	(4,337,823)	-	-	-	-	(6,369,872)	(10,707,695)	-
Depreciation / amortisation charge	-	(48,011,127)	(456,605,549)	(8,000,889)	(2,703,218)	(2,449,285)	(9,295,433)	(10,648,811)	(537,714,312)	(395,700)
Closing net book value	259,793,047	931,114,961	4,517,532,074	80,823,307	24,386,032	22,445,573	84,642,818	60,839,391	5,981,577,203	923,300
At 30 June 2009										
Cost	259,793,047	1,574,406,101	7,679,556,323	168,572,001	63,269,485	40,656,705	130,175,475	112,182,725	10,028,611,862	1,319,000
Accumulated depreciation / amortisation	-	(643,291,140)	(3,162,024,249)	(87,748,694)	(38,883,453)	(18,211,132)	(45,532,657)	(51,343,334)	(4,047,034,659)	(395,700)
Net book value	259,793,047	931,114,961	4,517,532,074	80,823,307	24,386,032	22,445,573	84,642,818	60,839,391	5,981,577,203	923,300
Annual rate of depreciation / amortization (%)	-	5	10	10	10	10	10	20		30

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

Description	Cost	Accumulated depreciation	Net Book Value	Sale Proceeds	(Gain)/ Loss	Mode of Disposal	Particulars of Purchaser
			.... Rupees				
Plant & Machinery							
Boiler	4,750,000	3,215,080	1,534,920	825,000	709,920	Negotiation	Madina Engineering, Manga Mandi
Atlas Copco ZR-315	8,741,708	5,938,805	2,802,903	2,300,000	502,903	Negotiation	Fatima Enterprises, Multan
Vehicles							
Employees							
Honda CD-70	55,740	19,658	36,082	54,000	(17,918)	As per policy	Wajid Farooq, Main Bazar Rana Colony, Gujranwala
Suzuki Cultus LWG-3289	634,400	242,358	392,042	439,879	(47,837)	As per policy	Zawar Iqbal Rao, Gulberg III, Lahore
Toyota Corolla LEB-06-3460	1,246,545	375,266	871,279	1,246,545	(375,266)	As per policy	Aliya Hamza Malik,DHA, Lahore
Honda Civic EXI-LZG-645	981,427	604,062	377,365	229,376	147,989	As per policy	Jamal-ud-Din, Thokar Niaz Baig, Lahore
Outsiders							
Suzuki Alto LRH-8743	596,200	418,107	178,093	385,000	(206,907)	Negotiation	Rashid Maqbool, Tajpura Chahmeeran, Lahore
Mitsubishi LWC-3578	1,271,060	500,906	770,154	520,000	250,154	Negotiation	Mirza Aftab Ali, Township, Lahore
Suzuki Mehran LEC-07-6908	406,553	97,500	309,053	375,000	(65,947)	Negotiation	Sultan Habib, Canal View Housing Society, Lahore
Honda Civic LRT-468	1,269,560	817,048	452,512	750,000	(297,488)	Negotiation	Sabir Ali, Habib Homes Peco Road, Lahore
Mercedez Benz LRL-467	7,696,816	5,462,572	2,234,244	2,900,000	(665,756)	Negotiation	Sabir Ali, Habib Homes Peco Road, Lahore
Toyota Corolla LRW-9370	1,218,980	817,263	401,717	820,000	(418,283)	Negotiation	Rashid Maqbool,Tajpura Chahmeeran, Lahore
Suzuki Cultus LWG-8665	734,590	387,259	347,331	382,736	(35,405)	Negotiation	Fahad Saeed Dar, Gulberg II, Lahore
	29,603,579	18,895,884	10,707,695	11,227,536	(519,841)		

	2009 Rupees	2008 Rupees
13.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 23)	527,628,997	613,894,012
Administrative expenses (Note 25)	9,982,931	12,456,547
Unallocated expenditure	498,084	125,053
	538,110,012	626,475,612
13.2 Capital work in progress		
Plant and machinery	5,689,595,893	149,771,784
Civil works on freehold land	45,004,941	54,073,393
Advance for purchase of assets	2,378,106,915	881,231,176
Mobilization advance	303,015	816,096
Unallocated capital expenditures (Note 13.3)	1,049,750,545	367,423,152
	9,162,761,309	1,453,315,601

