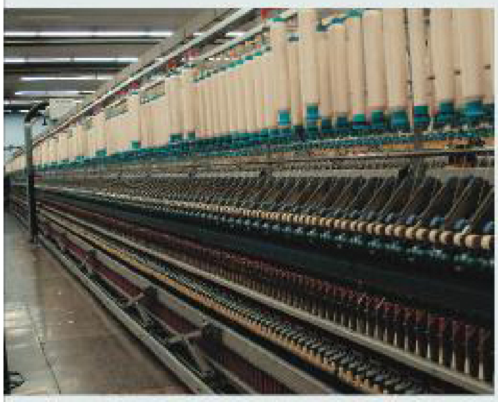
NISHAT

Nishat Mills Limited
Annual Report 2008




CONTENTS

Nishat Mills Limited

Nishat Mills Limited and its Subsidiary

COMPANY INFORMATION

BOARD OF DIRECTORS:	Mian Umer Mansha	Chairman/Chief Executive
	Mian Hassan Mansha	
	Mr. Muhammad Nawaz Tishna (NIT)	
	Mr. Khalid Qadeer Qureshi	
	Mr. Muhammad Azam	
	Rana Muhammad Mushtaq	
	Ms. Nabiha Shahnawaz Cheema	
AUDIT COMMITTEE:	Mr. Khalid Qadeer Qureshi	Chairman/Member
	Mr. Muhammad Azam	Member
	Ms. Nabiha Shahnawaz Cheema	Member
CHIEF FINANCIAL OFFICER:	Mr. Badar-ul-Hassan	
COMPANY SECRETARY:	Mr. Khalid Mahmood Chohan	
AUDITORS:	Riaz Ahmad & Company	Chartered Accountants
LEGAL ADVISOR:	Mr. M. Aurangzeb Khan, Advocate, Chamber No. 6, District Court, Faisalabad.	
BANKERS TO THE COMPANY:	Albaraka Islamic Bank B.S.C (E.C)	JS Bank Limited
	Allied Bank Limited	KASB Bank Limited
	Askari Bank Limited	Meezan Bank Limited
	Bank Alfalah Limited	National Bank of Pakistan
	Bank Islami Pakistan Limited	NIB Bank Limited
	Citibank N.A.	Standard Chartered Bank (Pakistan) Limited
	Crescent Commercial Bank Limited	The Hong Kong & Shangai Banking Corporation Limited
	Deutsche Bank	The Royal Bank of Scotland
	Faysal Bank Limited	United Bank Limited
	Habib Bank Limited	
	Habib Metropolitan Bank Limited	
MILLS:	Nishatabad, Faisalabad	(Spinning units and Power Plant)
	12 K.M. Faisalabad Road, Sheikhupura.	(Weaving units & Power Plant)
	21 K.M. Ferozepur Road, Lahore.	(Stitching unit)
	5 K.M. Nishat Avenue Off 22 K.M. Ferozepur Road, Lahore.	(Weaving, Dyeing & Finishing unit, Processing unit, Stitching unit and Power Plant)
	20 K.M. Sheikhupura Faisalabad Road, Feroze Watwan	(Spinning unit)
REGISTERED OFFICE & SHARES DEPARTMENT	Nishat House, 53 - A, Lawrence Road, Lahore. Tel: 042-6367812-16, 042-111 113 333 Fax: 042-6367414	
HEAD OFFICE:	7, Main Gulberg, Lahore. Tel: 042-5716351-9, 042-111 332 200 Fax: 042-5716349-50 E-mail: nishat@nishatmills.com Website: www.nishatmillsltd.com	
LIAISON OFFICE:	Ist Floor, Karachi Chambers, Hasrat Mohani Road, Karachi. Tel: 021-2414721-23 Fax: 021-2412936	

Mission Statement

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

Vision Statement

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that Annual General Meeting of the members of Nishat Mills Limited (the Company) will be held on October 31, 2008 (Friday) at 10:30 a.m. at Nishat House, 53–A, Lawrence Road, Lahore, to transact the following business:-

1. To confirm minutes of the last Meeting.

2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2008 together with Directors' and Auditors' reports thereon.

3. To approve Final Cash Dividend @ 25% (i.e. Rs. 2.50 per share) as recommended by the Board of Directors.

4. To approve re-appointment of M/s Riaz Ahmad & Company, Chartered Accountants, as external auditors of the Company for the year 2008-2009 and fix their remuneration, as recommended by the Audit Committee and Board of Directors.

5. **SPECIAL BUSINESS:**

   To consider and if thought fit to pass the following special resolutions to amend the following clauses of the Articles of Association of the Company:

   Annual General Meeting:

   RESOLVED that the article No. 22 of the Articles of Association of the Company be and is hereby amended so that the words "six months" appearing in 4th line be substituted with the words "four months".

   Quorum of Annual General Meeting:

   RESOLVED that the article No. 27 of the Articles of Association of the Company be and is hereby amended so that the words "Three members" appearing in 3rd line be substituted with the words "Ten members".

   Balance Sheet and Profit and Loss Account:

   RESOLVED that the article No. 84 of the Articles of Association of the Company be and is hereby amended so that the words "six months" appearing in 4th line be substituted with the words "four months".

   RESOLVED that the Chief Executive or Company Secretary be and is hereby authorized singly to take all such steps as may be necessary to incorporate the above amendments, alterations in the Articles of Association of the Company.

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

BY ORDER OF THE BOARD

LAHORE
August 27, 2008

KHALID MAHMOOD CHOHAN
(Company Secretary)

NOTES: -

1. **BOOK CLOSURE NOTICE FOR ENTITLEMENT OF FINAL 25% CASH DIVIDEND FOR THE YEAR ENDED JUNE 30, 2008:-**

   The Share Transfer Books of the Company will remain closed for entitlement of Final Cash Dividend @ Rs. 2.50 per share i.e. 25%, from 25-10-2008 to 31-10-2008 (both days inclusive). Physical transfers / CDS transactions / IDs. received in order at Nishat House, 53-A, Lawrence Road, Lahore upto 1:00 p.m. on 24-10-2008, will be considered in time for the entitlement of said dividend and attending of meeting.

2. A member eligible to attend and vote at this meeting may appoint another member as his/ her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered Office not later than 48 hours before the time for holding the meeting. Proxies of the Members through CDS shall be accompanied with attested copies of their CNIC. The shareholders through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

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

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

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

This statement sets out the material facts pertaining to the special business to be transacted at the forthcoming Annual General Meeting of the Company to be held on October 31, 2008.

The Directors in their meeting held on August 27, 2008 have recommended to the shareholders to pass the special resolutions to approve amendments in certain clauses of the Articles of Association of the Company to bring it in line with the changes made by Securities & Exchange Commission of Pakistan and Ministry of Finance and Law, Government of Pakistan, in Companies Ordinance, 1984, from time to time.

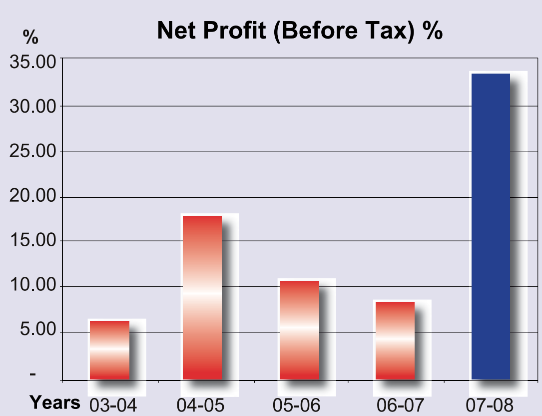
DIRECTORS' REPORT

Directors are pleased to present the 60th annual report and audited accounts for the year ended June 30, 2008.

