NISHAT (CHUNIAN) LIMITED

Consolidated Financial Statements

for the year ended June 30, 2008

Directors' Report

Directors' are pleased to present their report together with the consolidated audited results of Nishat (Chunian) Limited and its subsidiary for the year ended 30 June, 2008. The group results comprise consolidated financial statements of Nishat (Chunian) Limited and Nishat Chunian Power Limited.

Nishat Chunian Power Limited, incorporated under the Companies Ordinance, 1984 on 23 February, 2007, is the subsidiary company of Nishat (Chunian) Limited and is unlisted public limited company. The principal business of the subsidiary is to build, own, operate and maintain a fuel fired power station based on Reciprocating Engine technology having gross capacity of 200MW ISO for the generation, supply and transmission of electric power. Nishat (Chunian) Limited owns and controls 80% shares of Nishat Chunian Power Limited. The subsidiary is expected to achieve its commercial operations by March 2010. Due to addition of subsidiary, our company has annexed consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Accounting Standard-27 (Consolidated and Separate Financial Statements).

The Directors' Report giving a commentary on the performance of Nishat (Chunian) Limited for the year ended 30 June 2008, has been presented separately.

On behalf of the Board

Shahzad Saleem

Lahore: 08 October 2008

Chief Executive

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of NISHAT (CHUNIAN) LIMITED (the Holding Company) and its Subsidiary Company, Nishat Chunian Power limited as at 30 June 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Nishat (Chunian) Limited and its subsidiary company, Nishat Chunian Power limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial Statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Nishat (Chunian) Limited and its subsidiary company, Nishat Chunian Power Limited as at 30 June 2008 and the results of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

LAHORE: 08 October 2008

Consolidated Balance Sheet as at

	NOTE	2008 Rupees	2007 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
80,000,000 (2007: 80,000,000) ordinary shares of Rupees 10 each		800,000,000	800,000,000
Issued, subscribed and paid up share capital	5	752,008,380	752,008,380
Reserves	6	1,848,185,650	1,934,189,987
		2,600,194,030	2,686,198,367
Minority interest		52,933,200	-
Total Equity		2,653,127,230	2,686,198,367
NON-CURRENT LIABILITIES			
Long term financing	7	2,586,389,516	2,509,126,989
Long term murabaha	8	1,048,318,127	475,000,000
Deferred tax liability	9	4,640,017	-
		3,639,347,660	2,984,126,989
CURRENT LIABILITIES			
Trade and other payables	10	382,825,333	321,354,499
Accrued mark-up	11	151,730,763	103,767,328
Short term borrowings	12	3,190,716,138	2,623,592,501
Current portion of non-current liabilities	13	1,957,737,473	1,034,823,810
		5,683,009,707	4,083,538,138
TOTAL LIABILITIES		9,322,357,367	7,067,665,127
CONTINGENCIES AND COMMITMENTS	14	-	-
TOTAL EQUITY AND LIABILITIES		11,975,484,597	9,753,863,494

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

CHIEF EXECUTIVE

30 June 2008

	NOTE	2008 Rupees	2007 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	7,595,030,770	6,544,226,817
Long term loans	16	9,706,688	6,933,229
Long term security deposits		895,942	895,942
		7,605,633,400	6,552,055,988
CURRENT ASSETS			
Stores, spare parts and loose tools	17	307,096,654	233,274,317
Stock in trade	18	2,447,462,949	1,799,902,361
Trade debts	19	1,311,338,154	842,112,885
Loans and advances	20	114,414,578	144,611,284
Short term deposits and prepayments	21	936,821	1,949,498
Other receivables	22	159,147,351	119,286,705
Cash and bank balances	23	29,454,690	60,670,456
		4,369,851,197	3,201,807,506
TOTAL ASSETS		11,975,484,597	9,753,863,494

DIRECTOR

Consolidated Profit and Loss Account

for the year ended 30 June 2008

	NOTE	2008 Rupees	2007 Rupees
Sales	24	9,138,298,052	7,677,538,636
Cost of sales	25	8,097,418,309	6,720,329,731
Gross profit		1,040,879,743	957,208,905
Distribution cost	26	224,932,148	178,811,548
Administrative expenses	27	83,975,591	83,498,537
Other operating expenses	28	6,489,259	24,270,370
		315,396,998	286,580,455
		725,482,745	670,628,450
Other operating income	29	56,518,520	88,674,183
Profit from operations		782,001,265	759,302,633
Finance cost	30	705,821,520	648,145,746
Profit before taxation		76,179,745	111,156,887
Provision for taxation	31	58,000,000	101,000,000
Profit after taxation		18,179,745	10,156,887
Earnings per share - basic and diluted	38	0.24	0.14

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Cash Flow Statement
for the year ended 30 June 2008

	NOTE	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	290,225,287	814,689,483
Long term deposits - net		-	10,003
Finance cost paid		(689,766,409)	(649,504,651)
Income tax paid		(70,858,628)	(71,992,534)
Net cash (used in) / generated from operating activities		(470,399,750)	93,202,301
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(346,994,230)	(319,243,533)
Long term loans		(1,196,443)	(2,833,958)
Investment in subsidiary company net of cash acquired		(200,523,964)	-
Proceeds from sale of property, plant and equipment		7,149,566	17,671,825
Net cash used in investing activities		(541,565,071)	(304,405,666)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		2,250,000,000	650,000,000
Proceeds from long term murabaha		-	475,000,000
Repayment of long term financing		(1,243,573,810)	(787,749,202)
Repayment of long term murabaha		(481,250,000)	(312,500,000)
Dividend paid		(111,550,772)	(112,526,844)
Net cash generated / (used in) from financing activities		413,625,418	(87,776,046)
Net decrease in cash and cash equivalents		(598,339,403)	(298,979,411)
Cash and cash equivalents at the beginning of the year		(2,562,922,045)	(2,263,942,634)
Cash and cash equivalents at the end of the year	37	(3,161,261,448)	(2,562,922,045)

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Changes in Equity

for the year ended 30 June 2008

	SHARE CAPITAL	HEDGING RESERVE	REVENUE RESERVES General reserve	REVENUE RESERVES Unappropriated profit	REVENUE RESERVES Sub Total	TOTAL RESERVES	SHARE HOLDERS' EQUITY	MINORITY INTEREST	TOTAL
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY								
	.... Rupees								
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	-	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)	-	(112,801,257)
Profit for the year ended 30 June 2007	-	-	-	10,156,887	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	-	2,686,198,367
Final dividend for the year ended 30 June 2007 @ Rs. 1.5 per share	-	-	-	(112,801,257)	(112,801,257)	(112,801,257)	(112,801,257)	-	(112,801,257)
Fair value (net of deferred tax) of quanto interest rate swap entered into as part of cash flow hedge (Note 7.1.2)	-	8,617,175	-	-	-	8,617,175	8,617,175	-	8,617,175
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	52,933,200	52,933,200
Profit for the year ended 30 June 2008	-	-	-	18,179,745	18,179,745	18,179,745	18,179,745	-	18,179,745
Balance as at 30 June 2008	752,008,380	8,617,175	1,629,221,278	210,347,197	1,839,568,475	1,848,185,650	2,600,194,030	52,933,200	2,653,127,230

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

CHIEF EXECUTIVE DIRECTOR

Notes to the Consolidated Financial Statements

for the year ended 30 June 2008

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

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

Nishat (Chunian) Limited

Nishat (Chunian) Limited 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.