	2009 Rupees	(Restated) 2008 Rupees
13.3 Unallocated expenditures - Nishat Chunian Power Limited - Subsidiary Company		
Salaries and other benefits (Note 13.3.1)	25,740,283	8,948,473
Insurance	152,551,709	150,710,122
Traveling and conveyance	4,985,364	1,507,436
Entertainment	479,684	233,008
Vehicle running and maintenance	1,217,809	428,971
Fuel and power	416,872	117,269
Postage and telephone	236,681	45,175
Printing and stationery	299,907	150,167
Advertisement	56,403	5,775
Legal and professional charges	13,409,258	10,125,272
Consultancy charges	6,629,869	2,850,108
Fee and subscription	28,914,566	21,915,145
Mark-up on long term financing	678,059,343	53,645,246
Bank charges and finance fee	127,016,162	108,700,552
Bank guarantee commission	8,746,286	7,835,789
Depreciation	623,137	125,053
Miscellaneous	367,212	79,591
	1,049,750,545	367,423,152

13.3.1 Salaries and other benefits include Rupees 556,390 (30 June 2008: Rupees 219,735) in respect of provident fund contribution by the Subsidiary Company during the year / period.

	2009 Rupees	2008 Rupees
14. LONG TERM LOANS		
Considered good:		
Executives (Note 14.1)	976,542	8,469,671
Other employees	3,207,167	2,867,397
	4,183,709	11,337,068
Less: Current portion shown under current assets (Note 18)		
Executives	384,708	1,330,608
Other employees	261,026	299,772
	645,734	1,630,380
	3,537,975	9,706,688
14.1 Reconciliation of carrying amount of loans to executives:		
Opening balance as at 01 July	8,469,671	5,378,999
Disbursements	1,678,203	4,462,140
Less: Repayments	8,427,611	1,371,468
Transferred to loan and advances (Note 14.3)	743,721	-
Closing balance as at 30 June	976,542	8,469,671

14.1.1 Maximum aggregate balance due from executives at the end of any month during the year is Rupees 9.236 million (2008: Rupees 8.968 million).

14.2 These represent car and house construction loans to executives and employees, payable in 48 and 15 monthly installments respectively. These carry interest at the rate 9.00 % to 13.50% per annum (2008: 9.00 to 10.5% per annum). Car loans are secured against registration of cars in the name of the Company, whereas house construction loans are unsecured.

14.3 This house construction loan was given by Subsidiary Company to its General Manager at an interest rate of 13.5% (30 June 2008: 10.5%) per annum. After his resignation on 24 May 2009, the loan has been transferred to "loan and advances" and will be adjusted on full and final settlement.

14.4 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.

	2009 Rupees	2008 Rupees
15. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	205,247,070	204,824,436
Spare parts	126,616,302	95,721,213
Loose tools	2,055,725	6,551,005
	333,919,097	307,096,654
16. STOCK IN TRADE		
Raw materials (Note 16.1)	1,494,506,123	1,799,479,746
Work in process	304,749,505	195,443,205
Finished goods - own produced (Note 16.2)	361,764,128	421,026,976
Finished goods - trading stock	-	6,412,705
Waste	22,083,974	25,100,317
	2,183,103,730	2,447,462,949

16.1 Raw materials include stock in transit of Rupees 2.551 million (30 June 2008: NIL).

16.2 Finished goods include inventory of Rupees 2.940 million (30 June 2008: Rupees 0.854 million) valued at net realizable value.