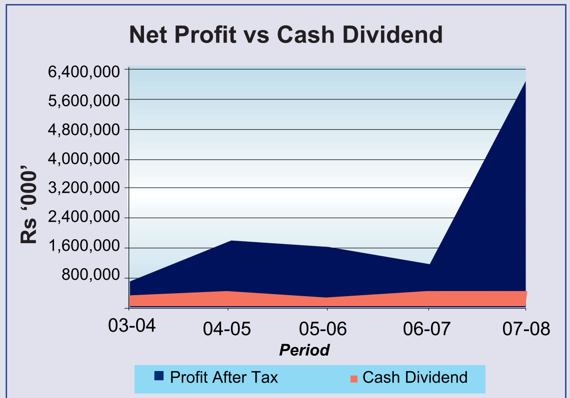
Operating financial results

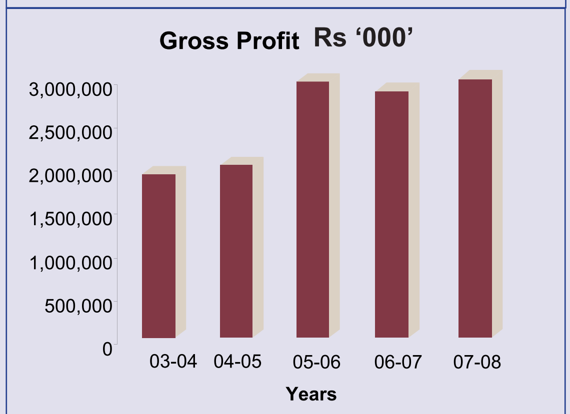
Highlights	2008 '000' Rs.	2007 '000' Rs.	Variance %
Sales	19 267 633	17 180 192	12.15
Gross Profit	2 968 776	2 844 938	4.35
Operating Profit	7 304 400	2 175 475	235.76
Profit Before Tax	6 396 968	1 356 208	371.68
Profit After Tax	6 138 968	1 211 208	406.85
EPS	38.42	7.58	406.86

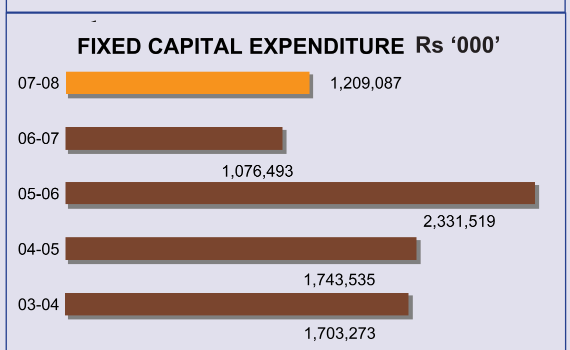
Our company has earned an after tax profit of Rs 6,138.968 Million for the year ended June 30, 2008. The profit increased by 406.85 % as compared to Rs. 1,211.208 Million for the previous period. This increase in profit is mainly due to capital gain of Rs. 5,060.413 million resulting from mark to market transaction of our investment in MCB Bank shares, and increase in dividend income by Rs. 230.765 million.

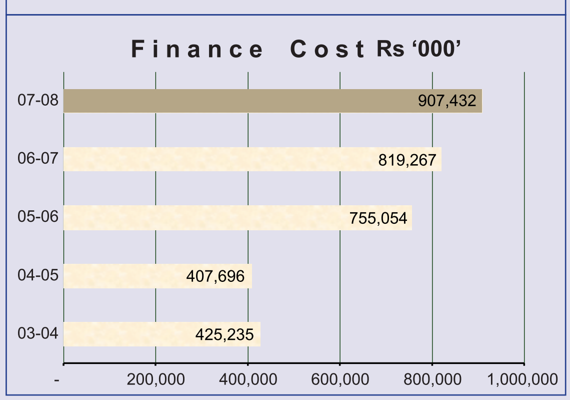


Sales and gross profit increased by 12.15 % and 4.35 % respectively as compared to the previous period. Percentage increase in gross profit does not commensurate with that of sales due to the facts that there was an increase of 22.62 % in local cotton rates (2008: Rs. 3,047/maund, 2007: Rs. 2,485/maund) and an increase of 7.65 % in imported cotton rate (2008: Rs. 3,714/maund, 2007: Rs. 3,450/maund). Finance cost increase by 10.76 % mainly due to increase in average borrowing by 5%.









The Board of Directors of the company has recommended 25% cash dividend (2007: 25% cash dividend) and recommends transferring Rs. 4,870 Million (2007: Rs. 1,244 Million) to general reserve.

General market scenario & future prospects

The fiscal year ended June 2008 observed some major changes in world economics in general and for textile sector in particular. This year witnessed crude oil touching the record high of $140 per barrel, substitution of food crops to biofuel crops, rising capital and commodity price indexes and galloping inflation in all major economies of the world. Overall there was a major shift in fuel, labor and operating costs of all business activities.

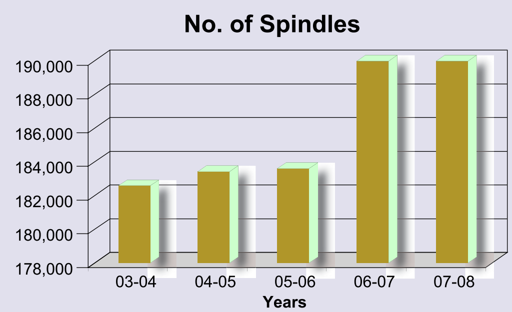
For textile sector, matters were further complicated by an unprecedented rise in cotton prices in September and October 2007, with no signs of stability by the year end. Additional factors were energy crises at domestic level, low yield of cotton in Pakistan and a very weak demand from US and European and credit crunch for general consumers. Although softening of Pak Rupee against US dollar helped to cover a small factor of this accumulated cost pressure, the overall picture for domestic textiles industry was that of inflating costs and a deflating product demand.

Forecasting future is intricate in the present scenario of the country and capricious market. It mainly depends upon cotton market for the coming season, which seems bullish. As per estimate of experts, Pakistani cotton production is short by approximately 30 to 35 % as compared to the demand. We need our government to chalk out a proper and long term textile policy for the survival of industry.

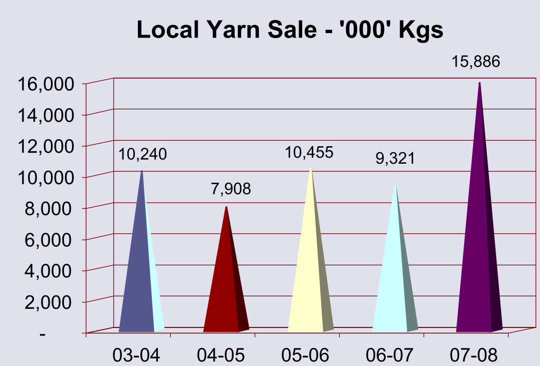
On our part, we need to increase customers profile and explore new markets to increase business volumes. Our strategy to drive our marketing activities would be the timely adoption of innovative products, finishes and production techniques.

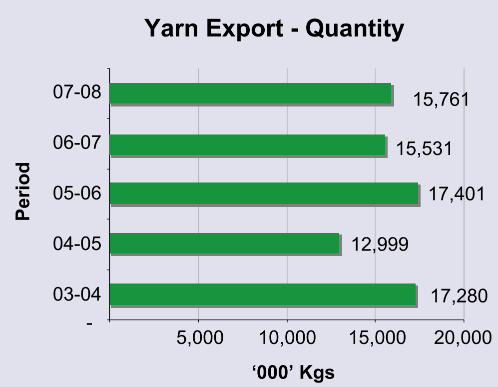
Spinning Section

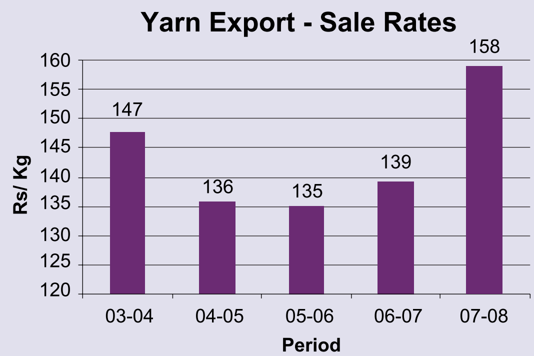
The year 2008 mainly started with difficulties in the shape of the bullish and uncertain cotton market. Ever highest cotton prices were seen this year in Pakistan. Cotton prices started with Rs. 2,900/maund and went up to Rs. 4,000/ maund during this year. Most of the Spinning mills remained in a serious cotton crisis through out the year.



We have, however, by passed these crises by following our one time cotton buying policy and same has also helped us to maintain steady quality results.







