

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 142,196 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.

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Company Information

| | | |
|----------------------------|---|--|
| Board of Directors: | Mr. Muhammad Saleem Mrs. Farhat Saleem Mr. Shahzad Saleem Mr. Manzoor Ahmed Mr. Aftab Ahmad Khan Mr. Manzar Mushtaq Mrs. Nabiha Samad | Chairman Chief Executive Nominee NIT |
|----------------------------|---|--|

| | | |
|-------------------------|--|------------------------------|
| Audit Committee: | Mr. Aftab Ahmad Khan Mr. Shahzad Saleem Mr. Manzar Mushtaq | Chairman Member Member |
|-------------------------|--|------------------------------|

| | |
|---------------------------|-------------------|
| Company Secretary: | Mr. Farrukh Ifzal |
|---------------------------|-------------------|

| | |
|--------------------------------|---|
| Bankers to the Company: | ABN AMRO Bank N.V. Allied Bank Limited Askari Commercial Bank Limited Bank Alfalah Limited Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Hong Kong & Shanghai Banking Corporation Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Standard Chartered Bank Pakistan Limited The Bank of Punjab 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 : 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 18th 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 31 October 2007 (Wednesday) at 10:30 a.m. to transact the following business:-

1. To confirm the minutes of the last General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended 30 June 2007 together with Directors' and Auditors' reports thereon.
3. To approve 15% Cash Dividend (i.e. Rs. 1.50 per share) as recommended by the Board of Directors.
4. To appoint auditors for the year ending 30 June 2008 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.

BOOKS CLOSURE

The Share Transfer Books of the Company will remain closed from 26 October 2007 to 01 November 2007 (both days inclusive) for the entitlement of payout.

By Order of the Board

Farrukh Ifzal
Company Secretary

Lahore: 05 October 2007

Notes:

1. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his / her proxy to attend and vote as his / her proxy on his / her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting.
2. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their National Identity Card (NIC) along with their Account Number in CDC for verification. 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.
3. In case of proxy for individual beneficial owner of CDC attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited alongwith the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify any change in their addresses immediately.

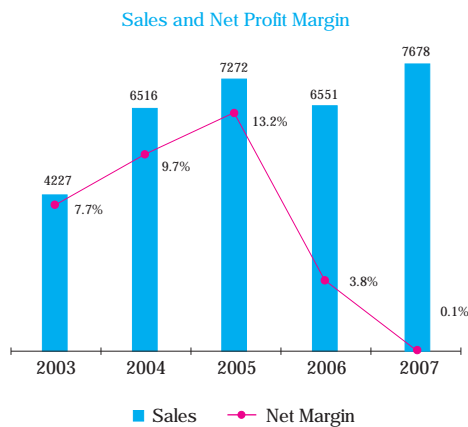
Directors' Report

Economic Environment

The year under review is from July 2006 to June 2007. During the year, country's economy remained stable. However, Year 2006-07 was one of the most difficult years for Pakistan's textile industry. Higher cotton prices, higher wages and severe price competition reduced the profitability margins across the whole textile industry. Cotton prices were higher by around 7% whereas prices of yarn remained stagnant resulting into losses for the spinning industry. Higher fuel prices and gas load shedding disrupting the operations of the power generation, resulted into higher fuel charges. Tightening of monetary policy further increased the already high interest rates.

Performance of the Company

During the year under review, the Company's profitability is at its lowest in last ten years. Sales during the year are highest ever at Rs. 7,678 million as compared to Rs. 6,551 million during the last year. This shows an annual increase in sales of around 17.20%. However, the Company's profit before tax has sharply declined to Rs. 111.16 million as compared to Rs. 340.80 million last year. Profit after tax is Rs. 10.16 million because of the tax provision of Rs. 101 million as the Company is under presumptive tax regime. Higher cost of production and increased price competition has reduced the profitability margins substantially. The Company's gross profit margin dropped to 12.47% from last year's 17.84%. Further increase in the financial charges also reduced the profitability. Financial charges are Rs. 648 million showing an increase of Rs. 154 million over the last year. Earning per share (EPS) is Rs. 0.14 as compared to Rs. 3.34 last year.



The reduced profitability of the company is attributable to a number of factors. This was the first year our Home Textiles

Plant came into production and initially capacity utilization remained below break even level. During the year we had a partial shutdown in one of our spinning units for shifting of machinery for change in the product mix. Higher cotton prices and partial shutdown of the spinning unit resulted into a loss of around Rs. 150 million in our spinning division during the year. Currently our Home Textiles Division is operating at more than 80% capacity. Moreover after changing the product mix of the spinning units, our spinning division is operating at above breakeven level. Keeping in view the present scenario we are hopeful to have a higher profitability in next year.

Investments

During the year under review, the Company made no substantial investment in the plant and machinery. Presently we are operating with 142,196 spindles, 293 air jet looms, 1 Dyeing & Stitching plant and captive power plants with the combined capacity of 33 MW.

Financial Structure

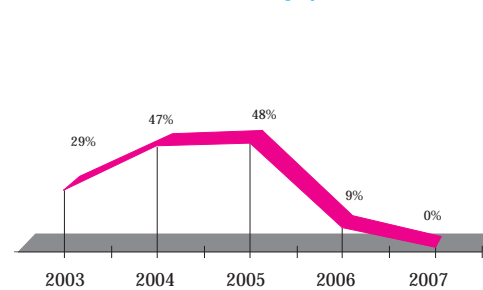
A conservative financial structure has been employed in view of the seasonality and cyclicity of the textile industry. We have identified the targeted levels of the critical financial ratios and decisions for future investments are made subject to the constraints of these financial ratios.

During the year under review, financial charges have increased by 31%. This is mainly due to the general hike in the interest rates in the country. The illustration shows the last five years' financial charges as a percentage of sales.

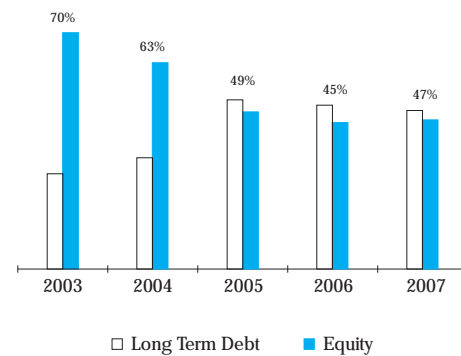
Business Strategy

Aggressive marketing has been the major factor in our

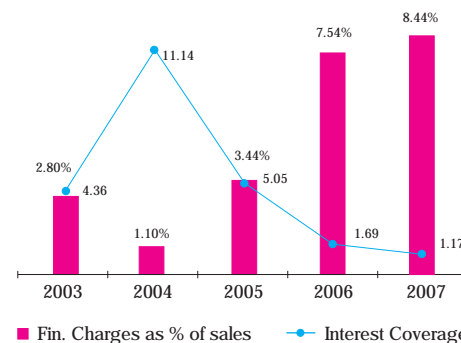
Return on Equity

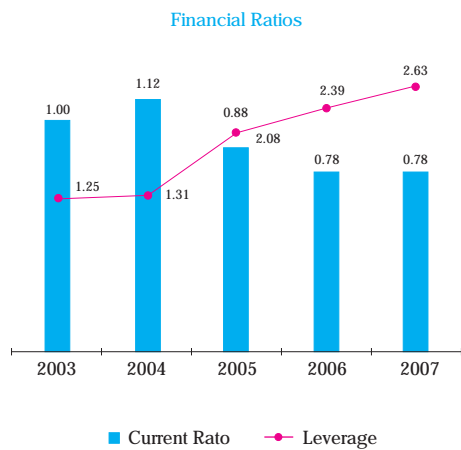


Long Term Debt to Equity Ratios



Financial Charges and Interest Coverage





consistent profitability over the past years. Our strategy is to remain at the cutting edge in terms of exploring new markets and new products. The focus is on niche marketing with specialized products. We have differentiated our business through consistent quality, reliable delivery and proactive handling of customer's needs.

Investment in state of the art technology and top quality human resources has been key element of our business strategy. The organizational structure is lean with very little hierarchy and bureaucracy compared to other organizations of similar size. This gives us the flexibility to respond quickly to the changes in the market situation.

Dividends

The Company has maintained a steady stream of dividend payouts while retaining adequate portion of the profits for future growth. This year also we have proposed a dividend @ 15% (Rs. 1.50 per share of Rs. 10 each).

Future Outlook

We have decided to diversify out of the textiles business. We are setting up a 200 MW power plant with a project cost of around USD 205 million near Bhai Pheru, Kasur, by the name Nishat Chunian Power Limited. This project is proposed to be financed by debt and equity in 80:20 proportion. Nishat Chunian Limited will be holding 51% ordinary shares of Nishat Chunian Power Limited. The project is expected to achieve the financial close by end of December this year. Commercial Operation Date of the project is June 2010.

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 judgment.
- 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 2007 amounts to Rupees 54.480 million.
- i. The pattern of shareholding as at 30 June 2007 is annexed.

Board Meetings

During the year under review, four (4) meetings were held.

Attendance by each director is as follows:

| Name of Director | | Attendance |
|-------------------------|-------------------|------------|
| Mr. Muhammad Saleem | (Chairman) | 2 |
| Mr. Shahzad Saleem | (Chief Executive) | 3 |
| Mr. Yahya Saleem* | | 2 |
| Mr. Manzoor Ahmed | (Nominee NIT) | 2 |
| Mr. Khalid Niaz Khawaja | | 4 |
| Mr. Aftab Ahmad Khan | | 3 |
| Mr. Manzar Mushtaq | | 1 |
| Mrs. Farhat Saleem** | | 1 |

* Resigned on 02 April 2007.