	2009 Rupees	2008 Rupees
17. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	904,445,228	834,181,356
Unsecured (Note 17.3)	612,283,759	477,156,798
	1,516,728,987	1,311,338,154
Considered doubtful:		
Others - unsecured	1,908,098	-
Less: Provision for doubtful debts		
As at 01 July	-	-
Bad debts written off against provision for the year	1,908,098	-
	1,908,098	-
As at 30 June	-	-

17.1 As at 30 June 2009, trade debts of Rupees 43.420 million (30 June 2008 : Rupees 47.905 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2009 Rupees	2008 Rupees
Upto 1 month	1,666,889	7,961,166
1 to 6 months	7,217,067	25,526,317
More than 6 months	34,535,666	14,417,456
	43,419,622	47,904,939

17.2 As at 30 June 2009, trade debts of Rupees 1.908 million (30 June 2008 : Nil) were impaired and written off. The aging of these trade debts was more than six month.

17.3 Trade debts include Rupees 0.051 million (2008: Nil) due from Nishat Mills Limited - related party.

	2009 Rupees	2008 Rupees
18. LOANS AND ADVANCES		
Considered good:		
Employees:		
-Executives	2,121,791	423,828
-Other employees	10,016,474	8,495,190
	12,138,265	8,919,018
Current portion of long term loans (Note 14)	645,734	1,630,380
Advances to suppliers (Note 18.1)	66,088,093	66,376,955
Advances to contractors	7,061,933	6,670,052
Letters of credit	287,763,719	30,818,173
Recoverable from ex-executive on full and final settlement	743,721	-
Advance against expenses	5,217	-
Other advances	91,818	-
	374,538,500	114,414,578

18.1 Advances to suppliers include Nil (2008: Rupees 5.652 million) due from Nishat Mills Limited - related party.

	2009 Rupees	2008 Rupees
19. SHORT TERM DEPOSITS AND PREPAYMENTS		
Short term deposits	-	20,000
Prepayments	487,724	916,821
	487,724	936,821

	2009 Rupees	2008 Rupees
20. OTHER RECEIVABLES		
Sales tax recoverable	79,514,671	65,791,065
Advance income tax - net	33,641,577	17,804,702
Export rebate	11,401,176	9,497,532
Research and development support receivable	2,791,494	31,539,760
Fair value gain on forward contracts	5,459,532	-
Fair value of interest rate swap	15,982,394	13,257,192
Subsidy receivable against financing of import of spinning machinery	5,943,260	11,125,650
Receivable from provident fund trust	750,942	-
Others	61,015,320	10,131,450
	216,500,366	159,147,351
21. CASH AND BANK BALANCES		
With Banks:		
On PLS saving accounts (Note 21.1) Including US$ 3,840 (2008: US$ 20,795)	4,993,077	12,392,583
On current accounts (Note 21.2) Including US$ 73,063 (2008: US$ 28,618)	27,004,248	15,445,537
	31,997,325	27,838,120
Cash in hand	2,181,383	1,616,570
	34,178,708	29,454,690

21.1 Rate of profit on bank deposits is 5% to 5.50% (2008: 0.50% to 5.50%) per annum.

21.2 Included in cash at bank are Rupees 9.837 million (2008: Rupees 10.584 million) deposited with MCB Bank Limited - associated undertaking.

	2009 Rupees	2008 Rupees
22. SALES		
Export	6,288,427,221	5,865,020,185
Local (Note 22.1)	3,664,102,751	3,250,731,973
Export rebate	12,015,499	22,545,894
	9,964,545,471	9,138,298,052
22.1 Local sales		
Sales	3,430,689,394	3,108,019,590
Processing Income	193,199,342	142,712,383
Sale of electricity to WAPDA	40,214,015	-
	3,664,102,751	3,250,731,973