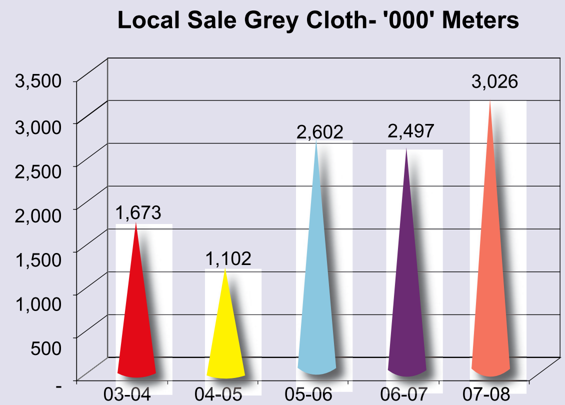
Demand of 100% grey cotton yarn remained steady and we tried to uphold the prices along with market and to keep over all spinning in profits. By the end of the year, Far East market showed good response in terms of demand and prices of carded & combed yarn. Far East remained our main selling market of cotton yarn. USA had some steady demand during this year, where as in Europe demand of cotton yarn was reduced more.

Development in terms of machinery is in progress for better quality of yarn. Installation of state of art ring frames is under way at one of our spinning units.

Weaving Section

During the year under review, we have observed highest ever yarn prices which made the job more difficult. The increase in the yarn prices was not absorbed by the fabric prices. We faced a lot of difficulties to win business in the international market because of high raw material prices.

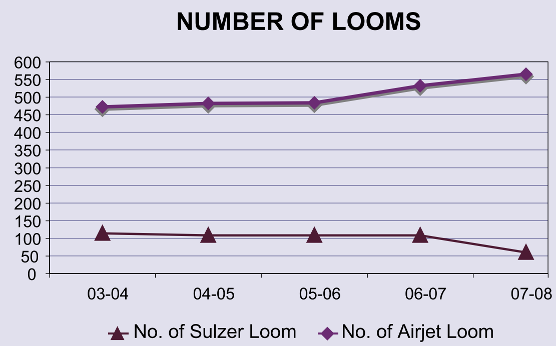
Moreover, political instability, law and order situation and energy crisis (Oil, Gas and Power shortage), increased our cost of production and held our product uncompetitive in international market. It is becoming difficult to maintain our performance in the present scenario.



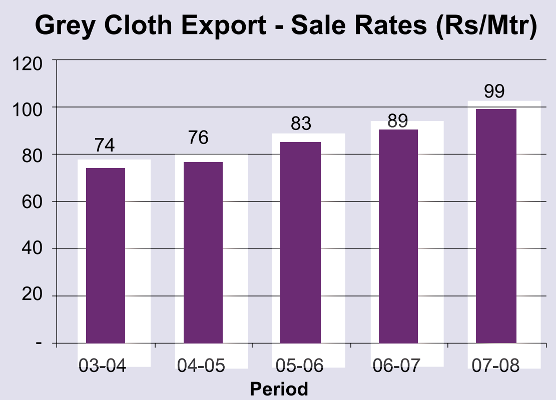
Fareast market showed difficulties on ground of price. Business in South America reduced by 80% in comparison with previous period because of the bullish yarn market and cheaper prices from competitors. Our wider width looms / home textiles greige capacity continued facing decline in prices.

Our strategy in this competition was to diversify ourselves customer wise, market wise and product wise. This was the only way to survive in such uncertain market. Another strategy was to cut costs by bringing innovative technologies. We continued to replace our old looms with the new state of the art looms and got new looms in different widths to meet the varying requirements of all of our customers. This is the first time that Nishat has looms with 90” width. By having these looms, we will be more competitive and can supply all types of greige fabric in varying widths. We hope that after getting these new looms, we would not lose any business because of the width problem, especially stretch articles.

Moreover, we are planning for PFD plant in our weaving to give PFD fabrics to our customers, as many customers in Europe are asking for PFD fabrics instead of weaved fabric. In this way, we will be much competitive product wise and quality wise. It would increase our customer profile in Europe. We are also trying to reduce our production lead times by bringing state of the art looms. Customer services, keeping stocks of special filaments, yarns and fibers, are our major tools for a better lead time.



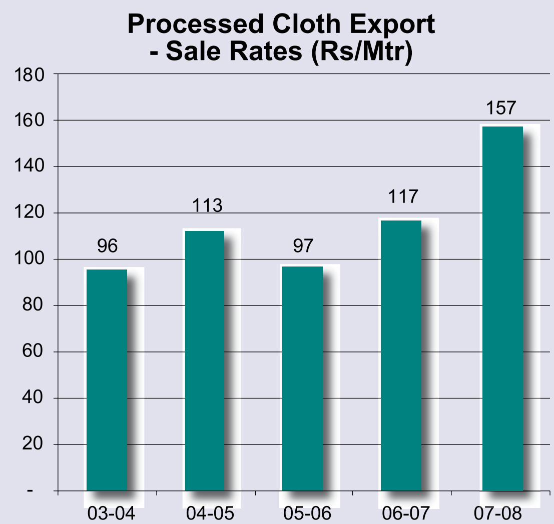
We have added new European customers and started to increase business in France, Denmark, Turkey and Poland markets to fulfill the gap of the Fareast and South American markets. Our business in the special and technical fabric (Antistatic, Fire retardant, and military fabrics) has also increased with continuation of orders.

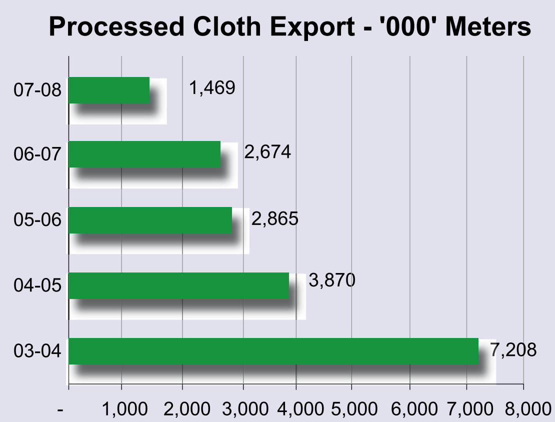


We have increased the sales volumes to Nishat Dyeing and Finishing with a better product mix. We have launched several new products like Viscose Lycra, Cotton/Kapok/Lycra, Bamboo Lycra and Linen based items etc. in the Fairs/ Exhibitions and developed the same in different markets.

Processing and Stitching Section

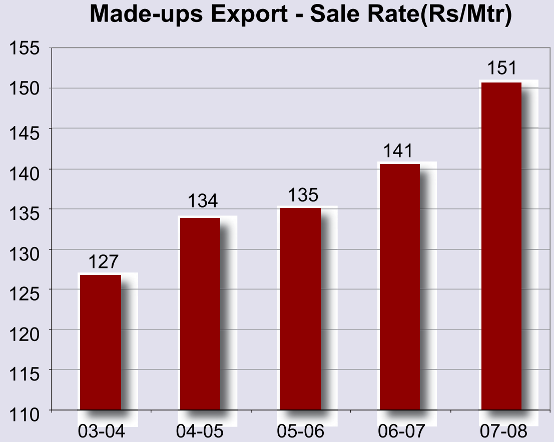
Year 2008 was a difficult year for fabric processing mills as in addition to the domestic challenging scenario, recession of American market further slowed down the entire business cycle. Retailers were stuck up with high inventory levels, which hindered new ventures. Unanticipated bankruptcy of some major textile businesses including, Dan River, Linen & Things, Goody's Family Inc also gave unprecedented setback to an already fading market. This situation did not allow suppliers to increase any prices to overcome excessive overhead costs and ease out the worsening condition.





Even though all major concerns were facing a perpendicular decline in the revenues, our company was able to sustain its sales in step with the plant efficiency. A particular focus was conferred upon enhancing production efficiency by drawing more production in less number of hours and with optimum workforce. With reference to this cost cutting strategy, an important step was taken by shifting the Faisalabad stitching unit to Lahore, adjacent to the processing plant. This adaptation is expected to play an extra ordinary role in improving the supply, operations' management and reduction in transportation costs. It will overcome unnecessary operational delays and costs. Moreover, this stitching unit is being upgraded with the latest machinery and a state of the art switch-track system that will enhance the working efficiency enormously along with the product quality. We are installing caustic soda recovery plant to have further value addition, cost reduction and diversification in production resources. We have installed new gerbur cutting equipment in our sewing operation.