** Appointed in place of Mr. Yahya Saleem on 02 April 2007.

On behalf of the Board

Shahzad Saleem
Chief Executive

Lahore: 05 October 2007

Financial Highlights

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005* | 2006 | 2007 |
|------------------------------------|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | (Rupees in thousand) | | | | | | | | | |
| Capital | 144,000 | 144,000 | 403,200 | 403,200 | 403,200 | 443,520 | 443,520 | 683,644 | 752,008 | 752,008 |
| Reserves | 162,237 | 194,792 | 192,289 | 340,409 | 742,888 | 919,106 | 1,444,303 | 1,992,547 | 2,036,835 | 1,934,191 |
| Net Worth | 306,237 | 338,792 | 595,489 | 743,609 | 1,146,088 | 1,362,626 | 1,886,823 | 2,676,191 | 2,788,843 | 2,686,199 |
| Long Term Liabilities | 270,431 | 280,856 | 567,030 | 476,321 | 865,539 | 589,642 | 1,116,667 | 2,780,833 | 3,413,020 | 2,984,127 |
| Current Liabilities | 702,242 | 1,015,989 | 619,802 | 1,130,202 | 773,885 | 1,110,277 | 1,355,126 | 2,790,559 | 3,263,315 | 4,084,957 |
| Total Equity & Liabilities | 1,278,910 | 1,635,637 | 1,782,321 | 2,350,132 | 2,785,512 | 3,062,545 | 4,358,616 | 8,247,583 | 9,465,178 | 9,755,283 |
| Fixed Assets | 886,593 | 956,365 | 1,202,614 | 1,537,288 | 1,829,775 | 1,954,767 | 2,837,084 | 5,778,293 | 6,903,335 | 6,544,227 |
| Long Term Deposits & Advances | 227 | 227 | 527 | 545 | 545 | 426 | 386 | 1,800 | 4,828 | 7,652 |
| Current Assets | 392,090 | 679,045 | 579,180 | 812,299 | 955,192 | 1,107,352 | 1,521,146 | 2,467,490 | 2,557,015 | 3,203,404 |
| Total Assets | 1,278,910 | 1,635,637 | 1,782,321 | 2,350,132 | 2,785,512 | 3,062,545 | 4,358,616 | 8,247,583 | 9,465,178 | 9,755,283 |
| Sales | 1,148,551 | 2,094,958 | 2,367,018 | 3,066,830 | 4,054,099 | 4,226,715 | 6,516,226 | 5,454,231 | 6,550,782 | 7,677,539 |
| Gross Profit | 183,371 | 362,475 | 628,457 | 684,287 | 966,745 | 742,242 | 968,808 | 1,225,206 | 1,168,532 | 957,209 |
| Operating Profit plus Other Income | 156,465 | 290,531 | 533,773 | 523,634 | 781,787 | 519,004 | 796,705 | 947,262 | 834,845 | 759,303 |
| Financial & Other charges | 93,244 | 185,936 | 155,772 | 237,811 | 218,099 | 143,586 | 111,014 | 187,899 | 494,045 | 648,146 |
| Taxation | 11,611 | 13,000 | 20,504 | 36,903 | 60,409 | 48,000 | 50,614 | 37,542 | 90,000 | 101,000 |
| Net Profit | 51,610 | 91,595 | 357,497 | 248,920 | 503,279 | 327,418 | 635,077 | 721,822 | 250,800 | 10,157 |
| Gross Margin | 16.0% | 17.3% | 26.6% | 22.3% | 18.9% | 17.6% | 14.9% | 22.5% | 17.8% | 12.47% |
| Net Margin | 4.5% | 4.4% | 15.1% | 8.1% | 12.4% | 7.7% | 9.7% | 13.2% | 3.8% | 0.13% |
| Current Ratio | 0.56 | 0.67 | 0.93 | 0.72 | 1.23 | 1.00 | 1.12 | 0.88 | 0.78 | 0.78 |
| Leverage (Total Liab./Net Worth) | 3.18 | 3.83 | 1.99 | 2.16 | 1.43 | 1.25 | 1.31 | 2.08 | 2.39 | 2.63 |
| Long Term Debt : Equity | 47:53 | 45:55 | 49:51 | 39:61 | 43:57 | 30:70 | 37:63 | 51:49 | 55:45 | 53:47 |
| EPS ** | 0.69 | 1.22 | 4.75 | 3.31 | 6.69 | 4.35 | 8.45 | 9.60 | 3.34 | 0.14 |

* 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 2007

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 40 (Chapter XIII) 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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred during the year under review and was filled up the same day by the Directors.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by 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 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.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
15. 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.

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16. 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.
 17. 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.
 18. 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.
 19. We confirm that all other material principles contained in the Code have been complied with.

Lahore: 05 October 2007

Shahzad Saleem
Chief Executive

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, for the year ended 30 June 2007, to comply with the respective listing regulations of the two 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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, effective as at 30 June 2007.

LAHORE: 05 October 2007

RIAZ AHMAD & COMPANY
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 30 June 2007 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 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

LAHORE: 05 October 2007

RIAZ AHMAD & COMPANY
Chartered Accountants

Balance Sheet as at

| | NOTE | 2007 Rupees | 2006 Rupees |
|--|------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised share capital 80,000,000 ordinary shares of Rupees 10 each | 5 | 800,000,000 | 800,000,000 |
| Issued, subscribed and paid up share capital | 6 | 752,008,380 | 752,008,380 |
| Reserves | 7 | 1,934,189,987 | 2,036,834,357 |
| Total Equity | | 2,686,198,367 | 2,788,842,737 |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 8 | 2,509,126,989 | 3,106,770,396 |
| Long term murabaha | 9 | 475,000,000 | 306,250,000 |
| | | 2,984,126,989 | 3,413,020,396 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 322,773,709 | 302,126,632 |
| Accrued mark-up | 11 | 103,767,328 | 105,126,233 |
| Short term borrowings | 12 | 2,623,592,501 | 2,274,882,896 |
| Current portion of non-current liabilities | 13 | 1,034,823,810 | 581,179,605 |
| | | 4,084,957,348 | 3,263,315,366 |
| TOTAL LIABILITIES | | 7,069,084,337 | 6,676,335,762 |
| CONTINGENCIES AND COMMITMENTS | 14 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 9,755,282,704 | 9,465,178,499 |

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

| | NOTE | 2007 Rupees | 2006 Rupees |
|-------------------------------------|------|----------------------|----------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 15 | 6,544,226,817 | 6,903,334,952 |
| Long term loans | 16 | 6,933,229 | 4,099,271 |
| Long term security deposits | | 718,942 | 728,945 |
| | | 6,551,878,988 | 6,908,163,168 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 17 | 233,274,317 | 198,046,974 |
| Stock in trade | 18 | 1,799,902,361 | 1,572,827,386 |
| Trade debts | 19 | 842,112,885 | 542,877,601 |
| Loans and advances | 20 | 144,611,284 | 91,142,585 |
| Short term deposits and prepayments | 21 | 2,126,498 | 1,299,534 |
| Other receivables | 22 | 120,705,915 | 139,880,989 |
| Cash and bank balances | 23 | 60,670,456 | 10,940,262 |
| | | 3,203,403,716 | 2,557,015,331 |
| TOTAL ASSETS | | 9,755,282,704 | 9,465,178,499 |

DIRECTOR

Profit and Loss Account for the year ended 30 June 2007

| | NOTE | 2007 Rupees | 2006 Rupees |
|----------------------------|------|----------------|----------------|
| Sales | 24 | 7,677,538,636 | 6,550,782,043 |
| Cost of sales | 25 | 6,720,329,731 | 5,382,250,261 |
| Gross profit | | 957,208,905 | 1,168,531,782 |
| Distribution cost | 26 | 178,811,548 | 198,057,039 |
| Administrative expenses | 27 | 83,498,537 | 93,784,982 |
| Other operating expenses | 28 | 24,270,370 | 76,044,679 |
| | | 286,580,455 | 367,886,700 |
| | | 670,628,450 | 800,645,082 |
| Other operating income | 29 | 88,674,183 | 34,199,933 |
| Profit from operations | | 759,302,633 | 834,845,015 |
| Finance cost | 30 | 648,145,746 | 494,044,750 |
| Profit before taxation | | 111,156,887 | 340,800,265 |
| Provision for taxation | 31 | 101,000,000 | 90,000,000 |
| Profit after taxation | | 10,156,887 | 250,800,265 |
| Earnings per share - basic | 38 | 0.14 | 3.34 |

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

for the year ended 30 June 2007

| | NOTE | 2007 Rupees | 2006 Rupees |
|--|------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 36 | 814,689,483 | 1,258,011,979 |
| Long term deposits - Net | | 10,003 | (108,003) |
| Finance costs paid | | (649,504,651) | (443,123,133) |
| Taxes paid | | (71,992,534) | (78,436,577) |
| Net cash from operating activities | | 93,202,301 | 736,344,266 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (319,243,533) | (1,761,900,958) |
| Long term loans | | (2,833,958) | (2,920,229) |
| Proceeds from sale of Investment | | - | 10,451,977 |
| Proceeds from sale of property, plant and equipment | | 17,671,825 | 64,615,674 |
| Net cash used in investing activities | | (304,405,666) | (1,689,753,536) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term financing | | 650,000,000 | 934,200,002 |
| Proceeds from long term murabaha | | 475,000,000 | 300,000,000 |
| Repayment of long term financing | | (787,749,202) | (231,250,001) |
| Repayment of long term murabaha | | (312,500,000) | (12,500,000) |
| Dividend paid | | (112,526,844) | (135,368,475) |
| Net cash (used in) / generated from financing activities | | (87,776,046) | 855,081,526 |
| Net decrease in cash and cash equivalents | | (298,979,411) | (98,327,743) |
| Cash and cash equivalents at the beginning of the year | | (2,263,942,634) | (2,165,614,891) |
| Cash and cash equivalents at the end of the year | 37 | (2,562,922,045) | (2,263,942,634) |