	2009 Rupees	2008 Rupees
23. COST OF SALES		
Raw material consumed (Note 23.1)	5,508,354,923	5,216,394,420
Packing materials consumed	264,564,347	324,428,293
Stores, spare parts and loose tools	611,599,466	525,403,798
Salaries, wages and other benefits (Note 23.2)	634,677,628	565,619,267
Fuel and power	824,488,263	568,870,641
Insurance	27,202,583	21,634,338
Postage and telephone	416,526	654,447
Traveling and conveyance	7,116,335	11,770,947
Vehicles' running and maintenance	10,653,164	9,121,798
Entertainment	1,622,616	1,088,958
Depreciation (Note 13.1.2)	527,628,997	613,894,012
Repair and maintenance	22,222,365	11,368,868
Other factory overheads	61,272,551	54,690,077
	8,501,819,764	7,924,939,864
Work-in-process		
Opening stock	195,443,205	268,870,213
Closing stock	(304,749,505)	(195,443,205)
	(109,306,300)	73,427,008
Cost of goods manufactured	8,392,513,464	7,998,366,872
Finished goods and waste - opening stocks		
Finished goods	421,026,976	513,446,035
Waste	25,100,317	12,493,371
	446,127,293	525,939,406
	8,838,640,757	8,524,306,278
Finished goods and waste - closing stocks		
Finished goods	(361,764,128)	(421,026,976)
Waste	(22,083,974)	(25,100,317)
	(383,848,102)	(446,127,293)
Cost of sales - own manufactured goods	8,454,792,655	8,078,178,985
Opening stock of purchased finished goods	6,412,705	1,670,072
Finished goods purchased	12,156,882	23,981,957
Closing stock of purchased finished goods	-	(6,412,705)
Cost of sales - purchased finished goods	18,569,587	19,239,324
	8,473,362,242	8,097,418,309

23.1 Raw material consumed

	2009 Rupees	2008 Rupees
Opening stock	1,799,479,746	1,003,422,670
Add: Purchased during the year	5,203,381,300	6,012,451,496
	7,002,861,046	7,015,874,166
Less: Closing stock	1,494,506,123	1,799,479,746
	5,508,354,923	5,216,394,420

23.2 Salaries, wages and other benefits include Rupees 7.503 million (2008: Rupees 6.136 million) and Rupees 15.635 million (2008: Rupees 15.869 million) in respect of staff compensated absences and provident fund contribution by the Group respectively.

	2009 Rupees	2008 Rupees
24. DISTRIBUTION COST		
Salaries and other benefits (Note 24.1)	23,722,407	21,783,711
Ocean freight	77,626,924	59,460,621
Freight and octroi	38,348,896	24,035,965
Forwarding and other expenses	15,177,380	11,966,725
Export marketing expenses	44,172,137	22,931,063
Commission to selling agents	92,751,273	84,754,063
	291,799,017	224,932,148

24.1 Salaries and other benefits include Rupees 0.479 million (2008: Rupees 0.547 million) and Rupees 1.193 million (2008: Rupees 01.024 million) in respect of staff compensated absences and provident fund contribution by the Group respectively.

	2009 Rupees	(Restated) 2008 Rupees
25. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 25.1)	50,754,438	31,160,252
Printing and stationery	1,949,161	1,729,417
Vehicles' running and maintenance	4,400,749	2,790,582
Traveling and conveyance	13,368,766	6,744,281
Postage, telephone and telegraph	4,519,281	4,644,680
Fee and subscription	1,860,622	832,045
Legal and professional	4,336,240	4,870,057
Electricity and sui gas	2,901,965	2,925,322
Insurance	2,468,418	2,738,645
Repair and maintenance	1,896,987	880,196
Research and development (Note 25.2)	-	6,167,297
Entertainment	1,590,452	1,323,599
Auditors' remuneration (Note 25.3)	1,251,450	854,000
Advertisement	670,510	404,747
Depreciation (Note 13.1.2)	9,982,931	12,456,547
Miscellaneous	5,862,924	4,370,585
	107,814,894	84,892,252

25.1 Salaries and other benefits include Rupees 2.188 million (2008: Rupees 1.946 million) and Rupees 1.887 million (2008: Rupees 1.663 million) in respect of staff compensated absences and provident fund contribution by the Group respectively.

	2009 Rupees	2008 Rupees
25.2 Research and development		
Support on account of research and development (Note 25.2.1)	-	112,314,980
Less: Utilization		
Product development	-	71,727,208
Professional consultancy	-	24,350,898
Market research	-	19,227,974
Participation in exhibitions	-	3,176,197
	-	118,482,277
	-	6,167,297

25.2.1 The research and development support was given by Ministry of Commerce, Government of Pakistan vide SRO 803(1)/2006 dated 04 August 2006 in order to encourage and regulate the research and development in textile sector.