Nishat Chunian Power Limited

Nishat Chunian Power Limited is an unlisted public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The principal activity of the Company is to build, own, operate and maintain a fuel fired power station based on Reciprocating Engine Technology having gross capacity of 200 MW ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The expected project commissioning date is 31 March 2010. Its registered office is situated at 31-Q, Gulberg II, Lahore. Nishat (Chunian) Limited holds 80% of the share capital of Nishat Chunian Power Limited.

2. STATEMENT OF COMPLIANCE

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

2.2 Amendments to published standard effective in current period

During the year ended 30 June 2008, amendments relating to capital disclosures made in International Accounting Standard (IAS) 1 'Presentation of Financial Statements' became effective. Adoption of such amendment has added disclosure relating to capital risk management (Note 34.4).

2.3 Standards, interpretations and amendments to published approved accounting standards effective in current period but not relevant

There are other new standards and interpretations that are mandatory for accounting periods beginning on or after 01 July 2007 but are considered not to be relevant or do not have any significant impact on the Group's financial statements.

2.4 Standards and amendments to published approved accounting standards that are not yet effective

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2008 or later periods:

IFRS 7 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 28 April 2008). It introduces new disclosures relating to financial instruments. This standard would not have any impact on the classification and valuation of the Group's financial instruments.

IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 01 January 2009). It introduces the "management approach" to segment reporting. IFRS 8 will require presentation and disclosure of segment information based on the internal reports regularly reviewed by the Holding Company's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. Under the management approach, the Holding Company will present segment information in respect of Spinning, Weaving, Dyeing, Processing, Stitching and Power.

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

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

There are other amendments resulting from May 2008 Annual Improvements to IFRSs, specifically in IAS 1 'Presentation of Financial Statements', IAS 16 'Property, Plant and Equipment', IAS 23 'Borrowing Costs', IAS 36 'Impairment of Assets', IAS 38 'Intangible Assets' and IAS 39 'Financial Instruments: Recognition and Measurement', that are considered relevant to the Group's financial statements. The management is in the process of evaluating the impact of these changes on the Group's financial statements.

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

3. BASIS OF PREPARATION

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

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. Further, the values of assets are reviewed for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

3.2.2 Accumulated compensated absences

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

3.2.3 Taxation

In making the estimates for income tax currently payable by the Holding Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past. Income of the Subsidiary Company is exempt from tax under clause (132), Part I Second Schedule to the Income Tax Ordinance, 2001.

3.2.4 Provisions

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

3.2.5 Fair value of derivatives

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Consolidation

Subsidiary

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

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

Intra group balances and transactions have been eliminated.

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

4.2 Taxation

Holding Company

Current

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

Deferred

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

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

Subsidiary Company

The income of the Subsidiary Company is exempt from tax under clause (132), Part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.3 Employee benefits

The main features of the schemes operated are as follows:

Provident fund

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

Accumulating compensated absences

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

4.4 Fixed Assets

4.4.1 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 4.8. Freehold land and capital work in progress are stated at cost less any accumulated impairment losses (if any).

Depreciation on all operating fixed assets is charged to income on the reducing balance method so as to write off the cost of the assets over their estimated useful lives at the rates given in Note 15.1. Depreciation on additions is charged from the month in which the assets are available for use and on deletions upto the month in which assets are deleted. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

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

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

Derecognition

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

4.4.2 Intangible asset - Computer software

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

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

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

4.5 Investments

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

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

Available for sale

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

4.6 Inventories

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

Stores and spares

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

Stock in trade

Cost of raw material represents:

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

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

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

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

4.7 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.8 Borrowing cost

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

4.9 Revenue recognition

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

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

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

4.10 Financial instruments

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

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial asset. The Group loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Group surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently.

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

Trade and other receivables

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

Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

Trade and other payables

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

Cash and cash equivalents

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

4.11 Derivative financial instruments

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

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

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

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

4.12 Provisions

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

4.13 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.

4.14 Impairment

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

4.15 Dividend and transfer of reserves

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

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2008	2007		2008	2007
(Number of Shares)			Rupees	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

	2008	2007
	(Number of Shares)	
5.1 Ordinary shares of the Holding Company held by associated undertakings		
Nishat Mills Limited	10,233,329	10,233,329
DG Khan Cement Company Limited	7,068,620	7,068,620
	17,301,949	17,301,949

	2008 Rupees	2007 Rupees
6. RESERVES		
Composition of reserves is as follows:		
Hedging reserve	8,617,175	-
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	210,347,197	304,968,709
	1,839,568,475	1,934,189,987
	1,848,185,650	1,934,189,987
7. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 7.1)	4,294,126,989	3,537,700,799
Long term musharika (Note 7.2)	250,000,000	-
	4,544,126,989	3,537,700,799
Less: Current portion shown under current liabilities (Note 13)	1,957,737,473	1,028,573,810
	2,586,389,516	2,509,126,989