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 2007

| | SHARE CAPITAL | RESERVES | | | | TOTAL | TOTAL EQUITY |
|--|------------------|--------------------|--------------------|--------------------|--------------------------|---------------|-----------------|
| | | CAPITAL RESERVE | REVENUE RESERVES | | | | |
| | | | Fair value reserve | General reserve | Unappropriated profit | | |
| Rupees | | | | | | | |
| Balance as at 30 June 2005 | 683,643,980 | 1,419,225 | 1,492,221,278 | 498,906,010 | 1,991,127,288 | 1,992,546,513 | 2,676,190,493 |
| Final dividend for the period ended 30 June 2005 @ Rs. 2 per share | - | - | - | (136,728,796) | (136,728,796) | (136,728,796) | (136,728,796) |
| Bonus shares Issued @ 10% | 68,364,400 | - | - | (68,364,400) | (68,364,400) | (68,364,400) | - |
| Cumulative fair value gain transferred to profit and loss account | - | (1,419,225) | - | - | - | (1,419,225) | (1,419,225) |
| Profit for the year | - | - | - | 250,800,265 | 250,800,265 | 250,800,265 | 250,800,265 |
| Balance as at 30 June 2006 | 752,008,380 | - | 1,492,221,278 | 544,613,079 | 2,036,834,357 | 2,036,834,357 | 2,788,842,737 |
| Transfer to general reserve | - | - | 137,000,000 | (137,000,000) | - | - | - |
| Final dividend for the year ended 30 June 2006 @ Rs. 1.5 per share | - | - | - | (112,801,257) | (112,801,257) | (112,801,257) | (112,801,257) |
| Profit for the year | - | - | - | 10,156,887 | 10,156,887 | 10,156,887 | 10,156,887 |
| Balance as at 30 June 2007 | 752,008,380 | - | 1,629,221,278 | 304,968,709 | 1,934,189,987 | 1,934,189,987 | 2,686,198,367 |

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 2007

1. THE COMPANY AND ITS OPERATIONS

Nishat (Chunian) Limited 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 electricity for internal use.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards that are yet not effective

The following standards, amendments and interpretations of approved accounting standards effective for annual periods beginning on or after 01 July 2007, relevant to the operations of the Company, are not expected to have significant impact on the Company's financial statements and may only result in certain increased disclosures:

| | | | |
|----|----------|---|---|
| a) | IAS-1 | Presentation of financial statements - amendments relating to capital disclosures | Effective from 01 January 2007 |
| b) | IAS-23 | Borrowing Costs | Effective in case of borrowing costs relating to qualifying asset for which the commencement date for capitalization is on or after 01 January 2009 |
| c) | IFRS-7 | Financial Instruments - Disclosures | Effective from 01 January 2007 |
| d) | IFRIC-10 | Interim Financial Reporting and Impairment | Effective from 01 November 2006 |

3. BASIS OF PREPARATION

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

3.2 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:

3.2.1 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.

3.2.2 Accumulated compensated absences

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

However, provision for the current year is not considered necessary as the company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future.

4.2 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 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 unutilized 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.

4.3 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 4.7.

Depreciation on all operating fixed assets is charged to profit 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 15. Depreciation on additions is charged from the month in which the assets are available for use and on deletions up to the month in which the assets are deleted.

Impairment loss or its reversal, if any, is also charged to profit and loss. Where an impairment loss is recognized, the depreciation charged 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 benefit 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 in the year the asset is derecognized.

4.4 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 enterprise and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programs are recognize as 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 basis over its useful economic life.

4.5 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 comprises cost of direct material, labor and appropriate manufacturing overheads. Cost of goods purchased for resale are 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.

4.6 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.

4.7 Borrowing cost

Mark-up, interest, profit and other charges on borrowings are capitalized upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such borrowings. All other mark-up, interest, profit and other charges are charged to income.

4.8 Revenue recognition

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

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

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

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximate 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.

4.10 Financial instruments

Financial instruments carried on the balance sheet include receivables, investments, cash and bank balances, short term borrowings, long term financing, trade and other payables and deposits. 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 income statement over the period of the borrowings using the effective interest method.

Trade and other payables

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

Investments

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

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. These derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the specific rules of International Accounting Standard (IAS) - 39 "Financial Instruments: Recognition and Measurement". These are recognized using the trade date accounting and are measured initially at cost. At subsequent reporting dates, these are remeasured to fair value and any gain or loss arising from fair value measurement is reported in profit and loss account for the period.

4.11 Provisions

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

4.12 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.

4.13 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.

4.14 Dividend and transfer of reserves

Dividends 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 balance sheet date". These transfers are therefore recorded in the next year's financial statements.

5. AUTHORISED SHARE CAPITAL

| 2007 (Number of Shares) | 2006 | | 2007 Rupees | 2006 Rupees |
|----------------------------|------------|--------------------------|----------------|----------------|
| 80,000,000 | 70,000,000 | Opening balance | 800,000,000 | 700,000,000 |
| - | 10,000,000 | Increase during the year | - | 100,000,000 |
| 80,000,000 | 80,000,000 | Closing balance | 800,000,000 | 800,000,000 |

6. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| | 2007 (Number of Shares) | 2006 | | 2007 Rupees | 2006 Rupees |
|------------|---|------------|---|----------------------------|----------------|
| | 12,000,000 | 12,000,000 | Ordinary shares of Rupees 10 each fully paid in cash | 120,000,000 | 120,000,000 |
| | 61,976,573 | 61,976,573 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | 619,765,730 | 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 |
| | 75,200,838 | 75,200,838 | | 752,008,380 | 752,008,380 |
| | | | | | |
| | | | | 2007 (Number of Shares) | 2006 |
| 6.1 | Ordinary shares of the company held by related parties and associated undertakings | | | | |
| | | | Nishat Mills Limited (related party) | 10,233,329 | 10,233,329 |
| | | | DG Khan Cement Company Limited (associated undertaking) | 7,068,620 | 7,068,620 |
| | | | Adamjee Insurance Company Limited (associated undertaking) | - | 14,412 |
| | | | | 17,301,949 | 17,316,361 |
| | | | | | |
| | | | | 2007 Rupees | 2006 Rupees |
| 6.2 | Reconciliation of issued, subscribed and paid up share capital | | | | |
| | | | Opening balance | 75,200,838 | 68,364,398 |
| | | | Bonus shares issued | - | 6,836,440 |
| | | | Closing balance | 75,200,838 | 75,200,838 |
| 7. | RESERVES | | | | |
| | | | General reserve | 1,629,221,278 | 1,492,221,278 |
| | | | Unappropriated profit | 304,968,709 | 544,613,079 |
| | | | | 1,934,189,987 | 2,036,834,357 |

8. LONG TERM FINANCING

From banking companies - secured

| Lender | 2007 Rupees | 2006 Rupees | Rate of interest per annum | Number of installments | Interest repricing | Interest payable |
|---|----------------|----------------|---|--|-----------------------------|---------------------|
| Standard Chartered Bank (Pakistan) Limited-1 | 33,333,334 | 100,000,000 | 6-month KIBOR + 0.25% | Six equal half yearly installments commencing on 27 March 2005 and ending on 26 September 2007 | Quarterly | Quarterly |
| Standard Chartered Bank (Pakistan) Limited-2 | 150,000,000 | 200,000,000 | 6-month KIBOR + 0.50% | Eight-equal half yearly installments commencing on 25 August 2006 and ending on 25 February 2010 | Half Yearly | Half Yearly |
| ABN AMRO (Pakistan) Bank-1 | 150,000,000 | 150,000,000 | 3-month KIBOR + 0.50% | Bullet Payment on 16 August 2008 | Quarterly | Quarterly |
| ABN AMRO (Pakistan) Bank-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 | 357,142,929 | 500,000,000 | 6-month KIBOR + 0.50% | Seven-equal half yearly installments commencing on 28 September 2006 and ending on 28 September 2009 | Half Yearly | Quarterly |
| United Bank Limited-2 | 437,500,000 | 500,000,000 | SBP rate for LTF-EOP + 3% | Eight-equal half yearly installments commencing on 28 February 2007 and ending on 31 July 2010 | As and when notified by SBP | Quarterly |
| United Bank Limited-3 | 200,000,000 | - | 6-month KIBOR + 1.60% | Ten-equal half yearly installments commencing on 27 December 2007 and ending on 27 June 2012 | Half Yearly | Half Yearly |
| Habib Bank Limited-1 | 37,500,000 | 87,500,000 | 6-month KIBOR + 0.40% | Sixteen-equal quarterly installments commencing on 01 May 2004 and ending on 07 February 2008 | Half Yearly | Quarterly |
| Habib Bank Limited-2 | 152,350,000 | 218,750,000 | SBP rate for LTF-EOP + 2% | Six-equal half yearly installments commencing on 30 March 2007 and ending on 30 September 2009 | As and when notified by SBP | Quarterly |
| Habib Bank Limited-3 | 187,500,000 | 250,000,000 | SBP rate for LTF-EOP + 3% | Eight-equal half yearly installments commencing on 25 December 2006 and ending on 25 June 2010 | As and when notified by SBP | Quarterly |
| Habib Bank Limited-4 | 64,090,572 | 73,246,369 | SBP rate for LTF-EOP + 3% | Eight-equal half yearly installments commencing on 24 May 2007 and ending on 24 November 2010 | As and when notified by SBP | Quarterly |
| Habib Bank Limited-5 | 60,953,632 | 60,953,632 | SBP rate for LTF-EOP + 3% | Eight-equal half yearly installments commencing on 03 August 2007 and ending on 03 February 2011 | As and when notified by SBP | Quarterly |
| Citibank N.A | 224,000,000 | 235,000,000 | SBP rate for LTF-EOP + 2% | Six equal half yearly installments commencing on 31 December 2007 and ending on 27 June 2010 | As and when notified by SBP | Half Yearly |
| Allied Bank Limited-1 | 333,330,332 | 500,000,000 | SBP rate for LTF-EOP + 2% | Twelve equal quarterly installments commencing on 28 September 2006 and ending on 28 June 2009 | As and when notified by SBP | Quarterly |
| Allied Bank Limited-2 | 400,000,000 | 500,000,000 | SBP rate for LTF-EOP + 2% | Ten equal quarterly installments commencing on 15 March 2007 and ending on 15 June 2009 | As and when notified by SBP | Quarterly |
| Allied Bank Limited-3 | 300,000,000 | - | 6-month KIBOR + 1.60% | Six-equal half yearly installments commencing on 23 December 2009 and ending on 23 June 2012 | Half Yearly | Half Yearly |
| The Hongkong and Shanghai Banking Corporation Limited | 150,000,000 | - | 6-month KIBOR (Avg of last 15 Days) + 1.50% | Bullet Payment on 29 December 2008 | Half Yearly | Half Yearly |
| | 3,537,700,799 | 3,675,450,001 | | | | |
| Less: Current portion (Note 13) | 1,028,573,810 | 568,679,605 | | | | |
| | 2,509,126,989 | 3,106,770,396 | | | | |