	2009 Rupees	2008 Rupees
25.3 Auditors' remuneration		
Audit fee	850,000	583,000
Half yearly review	243,000	130,000
Certification fees	50,000	50,000
Reimbursable expenses	108,450	91,000
	1,251,450	854,000
26. OTHER OPERATING EXPENSES		
Workers' profit participation fund (Note 8.1)	9,066,344	4,036,732
Workers' welfare fund	3,435,585	-
Bad debts written off	1,908,098	-
Donations (Note 26.1)	2,057,300	2,452,527
	16,467,327	6,489,259
26.1 Name of donee in which a director or his spouse has an interest:		
Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore Mr. Muhammad Saleem, Chairman of the Holding Company and Mr. Shahzad Saleem, Chief Executive of the Holding Company are trustees.	2,057,300	1,892,527

	2009 Rupees	(Restated) 2008 Rupees
27. OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposits	376,698	56,175
Exchange gain - net	152,679,402	35,118,651
Income from non financial assets		
Profit on sale of property, plant and equipment	519,840	1,829,030
Others		
Sale of scrap	17,978,809	19,280,351
Miscellaneous	1,678,552	388,095
	173,233,301	56,672,302

	2009 Rupees	2008 Rupees
28. FINANCE COST		
Mark-up on:		
- long term financing - net (Note 28.1)	520,877,094	372,050,676
- long term murabaha	-	10,790,485
- long term musharika	40,457,397	-
- short term running finances	214,975,933	65,648,195
- export finances - Preshipment / SBP refinances	135,504,251	108,830,944
- short term finances	114,376,009	79,028,355
Interest on workers' profit participation fund (Note 8.1)	481,311	518,165
Loss on interest rate swap	-	6,501,075
Exchange loss on foreign currency forward contracts	-	27,657,140
Bank and other charges	54,864,438	34,796,485
	1,081,536,433	705,821,520

28.1 This includes subsidy @ 3% amounting to Rupees 25.097 million (2008: Rupees 23.837 million) received / receivable from Government of Pakistan on mark up rates for financing of import of spinning machinery vide SRO No.973(I)/2007 dated 06 September 2007.

	2009 Rupees	2008 Rupees
30. PROVISION FOR TAXATION		
Current - (Note 30.1)	65,000,000	58,000,000

29.1 The Holding Company is under the ambit of final tax upto the extent of export sales under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. No provision for income tax was considered necessary for income which is not subject to final tax under section 169 of the Income Tax Ordinance, 2001, as the Holding Company has estimated carry forwardable tax losses of Rupees 474.782 million (2008: Rupees 396.581 million). Further, numerical reconciliation between the average effective tax rate and the applicable tax rate has not been given, being impracticable.

29.2 Profits and gains derived by the Subsidiary Company from electric power generation project are exempt from tax.

		2009 Rupees	2008 Rupees
30. EARNINGS PER SHARE			
Basic			
Profit after taxation (Rupees)		102,107,816	17,569,442
Preference dividend (Rupees)		5,269,209	-
Profit after taxation attributable to ordinary shareholders	(Rupees)	96,838,607	17,569,442
			Restated
Weighted average number of ordinary shares outstanding during the year		82,720,922	82,720,922
			Restated
Earnings per share - basic (Rupees) (Note 30.1)		1.17	0.21

		2009 Rupees	2008 Rupees
Diluted			
Profit after taxation	(Rupees)	102,107,816	17,569,442
Weighted average number of ordinary shares outstanding during the year		82,720,922	82,720,922
Effect of dilutive potential preference shares		41,360,461	-
		124,081,383	82,720,922
Earnings per share - diluted	(Rupees)	0.82	0.21