7.1

Lender	2008 Rupees	2007 Rupees	Rate of mark up per annum	Number of instalments	Mark up repricing	Mark up payable
Standard Chartered Bank (Pakistan) Limited-1	-	33,333,334	6-month KIBOR +0.25%	Six equal half yearly instalments commencing on 27March 2005 and ending on 26 September 2007	Quarterly	Quarterly
Standard Chartered Bank (Pakistan) Limited-2	100,000,000	150,000,000	6-month KIBOR +0.5%	Eight equal half yearly instalments commencing on 25 August 2006 and ending on 25 February 2010	Half Yearly	Half Yearly
The Royal Bank of Scotland Limited (formerly ABN AMRO Bank (Pakistan) Limited-1)	150,000,000	150,000,000	3-month KIBOR +0.5%	Bullet Payment on 16 August 2008	Quarterly	Quarterly
The Royal Bank of Scotland Limited (formerly ABN AMRO Bank (Pakistan) Limited-2)	300,000,000	300,000,000	6-month KIBOR +1.25%	Bullet Payment on 30 June 2009	Half Yearly	Half Yearly
United Bank Limited-1	214,285,787	357,142,929	6-month KIBOR +0.50%	Seven equal half yearly instalments commencing on 28 September 2006 and ending on 28 September 2009	Half Yearly	Quarterly
United Bank Limited-2	312,500,000	437,500,000	SBP rate for LTF-EOP+ 3%	Eight equal half yearly instalments commencing on 28 February 2007 and ending on 31 July 2010	As and when notified by SBP	Quarterly
United Bank Limited-3	160,000,000	200,000,000	6-month KIBOR +1.05%	Ten equal half yearly instalments commencing on 27 December 2007 and ending on 27 June 2012	Half Yearly	Half Yearly
United Bank Limited-4	450,000,000	-	6-month KIBOR +0.95%	Ten equal half yearly instalments commencing on 24 June 2008 and ending on 24 December 2012	Half Yearly	Half Yearly
Habib Bank Limited-1	-	37,500,000	6-month KIBOR +0.40%	Sixteen equal quarterly instalments commencing on 01 May 2004 and ending on 07 February 2008	Quarterly	Quarterly
Habib Bank Limited-2	89,850,000	152,350,000	SBP rate for LTF-EOP+2%	Six equal half yearly instalments commencing on 30 March 2007 and ending on 30 September 2009	As and when notified by SBP	Quarterly
Habib Bank Limited-3	125,000,000	187,500,000	SBP rate for LTF-EOP+3%	Eight equal half yearly instalments commencing on 25 December 2006 and ending on 25 June 2010	As and when notified by SBP	Quarterly
Habib Bank Limited-4	45,778,980	64,090,572	SBP rate for LTF-EOP+3%	Eight equal half yearly instalments commencing on 24 May 2007 and ending on 24 November 2010	As and when notified by SBP	Quarterly
Habib Bank Limited-5	45,715,224	60,953,632	SBP rate for LTF-EOP+3%	Eight equal half yearly instalments commencing on 03 August 2007 and ending on 03 February 2011	As and when notified by SBP	Quarterly
Citibank N.A	149,333,334	224,000,000	SBP rate for LTF-EOP+2%	Six equal half yearly instalments commencing on 31 December 2007 and ending on 27 June 2010	As and when notified by SBP	Half Yearly
Allied Bank Limited-1	166,663,664	333,330,332	SBP rate for LTF-EOP+2%	Twelve equal quarterly instalments commencing on 28 September 2006 and ending on 28 June 2009	As and when notified by SBP	Quarterly
Allied Bank Limited-2	200,000,000	400,000,000	SBP rate for LTF-EOP+2%	Ten equal quarterly instalments 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	300,000,000	6-month KIBOR +1.05%	Six equal half yearly instalments commencing on 23 December 2009 and ending on 23 June 2012	Half Yearly	Half Yearly
Allied Bank Limited-4	450,000,000	-	6-month KIBOR +1.05%	Ten equal half yearly instalments commencing on 28 March 2008 and ending on 28 September 2012	Half Yearly	Half Yearly
Allied Bank Limited-5	630,000,000	-	6-month KIBOR +0.85%	Ten equal half yearly instalments commencing on 14 June 2008 and ending on 14 December 2012	Half Yearly	Half Yearly
The Hong Kong and Shanghai Banking Corporation Limited	150,000,000	150,000,000	6-month KIBOR (Average of last 15 days) +1.00%	Bullet Payment on 29 December 2008	Half Yearly	Half Yearly
Atlas Bank Limited	255,000,000	-	6-month KIBOR +1.05%	Twenty equal quarterly instalments commencing on 29 December 2007 and ending on 29 September 2012	Half Yearly	Quarterly
	4,294,126,989	3,537,700,799				

7.1.1 These are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets to the extent of Rupees 8,140 million (2007: Rupees 5,965 million).

7.1.2 Derivative quanto (interest rate) swap

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

7.2 This facility carries mark-up @ 6-month KIBOR + 1.25% per annum. The principal amount is repayable in sixteen equal quarterly installments commencing from 30 September 2009 and ending on 30 June 2013. This facility is secured by ranking hypothecation charge over plant and machinery of the Holding Company for Rupees 334 million with 25% risk margin. The ranking hypothecation charge shall be upgraded to first pari passu hypothecation charge within 90 days from the date of facility drawdown.

7.3 These finances are obtained by Nishat (Chunian) Limited - Holding Company.

	2008 Rupees	2007 Rupees
8. LONG TERM MURABAHA		
From banking companies - secured:		
Faysal Bank Limited (Note 8.1)	-	6,250,000
Meezan Bank Limited - II (Note 8.2)	-	350,000,000
Meezan Bank Limited - III (Note 8.3)	-	125,000,000
Consortium of Banks (Note 8.4)	1,048,318,127	-
	1,048,318,127	481,250,000
Less: Current portion shown under current liabilities (Note 13)	-	6,250,000
	1,048,318,127	475,000,000

8.1 This facility was obtained by the Holding Company which carried mark-up @ 6-month KIBOR + 0.5% per annum and was repaid on 26 September 2007. This facility was secured by joint pari passu charge on entire fixed assets to the extent of Rupees 50 million.

8.2 This facility was obtained by the Holding Company which carried mark-up @ 3-month KIBOR + 1% per annum and was repaid on 15 August 2007. This facility was secured by joint pari passu charge with 20% margin on all present and future current assets.

8.3 This facility was obtained by the Holding Company which carried mark-up @ 6-month KIBOR + 1% per annum and was repaid on 10 December 2007. This facility was secured by joint pari passu charge with 20% margin on all present and future current assets.

8.4 This represents long term financing obtained by the Subsidiary Company from a consortium of banks led by United Bank Limited (agent bank) and includes National Bank of Pakistan, Habib Bank Limited, Allied Bank Limited and Faysal Bank Limited on murabaha basis. The total project financing facility amounts to Rupees 12,354.502 million. The financing is secured against first joint pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of the Subsidiary Company (excluding the mortgaged immovable property), lien over project bank accounts and pledge of shares of Holding Company.

8.4.1 It carries markup at the rate of three months KIBOR plus three percent per annum payable on quarterly basis. The finance is repayable in forty equal quarterly installments commencing from 30 June 2010.

9. DEFERRED TAX LIABILITY

This represents deferred tax liability on fair value of cash flow hedge as stated in Note 7.1.2. No provision for deferred tax on other temporary differences was required due to available tax losses. Further, the Holding Company’s future tax liability is expected to be limited to tax under section 169 of the Income Tax Ordinance, 2001. Accordingly, the temporary differences are not likely to reverse in the foreseeable future and no deferred tax asset was recognized.