- 8.1 These are secured by first joint pari passu hypothecation on all present and future fixed assets of the Company and an equitable mortgage of the Company's land to the extent of Rupees 5,965 million (2006: Rupees 4,965 million).

| | 2007 Rupees | 2006 Rupees |
|--------------------------------------|----------------|----------------|
| 9. LONG TERM MURABAHA | | |
| From banking companies - secured: | | |
| Faysal Bank Limited (Note 9.1) | 6,250,000 | 18,750,000 |
| Meezan Bank Limited - I (Note 9.2) | - | 300,000,000 |
| Meezan Bank Limited - II (Note 9.3) | 350,000,000 | - |
| Meezan Bank Limited - III (Note 9.4) | 125,000,000 | - |
| | 481,250,000 | 318,750,000 |
| Less: Current portion (Note 13) | 6,250,000 | 12,500,000 |
| | 475,000,000 | 306,250,000 |

- 9.1 This facility carries mark-up @ 6-month KIBOR + 0.5% per annum. The principal amount is repayable in eight equal half yearly installments commencing from 26 March 2004 and ending on 26 September 2007. This facility is secured by joint pari passu charge on entire fixed assets to the extent of Rupees 50 million (2006: Rupees 50 million).
- 9.2 This facility carries mark-up @ 3-month KIBOR+ 1% per annum and was repaid on 30 September 2006. This facility was secured by first joint pari passu charge with 20% margin on all present and future current assets.
- 9.3 This facility carries mark-up @ 3-month KIBOR + 1% per annum and is repayable on 17 November 2009. This facility is secured by joint pari passu charge with 20% margin on all present and future current assets.
- 9.4 This facility carries mark-up @ 6-month KIBOR + 1% per annum and is repayable on 13 December 2009. This facility is secured by joint pari passu charge with 20% margin on all present and future current assets.

| | 2007 Rupees | 2006 Rupees |
|---|----------------|----------------|
| 10. TRADE AND OTHER PAYABLES | | |
| Creditors (Note 10.1) | 130,233,120 | 114,417,335 |
| Accrued liabilities | 100,947,919 | 96,550,296 |
| Advances from customers | 22,673,705 | 25,624,505 |
| Retention money | 13,357,015 | 15,127,752 |
| Payable to provident fund trust | 1,555,790 | 1,177,968 |
| Income tax deducted at source | 277,810 | 261,865 |
| Unpaid and unclaimed dividend | 12,334,825 | 12,060,412 |
| Due to Adamjee Insurance Company Limited - associated undertaking | 828,330 | - |
| Workers' profit participation fund (Note 10.2) | 6,249,651 | 20,612,232 |
| Workers' welfare fund | 6,075,719 | - |
| Others | 28,239,825 | 16,294,267 |
| | 322,773,709 | 302,126,632 |

- 10.1 Creditors include an amount of Rupees Nil (2006: Rupees 0.189 million) payable to D.G. Khan Cement Company Limited - associated undertaking.

| | 2007 Rupees | 2006 Rupees |
|--|----------------|----------------|
| 10.2 Workers' profit participation fund | | |
| Balance as on 01 July | 20,612,232 | 40,051,236 |
| Interest for the year (Note 30) | 1,510,766 | 6,700,900 |
| Add: Provision for the year (Note 28) | 6,249,651 | 18,289,535 |
| | 28,372,649 | 65,041,671 |
| Less : | | |
| Payments to trust | 22,122,998 | 31,228,203 |
| Deposited in the Government treasury | - | 13,201,236 |
| | 22,122,998 | 44,429,439 |
| | 6,249,651 | 20,612,232 |

10.3 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.

| | 2007 Rupees | 2006 Rupees |
|---|----------------|----------------|
| 11. ACCRUED MARK-UP | | |
| Long term financing | 47,475,010 | 44,427,680 |
| Long term murabaha | 5,720,514 | 481,094 |
| Short term borrowings | 50,571,804 | 60,217,459 |
| | 103,767,328 | 105,126,233 |
| 12. SHORT TERM BORROWINGS | | |
| From banking companies-Secured | | |
| Short term running finances (Notes 12.1 and 12.2) | 612,349,121 | 570,010,783 |
| Export finances-Preshipment/SBP refinance (Notes 12.1 and 12.3) | 1,331,243,380 | 1,074,872,113 |
| Other short term finances (Notes 12.1 and 12.4) | 680,000,000 | 630,000,000 |
| | 2,623,592,501 | 2,274,882,896 |

12.1 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.

12.2 Short term running finances carry mark-up at the rates ranging from Rupee 0.165 to Rupee 0.359 (2006: Rupee 0.231 to Rupee 0.306) per Rupees 1,000 per diem or part thereof on the balance outstanding.

12.3 The rates of mark-up range from Rupee 0.156 to Rupee 0.273 (2006: Rupee 0.143 to Rupee 0.30) per Rupees 1,000 per diem or part thereof on the balance outstanding.

12.4 The rates of mark-up range from Rupee 0.263 to Rupee 0.274 (2006: Rupee 0.190 to Rupee 0.264) per Rupees 1,000 per diem or part thereof on the balance outstanding.

| | 2007 Rupees | 2006 Rupees |
|---|----------------------|--------------------|
| 13. CURRENT PORTION OF NON-CURRENT LIABILITIES | | |
| Long term financing (Note 8) | 1,028,573,810 | 568,679,605 |
| Long term murabaha (Note 9) | 6,250,000 | 12,500,000 |
| | 1,034,823,810 | 581,179,605 |

14. CONTINGENCIES AND COMMITMENTS

Contingencies

- 14.1 Guarantees of Rupees 412.115 million (2006: Rupees 144.16 million) have been issued by the banks of the Company to Sui Northern Gas Pipeline Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and Wartsila Pakistan (Private) Limited on behalf of Nishat Chunian Power Limited-associated undertaking. Further, bank guarantee of US Dollar 1 million (2006: US Dollar Nil) has been issued by the bank of the Company to Private Power and Infrastructure Board on behalf of Nishat Chunian Power Limited-associated undertaking.
- 14.2 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 (2006: 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 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 has 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 which is under consideration of FBR.
- 14.3 Orders were issued by the Taxation Officer under Section 221 of the Income Tax Ordinance, 2001 for assessment years 1998-99 to 2000-01 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 and Rupees 2.250 million respectively for said years. An appeal against said order has been filed before the CIT (Appeals) who has now decided the case in favour of the Company. The department has filed appeal before Income Tax Appellate Tribunal (ITAT) which is still pending. No provision has been made there against in these financial statements as management is confident for favourable outcome.
- 14.4 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 Commissioner of Income Tax (Appeals) which have been decided in company's favour against which the department has preferred an appeal to Income Tax Appellate Tribunal (ITAT). No provision against these disallowances has been made in the books of account as the management is confident that the matter would be settled in the company's favour. If the decision of CIT (Appeals) is not upheld, the provision for taxation amounting to Rupees 17.157 million (2006: Rupees 17.157) would be required.
- 14.5 The company has preferred appeal against the Government of Punjab in the Lahore High Court, Lahore for imposition of Electricity Duty on internal generation. The Company has fully provided and paid its liability in respect of generation for the current year.
- 14.6 The company has filed appeals before Customs, Excise and Sales Tax Appellant Tribunal, Lahore against order of Collector, Sales Tax for rejecting the Company's certain input tax claims on the basis of weight shortage, whereas such claims have been allowed in subsequent cases. These claims amount to Rupees 1.575 million (2006: Rupees 1.575 million) and the Company is confident of the favourable outcome of these cases.
- 14.7 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.

- 14.8 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 32,534,817 (2006: Rupees 3,908,807) 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 133.068 million (2006: Rupees 88.391 million).
ii) Letters of credit other than for capital expenditure are amounting to Rupees 55.913 million (2006: Rupees 32.415 million).

| | 2007 Rupees | 2006 Rupees |
|--------------------------------------|----------------------|----------------------|
| 15. FIXED ASSETS | | |
| Property, plant and equipment | | |
| Operating assets (Note 15.1) | 6,389,949,755 | 6,680,266,277 |
| Capital work in progress (Note 15.2) | 153,148,062 | 223,068,675 |
| Intangible asset in progress | 1,129,000 | - |
| | 6,544,226,817 | 6,903,334,952 |