30.1 Basic earning per share has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issued.

	2009 Rupees	(Restated) 2008 Rupees

31. CASH GENERATED FROM OPERATIONS

	2009 Rupees	(Restated) 2008 Rupees
Profit before taxation	166,798,859	75,416,866
Adjustment for non cash charges and other items:		
Depreciation / amortization	538,110,012	626,350,559
Gain on sale of property, plant and equipment	(519,841)	(1,829,030)
Finance cost	1,081,536,433	705,821,520
Working capital changes (Note 31.1)	(207,357,194)	(1,112,306,358)
	1,578,568,269	293,453,557

31.1 Working capital changes

	2009 Rupees	(Restated) 2008 Rupees
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(26,822,443)	(73,822,337)
Stock in trade	264,359,219	(647,560,588)
Trade debts	(205,390,833)	(469,225,269)
Loans and advances	(260,123,922)	30,796,706
Short term deposits and prepayments	449,097	1,012,677
Other receivables	(50,338,327)	(13,727,896)
	(277,867,209)	(1,172,526,707)
Increase in current liabilities:		
Trade and other payables	70,510,015	60,220,349
	(207,357,194)	(1,112,306,358)

32. CASH AND CASH EQUIVALENTS

	2009 Rupees	2008 Rupees
Cash and bank balances (Note 21)	34,178,708	29,454,690
Short term borrowings (Note 10)	(3,500,578,041)	(3,190,716,138)
	(3,466,399,333)	(3,161,261,448)

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
Managerial remuneration	-	1,666,680	1,600,080	2,200,116	21,705,004	24,007,234
Contribution to provident fund	-	-	-	-	1,808,027	1,833,202
House rent	-	666,650	639,912	879,876	8,681,728	9,602,718
Utilities	-	435,850	160,008	383,248	2,170,318	2,400,439
Others	-	530,300	572,724	749,076	563,175	3,173,295
	-	3,299,480	2,972,724	4,212,316	34,928,252	41,016,888
Number of persons	1	1	1	1	23	23

33.1 The Company also provides to Chief Executive, Directors and certain Executives with free use of Company maintained cars and residential telephones.

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, other related party, key management personnel and staff retirement benefit plan. In the normal course of business, the management carried out transactions with these related parties. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

	2009 Rupees	2008 Rupees
Associated companies		
Insurance premium paid	1,909,838	15,697,800
Insurance claim received	134,001	-
Purchase of goods	16,039,541	-
Other related party		
Purchase of goods	107,532,958	82,964,290
Sales of goods	128,241,936	128,015,048
Post employment benefit plan		
Expense charged in respect of retirement benefit plans	18,761,549	18,632,678

	2009	2008

35. PLANT CAPACITY AND ACTUAL PRODUCTION

35.1 Holding Company

Spinning

	2009	2008
Number of spindles installed	148,357	144,803
Number of spindles worked	139,008	137,170
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	49,507,139	50,499,811
Actual production of yarn after conversion into 20/1 count (Kgs.)	48,775,505	49,753,511

Under utilization of available capacity was due to normal maintenance and time lost in shifting of coarser counts to finer counts and vice versa.

Weaving

	2009	2008
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	182,694,493	182,694,493
Actual production after conversion into 50 picks - square yards	177,425,527	175,508,331

Under utilization of available capacity was due to the following reasons:
- change of articles required
- higher count and cover factor
- due to normal maintenance

Power Plant

	2009	2008
Number of engines installed	10	10
Number of engines worked	10	10
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	270,088,758
Actual generation (KWh)	179,605,840	180,715,176

Under utilization of available capacity was due to normal maintenance.

Dyeing

	2009	2008
Number of thermosol dyeing machines	1	1
Number of stenters machines	2	2
Number of shifts per day	3	3
Capacity in meters	26,400,000	26,400,000
Actual processing of fabrics - meters	18,526,893	21,111,835

Under utilization of available capacity was due to low demand and normal maintenance.

Stitching

	2009	2008
Number of stitching machines	240	240
Number of shifts per day	1	1
Capacity in meters	16,800,000	16,800,000
Actual stitching of fabrics - meters	5,045,555	10,406,322

Under utilization of available capacity was due to low demand.