	2008 Rupees	2007 Rupees
10. TRADE AND OTHER PAYABLES		
Creditors	183,859,775	130,233,120
Accrued liabilities	97,508,757	100,947,919
Advances from customers	36,765,877	22,673,705
Retention money	9,001,017	13,357,015
Payable to provident fund trust (Note 10.1)	1,073,914	136,580
Income tax deducted at source	2,327,934	277,810
Unpaid and unclaimed dividend	13,585,310	12,334,825
Insurance premium payable (Adamjee Insurance Company Limited - associated undertaking)	205,357	828,330
Workers' profit participation fund (Note 10.2)	4,036,732	6,249,651
Workers' welfare fund	6,075,719	6,075,719
Fair value loss on foreign currency forward contracts	4,626,999	-
Loss on interest rate swap	3,329,049	-
Others	20,428,893	28,239,825
	382,825,333	321,354,499

10.1 The management of the Subsidiary Company is in process of establishing employees' provident fund trust.

	2008 Rupees	2007 Rupees
10.2 Workers' profit participation fund		
Balance as on 01 July	6,249,651	20,612,232
Interest for the year (Note 30)	518,165	1,510,766
Add: Provision for the year (Note 28)	4,036,732	6,249,651
	10,804,548	28,372,649
Less : Payments to trust	6,767,816	22,122,998
	4,036,732	6,249,651

10.2.1 The Group 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 till the date of allocation to workers.

	2008 Rupees	2007 Rupees
11. ACCRUED MARK-UP		
Long term financing	69,531,776	47,475,010
Long term murabaha	31,908,324	5,720,514
Short term borrowings	50,290,663	50,571,804
	151,730,763	103,767,328
12. SHORT TERM BORROWINGS		
From banking companies-Secured		
Short term running finances (Notes 12.1 and 12.2)	627,434,495	612,349,121
Export finances-Preshipment / SBP refinance (Notes 12.1 and 12.3)	1,583,281,643	1,331,243,380
Other short term finances (Notes 12.1 and 12.4)	980,000,000	680,000,000
	3,190,716,138	2,623,592,501

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

12.2 The rates of mark-up range from Rupee 0.043 to Rupee 0.394 (2007: Rupee 0.165 to Rupee 0.359) per Rupees 1,000 per diem or part thereof on the balance outstanding.

12.3 The rates of mark-up range from Rupee 0.084 to Rupee 0.367 (2007: Rupee 0.156 to Rupee 0.273) per Rupees 1,000 per diem or part thereof on the balance outstanding.

12.4 The rates of mark-up range from Rupee 0.262 to Rupee 0.365 (2007: Rupee 0.263 to Rupee 0.274) per Rupees 1,000 per diem or part thereof on the balance outstanding.

	2008 Rupees	2007 Rupees
13. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 7)	1,957,737,473	1,028,573,810
Long term murabaha (Note 8)	-	6,250,000
	1,957,737,473	1,034,823,810

14. CONTINGENCIES AND COMMITMENTS

Contingencies

14.1 Guarantees of Rupees 168.115 million (2007: Rupees 168.115 million) have been issued by the banks of the Holding Company to Sui Northern Gas Pipelines Limited against gas connections and Shell Pakistan Limited against purchase of furnace oil.

14.2 The Holding Company has given following guarantees on behalf of Subsidiary Company:

- Performance guarantee of USD 1 million (2007:USD 1 million) in favour of Private Power and Infrastructure Board (Government of Pakistan) to secure performance of Nishat Chunian Power Limited under Implementation Agreement and Power Purchase Agreement.

- Guarantee of Rupees Nil (2007: Rupees 244.000 million) have been issued by the bank of the Holding Company to Wartsila Pakistan (Private) Limited.

- The Holding Company has issued irrevocable standby letters of credit of Rupees 147.120 million for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Chunian Power Limited.

14.3 Irrevocable letters of credit of USD 5.370 million (Pak Rupees 366.103 million) given by Subsidiary Company in favour of National Transmission and Despatch Company as required under section 2.7 and section 9.4(d) of the Power Purchase Agreement.

14.4 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 (2007: 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Holding Company has not submitted Appendix-1 as per rule 297-A of the above referred scheme. The Holding Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal (custom, excise and sales tax) Karachi bench which is still pending. The Holding Company had also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Holding Company and forwarded the case to FBR.

14.5 Orders were issued by the Taxation Officer under Section 221 of the Income Tax Ordinance, 2001 for assessment years 1998-99 to 2001-02 under which the assessing officer has levied tax under Section 80D on local sales of the Holding Company irrespective of the tax paid under Section 80CC and thus creating a demand of Rupees 1.470 million, Rupees 1.436 million, Rupees 2.250 million and 2.713 million respectively for said years. An appeal against said orders had been filed before the CIT (Appeals) who decided the case in favour of the Holding Company. The department has filed appeal before Income Tax Appellate Tribunal (ITAT) which is still pending. No provision has been made there against in these financial statements as management is confident for favourable outcome.

14.6 While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-2003 the Income Tax Officer disallowed certain expenses on pro-rata basis. The Holding Company being aggrieved has filed appeals with the CIT (Appeals) which have been decided in its favour against which the department has preferred an appeal to Income Tax Appellate Tribunal (ITAT). ITAT has now decided the case in favour of the Holding Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances has been made in the books of account of the Holding Company as the management is confident that the matter would be settled in the Company's favour. If the decision of ITAT is not upheld, the provision for taxation amounting to Rupees 17.157 million (2007: Rupees 17.157 million) would be required.

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

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

14.9 Post dated cheques have been issued by the Holding Company to custom authorities in respect of duties amounting to Rupees 23.793 million (2007: Rupees 32.535 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.

Commitments

i) Contracts for capital expenditure of the Group are amounting to Rupees 13,191.704 million (2007: Rupees 133.068 million).

ii) Letters of credit other than for capital expenditure of the Holding Company are amounting to Rupees 151.583 million (2007: Rupees 55.913 million).

iii) Quanto (interest rate) swap entered by the Holding Company of Rupees 500.000 million (outstanding notional amount) (2007: Nil) as on 30 June 2008.

iv) The Holding Company has entered into foreign currency forward contracts of Rupees 439.705 million-outstanding amount (2007: 864.656 million).