15.1 Operating assets

| | Freehold land | Building on freehold land | Plant and machinery | Electric installations | Factory equipment | Furniture, fixture and equipment | Office equipment | Motor vehicles | Total |
|-----------------------------|---------------|---------------------------|---------------------|------------------------|-------------------|----------------------------------|------------------|----------------|-----------------|
| At 01 July 2005 | | | | | | | | | |
| Cost | 81,583,332 | 660,965,156 | 5,097,482,515 | 154,354,734 | 55,731,950 | 21,136,544 | 26,215,613 | 86,723,780 | 6,184,193,624 |
| Accumulated depreciation | - | (333,142,698) | (1,400,288,822) | (51,207,179) | (27,831,748) | (9,494,977) | (9,988,943) | (37,041,965) | (1,868,996,332) |
| Net book value | 81,583,332 | 327,822,458 | 3,697,193,693 | 103,147,555 | 27,900,202 | 11,641,567 | 16,226,670 | 49,681,815 | 4,315,197,292 |
| Year ended 30 June 2006 | | | | | | | | | |
| Opening net book value | 81,583,332 | 327,822,458 | 3,697,193,693 | 103,147,555 | 27,900,202 | 11,641,567 | 16,226,670 | 49,681,815 | 4,315,197,292 |
| Additions | 107,193,000 | 618,892,831 | 2,137,957,085 | 890,850 | 719,846 | 12,110,921 | 90,164,002 | 35,174,451 | 3,003,102,986 |
| Disposals | - | - | (177,405,937) | - | (312,732) | - | (51,471) | (21,375,280) | (199,145,420) |
| Cost | - | - | (177,405,937) | - | (312,732) | - | (51,471) | (21,375,280) | (199,145,420) |
| Depreciation | - | - | 82,006,910 | - | 37,919 | - | 3,002 | 9,855,166 | 91,902,997 |
| Depreciation charge | - | (67,510,238) | (95,399,027) | (10,359,485) | (274,813) | - | (48,469) | (11,520,114) | (107,242,423) |
| Closing net book value | 188,776,332 | 879,205,051 | 5,308,808,221 | 93,678,920 | 25,549,549 | 22,280,396 | 100,388,054 | 61,579,754 | 6,680,266,277 |
| At 01 July 2006 | | | | | | | | | |
| Cost | 188,776,332 | 1,279,857,987 | 7,058,033,663 | 155,245,584 | 56,139,064 | 33,247,465 | 116,328,144 | 100,522,951 | 8,988,151,190 |
| Accumulated depreciation | - | (400,652,936) | (1,749,225,442) | (61,566,664) | (30,589,515) | (10,967,069) | (15,940,090) | (38,943,197) | (2,307,884,913) |
| Net book value | 188,776,332 | 879,205,051 | 5,308,808,221 | 93,678,920 | 25,549,549 | 22,280,396 | 100,388,054 | 61,579,754 | 6,680,266,277 |
| Year ended 30 June 2007 | | | | | | | | | |
| Opening net book value | 188,776,332 | 879,205,051 | 5,308,808,221 | 93,678,920 | 25,549,549 | 22,280,396 | 100,388,054 | 61,579,754 | 6,680,266,277 |
| Additions | - | 149,250,488 | 201,904,845 | 2,281,522 | 2,051,654 | 4,305,289 | 6,986,672 | 21,254,676 | 388,035,146 |
| Disposals | - | - | (65,350,326) | - | - | - | (22,673) | (11,589,431) | (76,962,430) |
| Cost | - | - | (65,350,326) | - | - | - | (22,673) | (11,589,431) | (76,962,430) |
| Depreciation | - | - | 53,152,897 | - | - | - | 1,971 | 6,846,209 | 60,001,077 |
| Depreciation charge | - | (99,667,703) | (523,995,745) | (9,407,661) | (2,689,934) | (2,468,899) | (10,381,819) | (12,778,554) | (661,390,315) |
| Closing 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 |
| At 30 June 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 |
| Annual rate of depreciation | - | 10 | 10 | 10 | 10 | 10 | 10 | 20 | |

15.1.1 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 | Mode of Disposal | Particulars of Purchaser |
|---------------------------|------------|--------------------------|----------------|---------------|------------------|--|
| Rupees | | | | | | |
| Plant and machinery | | | | | | |
| Walkman Twister TC-03 | 2,317,742 | 1,216,292 | 1,101,450 | 460,000 | Negotiation | Zain International, 25- Ferozpur Road, Lahore. |
| Toyota Ring Frame RY-5 | 6,518,000 | 5,301,487 | 1,216,513 | 2,600,000 | Negotiation | Paradise Fibres (Pvt) Ltd., 18- Empress Road, Lahore |
| Fabric Inspection Frame | 665,376 | 410,560 | 254,816 | 190,000 | Negotiation | Nishat Mills Ltd., 5 K.M off 22 Km, Ferozepure Road, Lahore |
| Toyota Ring Frame RY-4 | 6,605,984 | 5,609,136 | 996,848 | 2,400,000 | Negotiation | Panjnad Textile (Pvt) Ltd., 12- Multan Road, Lahore |
| Howa Combers KZ Japan | 7,147,598 | 6,091,761 | 1,055,837 | 540,000 | Negotiation | Meo Engineering Co., 2nd Floor, Khawaja Arcade, 22/19 A Abbot Road, Lahore |
| Howa Lapformer DY-5 Japan | 1,923,520 | 1,639,380 | 284,140 | 150,000 | Negotiation | Meo Engineering Co., 2nd Floor, Khawaja Arcade, 22/19 A Abbot Road, Lahore |
| Howa Combers KZ Japan | 7,147,598 | 6,091,761 | 1,055,837 | 534,600 | Negotiation | Meo Engineering Co., 2nd Floor, Khawaja Arcade, 22/19 A Abbot Road, Lahore |
| Howa Combers HZ Japan | 10,941,882 | 8,745,140 | 2,196,742 | 534,600 | Negotiation | Meo Engineering Co., 2nd Floor, Khawaja Arcade, 22/19 A Abbot Road, Lahore |
| Howa Combers KZ-3 Japan | 14,772,611 | 12,095,953 | 2,676,658 | 1,777,776 | Negotiation | Lucky Cotton Mills Ltd., 707, 7th Floor, Business Centre, Mumtaz Hasan Road, Karachi |
| Howa Lapformer DY-6 Japan | 2,421,515 | 1,935,361 | 486,154 | 222,222 | Negotiation | Lucky Cotton Mills Ltd., 707, 7th Floor, Business Centre, Mumtaz Hasan Road, Karachi |
| Toyota Ring Frame RY-5 | 4,888,500 | 4,016,067 | 872,433 | 1,950,000 | Negotiation | Paradise Fibres (Pvt) Ltd., 18- Empress Road, Lahore |
| Motor vehicles | | | | | | |
| Suzuki Cultus LXY-3068 | 560,500 | 414,378 | 146,122 | 355,000 | Negotiation | Muhammad Islam Akbar, 92-D, Moh Arayan, Gulshan Ravi, Lahore |
| Suzuki Carry LRM-6457 | 374,390 | 224,974 | 149,416 | 308,000 | Negotiation | Muhammad Islam Akbar, 92-D, Moh Arayan, Gulshan Ravi, Lahore |
| Toyota Corolla LXR-4483 | 950,290 | 752,206 | 198,084 | 250,000 | Negotiation | Kashif Munir Butt, 63-D, Sialkot Cantonment. |
| Suzuki Cultus LRH-8751 | 595,900 | 369,855 | 226,045 | 380,000 | Negotiation | Attia Mehmood, House # 69, Abid Majeed Road, Lahore Cantt. |
| Toyota Corolla LRH-6027 | 1,244,000 | 772,109 | 471,891 | 755,000 | Negotiation | Zahida Bashir, House # 97, Satellite Town, Sargodha |
| Honda City LXR-8091 | 680,500 | 542,799 | 137,701 | 450,000 | Negotiation | Zulfqar Ali, House # 2/33, Sodiwal Colony, Multan Road, Lahore |
| Toyota Corolla LRG-8273 | 1,244,000 | 780,303 | 463,697 | 670,000 | Negotiation | Muhammad Bakhsh, Waigowal, Tehsil Shahpur, District Sargodha |
| Toyota Corolla LRL-7236 | 1,194,000 | 748,940 | 445,060 | 700,000 | Negotiation | Lt Col Syed Mazhar Hussain Bukhari, House # 60/2, Street # 21, Cavalry Ground, Lahore. |
| Hyundai Shehzore LRC-3863 | 591,886 | 413,335 | 178,551 | 355,000 | Negotiation | Muhammad Ramzan, House # 724-P, Street # 6, Mohallah Maqam Hayat, Sargodha |
| Suzuki Mehran LZU-4509 | 350,000 | 79,800 | 270,200 | 350,000 | Negotiation | Employees |
| Honda Civic LZK-9981 | 1,126,760 | 409,390 | 717,370 | 250,000 | Negotiation | Misbah ul Murtaza |
| Suzuki Mehran LWG-6045 | 406,950 | 118,559 | 288,391 | 406,950 | Negotiation | Abdul Aziz Shahid |
| Suzuki Mehran LZU-4496 | 406,575 | 123,599 | 282,976 | 406,575 | Negotiation | Muhammad Azmat |
| Hyundai Van LXP-6883 | 1,174,680 | 877,781 | 296,899 | 450,000 | Negotiation | Ali Azam |
| Hyundai Sentro LW-145 | 689,000 | 218,183 | 470,817 | 689,000 | Negotiation | Muhammad Ramzan |
| | | | | | | Faiza Jabeen |
| | 76,939,757 | 59,999,109 | 16,940,648 | 18,134,723 | | |

| | 2007 Rupees | 2006 Rupees |
|---|----------------|----------------|
| 15.1.2 The depreciation charge for the year has been allocated as follows: | | |
| Cost of sales (Note 25) | 648,706,219 | 517,846,626 |
| Administrative expenses (Note 27) | 12,684,096 | 11,770,642 |
| Capital work in progress | - | 1,174,310 |
| | 661,390,315 | 530,791,578 |
| 15.2 Capital work-in-progress | | |
| Plant and machinery | 77,455,265 | 122,432,833 |
| Civil works on freehold land | 60,422,297 | 97,936,382 |
| Advance for purchase of assets | 15,270,500 | 2,699,460 |
| | 153,148,062 | 223,068,675 |

| | 2007 Rupees | 2006 Rupees |
|---|----------------|----------------|
| 16. LONG TERM LOANS | | |
| Secured-considered good: | | |
| Executives (Note 16.1) | 5,378,999 | 2,463,127 |
| Other employees | 2,983,268 | 3,699,640 |
| | 8,362,267 | 6,162,767 |
| Less: Current portion (Note 20) | | |
| Executives | 893,490 | 1,467,000 |
| Other employees | 535,548 | 596,496 |
| | 1,429,038 | 2,063,496 |
| | 6,933,229 | 4,099,271 |
| 16.1 Reconciliation of carrying amount of loans to executives: | | |
| Opening balance | 2,463,127 | 701,248 |
| Disbursements | 4,200,000 | 2,706,738 |
| Less: Repayments | 1,284,128 | 944,859 |
| Closing balance | 5,378,999 | 2,463,127 |

16.1.1 These represent car and house construction loans to executives and employees, payable in 48 and 15 monthly installments respectively. These loans carry interest at the rate upto 9% per annum (2006: 5% per annum). Car loans are secured against registration of cars in the name of company, whereas house construction loans are unsecured.

16.1.2 Maximum aggregate balance due from executives at the end of any month during the year is Rupees 2.439 million (2006: Rupees 2.604 million).