35.2 Subsidiary Company

After completion of the project, the gross available capacity will be of 200 MW. The expected project commissioning date is 31 March 2010.

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2009	2008
Cash at banks - USD	76,903	49,413
Trade debts - USD	15,425,686	13,210,419
Trade and other payable - USD	744,149	634,997
Short term borrowings as FE 25 import / export loans - USD	9,133,236	2,112,176
Accrued mark-up on FE 25 import / export loans - USD	73,222	20,844
Net exposure - USD	5,551,982	10,491,815

The following significant exchange rates were applied during the year:

Rupees per US Dollar	2009	2008
Average rate	78.23	64.31
Reporting date rate	81.10	68.35

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 20.312 million (30 June 2008: Rupees 32.894 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

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

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

	2009 Rupees	2008 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	809,732,535	1,134,841,202
Short term borrowings	2,022,532,124	2,428,281,643
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	4,993,077	12,392,583
Financial liabilities		
Long term financing	11,165,864,675	4,457,603,914
Short term borrowings	1,478,045,917	762,434,495

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 117.542 million (30 June 2008: Rupees 48.431 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:

	2009 Rupees	2008 Rupees
Loans and advances	17,157,512	20,256,086
Deposits	1,187,942	915,942
Trade debts	1,516,728,987	1,311,338,154
Other receivables	82,940,973	34,514,292
Bank balances	31,997,325	27,838,120
	1,650,012,739	1,394,862,594

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

	Rating			2009 Rupees	2008 Rupees
	Short term	Long term	Agency		
Banks					
Askari Bank Limited	A1+	AA	PACRA	644,845	47,507
The Royal Bank of Scotland Limited	A1+	AA	PACRA	10,488,038	634,767
Atlas Bank Limited	A2	A-	PACRA	4,800	4,800
Bank Alfalah Limited	A1+	AA	PACRA	215,212	1,336,806
The Bank of Punjab	A1+	AA -	PACRA	25,136	3,823
Bank Islami (Pakistan) Limited	A1	A	PACRA	5,500	-
Citibank N.A.	P-1	A1	Moody's	2,159	1,819
Dubai Islamic Bank Pakistan Limited	A-2	A	JCR-VIS	78,596	207,033
Dawood Islamic Bank Limited	A-2	A-	JCR-VIS	4,346	4,945
Faysal Bank Limited	A-1+	AA	PACRA	46,391	4,891
Habib Bank Limited	A-1+	AA+	JCR-VIS	96,735	94,690
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	20	319
HSBC Bank Middle East Limited	P-1	Aa2	Moody's	479,023	-
Meezan Bank Limited	A-1	A+	JCR-VIS	460,349	102,233
MCB Bank Limited	A1+	AA+	PACRA	9,498,375	10,583,780
NIB Bank Limited	A1+	AA -	PACRA	546,299	341,021
Standard Chartered Bank (Pakistan) Limited	A-1+	AA+	JCR-VIS	461,804	2,081,788
United Bank Limited	A-1+	AA+	JCR-VIS	8,939,697	12,387,898
				31,997,325	27,838,120

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 17.

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 2009, the Goup had Rupees 10,224 million available borrowing limits from financial institutions and Rupees 329.445 million cash and bank balances. Inspite the fact that the Group is in a negative working capital position at the year end, management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2009:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
Long term financing	11,975,597,210	19,035,330,645	1,963,521,294	1,093,105,525	2,328,648,289	13,650,055,537
Trade and other payables	411,188,317	411,188,317	411,188,317	-	-	-
Short term borrowings	3,500,578,041	4,887,399,612	3,694,485,554	1,192,914,058	-	-
	15,887,363,568	24,333,918,574	6,069,195,165	2,286,019,583	2,328,648,289	13,650,055,537