	2008 Rupees	2007 Rupees
15. FIXED ASSETS		
Property, plant and equipment		
Operating assets (Note 15.1)	6,139,633,290	6,389,949,755
Capital work in progress (Note 15.2)	1,454,078,480	153,148,062
	7,593,711,770	6,543,097,817
Intangible asset in progress	1,319,000	1,129,000
	7,595,030,770	6,544,226,817

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

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total
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:									
Cost	-	-	(65,350,326)	-	-	-	(22,673)	(11,589,431)	(76,962,430)
Accumulated Depreciation	-	-	53,152,897	-	-	-	1,971	6,846,209	60,001,077
	-	-	(12,197,429)	-	-	-	(20,702)	(4,743,222)	(16,961,353)
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 01 July 2007									
Cost	188,776,332	1,429,108,475	7,194,588,182	157,527,106	58,190,718	37,552,754	123,292,143	110,188,196	9,299,223,906
Accumulated depreciation	-	(500,320,639)	(2,220,068,290)	(70,974,325)	(33,279,449)	(13,435,968)	(26,319,938)	(44,875,542)	(2,909,274,151)
Net book value	188,776,332	928,787,836	4,974,519,892	86,552,781	24,911,269	24,116,786	96,972,205	65,312,654	6,389,949,755
Year ended 30 June 2008									
Opening net book value	188,776,332	928,787,836	4,974,519,892	86,552,781	24,911,269	24,116,786	96,972,205	65,312,654	6,389,949,755
Additions	70,016,715	95,068,296	192,238,853	1,350,102	5,000,667	2,802,852	3,319,563	11,682,635	381,479,683
Disposals:									
Cost	-	-	-	-	-	(834,619)	(31,979)	(11,987,470)	(12,854,068)
Accumulated Depreciation	-	-	-	-	-	323,405	8,019	7,202,108	7,533,532
						(511,214)	(23,960)	(4,785,362)	(5,320,536)
Depreciation charge	-	(94,959,374)	(494,504,295)	(8,773,480)	(2,900,786)	(2,649,284)	(9,925,305)	(12,763,088)	(626,475,612)
Closing net book value	258,793,047	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,342,503	59,446,839	6,139,633,290
At 30 June 2008									
Cost	258,793,047	1,524,176,771	7,386,827,035	158,877,208	63,191,385	39,520,987	126,579,727	109,883,361	9,667,849,521
Accumulated depreciation	-	(595,280,013)	(2,714,572,585)	(79,747,805)	(36,180,235)	(15,761,847)	(36,237,224)	(50,436,522)	(3,528,216,231)
Net book value	258,793,047	928,896,758	4,672,254,450	79,129,403	27,011,150	23,759,140	90,342,503	59,446,839	6,139,633,290
Annual rate of depreciation (%)	-	10	10	10	10	10	10-30	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				
Motor vehicles						
Toyota Corolla LRN-6188	1,103,480	705,245	398,235	700,000	Negotiation	Azhar Shafiq, Islampura, Lahore
Honda Civic LRK-8292	1,160,543	747,830	412,713	677,000	Negotiation	Saqib Waseem Jafar, PGS Sector A-II, Lahore
Suzuki Cultus LRH-8740	596,200	387,320	208,880	370,000	Negotiation	Muhammad Mohsin Mumtaz, Samanabad, Lahore
Toyota Corolla LZG-8502	1,219,980	596,814	623,166	750,000	Negotiation	Sadaqat Ali, Wahdat Road, Lahore
Mitsubishi Van LZJ-5823	1,264,260	618,476	645,784	460,000	Negotiation	Nadeem Shoukat, Bedian Road, Lahore
Suzuki Cultus LZS -3458	565,788	276,783	289,005	435,000	Negotiation	Muhammad Safdar, Railway Washing Line, Lahore
Suzuki Cultus LRY- 3939	620,990	309,088	311,902	440,000	Negotiation	Qurban Ali, Iqbal Town, Lahore
Suzuki Bolan LRS-8744	373,520	221,811	151,709	310,000	Negotiation	Zahid Ali, Johar Town, Lahore
Honda Civic LRK-6702	1,010,310	682,964	327,346	670,000	Negotiation	Naseer Ahmad Malik, Shadman, Lahore
Dong Fong Truck LRT-6627	709,847	431,076	278,771	240,000	Negotiation	Adnan Nasir, Gulberg II, Lahore
Honda Civic LR -9310	1,266,135	942,714	323,421	660,000	Negotiation	Mrs Tabassum Moazzam, New Garden Town, Lahore
Mitsubishi Van LRT-5975	1,311,200	813,888	497,312	440,000	Negotiation	Muhammad Iqbal, Lahore Cantt, Lahore
Employees						
Hyundai Santro LZL-1425	579,000	307,951	271,049	579,000	As per policy	Umer Saeed

	2008 Rupees	2007 Rupees
15.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 25)	613,894,012	648,706,219
Administrative expenses (Note 27)	12,436,344	12,684,096
Capital work in progress	145,256	-
	626,475,612	661,390,315

15.2 Capital work-in-progress

	2008 Rupees	2007 Rupees
Plant and machinery	147,861,191	77,455,265
Civil works on freehold land	64,186,187	60,422,297
Advance for purchase of assets	873,028,975	15,270,500
Mobilization advance	816,096	-
Unallocated expenditures (Note15.2.1)	368,186,031	-
	1,454,078,480	153,148,062

15.2.1 Unallocated expenditures - Nishat Chunian Power Limited - Subsidiary Company

	2008 Rupees	2007 Rupees
Salaries and other benefits (Note 15.2.2)	9,685,427	-
Insurance	150,712,297	-
Traveling and conveyance	1,507,436	-
Entertainment	233,008	-
Vehicle running and maintenance	454,746	-
Printing and stationary	150,167	-
Postage and telephone	45,175	-
Legal and professional charges	10,085,272	-
Auditor's remuneration	40,000	-
Consultancy charges	2,850,108	-
Registration fee	79,290	-
Advertisement expenses	5,775	-
Fee and subscription	13,101,900	-
Mark-up on long term financing	53,645,246	-
Bank charges and financing fee	108,203,093	-
Bank guarantee commission	7,835,789	-
Miscellaneous	9,533,439	-
Depreciation (Note 15.1.2)	145,256	-
Markup on loan to executive	(127,393)	-
	368,186,031	-

15.2.2 This includes remuneration of chief executive and two executives of the Subsidiary Company amounting to Rupees 2.193 million (2007: Nil) and Rupees 2.358 million (2007: Nil) respectively.

	2008 Rupees	2007 Rupees
16. LONG TERM LOANS		
Considered good:		
Executives (Note 16.1)	8,469,671	5,378,999
Other employees	2,867,397	2,983,268
	11,337,068	8,362,267
Less: Current portion shown under current assets (Note 20)		
Executives	1,330,608	893,490
Other employees	299,772	535,548
	1,630,380	1,429,038
	9,706,688	6,933,229
16.1 Reconciliation of carrying amount of loans to executives:		
Opening balance	5,378,999	2,463,127
Disbursements	4,462,140	4,200,000
Less: Repayments	1,371,468	1,284,128
Closing balance	8,469,671	5,378,999

16.1.1 Maximum aggregate balance due from executives at the end of any month during the year is Rupees 8.299 million (2007: Rupees 5.379 million).