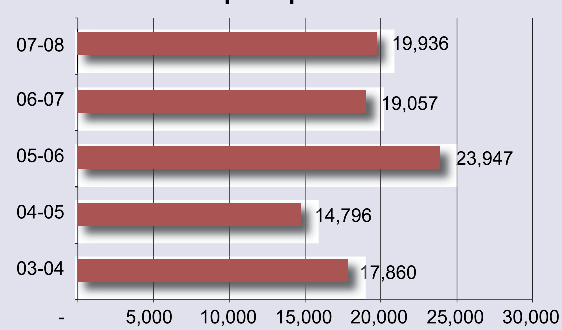
Made-ups Export - Sale Rate(Rs/Mtr)



For exports, European market remained our main bread & butter earner during the period due to its economic and currency strength. Devaluation of rupee provided an auxiliary edge to European customers to shop more on our existing prices, which consequently increased our production & sales. We are exploring more opportunities to enhance our strong presence in European market.

Furthermore, a lot of developmental works are underway for American market for regular and branded items. With escalating value of Chinese currency, Pakistani market is once again expected to attract US importers. Coupled with Nishat's capabilities and competencies, our vertically integrated production facilities that can turn raw cotton to a final finished consumer product, always attract attention of US clients. We are very positive to materialize current developments into tangible sales in near future.

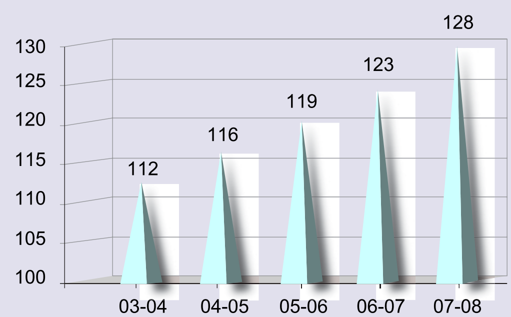
Made-ups Export - '000' Meters



Nishat Dyeing & Finishing – (NDF)

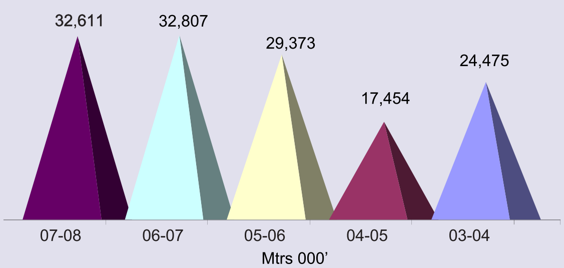
Given the circumstances of textile industry and all challenges, NDF managed to perform quite well. NDF not only managed to retain all its major customers despite the cut throat price competition, but also increased its customer base both in US as well as in Europe. Thereby the low demand by existing customers due to poor retail was covered well by addition of this new business. This increase in customer base was both due to the complete verticality offered to customers from fabric till finished garments as well as to the increased marketing activities on tapping new customers.

NDF - Export Sale Processed Cloth - Rate / Meter



The overall picture is not expected to improve much in the next fiscal year, as the market still remains highly unstable. All the factors contributing to the current inflationary pressures and weak demand are still present and far from being settled. As much as it is hard to establish a firm marketing strategy in such a volatile market, NDF has formulated the key principles to follow in the next fiscal year.

NDF - Export Sale Processed Cloth



These revolve around a further expansion in its customer base, retaining the current major customers, increasing marketing efforts in the still profitable European market and concentrated efforts towards specialized finishes over regular run-of-the-mill products to fetch better margins.

Power Generation

Nishat has 80 MW of self power generation facilities at different sites. We have always concentrated on installation of most modern and efficient power generation machines to get more with less fuel consumption.

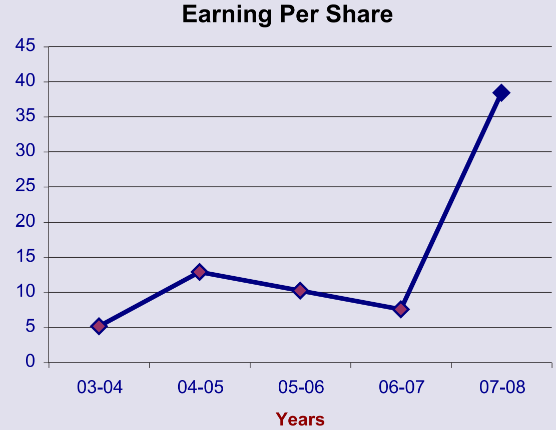
Power Plants	Diesel / Furnace Oil Engines	Gas Engines	Steam Turbines	Gas Turbines
Faisalabad	2	7	1	-
Bhikki	3	4	-	1
Lahore	6	4	-	4
Feroze-watwan	3	4	-	-

Out of the total generation capacity, 46 MW generation is done through most modern and highly efficient gas fired generators and their design is based on "tri-generation" concept i.e. besides generating power these plants are producing steam for use in processing, for further power generation and hot water for process use or air conditioning. This concept makes it possible to use the precious energy to the maximize profitability of the company and help reduce environmental pollution. Keeping in view the current power shortage in the country, Nishat has responded to beckon of the Government and sold its excessive power from different locations to the local distribution companies.

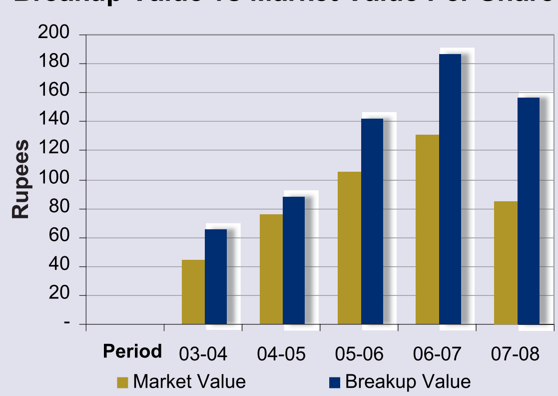
Earning Per Share

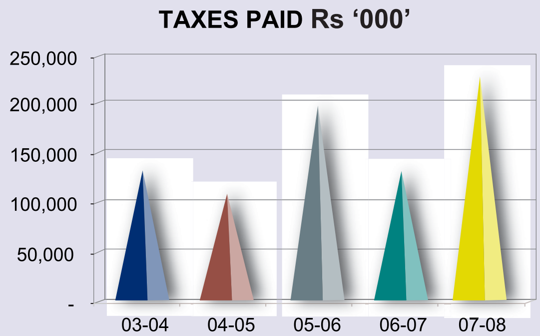
The earning per share of the company stood at Rs 38.42 (2007: Rs 7.58)

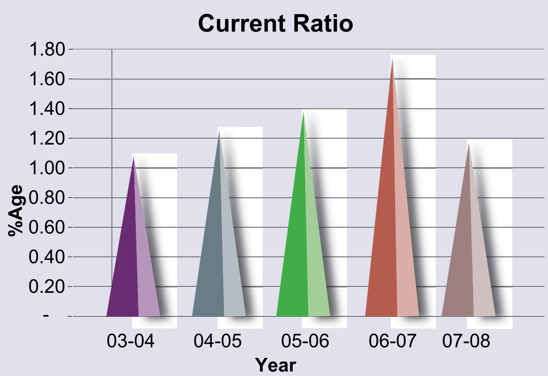
Earning Per Share



Breakup Value vs Market Value Per Share







Information Technology

Following series of adaptation efforts, our information system has got to a stage where activity based data are collected, classified, processed and interpretation of results is done there at in order to provide an integrated series of information to users for decision making, for further communication or analyses. In a progressively spirited atmosphere, our system plays the role as 'enabler and facilitator', which endows tactical values to the officialdom and considerably step up the excellence of administration. Starting with co-ordination and control, our systems help managers to investigate problems, envisage complex subjects and to take up new orders for production or services calculatedly.

The concern is being taken by us in line with global conception and our team is taking part in every activity of our company to get better and instant outcomes. Keeping in view its significance, we have confirmed allocations in our budgets for investment in IT structure and activities.