16.1.3 The fair value adjustment in accordance with the requirements of IAS-39 arising in respect of staff loans is not considered material and hence not recognized.

| | 2007 Rupees | 2006 Rupees |
|--|----------------|----------------|
| 17. STORES, SPARE PARTS AND LOOSE TOOLS | | |
| Stores | 140,391,000 | 127,104,191 |
| Spare parts | 87,773,691 | 67,807,688 |
| Loose tools | 5,109,626 | 3,135,095 |
| | 233,274,317 | 198,046,974 |
| 18. STOCK IN TRADE | | |
| Raw materials | 1,003,422,670 | 1,027,945,029 |
| Work in process | 268,870,213 | 179,358,235 |
| Finished goods - own produced | 513,446,035 | 342,593,878 |
| Finished goods - trading stock | 1,670,072 | 4,625,201 |
| Waste | 12,493,371 | 18,305,043 |
| | 1,799,902,361 | 1,572,827,386 |

| | 2007 Rupees | 2006 Rupees |
|--|----------------|----------------|
| 19. TRADE DEBTS | | |
| Considered good: | | |
| Secured (against letters of credit) | 348,970,004 | 326,891,924 |
| Unsecured | 493,142,881 | 215,985,677 |
| | 842,112,885 | 542,877,601 |
| 20. LOANS AND ADVANCES | | |
| Considered good: | | |
| Employees: | | |
| - Executives | 356,121 | 200,752 |
| - Other employees | 6,900,622 | 4,649,057 |
| | 7,256,743 | 4,849,809 |
| Current portion of long term loans (Note 16) | 1,429,038 | 2,063,496 |
| Suppliers (Note 20.1) | 49,698,031 | 39,370,310 |
| Contractors | 5,949,412 | 3,692,891 |
| Letters of credit | 80,278,060 | 41,166,079 |
| | 144,611,284 | 91,142,585 |

20.1 Advances to suppliers include Rupees 8.74 million (2006: Rupees 6.786 million) and Rupees 0.86 million (2006: Rupees Nil) due from Nishat Mills Limited - related party and D.G.Khan Cement Company Limited - associated undertaking, respectively.

| | 2007 Rupees | 2006 Rupees |
|--|----------------|----------------|
| 21. SHORT TERM DEPOSITS AND PREPAYMENTS | | |
| Short term deposits | 177,000 | 122,000 |
| Prepayments | 1,949,498 | 1,177,534 |
| | 2,126,498 | 1,299,534 |
| 22. OTHER RECEIVABLES | | |
| Sales tax refundable | 44,636,899 | 90,672,496 |
| Advance income tax | 4,929,144 | 33,936,610 |
| Due from Nishat Chunian Power Limited (Note 22.1) | 13,529,535 | - |
| Export rebate | 14,626,399 | 8,021,156 |
| Research and development support receivable | 25,020,543 | - |
| Unrealized gain on forward currency contracts | 11,958,500 | - |
| Insurance claim receivable from Adamjee Insurance Company Limited (associated undertaking) | 1,458,579 | 728,095 |
| Others | 4,546,316 | 6,522,632 |
| | 120,705,915 | 139,880,989 |

22.1 This represents expenses made by the Company on behalf of Nishat Chunian Power Limited - associated undertaking.

| | 2007 Rupees | 2006 Rupees |
|--|-------------------------|-----------------------|
| 23. CASH AND BANK BALANCES | | |
| With Banks: | | |
| On PLS saving accounts Including US\$ 104,768 (2006: US\$ Nil) | 6,338,772 | 12,443 |
| On current accounts (Note 23.1) Including US\$ 89,651 (2006: US\$ 58,779) | 53,007,741 | 10,365,516 |
| Cash in hand | 59,346,513 1,323,943 | 10,377,959 562,303 |
| | 60,670,456 | 10,940,262 |

23.1 Included in cash at bank are Rupees 49.74 million (2006: Rupees 2.67 million) deposited with MCB Bank Limited - associated undertaking.

23.2 Rate of profit on bank deposits ranges from 0.20% to 1% (2006: 1.00% to 1.50%) per annum.

| | 2007 Rupees | 2006 Rupees |
|-------------------------|----------------|----------------|
| 24. SALES | | |
| Export | 6,258,401,821 | 5,522,684,949 |
| Local (Note 24.1) | 1,400,878,765 | 1,020,641,630 |
| Export rebate | 18,258,050 | 7,455,464 |
| | 7,677,538,636 | 6,550,782,043 |
| 24.1 Local sales | | |
| Sales | 1,174,089,459 | 991,626,320 |
| Processing Income | 225,845,506 | 25,229,398 |
| Doubling income | 943,800 | 3,785,912 |
| | 1,400,878,765 | 1,020,641,630 |

| | 2007 Rupees | 2006 Rupees |
|---|----------------------|----------------------|
| 25. COST OF SALES | | |
| Raw material consumed (Note 25.1) | 4,338,827,416 | 3,622,643,550 |
| Packing materials consumed | 213,763,613 | 100,621,554 |
| Stores, spare parts and loose tools | 494,122,784 | 319,570,632 |
| Salaries, wages and other benefits (Note 25.2) | 547,392,582 | 362,582,792 |
| Fuel and power | 546,151,976 | 418,618,720 |
| Insurance | 19,798,673 | 12,447,551 |
| Postage and telephone | 763,309 | 1,118,822 |
| Travelling and conveyance | 11,241,451 | 2,807,131 |
| Vehicle running | 9,432,605 | 5,620,742 |
| Entertainment | 1,054,437 | 1,128,219 |
| Depreciation (Note 15.1.2) | 648,706,219 | 517,846,626 |
| Repair and maintenance | 8,837,510 | 7,793,728 |
| Other factory overheads | 37,656,175 | 22,998,963 |
| | 6,877,748,750 | 5,395,799,030 |
| Work-in-process | | |
| Opening stock | 179,358,235 | 95,893,760 |
| Closing stock | (268,870,213) | (179,358,235) |
| | (89,511,978) | (83,464,475) |
| Cost of goods manufactured | 6,788,236,772 | 5,312,334,555 |
| Finished goods and waste-opening stocks | | |
| Finished goods | 342,593,878 | 210,693,641 |
| Waste | 18,305,043 | 7,207,038 |
| | 360,898,921 | 217,900,679 |
| | 7,149,135,693 | 5,530,235,234 |
| Finished goods and waste-closing stocks | | |
| Finished goods | (513,446,035) | (342,593,878) |
| Waste | (12,493,371) | (18,305,043) |
| | (525,939,406) | (360,898,921) |
| Cost of sales - own manufactured goods | 6,623,196,287 | 5,169,336,313 |
| Opening stock of purchased finished goods | 4,625,201 | 27,441,378 |
| Add: Finished goods purchased | 94,178,315 | 190,097,771 |
| Less: Closing stock of purchased finished goods | 1,670,072 | 4,625,201 |
| Cost of sales-purchased finished goods | 97,133,444 | 212,913,948 |
| | 6,720,329,731 | 5,382,250,261 |
| 25.1 Raw material consumed | | |
| Opening stock | 1,027,945,029 | 871,697,621 |
| Add: Purchased during the year | 4,314,305,057 | 3,778,890,958 |
| | 5,342,250,086 | 4,650,588,579 |
| Less: Closing stock | 1,003,422,670 | 1,027,945,029 |
| | 4,338,827,416 | 3,622,643,550 |

25.2 Salaries, wages and other benefits include Rupees 7.754 million (2006: Rupees 5.720 million) and Rupees 14.031 million (2006: Rupees 8.557 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

| | 2007 Rupees | 2006 Rupees |
|---|--------------------|--------------------|
| 26. DISTRIBUTION COST | | |
| Salaries and other benefits (Note 26.1) | 18,851,431 | 13,041,992 |
| Ocean freight | 49,044,665 | 56,721,301 |
| Freight and octroi | 18,525,296 | 24,917,700 |
| Forwarding and other expenses | 12,748,213 | 12,571,471 |
| Export marketing expenses | 33,697,508 | 25,982,273 |
| Commission to selling agents | 45,944,435 | 64,822,302 |
| | 178,811,548 | 198,057,039 |

26.1 Salaries and other benefits include Rupees 0.991 million (2006: Rupees 0.278 million) and Rupees 0.933 million (2006: Rupees 0.617 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

| | 2007 Rupees | 2006 Rupees |
|---|-------------------|-------------------|
| 27. ADMINISTRATIVE EXPENSES | | |
| Salaries and other benefits (Note 27.1) | 34,867,593 | 37,928,774 |
| Printing and stationery | 1,802,583 | 1,683,709 |
| Vehicles' running | 4,774,770 | 4,241,251 |
| Travelling and conveyance | 2,904,165 | 15,027,126 |
| Postage, telephone and telegraph | 3,998,896 | 5,218,140 |
| Fee and subscription | 470,737 | 1,801,279 |
| Legal and professional | 4,081,600 | 1,949,500 |
| Electricity and sui gas | 3,423,259 | 3,129,213 |
| Insurance | 2,398,442 | 3,166,489 |
| Repair and maintenance | 1,214,790 | 40,839 |
| Research and development (Note 27.2) | 5,068,151 | - |
| Entertainment | 1,497,478 | 1,615,012 |
| Auditors' remuneration (Note 27.3) | 732,500 | 682,000 |
| Advertisement | 459,989 | 801,248 |
| Depreciation (Note 15.1.2) | 12,684,096 | 11,770,642 |
| Miscellaneous | 3,119,488 | 4,729,760 |
| | 83,498,537 | 93,784,982 |

27.1 Salaries and other benefits include Rupees 0.756 million (2006: Rupees 1.321 million) and Rupees 1.380 million (2006: Rupees 1.317 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

| | 2007 Rupees | 2006 Rupees |
|--|-------------------|----------------|
| 27.2 Research and development | | |
| Support on account of research and development (Note 27.2.1) | 85,603,947 | - |
| Less: Utilization | | |
| Product development | 45,012,652 | - |
| Professional consultancy | 19,456,172 | - |
| Market research | 24,775,815 | - |
| Participation in exhibitions | 1,427,459 | - |
| | 90,672,098 | - |
| | 5,068,151 | - |