16.2 These represent car and house construction loans to executives and employees of the Holding Company, payable in 48 and 15 monthly installments respectively and house construction loans to executive of the Subsidiary Company payable in 48 monthly installments. These carry interest at the rate upto 10.5% per annum (2007: 9% per annum). Car loans are secured against registration of cars in the name of the Company, whereas house construction loans are unsecured.

16.3 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.

	2008 Rupees	2007 Rupees
17. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	204,824,436	140,391,000
Spare parts	95,721,213	87,773,691
Loose tools	6,551,005	5,109,626
	307,096,654	233,274,317
18. STOCK IN TRADE		
Raw materials	1,799,479,746	1,003,422,670
Work in process	195,443,205	268,870,213
Finished goods - own produced	421,026,976	513,446,035
Finished goods - trading stock	6,412,705	1,670,072
Waste	25,100,317	12,493,371
	2,447,462,949	1,799,902,361

	2008 Rupees	2007 Rupees
19. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	834,181,356	348,970,004
Unsecured	477,156,798	493,142,881
	1,311,338,154	842,112,885
20. LOANS AND ADVANCES		
Considered good:		
Employees:		
-Executives	423,828	356,121
-Other employees	8,495,190	6,900,622
	8,919,018	7,256,743
Current portion of long term loans (Note 16)	1,630,380	1,429,038
Suppliers (Note 20.1)	66,376,955	49,698,031
Contractors	6,670,052	5,949,412
Letters of credit	30,818,173	80,278,060
	114,414,578	144,611,284

20.1 Advances to suppliers include Rupees 5.652 million (2007: Rupees 8.74 million) and Rupees 0.565 million (2007: Rupees 0.86 million) due from Nishat Mills Limited - associated undertaking and D.G. Khan Cement Company Limited - associated undertaking respectively.

	2008 Rupees	2007 Rupees
21. SHORT TERM DEPOSITS AND PREPAYMENTS		
Short term deposits	20,000	-
Prepayments	916,821	1,949,498
	936,821	1,949,498
22. OTHER RECEIVABLES		
Sales tax recoverable	65,780,701	44,636,899
Advance income tax - net	17,804,702	4,929,144
Export rebate	9,497,532	14,626,399
Research and development support receivable	31,539,760	25,020,543
Fair value gain on foreign currency forward contracts	-	11,958,500
Fair value of interest rate swap	13,257,192	-
Insurance claim receivable from Adamjee Insurance Company Limited (associated undertaking)	411,490	1,458,579
Subsidy receivable against financing of import of spinning machinery	11,125,650	-
Others	9,730,324	16,656,641
	159,147,351	119,286,705

	2008 Rupees	2007 Rupees
23. CASH AND BANK BALANCES		
With Banks:		
On PLS saving accounts (Note 23.1)		
Including US$ 20,795 (2007: US$ 104,768)	12,392,583	6,338,772
On current accounts (Note 23.2)	15,445,537	53,007,741
Including US$ 28,618 (2007: US$ 89,651)	27,838,120	59,346,513
Cash in hand	1,616,570	1,323,943
	29,454,690	60,670,456

23.1 Rate of profit on bank deposits ranges from 0.50% to 5% (2007: 0.20% to 1%) per annum.

23.2 Included in cash at bank are Rupees 10.584 million (2007: Rupees 49.74 million) deposited with MCB Bank Limited - associated undertaking.

	2008 Rupees	2007 Rupees
24. SALES		
Export	5,865,020,185	6,258,401,821
Local (Note 24.1)	3,250,731,973	1,400,878,765
Export rebate	22,545,894	18,258,050
	9,138,298,052	7,677,538,636
24.1 Local sales		
Sales	3,108,019,590	1,174,089,459
Processing Income	142,712,383	225,845,506
Doubling income	-	943,800
	3,250,731,973	1,400,878,765
25. COST OF SALES		
Raw material consumed (Note 25.1)	5,216,394,420	4,338,827,416
Packing materials consumed	324,428,293	213,763,613
Stores, spare parts and loose tools	525,403,798	494,122,784
Salaries, wages and other benefits (Note 25.2)	565,619,267	547,392,582
Fuel and power	568,870,641	546,151,976
Insurance	21,634,338	19,798,673
Postage and telephone	654,447	763,309
Traveling and conveyance	11,770,947	11,241,451
Vehicles' running and maintenance	9,121,798	9,432,605
Entertainment	1,088,958	1,054,437
Depreciation (Note 15.1.2)	613,894,012	648,706,219
Repair and maintenance	11,368,868	8,837,510
Other factory overheads	54,690,077	37,656,175
	7,924,939,864	6,877,748,750

	2008 Rupees		2007 Rupees	
Work-in-process				
Opening stock	268,870,213		179,358,235	
Closing stock	(195,443,205)		(268,870,213)	
		73,427,008		(89,511,978)
Cost of goods manufactured		7,998,366,872		6,788,236,772
Finished goods and waste-opening stocks				
Finished goods	513,446,035		342,593,878	
Waste	12,493,371		18,305,043	
		525,939,406		360,898,921
		8,524,306,278		7,149,135,693
Finished goods and waste-closing stocks				
Finished goods	(421,026,976)		(513,446,035)	
Waste	(25,100,317)		(12,493,371)	
		(446,127,293)		(525,939,406)
Cost of sales - own manufactured goods		8,078,178,985		6,623,196,287
Opening stock of purchased finished goods	1,670,072		4,625,201	
Finished goods purchased	23,981,957		94,178,315	
Closing stock of purchased finished goods	(6,412,705)		(1,670,072)	
Cost of sales-purchased finished goods		19,239,324		97,133,444
		8,097,418,309		6,720,329,731

25.1 Raw material consumed

	2008 Rupees	2007 Rupees
Opening stock	1,003,422,670	1,027,945,029
Add: Purchased during the year	6,012,451,496	4,314,305,057
	7,015,874,166	5,342,250,086
Less: Closing stock	1,799,479,746	1,003,422,670
	5,216,394,420	4,338,827,416

25.2 Salaries, wages and other benefits include Rupees 6.136 million (2007: Rupees 7.754 million) and Rupees 15.869 million (2007: Rupees 14.031 million) in respect of staff compensated absences and provident fund contribution respectively.

	2008 Rupees	2007 Rupees
26. DISTRIBUTION COST		
Salaries and other benefits (Note 26.1)	21,783,711	18,851,431
Ocean freight	59,460,621	49,044,665
Freight and octroi	24,035,965	18,525,296
Forwarding and other expenses	11,966,725	12,748,213
Export marketing expenses	22,931,063	33,697,508
Commission to selling agents	84,754,063	45,944,435
	224,932,148	178,811,548

26.1 Salaries and other benefits include Rupees 0.547 million (2007: Rupees 0.991 million) and Rupees 1.024 million (2007: Rupees 0.933 million) in respect of staff compensated absences and provident fund contribution respectively.