Related parties

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

Corporate Governance

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

Corporate and Financial Frame Work

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

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Accounting estimates are based on reasonable and prudent judgment. Appropriate accounting policies have been consistently applied in preparation of financial statements, except for long term investments in associated companies. The investments in associated companies were previously accounted for using equity method of accounting. Now, these are classified as available for sale in accordance with requirements of IAS-39 "Financial Instruments: Recognition and Measurement"
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any

departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Value of investments in respect of retirement benefits fund: Provident Fund: 30th June, 2008: Rs. 440.909 Million Audited (2007: Rs. 237.301 Million-Audited)
9. During the year under review, six meetings were held, attendance position was as under:-

Sr. No.	Name of Director	No. of Meetings Attended
1	Mrs. Naz Mansha* (Chief Executive / Chairperson)	1
2	Mian Raza Mansha**	1
3	Mian Umer Mansha*** (Chief Executive)	3
4	Mian Hassan Mansha	5
5	Mr. Muhammad Nawaz Tishna (Nominee NIT)	4
6	Mr. Khalid Qadeer Qureshi	6
7	Mr. Muhammad Azam	6
8	Rana Muhammad Mushtaq	1
9	Ms. Nabiha Shahnawaz Cheema	6

* Mrs. Naz Mansha Chief Executive/ Chairperson Resigned on September 08, 2007.

** Mian Raza Mansha Resigned on September 08, 2007.

*** Mian Umer Mansha appointed in place of Mian Raza Mansha on September 08, 2007 to fill the casual vacancy of Director and Chief Executive in place of Mrs. Naz Mansha.

Audit Committee

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

Auditors

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

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

The information under this head as on June 30, 2008 is annexed.

Key operating and financial data

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

Acknowledgement

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

For and on behalf of Board of Directors

Lahore: **(Mian Umer Mansha)**
August 27, 2008 Chief Executive/Chairman

FINANCIAL HIGHLIGHTS

	2003	2004	2005	2006	2007	2008
			(Rupees in Thousands)			
Profit and loss						
Net sales	13 209 299	14 875 877	11 374 630	16 659 607	17 180 192	19 267 633
Gross Profit	1 887 991	1 933 924	2 134 899	2 957 981	2 844 938	2 968 776
Profit before tax	544 135	905 502	2 033 354	1 758 866	1 356 208	6 396 968
Profit after tax	410 579	751 060	1 867 354	1 632 866	1 211 208	6 138 968
Cash outflows						
Taxes paid	124 918	141 850	116 675	196 772	146 751	235 426
Financial Charges Paid	687 712	443 665	351 094	692 267	838 759	837 329
Fixed capital expenditures	1 247 141	1 703 273	1 743 535	2 331 519	1 076 493	1 209 087
Balance sheet						
Current assets	5 804 815	8 074 343	7 746 417	9 743 720	13 309 087	13 929 518
Current liabilities	6 583 115	7 456 610	6 253 333	7 051 533	7 649 373	11 721 605
Operating fixed assets - Owned	6 911 233	7 631 620	7 926 838	8 398 310	10 309 611	10 365 262
Total assets	15 454 628	19 581 627	21 917 602	30 661 326	39 587 091	37 916 579
Long term loans and finances	2 753 389	2 622 873	2 858 155	3 015 384	1 773 820	1 047 794
Shareholders' Equity	6 118 124	9 502 144	12 806 114	20 594 409	30 163 898	25 147 180
Ratios						
Current ratio	1.03:1	1.08:1	1.24:1	1.38:1	1.74:1	1.19:1
Gearing ratio	38	49	37.7	29.49	21.17	30.72
Gross profit %	14.29	13.00	18.77	17.76	16.56	15.41
Net profit % (before tax)	4.12	6.09	17.88	10.56	7.89	33.2
Earning per share	3.35	5.17	12.86	10.22	7.58	38.42
Proposed dividend %	15	20	25	15	25	25
Bonus %	-	-	-	10	-	-
Production machines						
No. of Spindles	181 384	182 568	183 416	183 576	189 960	189 960
No. of Sulzar Looms	202	114	108	108	108	60
No. of Airjet Looms	362	472	482	484	532	565
No. of Thermosole Dyeing machines	3	3	4	4	5	5
No. of Rotary Printing machines	3	3	3	3	3	3

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS OF NISHAT MILLS LIMITED AS AT 30/06/2008

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
4 591	1	100	170 444
4 617	101	500	1 187 056
1 231	501	1 000	935 410
1 139	1 001	5 000	2 625 950
224	5 001	10 000	1 702 974
71	10 001	15 000	904 226
49	15 001	20 000	871 702
27	20 001	25 000	624 061
24	25 001	30 000	685 171
11	30 001	35 000	365 283
10	35 001	40 000	374 108
13	40 001	45 000	567 386
16	45 001	50 000	770 365
9	50 001	55 000	477 494
9	55 001	60 000	518 250
6	60 001	65 000	385 862
8	65 001	70 000	541 000
7	70 001	75 000	515 400
6	75 001	80 000	467 673
3	80 001	85 000	249 000
2	85 001	90 000	178 000
2	90 001	95 000	183 360
15	95 001	100 000	1 483 465
4	100 001	105 000	407 991
3	105 001	110 000	325 600
2	110 001	115 000	224 552
2	115 001	120 000	236 600
2	120 001	125 000	244 964
3	125 001	130 000	386 100
2	130 001	135 000	266 300
3	135 001	140 000	413 981
4	140 001	145 000	569 680
2	145 001	150 000	300 000
2	150 001	155 000	305 730
3	155 001	160 000	477 839
2	160 001	165 000	326 000
2	165 001	170 000	334 405
2	170 001	175 000	347 700
1	180 001	185 000	181 000
2	185 001	190 000	373 570

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
2	190 001	195 000	385 800
5	195 001	200 000	1 000 000
1	200 001	205 000	204 000
1	270 001	210 000	208 800
1	210 001	215 000	212 800
2	220 001	225 000	447 400
1	225 001	230 000	229 000
4	245 001	250 000	998 900
1	250 001	255 000	252 400
1	255 001	260 000	257 000
1	265 001	270 000	266 500
2	270 001	275 000	550 000
2	275 001	280 000	554 500
1	280 001	290 000	285 319
3	295 001	300 000	895 400
2	305 001	310 000	613 500
1	310 001	315 000	313 170
2	320 001	325 000	642 300
1	325 001	330 000	329 700
2	345 001	350 000	696 000
1	355 001	360 000	358 350
2	365 001	370 000	734 039
1	390 001	395 000	391 300
1	395 001	400 000	400 000
1	430 001	435 000	433 000
1	445 001	450 000	450 000
1	460 001	465 000	461 500
1	490 001	495 000	492 300
1	495 001	500 000	500 000
1	500 001	505 000	500 500
1	525 001	530 000	528 000
1	550 001	555 000	552 900
1	555 001	560 000	558 180
1	575 001	580 000	579 700
1	610 001	615 000	614 800
1	625 001	630 000	627 600
1	775 001	780 000	778 000
1	820 001	825 000	825 000
1	865 001	870 000	868 035
1	875 001	880 000	879 800

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
1	915 001	920 000	918 300
1	925 001	930 000	927 200
1	1 015 001	1 020 000	1 018 600
1	1 345 001	1 350 000	1 350 000
1	1 380 001	1 385 000	1 382 500
1	1 495 001	1 500 000	1 500 000
1	1 560 001	1 565 000	1 560 390
1	2 265 001	2 270 000	2 266 516
1	2 320 001	2 325 000	2 325 000
1	2 530 001	2 535 000	2 535 000
1	3 160 001	3 165 000	3 163 638
1	3 295 001	3 300 000	3 300 000
1	3 385 001	3 390 000	3 386 600
1	3 955 001	3 960 000	3 957 106
1	4 195 001	4 200 000	4 199 929
1	7 670 001	7 675 000	7 671 899
1	11 105 001	11 110 000	11 109 032
1	12 895 001	12 900 000	12 895 419
1	14 845 001	14 850 000	14 848 034
1	15 930 001	15 935 000	15 932 018
1	20 155 001	20 160 000	20 157 391
12 209		**TOTAL**	**159 785 717**

Categories of Members	Number	Shares Held	Percentage
Individuals	11 796	76 845 455	48.09
Investment Companies	25	676 113	0.42
Insurance Companies	20	7 766 347	4.86
Joint Stock Companies	170	27 621 464	17.29
Financial Institutions	58	14 386 489	9.00
Modaraba Companies	84	17 525 764	10.97
Foreign Investors	21	13 627 970	8.53
Miscellaneous	35	1 336 115	0.84
Grand Total	**12 209**	**159 785 717**	**100.00**