27.2.1 The research and development support has been 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.

| | 2007 Rupees | 2006 Rupees |
|---|----------------|----------------|
| 27.3 Auditors' remuneration | | |
| Audit fee | 495,000 | 450,000 |
| Half yearly review | 130,000 | 100,000 |
| Certification fees etc | 25,000 | 57,000 |
| Reimbursable expenses | 82,500 | 75,000 |
| | 732,500 | 682,000 |
| 28. OTHER OPERATING EXPENSES | | |
| Workers' profit participation fund (Note 10.2) | 6,249,651 | 18,289,535 |
| Workers' welfare fund | 6,075,719 | - |
| Donations (Note 28.1) | 11,945,000 | 15,128,395 |
| Loss on sale of operating fixed assets | - | 42,626,749 |
| | 24,270,370 | 76,044,679 |
| 28.1 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. | 11,400,000 | 14,068,395 |
| 29. OTHER OPERATING INCOME | | |
| Income from financial assets | | |
| Gain on sale of investment | - | 5,721,202 |
| Liabilities no more payable written back | 2,271,000 | - |
| Dividend income | - | 300,000 |
| Mark-up on saving accounts | 13,266 | 11,501 |
| Fair value gain on forward currency contracts | 11,958,500 | - |
| Exchange gain | 56,871,349 | 22,786,905 |
| Income from non financial assets | | |
| Profit on sale of fixed assets | 710,472 | - |
| Sale of scrap | 16,314,341 | 5,164,500 |
| Interest on receivable from Nishat Chunian Power Limited - associated undertaking | 238,246 | - |
| Others | 297,009 | 215,825 |
| | 88,674,183 | 34,199,933 |

| | 2007 Rupees | 2006 Rupees |
|--|--------------------|--------------------|
| 30. FINANCE COSTS | | |
| Mark-up on: | | |
| - long term financing | 309,243,450 | 251,932,156 |
| - long term murabaha | 41,200,394 | 1,870,633 |
| -short term running finances | 66,043,402 | 71,277,785 |
| -export finances - Preshipment / SBP refinances | 82,867,595 | 67,138,156 |
| - short term finances | 95,081,566 | 67,463,655 |
| Interest on workers' profit participation fund (Note 10.2) | 1,510,766 | 6,700,900 |
| Bank and other charges | 52,198,573 | 27,661,465 |
| | 648,145,746 | 494,044,750 |

| | | |
|------------------------------------|-------------|------------|
| 31. PROVISION FOR TAXATION | | |
| Current - for the year (Note 31.1) | 101,000,000 | 90,000,000 |

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

| | 2007 % | 2006 % |
|--|--------------|--------------|
| 31.2 Tax charge reconciliation | | |
| Numerical reconciliation between the average effective tax rate and the applicable tax rate. | | |
| Applicable tax rate | 35.00 | 35.00 |
| Tax effect under presumptive tax regime | 55.86 | (8.60) |
| Average effective tax rate charged to profit and loss account | 90.86 | 26.40 |

32. 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 | |
|--------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | 2007 Rupees | 2006 Rupees | 2007 Rupees | 2006 Rupees | 2007 Rupees | 2006 Rupees |
| Managerial remuneration | 2,000,000 | 1,537,675 | 3,600,000 | 3,281,527 | 18,116,511 | 12,080,032 |
| Contribution to provident fund | - | - | - | - | 1,469,453 | 997,254 |
| House rent | 800,000 | 615,070 | 1,440,000 | 1,312,611 | 7,246,605 | 4,831,941 |
| Utilities | 467,391 | 547,593 | 739,007 | 911,430 | 1,811,651 | 1,208,003 |
| Others | 636,364 | 518,258 | 1,163,031 | 1,268,543 | 1,651,264 | 690,297 |
| | 3,903,755 | 3,218,596 | 6,942,038 | 6,774,111 | 30,295,484 | 19,807,527 |
| Number of persons | 1 | 1 | 2 | 2 | 19 | 15 |

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

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies 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:

| | 2007 Rupees | 2006 Rupees |
|--|----------------|----------------|
| Associated Undertakings | | |
| Purchase of goods | 5,787,969 | 28,081,247 |
| Insurance premium paid | 24,188,188 | 20,471,704 |
| Insurance claims received | 18,515,718 | 9,791,079 |
| Other Related Parties | | |
| Purchase of goods | 5,294,919 | 45,010,369 |
| Sales of goods and services | 31,753,214 | 45,508,785 |
| Sale of property, plant and equipment | 190,000 | - |
| Post Employment Benefit Plan | | |
| Expense charged in respect of retirement benefit plans | 16,343,312 | 10,490,930 |

34. FINANCIAL INSTRUMENTS

| | INTEREST / MARK-UP BEARING | | | NON-INTEREST / MARK-UP BEARING | | | TOTAL | |
|--|----------------------------|----------------------------|-----------------|--------------------------------|----------------------------|--------------|-----------------|-----------------|
| | Maturity upto One year | Maturity after One year | Sub Total | Maturity upto One year | Maturity after One year | Sub Total | 2007 | 2006 |
| | Rupees | | | | | | | |
| Financial assets | | | | | | | | |
| Long term loans | 265,896 | 683,123 | 949,019 | 1,163,142 | 6,250,106 | 7,413,248 | 8,362,267 | 6,162,767 |
| Long term deposits | - | - | - | - | 718,942 | 718,942 | 718,942 | 728,945 |
| Trade debts | - | - | - | 842,112,885 | - | 842,112,885 | 842,112,885 | 542,877,601 |
| Loans and advances | - | - | - | 7,256,743 | - | 7,256,743 | 7,256,743 | 4,849,809 |
| Short term deposits | - | - | - | 177,000 | - | 177,000 | 177,000 | 122,000 |
| Other receivables | - | - | - | 26,946,614 | - | 26,946,614 | 26,946,614 | 7,250,727 |
| Cash and bank | 6,338,772 | - | 6,338,772 | 54,331,684 | - | 54,331,684 | 60,670,456 | 10,940,262 |
| | 6,604,668 | 683,123 | 7,287,791 | 931,988,068 | 6,969,048 | 938,957,116 | 946,244,907 | 572,932,111 |
| Off balance sheet | - | - | - | - | - | - | - | - |
| Total | 6,604,668 | 683,123 | 7,287,791 | 931,988,068 | 6,969,048 | 938,957,116 | 946,244,907 | 572,932,111 |
| Financial liabilities | | | | | | | | |
| Long term financing | 1,028,573,810 | 2,509,126,989 | 3,537,700,799 | - | - | - | 3,537,700,799 | 3,675,450,001 |
| Long term murabaha | 6,250,000 | 475,000,000 | 481,250,000 | - | - | - | 481,250,000 | 318,750,000 |
| Short term borrowings | 2,656,510,167 | - | 2,656,510,167 | - | - | - | 2,656,510,167 | 2,274,882,896 |
| Trade and other payables | - | - | - | 287,496,824 | - | 287,496,824 | 287,496,824 | 254,450,062 |
| Accrued mark-up | - | - | - | 103,767,328 | - | 103,767,328 | 103,767,328 | 105,126,233 |
| | 3,691,333,977 | 2,984,126,989 | 6,675,460,966 | 391,264,152 | - | 391,264,152 | 7,066,725,118 | 6,628,659,192 |
| Off balance sheet | | | | | | | | |
| Contracts for capital expenditure | - | - | - | 133,067,888 | - | - | - | 88,391,216 |
| Letters of credit other than for capital expenditure | - | - | - | 55,913,216 | - | - | - | 32,415,739 |
| | - | - | - | 188,981,104 | - | - | - | 120,806,955 |
| Total | 3,691,333,977 | 2,984,126,989 | 6,675,460,966 | 580,245,256 | - | 391,264,152 | 7,066,725,118 | 6,749,466,147 |
| On balance sheet sensitivity gap | (3,684,729,309) | (2,983,443,866) | (6,668,173,175) | 540,723,916 | 6,969,048 | 547,692,964 | (6,120,480,211) | (6,055,727,081) |
| Off balance sheet sensitivity gap | - | - | - | (188,981,104) | - | - | - | (120,806,955) |

| | 2007 Percentage | 2006 Percentage |
|---|--------------------|--------------------|
| 34.1 Effective interest / mark-up rates | | |
| The Company's exposure to interest / mark-up effective rates on its financial assets and financial liabilities are summarised as follows: | | |
| Financial assets | | |
| Long term loans | upto 9 | upto 5 |
| Profit on bank deposits | 0.2 to 1 | 1 to 1.50 |
| Financial liabilities | | |
| Long term financing | 6 to 12.14 | 6.43 to 10.92 |
| Long term murabaha | 9.88 to 11.60 | 7.13 to 10.28 |
| Short term finances | 5.21 to 13.42 | 5.72 to 11.16 |

34.2 Financial risk management objectives

The company's activities expose it to a variety of financial risks including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's discount rate and short term federal bond rates, credit risks associated with various financial assets as referred to in Note 34 and cash flow risk associated with accrued interests in respect of secured long term financing and long term murabaha as referred to in Note 8 and Note 9 respectively.

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

34.2.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts.

Out of the total financial assets of Rupees 946.245 million (2006: Rupees 572.932 million) financial assets which are subject to credit risk amounting to Rupees 536.604 million (2006: Rupees 235.100 million). To manage exposure to credit risk, the company also applies credit limits to its customers.

34.2.2 Foreign exchange risk management

Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company operates internationally and is exposed to foreign exchange risks arising from various currency exposures primarily with respect to U.S. dollars.

34.2.3 Interest rate risk

The company usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risk exposures are primarily managed by contracting floor and cap of interest rates.