	2008 Rupees	2007 Rupees
27. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 27.1)	30,423,298	34,867,593
Printing and stationery	1,729,417	1,802,583
Vehicles' running and maintenance	2,764,807	4,774,770
Traveling and conveyance	6,744,281	2,904,165
Postage, telephone and telegraph	4,644,680	3,998,896
Fee and subscription	740,491	470,737
Legal and professional	4,870,057	4,081,600
Electricity and sui gas	2,925,322	3,423,259
Insurance	2,736,470	2,398,442
Repair and maintenance	880,196	1,214,790
Research and development (Note 27.2)	6,167,297	5,068,151
Entertainment	1,323,599	1,497,478
Auditors' remuneration (Note 27.3)	814,000	732,500
Advertisement	404,747	459,989
Depreciation (Note 15.1.2)	12,436,344	12,684,096
Miscellaneous	4,370,585	3,119,488
	83,975,591	83,498,537

27.1 Salaries and other benefits include Rupees 1.946 million (2007: Rupees 0.756 million) and Rupees 1.503 million (2007: Rupees 1.380 million) in respect of staff compensated absences and provident fund contribution respectively.

	2008 Rupees	2007 Rupees
27.2 Research and development		
Support on account of research and development (Note 27.2.1)	112,314,980	85,603,947
Less: Utilization		
Product development	71,727,208	45,012,652
Professional consultancy	24,350,898	19,456,172
Market research	19,227,974	24,775,815
Participation in exhibitions	3,176,197	1,427,459
	118,482,277	90,672,098
	6,167,297	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.

	2008 Rupees	2007 Rupees
27.3 Auditors' remuneration		
Audit fee	544,500	495,000
Half yearly review	130,000	130,000
Certification fees etc.	50,000	25,000
Reimbursable expenses	89,500	82,500
	814,000	732,500

28. OTHER OPERATING EXPENSES

	2008 Rupees	2007 Rupees
Workers' profit participation fund (Note 10.2)	4,036,732	6,249,651
Workers' welfare fund (Note 28.1)	-	6,075,719
Donations (Note 28.2)	2,452,527	11,945,000
	6,489,259	24,270,370

28.1 The Company has taxable losses under Income Tax Ordinance, 2001. Therefore, no provision for workers welfare fund is required as per section 4 of Workers Welfare Fund Ordinance, 1971.

	2008 Rupees	2007 Rupees
28 .2 Name of donee in which a director or his spouse of the Holding Company has an interest:		
Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.	1,892,527	11,400,000

29. OTHER OPERATING INCOME

	2008 Rupees	2007 Rupees
Income from financial assets		
Liabilities no more payable written back	-	2,271,000
Return on bank deposits	29,746	13,266
Fair value gain on forward contracts	-	11,958,500
Exchange gain - net	35,118,651	56,871,349
Income from non financial assets		
Profit on sale of property, plant and equipment	1,829,030	710,472
Sale of scrap	19,280,351	16,314,341
Others	260,742	535,255
	56,518,520	88,674,183

	2008 Rupees	2007 Rupees
30. FINANCE COST		
Mark-up on:		
- long term financing - net (Note 30.1)	372,050,676	309,243,450
- long term murabaha	10,790,485	41,200,394
- short term running finances	65,648,195	66,043,402
- export finances - Preshipment / SBP refinances	108,830,944	82,867,595
- short term finances	79,028,355	95,081,566
Interest on workers' profit participation fund (Note 10.2)	518,165	1,510,766
Loss on interest rate swap	6,501,075	-
Bank and other charges	34,796,485	52,198,573
Exchange loss on foreign currency forward contracts	27,657,140	-
	705,821,520	648,145,746

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

	2008 Rupees	2007 Rupees
31. PROVISION FOR TAXATION		
Current - for the year (Note 31.1)	58,000,000	101,000,000

31.1 The Holding Company is under the ambit of final tax upto the extent of export sales under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. No provision for income tax was considered necessary for income which is not subject to final tax under section 169 of the Income Tax Ordinance, 2001,as the Holding Company has estimated carry forward tax losses of Rupees 396.581 million.

	2008 %	2007 %
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	41.14	55.86
Average effective tax rate charged to profit and loss account	76.14	90.86

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 group is as follows:

	Chief Executive		Directors		Executives	
	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Managerial remuneration	1,666,680	2,000,000	2,200,116	3,600,000	26,747,374	18,116,511
Contribution to provident fund	-	-	-	-	2,043,684	1,469,453
House rent	666,650	800,000	879,876	1,440,000	10,698,558	7,246,605
Utilities	435,850	467,391	383,248	739,007	2,674,459	1,811,651
Others	530,300	636,364	749,076	1,163,031	5,236,114	1,651,264
	3,299,480	3,903,755	4,212,316	6,942,038	47,400,189	30,295,484
Number of persons	1	1	1	2	26	20

32.1 The Group 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 Group 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:

	2008 Rupees	2007 Rupees
Associated Undertakings		
Purchase of goods	8,586,756	5,787,969
Insurance premium paid	181,926,425	24,188,188
Insurance claims received	26,945,122	18,515,718
Dividend Paid	15,349,994	15,349,994
Other Related Parties		
Purchase of goods	82,964,290	5,294,919
Sales of goods and services	128,015,048	31,753,214
Sale of property, plant and equipment	-	190,000
Post Employment Benefit Plan		
Expense charged in respect of retirement benefit plans	18,626,871	16,343,312