INFORMATION UNDER CLAUSE XIX (I) OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2008

		SHARES HELD	PERCENTAGE
(A)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**		
	1. D. G. KHAN CEMENT CO. LTD.	20 157 391	12.62
	2 ADAMJEE INSURANCE COMPANY LTD	868 035	0.54
(B)	**NIT AND ICP**		
	1. NATIONAL BANK OF PAKISTAN - TRUSTEE DEPTT.	7 419 924	4.64
	2. INVESTMENT CORPORATION OF PAKISTAN	NIL	-
(C)	**DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN**		
	1. MIAN UMER MANSHA (DIRECTOR / CHIEF EXECUTIVE / CHAIRMAN)	15 932 018	9.97
	2. MIAN HASSAN MANSHA (DIRECTOR)	12 895 419	8.07
(D)	**EXECUTIVES**	NIL	-
(E)	**PUBLIC SECTOR, COMPANIES AND CORPORATIONS**		
	JOINT STOCK COMPANIES	27 621 464	17.29
(F)	**BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS**		
	1. INVESTMENT COMPANIES	676 113	0.42
	2. INSURANCE COMPANIES	7 766 347	4.86
	3. FINANCIAL INSTITUTIONS	14 386 489	9.00
	4. MODARABAS, MUTUAL FUNDS & LEASING COMPANIES, ETC.,	17 525 764	10.97
(G)	**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY**		
	D. G. KHAN CEMENT CO. LTD.	20 157 391	12.62

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

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended : **June 30, 2008**

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

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

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

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

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

4. Casual vacancies occurred in the Board on September 8, 2007 were filled up same day by the directors.

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

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

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

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

9. The Board arranged one orientation course for its directors to appraise them of duties and responsibilities.

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

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

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

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

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

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

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

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

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

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

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

Lahore: August 27, 2008

(MIAN UMER MANSHA)
CHIEF EXECUTIVE / CHAIRMAN
NIC Number : 35202-0842523-5

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2008

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

Lahore: August 27, 2008

(MIAN UMER MANSHA)
CHIEF EXECUTIVE / CHAIRMAN
NIC Number : 35202-0842523-5

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Nishat Mills Limited** ("the Company") for the year ended 30 June 2008, to comply with the Listing Regulations of the respective stock exchanges, where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 as applicable to the company for the year ended 30 June 2008.

Lahore: August 27, 2008

Riaz Ahmad and Company
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NISHAT MILLS LIMITED** as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in Note 4.5.4 to the financial statements with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2008 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: August 27, 2008

RIAZ AHMAD AND COMPANY
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008	2007 (Restated)
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
178 470 000 (2007: 178 470 000) ordinary shares of Rupees 10 each		**1 784 700**	1 784 700
Issued, subscribed and paid up share capital	5	**1 597 857**	1 597 857
Reserves	6	**23 549 323**	28 566 041
Total Equity		**25 147 180**	30 163 898
NON-CURRENT LIABILITIES			
Long term financing	7	**1 047 794**	1 773 820
Liabilities against assets subject to finance lease	8	**-**	-
		1 047 794	1 773 820
CURRENT LIABILITIES			
Trade and other payables	9	**1 141 227**	926 593
Accrued mark-up	10	**201 847**	131 744
Short term borrowings	11	**9 175 518**	5 018 664
Current portion of non-current liabilities	12	**926 025**	1 341 565
Provision for taxation		**276 988**	230 807
		11 721 605	7 649 373
TOTAL LIABILITIES		**12 769 399**	9 423 193
CONTINGENCIES AND COMMITMENTS	13	**-**	-
TOTAL EQUITY AND LIABILITIES		**37 916 579**	39 587 091

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

CHIEF EXECUTIVE OFFICER

	Note	(RUPEES IN THOUSAND) 2008	2007 (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**10 647 310**	10 586 159
Long term investments	15	**13 321 088**	15 672 980
Long term loans	16	**8 122**	9 523
Long term deposits, prepayments and deferred cost	17	**10 541**	9 342
		23 987 061	26 278 004
CURRENT ASSETS			
Stores, spare parts and loose tools	18	**490 229**	422 428
Stock in trade	19	**4 103 648**	3 106 436
Trade debts	20	**1 329 027**	831 653
Short term investments	21	**7 129 154**	8 118 459
Loans and advances	22	**403 295**	411 270
Short term deposits and prepayments	23	**30 400**	26 395
Other receivables	24	**370 013**	322 839
Cash and bank balances	25	**73 752**	69 607
		13 929 518	13 309 087
TOTAL ASSETS		**37 916 579**	39 587 091

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	(RUPEES IN THOUSAND) 2008	2007 (Restated)
SALES	26	**19 267 633**	17 180 192
COST OF SALES	27	**16 298 857**	14 335 254
GROSS PROFIT		**2 968 776**	2 844 938
DISTRIBUTION COST	28	**961 711**	928 778
ADMINISTRATIVE EXPENSES	29	**398 757**	320 202
OTHER OPERATING EXPENSES	30	**110 781**	91 758
		1 471 249	1 340 738
		1 497 527	1 504 200
OTHER OPERATING INCOME	31	**746 460**	515 332
GAIN ON SALE OF INVESTMENT		**5 060 413**	155 943
PROFIT FROM OPERATIONS		**7 304 400**	2 175 475
FINANCE COST	32	**907 432**	819 267
PROFIT BEFORE TAXATION		**6 396 968**	1 356 208
PROVISION FOR TAXATION	33	**258 000**	145 000
PROFIT AFTER TAXATION		**6 138 968**	1 211 208
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	34	**38.42**	7.58

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007 (Restated)
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	**5 375 017**	3 400 206
Finance cost paid		**(837 329)**	(838 759)
Income tax paid		**(235 426)**	(146 751)
Net decrease / (increase) in long term loans		**1 147**	(3 610)
Net decrease / (increase) in long term deposits and prepayments		**(2 234)**	2 391
Net cash generated from operating activities		**4 301 175**	2 413 477
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**135 489**	140 000
Proceeds from sale of investment		**7 952 746**	231 712
Proceeds from redemption of preference shares		**-**	131 594
Dividends received		**668 832**	438 067
Investments made		**(10 307 358)**	(797 458)
Purchase of property, plant and equipment		**(1 209 087)**	(1 076 493)
Net cash used in investing activities		**(2 759 378)**	(932 578)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**200 000**	-
Repayment of long term financing		**(1 308 535)**	(1 214 158)
Payment of finance lease liabilities		**(33 031)**	(28 612)
Dividend paid		**(396 086)**	(218 772)
Net cash used in financing activities		**(1 537 652)**	(1 461 542)
Net increase in cash and cash equivalents		**4 145**	19 357
Cash and cash equivalents at the beginning of the year		**69 607**	50 250
Cash and cash equivalents at the end of the year		**73 752**	69 607

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

(RUPEES IN THOUSAND)

	SHARE CAPITAL	RESERVES									TOTAL EQUITY
		CAPITAL RESERVES					REVENUE RESERVES			TOTAL	
		Premium on issue of right shares	Fair value reserve	Reserve for issue of bonus shares	Capital redemption reserve fund	Sub Total	General reserve	Unappro-priated profit	Sub Total		
Balance as at 30 June 2006	1 452 597	1 027 622	10 194 839	-	82 331	11 304 792	6 135 132	1 701 888	7 837 020	19 141 812	20 594 409
Effect of change in accounting policy (Note 4.5.4)	-	-	(511 654)	-	(82 331)	(593 985)	(674 104)	(506 762)	(1 180 866)	(1 774 851)	(1 774 851)
Balance as at 30 June 2006 - restated	1 452 597	1 027 622	9 683 185	-	-	10 710 807	5 461 028	1 195 126	6 656 154	17 366 961	18 819 558
Final dividend for the year ended 30 June 2006 @ Rupees 1.5 per share	-	-	-	-	-	-	-	(217 890)	(217 890)	(217 890)	(217 890)
Transfer to reserve for issue of bonus shares	-	-	-	145 260	-	145 260	-	(145 260)	(145 260)	-	-
Bonus shares issued @ 10%	145 260	-	-	(145 260)	-	(145 260)	-	-	-	(145 260)	-
Transfer to general reserve	-	-	-	-	-	-	1 269 000	(1 269 000)	-	-	-
Fair value adjustment on investments	-	-	10 351 022	-	-	10 351 022	-	-	-	10 351 022	10 351 022
Profit for the year	-	-	-	-	-	-	-	1 211 208	1 211 208	1 211 208	1 211 208
Balance as at 30 June 2007	1 597 857	1 027 622	20 034 207	-	-	21 061 829	6 730 028	774 184	7 504 212	28 566 041	30 163 898
Final dividend for the year ended 30 June 2007 @ Rupees 2.5 per share	-	-	-	-	-	-	-	(399 464)	(399 464)	(399 464)	(399 464)
Transfer to general reserve	-	-	-	-	-	-	1 244 000	(1 244 000)	-	-	-
Fair value adjustment on investments	-	-	(10 756 222)	-	-	(10 756 222)	-	-	-	(10 756 222)	(10 756 222)
Profit for the year	-	-	-	-	-	-	-	6 138 968	6 138 968	6 138 968	6 138 968
Balance as at 30 June 2008	**1 597 857**	**1 027 622**	**9 277 985**	**-**	**-**	**10 305 607**	**7 974 028**	**5 269 688**	**13 243 716**	**23 549 323**	**25 147 180**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. THE COMPANY AND ITS OPERATIONS

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

2. 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 40.6).