34.2.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

34.3 Fair value of financial instruments

The carrying value of all financial instruments reflected in the financial statements approximate their fair values except for loans to employees which are valued at their original cost less re-payments.

| | 2007 | 2006 |
|---|---------------|--------------------|
| 35. PLANT CAPACITY AND ACTUAL PRODUCTION | | |
| Spinning | | |
| Number of spindles installed | 142,196 | 141,096 |
| Number of spindles worked | 137,112 | 128,310 |
| Number of shifts per day | 3 | 3 |
| Capacity after conversion into 20/1 count (Kgs.) | 51,309,982 | 46,961,235 |
| Actual production of yarn after conversion into 20/1 count (Kgs.) | 50,550,000 | 46,274,198 |
| 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 | | |
| 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 | 171,333,044 |
| Actual production after conversion into 50 picks - square yards | 168,687,217 | 167,856,006 |
| Under utilization of available capacity was due to the following reasons: | | |
| - change of articles required | | |
| - higher count and cover factor | | |
| - normal maintenance | | |
| Power Plant | | |
| Number of engines installed | 7 | 7 |
| Number of engines worked | 7 | 7 |
| Number of shifts per day | 3 | 3 |
| Generation capacity (KWh) | 235,048,758 | 216,356,640 |
| Actual generation (KWh) | 184,959,427 | 192,703,048 |
| Under utilization of available capacity was due to normal maintenance. | | |
| Dyeing | | (for three months) |
| 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 | 6,600,000 |
| Actual processing of fabrics - meters | 20,787,562 | 2,214,847 |
| Stitching | | (for three months) |
| Number of stitching machines | 240 | 240 |
| Number of shifts per day | 1 | 1 |
| Capacity in meters | 16,800,000 | 4,200,000 |
| Actual stitching of fabrics - meters | 9,815,858 | 1,396,938 |
| | 2007 | 2006 |
| | Rupees | Rupees |
| 36. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 111,156,887 | 340,800,265 |
| Add/(less) adjustment for non cash charges and other items: | | |
| Depreciation | 661,390,315 | 529,617,268 |
| Loss / (gain) on sale of operating fixed assets | (710,472) | 42,626,749 |
| Gain on sale of investment | - | (5,721,202) |
| Financial charges | 648,145,746 | 494,044,750 |
| Provision for employees' benefits | 1,260,000 | 1,551,370 |
| Working capital changes (Note 36.1) | (606,552,993) | (144,907,221) |
| | 814,689,483 | 1,258,011,979 |

| | 2007 Rupees | 2006 Rupees |
|---|-----------------|-----------------|
| 36.1 Working capital changes | | |
| (Increase)/decrease in current assets | | |
| - Stores, spare parts and loose tools | (35,227,343) | (80,592,340) |
| - Stock in trade | (227,074,975) | (359,893,948) |
| - Trade debts | (299,235,284) | (207,033,215) |
| - Loans and advances | (53,468,699) | 455,237,710 |
| - Short term deposits and prepayments | (826,964) | 1,696,927 |
| - Other receivables | (9,832,392) | 56,141,635 |
| | (625,665,657) | (134,443,231) |
| Increase/(decrease) in current liabilities | | |
| - Trade and other payables | 19,112,664 | (10,463,990) |
| | (606,552,993) | (144,907,221) |
| 37. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances (Note 23) | 60,670,456 | 10,940,262 |
| Short term borrowings (Note 12) | (2,623,592,501) | (2,274,882,896) |
| | (2,562,922,045) | (2,263,942,634) |
| 38. EARNINGS PER SHARE-BASIC | | |
| There is no dilutive effect on the basic earnings per share which is based on | | |
| Profit attributable to ordinary shareholders (Rupees) | 10,156,887 | 250,800,265 |
| Weighted average number of shares | 75,200,838 | 75,200,838 |
| Earnings per share-basic (Rupees) | 0.14 | 3.34 |

39. UNUTILIZED CREDIT FACILITIES

The company has total credit facilities amounting to Rupees 6,763 million out of which Rupees 4,107 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 05 October 2007 has proposed a cash dividend in respect of the year ended 30 June 2007 of Rupees 1.5 per share (2006: Rupees 1.5 per share). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 05 October 2007 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

Pattern of Shareholding

as at 30 June 2007

| Number of Shareholders | Shareholding | | Total Shares Held |
|------------------------|--------------|---------|-------------------|
| | From | To | |
| 2815 | 1 | 100 | 77,550 |
| 1311 | 101 | 500 | 441,226 |
| 1116 | 501 | 1000 | 895,573 |
| 1410 | 1001 | 5000 | 3,621,604 |
| 244 | 5001 | 10000 | 1,824,073 |
| 63 | 10001 | 15000 | 775,428 |
| 43 | 15001 | 20000 | 787,291 |
| 35 | 20001 | 25000 | 789,252 |
| 14 | 25001 | 30000 | 385,057 |
| 11 | 30001 | 35000 | 364,737 |
| 11 | 35001 | 40000 | 414,795 |
| 5 | 40001 | 45000 | 211,133 |
| 17 | 45001 | 50000 | 824,196 |
| 11 | 50001 | 55000 | 579,028 |
| 8 | 55001 | 60000 | 463,365 |
| 5 | 60001 | 65000 | 312,086 |
| 5 | 65001 | 70000 | 341,992 |
| 4 | 70001 | 75000 | 292,454 |
| 3 | 75001 | 80000 | 229,869 |
| 4 | 80001 | 85000 | 327,513 |
| 3 | 85001 | 90000 | 265,600 |
| 5 | 95001 | 100000 | 495,500 |
| 1 | 105001 | 110000 | 109,263 |
| 1 | 115001 | 120000 | 116,300 |
| 2 | 120001 | 125000 | 246,900 |
| 1 | 125001 | 130000 | 126,277 |
| 1 | 130001 | 135000 | 130,400 |
| 1 | 140001 | 145000 | 140,250 |
| 1 | 145001 | 150000 | 150,000 |
| 1 | 170001 | 175000 | 172,000 |
| 1 | 180001 | 185000 | 181,300 |
| 1 | 185001 | 190000 | 188,500 |
| 1 | 190001 | 195000 | 191,000 |
| 3 | 195001 | 200000 | 600,000 |
| 1 | 205001 | 210000 | 210,000 |
| 1 | 210001 | 215000 | 210,800 |
| 1 | 215001 | 220000 | 217,800 |
| 1 | 220001 | 225000 | 222,400 |
| 1 | 245001 | 250000 | 250,000 |
| 1 | 270001 | 275000 | 270,400 |
| 1 | 280001 | 285000 | 280,800 |
| 1 | 290001 | 295000 | 294,200 |
| 2 | 310001 | 315000 | 624,800 |
| 1 | 330001 | 335000 | 332,000 |
| 1 | 360001 | 365000 | 364,970 |
| 1 | 530001 | 535000 | 532,620 |
| 1 | 565001 | 570000 | 565,841 |
| 1 | 595001 | 600000 | 600,000 |
| 1 | 680001 | 685000 | 682,000 |
| 1 | 725001 | 730000 | 728,330 |
| 2 | 745001 | 750000 | 1,495,900 |
| 1 | 885001 | 890000 | 885,720 |
| 1 | 1050001 | 1055000 | 1,050,877 |
| 1 | 1340001 | 1345000 | 1,343,886 |
| 1 | 1350001 | 1355000 | 1,350,862 |
| 1 | 2435001 | 2440000 | 2,438,205 |
| 1 | 2530001 | 2535000 | 2,534,400 |
| 1 | 2535001 | 2540000 | 2,536,800 |
| 1 | 2630001 | 2635000 | 2,632,033 |
| 1 | 2710001 | 2715000 | 2,711,213 |
| 1 | 2740001 | 2745000 | 2,744,280 |
| 1 | 2800001 | 2805000 | 2,800,030 |
| 1 | 3035001 | 3040000 | 3,039,677 |
| 1 | 4065001 | 4070000 | 4,065,600 |
| 1 | 4160001 | 4165000 | 4,161,795 |
| 1 | 7065001 | 7070000 | 7,068,620 |
| 1 | 8880001 | 8885000 | 8,882,467 |
| 7193 | | | 75,200,838 |

Categories of Shareholders

as at 30 June 2007

| Categories of Shareholders | Number of Shareholders | Shares Held | Percentage |
|----------------------------|------------------------|-------------|------------|
| Individuals | 6977 | 40,345,624 | 53.65 |
| Investment Companies | 15 | 689,047 | 0.92 |
| Insurance Companies | 12 | 3,397,090 | 4.52 |
| Joint Stock Companies | 116 | 20,947,470 | 27.86 |
| Financial Institutions | 25 | 7,222,676 | 9.60 |
| Modarabas | 10 | 33,151 | 0.04 |
| Foreign Companies | 6 | 594 | 0.00 |
| Mutual Funds | 9 | 1,308,982 | 1.74 |
| Leasing Companies | 1 | 222,400 | 0.30 |
| Cooperative Societies | 1 | 2,500 | 0.00 |
| Others | 21 | 1,031,304 | 1.37 |
| | 7193 | 75,200,838 | 100.00 |

INFORMATION UNDER CLAUSE XIX(i) OF THE CODE OF CORPORATE GOVERNANCE

| | Shareholding as at 30 June 2007 | Percentage |
|--|------------------------------------|------------|
| 1. Associated Companies: | | |
| D.G.Khan Cement Co. Limited | 7,068,620 | 9.40% |
| 2. NIT & ICP: | | |
| National Bank of Pakistan Trustee Dept. | 5,348,446 | 7.11% |
| 3. Directors, CEO and their spouse and minor children: | | |
| Mr. Muhammad Saleem (Chairman) | 2,800,030 | 3.72% |
| Mr. Shahzad Saleem (Chief Executive) | 6,600,000 | 8.78% |
| Mrs. Farhat Saleem (Director) | 3,630,000 | 4.83% |
| Spouse: | | |
| Mrs. Ayesha Shahzad w/o Mr. Shahzad Saleem | 74,415 | 0.10% |
| 4. Executives | 7,575 | 0.01% |
| 5. Public Sector Companies & Corporations, Joint Stock Companies | 20,947,470 | 27.86% |
| 6. Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds: | | |
| a) Investment Companies | 689,047 | 0.92% |
| b) Insurance Companies | 3,397,090 | 4.52% |
| c) Financial Institutions | 7,222,676 | 9.60% |
| d) Modaraba Companies | 33,151 | 0.04% |
| 7. Shareholder holding ten percent or more voting interest in the Company: | | |
| Nishat Mills Limited | 10,233,329 | 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 from 01 July 2006 to 30 June 2007:

| Sale | Purchase |
|------|----------|
| Nil | Nil |

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
2007 (Wednesday) 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 _____ 2007
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.