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	2008	2007
				.... Rupees				
Financial assets								
Long term loans	1,027,490	6,123,760	7,151,250	602,890	3,582,928	4,185,818	11,337,068	8,362,267
Long term deposits	-	-	-	-	895,942	895,942	895,942	895,942
Trade debts	-	-	-	1,311,338,154	-	1,311,338,154	1,311,338,154	842,112,885
Loans and advances	-	-	-	8,919,018	-	8,919,018	8,919,018	7,256,743
Short term deposits	-	-	-	20,000	-	20,000	20,000	-
Other receivables	-	-	-	13,668,682	-	13,668,682	13,668,682	26,946,614
Cash and bank balances	12,392,583	-	12,392,583	17,062,107	-	17,062,107	29,454,690	60,670,456
	13,420,073	6,123,760	19,543,833	1,351,610,851	4,478,870	1,356,089,721	1,375,633,554	946,244,907
Off balance sheet	-	-	-	-	-	-	-	-
Total	13,420,073	6,123,760	19,543,833	1,351,610,851	4,478,870	1,356,089,721	1,375,633,554	946,244,907
Financial liabilities								
Long term financing	1,957,737,473	2,586,389,516	4,544,126,989	-	-	-	4,544,126,989	3,537,700,799
Long term murabaha	-	1,048,318,127	1,048,318,127	-	-	-	1,048,318,127	481,250,000
Short term borrowings	3,190,716,138	-	3,190,716,138	-	-	-	3,190,716,138	2,623,592,501
Trade and other payables	-	-	-	333,619,071	-	333,619,071	333,619,071	286,077,614
Accrued mark-up	-	-	-	151,730,763	-	151,730,763	151,730,763	103,767,328
	5,148,453,611	3,634,707,643	8,783,161,254	485,349,834	-	485,349,834	9,268,511,088	7,032,388,242
Off balance sheet								
Contracts for capital expenditure	-	-	-	13,191,704,569	-	13,191,704,569	13,191,704,569	133,067,888
Letters of credit other than for capital expenditure	-	-	-	151,583,882	-	151,583,882	151,583,882	55,913,216
Quanto interest rate swap	-	-	-	500,000,000	-	500,000,000	500,000,000	-
Forward contracts	-	-	-	439,705,000	-	439,705,000	439,705,000	864,656,000
	-	-	-	14,282,993,451	-	14,282,993,451	14,282,993,451	1,053,637,104
Total	5,148,453,611	3,634,707,643	8,783,161,254	14,768,343,285	-	14,768,343,285	23,551,504,539	8,086,025,346
On balance sheet sensitivity gap	(5,135,033,538)	(3,628,583,883)	(8,763,617,421)	866,261,017	4,478,870	870,739,887	(7,892,877,534)	(6,086,143,335)
Off balance sheet sensitivity gap	-	-	-	(14,282,993,451)	-	(14,282,993,451)	(14,282,993,451)	(1,053,637,104)

	2008 Percentage	2007 Percentage
34.1 Effective interest / mark-up rates		
The Group'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 10.5	Upto 9
Profit on bank deposits	0.5 to 5	0.2 to 1
Financial liabilities		
Long term financing	6 to 15.44	6 to 12.14
Long term murabaha	10.84 to 15.4	9.88 to 11.60
Short term borrowings	1.58 to 14.38	5.21 to 13.42

34.2 Financial Risk Management Objectives

The Group'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 7 and Note 8 respectively.

The Group 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 Group'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 Group'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 Group 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 1,375.634 million (2007: Rupees. 946.245 million) financial assets which are subject to credit risk amounting to Rupees 539.836 million (2007: Rupees 595.951 million). To manage exposure to credit risk, the Group 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 Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures primarily with respect to U.S.Dollars which is mitigated through discounting of invoices and use of foreign currency forward contracts.

34.2.3 Interest rate risk

The Group 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 and by use of certain derivative instruments.

34.2.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group 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.

34.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirement of the lenders, the Group monitors the capital structure on the basis of gearing ratio . This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, long term murabaha and short term borrowings obtained by the Group as referred to in Note 7, 8 and 12 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Group's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 80% debt and 20% equity.

	2008	2007
35. PLANT CAPACITY AND ACTUAL PRODUCTION		
35.1 Holding Company		
Spinning		
Number of spindles installed	144,803	142,196
Number of spindles worked	137,170	137,112
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	50,499,811	51,309,982
Actual production of yarn after conversion into 20/1 count (Kgs.)	49,753,511	50,550,000
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	182,694,493
Actual production after conversion into 50 picks - square yards	175,508,331	168,687,217
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	10	9
Number of engines worked	10	9
Number of shifts per day	3	3
Generation capacity (KWh)	270,088,758	235,048,758
Actual generation (KWh)	180,715,176	184,959,427
Under utilization of available capacity was due to normal maintenance.		
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	2	2
Number of shifts per day	3	3
Capacity in meters	26,400,000	26,400,000
Actual processing of fabrics - meters	21,111,835	20,787,562
Stitching		
Number of stitching machines	240	240
Number of shifts per day	1	1
Capacity in meters	16,800,000	16,800,000
Actual stitching of fabrics - meters	10,406,322	9,815,858

35.2 Subsidiary Company

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

	2008 Rupees	2007 Rupees
36. CASH GENERATED FROM OPERATIONS		
Profit before taxation	76,179,745	111,156,887
Adjustment for non cash charges and other items:		
Depreciation	626,330,356	661,390,315
Gain on sale of property, plant and equipment	(1,829,030)	(710,472)
Finance cost	705,821,520	648,145,746
Provision for employee benefits	-	1,260,000
Working capital changes (Note 36.1)	(1,116,277,304)	(606,552,993)
	290,225,287	814,689,483

	2008 Rupees	2007 Rupees
36.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(73,822,337)	(35,227,343)
Stock in trade	(647,560,588)	(227,074,975)
Trade debts	(469,225,269)	(299,235,284)
Loans and advances	30,799,500	(53,468,699)
Short term deposits and prepayments	1,012,677	(826,964)
Other receivables	(13,492,967)	(9,832,392)
	(1,172,288,984)	(625,665,657)
Increase in current liabilities:		
Trade and other payables	56,011,680	19,112,664
	(1,116,277,304)	(606,552,993)

37. CASH AND CASH EQUIVALENTS

	2008 Rupees	2007 Rupees
Cash and bank balances (Note 23)	29,454,690	60,670,456
Short term borrowings (Note 12)	(3,190,716,138)	(2,623,592,501)
	(3,161,261,448)	(2,562,922,045)

38. EARNINGS PER SHARE-BASIC AND DILUTED

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

	2008	2007
Profit after taxation attributable to ordinary shareholders (Rupees)	18,179,745	10,156,887
Weighted average number of shares	75,200,838	75,200,838
Earnings per share-basic (Rupees)	0.24	0.14

39. UNUTILIZED CREDIT FACILITIES

The Holding Company has total credit facilities amounting to Rupees 8,860 million (2007: Rupees 6,763 million) out of which Rupees 5,669.284 million (2007: 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 Holding Company in its meeting held on 08 October 2008 has proposed a 10% bonus issue (2007: Nil) and cash dividend of Rupees Nil (2007: Rupees 1.5 per share) in respect of the year ended 30 June 2008. 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. Bonus issue will also be entitled for right issue. The Board of Directors also approved right issue of 1 share of 2 shares held (2007: Nil) including bonus shares.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 08 October 2008 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

Corresponding figures represent figures of Nishat (Chunian) Limited - Holding Company.

43. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

DIRECTOR

Proxy Form

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

I / We ____

of ____ being a member(s) of

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

as per Share Register Folio No. ____

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

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

of ______________________________________ another member of the Company as per

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

of ______________________________ another member of the Company) as my / our Proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, to be held on 31 October 2008 (Friday) at 10:30 a.m. at the Registered Office of the Company (31-Q, Gulberg II, Lahore) and at any adjournment thereof.

As witness my hand this ______________________ day of ______________________ 2008

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.