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 Company’s financial statements.

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

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

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

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

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 Company'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 Company's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. Currently the Company do not presents segment information as IAS 14 limited reportable segments to those that earn a majority of their revenue from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments. Under the management approach, the Company will present segment information in respect of Spinning, Weaving, Dyeing, Processing, Stitching and Power.

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 28 'Investments in Associates', IAS 36 'Impairment of Assets' and IAS 39 'Financial Instruments: Recognition and Measurement', that are considered relevant to the Company's financial statements. The management is in the process of evaluating the impact of these changes on the Company'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 Company'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 the 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

3.2.1 Useful lives, patterns of economic benefits and impairments

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

3.2.2 Taxation

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

3.2.3 Provision for doubtful debts

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Employee Benefit

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

4.2 Taxation

Current

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

Deferred

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

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

4.3 Foreign currencies

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

4.4 Property, plant, equipment and depreciation

Owned

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

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

Leased - Finance Lease

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

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

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

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 14.1. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant. Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

Change in accounting estimate

During the year ended 30 June 2008, the Company has revised its estimate of useful life of computers. Hence depreciation rate of computers has been revised to 30% per annum from 10% per annum. This change in assessment of useful life of computers has been accounted as a change in accounting estimate, recognized prospectively, in accordance with IAS-8, “Accounting Policies, Changes in Accounting Estimates and Errors” in these financial statements.

Had there been no change in this accounting estimate, the profit for the year and the written down value of operating fixed assets as on 30 June 2008 would have been higher by Rupees 10.813 million.

De-recognition

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

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 measured initially at fair value.

4.5.1 Investment at fair value through profit or loss

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

4.5.2 Held-to-maturity

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

4.5.3 Investment in subsidiary

Investment in subsidiary is classified as available for sale.

4.5.4 Investment in associates - (with significant influence)

Change in accounting policy

Previously, long term investments in associated companies (with significant influence) were accounted for using the equity method of accounting and were initially recognized at cost. Now, as the Company is required to prepare separate financial statements, hence, in accordance with the requirements of IAS-27 “Consolidated and Separate Financial Statements”, the investments in associated undertakings are accounted for in accordance with IAS-39 “Financial Instruments: Recognition and Measurement” and classified as available for sale. This change in accounting policy has been applied retrospectively in accordance with IAS-8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Had there been no change in this accounting policy, the figures recognized in these financial statements would have been different as follows:

	(RUPEES IN THOUSAND) 2008	2007
Investments would have been higher / (lower) by	**4 665 132**	(206 475)
Reserves would have been higher / (lower) by		
Profit for the year would have been higher / (lower) by	**(6 457)**	462 962
Share of direct movement in equity would have been higher / (lower) by	**4 671 589**	(669 437)
	4 665 132	(206 475)

Due to non availability of audited financial statements, the above said figures of the year ended 30 June 2008 are calculated on the basis of un-audited financial statement of the associated companies.

4.5.5 Available-for-sale

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

Quoted

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

Un-Quoted

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are carried at cost less impairment loss, if any.

4.6 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

4.7 Deferred costs

Deferred costs already recognized are being amortized over a period of five years from the year of occurrence. From the year 2005, the Company has not deferred any cost to comply with Circular No. 1 of 2005 dated 19 January 2005 issued by SECP.

4.8 Borrowing cost

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

4.9 Revenue recognition

Revenue from different sources is recognized as under:

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

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

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

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

4.10 Share Capital

Ordinary shares are classified as equity.

4.11 Financial instruments

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

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

4.11.1 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.

4.11.2 Borrowings

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

4.11.3 Trade and other payables

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

4.12 Provisions

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

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

4.14 Derivative financial instruments

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

4.15 Off setting

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

4.16 Cash and cash equivalents

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

4.17 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.

4.18 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2008 (NUMBER OF SHARES)	2007 (NUMBER OF SHARES)		2008 (RUPEES IN THOUSAND)	2007 (RUPEES IN THOUSAND)
67 762 264	67 762 264	Ordinary shares of Rupees 10 each fully paid up in cash	**677 623**	677 623
37 252 280	37 252 280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	**372 522**	372 522
54 771 173	54 771 173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**547 712**	547 712
159 785 717	159 785 717		**1 597 857**	1 597 857

5.1 Ordinary shares of the company held by associated undertakings:

	2008 (NUMBER OF SHARES)	2007 (NUMBER OF SHARES)
D.G. Khan Cement Company Limited	**20 157 391**	20 157 391
Adamjee Insurance Company Limited	**868 035**	868 035
	21 025 426	21 025 426

6. RESERVES

Composition of reserves is as follows:

	2008 (RUPEES IN THOUSAND)	2007 (RUPEES IN THOUSAND) (Restated)
Capital		
Premium on issue of right shares (Note 6.1)	**1 027 622**	1 027 622
Fair value reserve (Note 6.2)	**9 277 985**	20 034 207
	10 305 607	21 061 829
Revenue		
General	**7 974 028**	6 730 028
Unappropriated profit	**5 269 688**	774 184
	13 243 716	7 504 212
	23 549 323	28 566 041

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

6.2 This represents the unrealized gain on remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

7. LONG TERM FINANCING-SECURED

	2008	2007
	(RUPEES IN THOUSAND)	
Financing from banking companies (Note 7.1)	**1 774 019**	2 482 954
Term finance certificates (Note 7.2)	**199 800**	599 400
	1 973 819	3 082 354
Less: shown under current liabilities (Note 12)	**926 025**	1 308 534
	1 047 794	1 773 820

7.1

Lender	2008	2007	Rate of interest per annum	Number of installments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Allied Bank Limited-1	**-**	100 000	6-Month KIBOR + 0.75%	Four equal half yearly installments commenced on 24 November 2006 and ended on 24 May 2008.	Half yearly	Quarterly	First exclusive charge on unencumbered specific machinery for Rupees 267 million.
Allied Bank Limited-2	**375 000**	525 000	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced on 24 January 2007 and ending on 24 October 2010.	As and when notified by SBP.	Quarterly	First joint pari passu hypothecation charge on plant and machinery of the Company for an amount of Rupees 800 million.
United Bank Limited-1	**-**	75 000	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 31 December 2004 and ended on 30 June 2008.	As and when notified by SBP.	Quarterly	First pari passu charge on all present and future fixed assets of the Company, including land, building and machinery and personal guarantee of chief executive.
United Bank Limited-2	**112 500**	187 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 30 June 2006 and ending on 31 December 2009.	As and when notified by SBP.	Quarterly	Mortgage charge or charge on the immovable property and machinery of the Company.
Habib Bank Limited-1	**-**	11 875	6-Month KIBOR + 0.50%	Sixteen equal quarterly installments commenced on 30 November 2003 and ended on 31 August 2007.	Half Yearly	Quarterly	First exclusive charge on fixed assets of the Company.
Habib Bank Limited-2	**600 000**	800 000	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 07 July 2007 and ending on 07 January 2011.	As and when notified by SBP.	Quarterly	First pari passu hypothecation charge of Rupees 1 067 million on plant and machinery of the Company excluding specific and exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited-1	**-**	8 334	SBP discount rate + 2%, floor 9%	Twelve equal quarterly installments commenced on 25 December 2004 and ended on 25 September 2007.	As and when notified by SBP.	Quarterly	Ranking hypothecation charge on plant and machinery and personal guarantee of chief executive .
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited-2	**200 000**	-	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commencing on 30 April 2009 and ending on 31 January 2013.	As and when notified by SBP.	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.