Contractual maturities of financial liabilities as at 30 June 2008:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
Long term financing	5,592,445,116	9,529,881,235	1,292,262,255	747,914,971	2,456,843,818	5,032,860,191
Trade and other payables	333,619,071	333,619,071	333,619,071	-	-	-
Short term borrowings	3,190,716,138	3,351,308,632	2,686,352,578	664,956,054	-	-
	9,116,780,325	13,214,808,938	4,312,233,904	1,412,871,025	2,456,843,818	5,032,860,191

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

36.2 Fair values of financial assets and liabilities

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

36.3 Financial instruments by categories

	Loans and receivables
	Rupees
As at 30 June 2009	
Assets as per balance sheet	
Loans and advances	17,157,512
Deposits	1,187,942
Trade debts	1,516,728,987
Other receivables	82,940,973
Cash and bank balances	34,178,708
	1,652,194,122

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	11,975,597,210
Accrued mark-up	412,461,194
Short term borrowings	3,500,578,041
Trade and other payables	411,188,317
	16,299,824,762

	Loans and receivables
	Rupees
As at 30 June 2008	
Assets as per balance sheet	
Loans and advances	20,256,086
Deposits	915,942
Trade debts	1,311,338,154
Other receivables	34,514,292
Cash and bank balances	29,454,690
	1,396,479,164

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	5,592,445,116
Accrued mark-up	151,730,763
Short term borrowings	3,190,716,138
Trade and other payables	333,619,071
	9,268,511,088

37. CAPITAL RISK MANAGEMENT

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

		2009	2008
Borrowings	Rupees	15,476,175,251	8,783,161,254
Total equity	Rupees	3,459,636,248	2,652,364,351
Total capital employed	Rupees	18,935,811,499	11,435,525,605
Gearing ratio	Percentage	81.73	76.81

38. UNUTILIZED CREDIT FACILITIES

The Group has total credit facilities amounting to Rupees 20,810 million (2008: Rupees 21,215 million) out of which Rupees 10,224 million (2008: Rupees 11,306 million) remained unutilized at the end of the year.

39. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on 07 October 2009 has not proposed any bonus issue and cash dividend on ordinary shares (2008: 10% bonus issue and NIL cash dividend). Moreover, 15% preference dividend has been proposed by the Board of Directors of the Holding Company for payment after approval in forthcoming Annual General Meeting of the Holding Company, in accordance with the approved terms and conditions of preference share issue. Subsequent to the reporting date, the Board of Directors of the Holding Company has also approved right issue of one ordinary share for every two ordinary shares held.

40. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 07 October 2009 by the Board of Directors of the Holding Company.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of comparison. However, no significant rearrangements / regroupings have been made except that in order to comply with the requirements of revised Internationational Accounting Standard (IAS 16) 'Property, Plant and Equipment', the Subsidiary Company has prepared the profit and loss account for its current and corresponding period. As a result, the corresponding figures of consolidated profit and loss account, consolidated cash flow statement, consolidated statement of changes in equity and their relevant notes have been restated in these consolidated financial statements.

42. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE | DIRECTOR

Proxy Form

The Company Secretary,
Nishat (Chunian) Limited
31-Q, Gulberg-II,
Lahore.

I / We ____

of ____ being a member(s) of

Nishat (Chunian) Limited, and a holder of ______________________________ Ordinary shares

as per Share Register Folio No. ______________________________

(in case of Central Depository System Account Holder A/c No. ______________________________

Participant I.D. No. ______________________) hereby appoint ______________________

of ______________________________________ another member of the Company as per

Share Register Folio No. ______________________ (or failing him / her ______________________

of ______________________________ another member of the Company) as my / our Proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, to be held on 31 October 2009 (Friday) at 10:30 a.m. at the Registered Office of the Company (31-Q, Gulberg II, Lahore) and at any adjournment thereof.

As witness my hand this ______________________ day of ______________________ 2009

signed by the said ______________________________________ in presence

of ____

Witness

Signature

Signature

Affix Rs. 5/- Revenue Stamp

Notes:

1. Proxies, in order to be effective, must be received at the Company's Registered Office / Head Office not less than 48 hours before the meeting duly stamped, signed and witnessed.

2. Signature must agree with the specimen signature registered with the Company.