Lender	2008	2007	Rate of interest per annum	Number of installments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Standard Chartered Bank (Pakistan) Limited	**66 667**	133 333	SBP rate for LTF - EOP + 2%	Six equal half yearly installments commenced on 30 September 2006 and ending on 31 March 2009.	As and when notified by SBP.	Quarterly	First exclusive hypothecation charge on plant, machinery and equipment installed at Sheikhupura (Bhikki).
Citibank N.A.	**187 500**	312 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 21 April 2006 and ending on 21 October 2009.	As and when notified by SBP.	Quarterly	First ranking pari passu charge on all present and future fixed assets, excluding land and building.
The Royal Bank of Scotland Limited (Formely ABN AMRO Bank (Pakistan) Limited)	**82 352**	129 412	SBP rate for LTF - EOP + 2%	Seventeen equal quarterly installments commenced on 15 February 2006 and ending on 15 February 2010.	As and when notified by SBP.	Quarterly	First parri passu charge on plant and machinery for an amount of Rupees 267 million.
The Hong Kong and Shanghai Banking Corporation Limited	**150 000**	200 000	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 01 December 2006 and ending on 01 June 2011.	As and when notified by SBP.	Quarterly	Registered ranking charge on plant and machinery of the Company.
	1 774 019	2 482 954					

7.2 Term finance certificates

This represents the privately placed Term Finance Certificates issued to consortium of four banks which is secured against first pari passu hypothecation charge on fixed assets of the Company excluding land and building with 25% margin. The facility carries mark up at weighted average market yield of last three auctions of 6 month treasury bills plus 1.70% payable semi annually. It is redeemable in 10 half yearly installments commenced from 16 March 2004 and ending on 16 September 2008. The first five installments are of Rupees 0.200 million each and the remaining five installments are of Rupees 199.800 million each.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2008 (RUPEES IN THOUSAND)	2007
Present value of minimum lease payments	**-**	33 031
Less: current portion shown under current liabilities (Note 12)	**-**	33 031
	-	-

8.1 The rate of interest used as the discounting factor, implicit in lease is 11.75 percent per annum (30 June 2007: 11.75 percent per annum). Rentals are paid in monthly equal installments. Taxes, repairs and insurance costs are to be borne by the Company. The Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against personal guarantee of directors and demand promissory note.

8.2 All lease liabilities have been matured and paid during the year ended 30 June 2008 therefore reconciliation of minimum lease payments and present value of minimum lease payments between not later than one year and later than one year and not later than five years is not given.

	(RUPEES IN THOUSAND)	
	2008	2007
9. TRADE AND OTHER PAYABLES		
Creditors (Note 9.1)	**491 824**	386 481
Accrued liabilities	**404 066**	382 207
Advances from customers	**114 952**	36 028
Securities from contractors - Interest free, repayable on completion of contracts	**8 274**	9 659
Income tax deducted at source	**4 183**	3 547
Dividend payable	**21 969**	18 591
Workers' profit participation fund (Note 9.2)	**70 497**	64 618
Workers' welfare fund	**25 462**	25 462
	1 141 227	926 593

9.1 This includes amounts in aggregate of Rupees 12.859 million (30 June 2007: Rupees 4.791 million) due to associated undertakings.

9.2 Workers' profit participation fund

Balance as on 01 July	**64 618**	67 006
Interest for the year (Note 32)	**2 888**	2 003
Add: provision for the year (Note 30)	**70 497**	64 618
	138 003	133 627
Less: payments during the year	**67 506**	69 006
Deposited in the Government treasury	**-**	3
	67 506	69 009
	70 497	64 618

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

	(RUPEES IN THOUSAND) 2008	2007
10. ACCRUED MARK-UP		
Long term financing	**36 428**	79 456
Short term borrowings	**165 419**	52 288
	201 847	131 744
11. SHORT TERM BORROWINGS		
From banking companies - secured		
Short term running finances (Note 11.1 and 11.2)	**4 570 263**	40 715
SBP refinance (Note 11.1 and 11.3)	**2 988 000**	2 312 535
Other short term finances (Note 11.1 and 11.4)	**1 027 800**	2 498 834
Temporary bank overdraft (Note 11.1 and 11.2)	**589 455**	166 580
	9 175 518	5 018 664

11.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, all marketable securities, other instruments, ranking hypothecation charge on plant and machinery, pledge of cotton and equity investments of the company. These form part of total credit facility of Rupees 20 159 million (30 June 2007: Rupees 14 285 million).

11.2 The rates of mark-up range from 9.72% to 14.58% (30 June 2007: 9.53% to 13.41%) per annum on the balance outstanding.

11.3 The rates of mark up range from 6.90% to 7.50% (30 June 2007: 6.90% to 7.00%) per annum on the balance outstanding.

11.4 The rates of mark up range from 4.20% to 15.01% (30 June 2007: 5.69% to 10.50%) per annum on the balance outstanding.

	(RUPEES IN THOUSAND) 2008	2007
12. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 7)	**926 025**	1 308 534
Liabilities against assets subject to finance lease (Note 8)	**-**	33 031
	926 025	1 341 565

13. CONTINGENCIES AND COMMITMENTS

Contingencies

i) The Company is contingently liable for Rupees 61.891 million (30 June 2007: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.

ii) Guarantees of Rupees 347.751 million (30 June 2007: Rupees 363.174 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and Director Excise and Taxation, Karachi.

iii) Post dated cheques have been issued to customs authorities in respect of duties amounting to Rupees 59.163 million (30 June 2007: Rupees 6.330 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.

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

Performance guarantee of USD 1 million (Pak Rupees 68.200 million) in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited under Implementation Agreement and Power Purchase Agreement.

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

Commitments

i) Contracts for capital expenditure are approximately amounting to Rupees 370.168 million (30 June 2007: Rupees 17.882 million).

ii) Letters of credit other than for capital expenditure are amounting to Rupees 403.627 million (30 June 2007: Rupees 458.158 million).

14. PROPERTY PLANT AND EQUIPMENT

	(RUPEES IN THOUSAND) 2008	2007
Operating assets		
- Owned (Note 14.1)	**10 365 262**	10 309 611
- Leased (Note 14.1)	**-**	71 019
Capital work in progress (Note 14.2)	**282 048**	205 529
	10 647 310	10 586 159

14.1 Operating assets

	Owned									Leased
	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture fixtures and office equipment	Computer equipment	Vehicles	Total	Plant and machinery
										(RUPEES IN THOUSAND)
At 01 July 2006										
Cost	362 243	2 250 740	10 643 084	490 486	108 907	167 966	84 464	205 748	14 313 638	87 096
Accumulated depreciation	-	(1 101 694)	(4 308 074)	(245 061)	(56 884)	(78 469)	(34 202)	(90 944)	(5 915 328)	(8 472)
Net book value	362 243	1 149 046	6 335 010	245 425	52 023	89 497	50 262	114 804	8 398 310	78 624
Year ended 30 June 2007										
Opening net book value	362 243	1 149 046	6 335 010	245 425	52 023	89 497	50 262	114 804	8 398 310	78 624
Additions	8 541	667 997	2 103 923	75 963	28 587	26 720	8 977	84 675	3 005 383	-
Disposals										
Cost	-	(2 886)	(344 300)	(784)	(461)	(31)	(251)	(46 369)	(395 082)	-
Accumulated depreciation	-	2 362	242 531	647	385	26	98	30 114	276 163	-
	-	(524)	(101 769)	(137)	(76)	(5)	(153)	(16 255)	(118 919)	-
Depreciation charge	-	(144 284)	(752 288)	(29 413)	(6 785)	(9 438)	(6 353)	(26 602)	(975 163)	(7 605)
Closing net book value	370 784	1 672 235	7 584 876	291 838	73 749	106 774	52 733	156 622	10 309 611	71 019
At 30 June 2007										
Cost	370 784	2 915 851	12 402 707	565 665	137 033	194 655	93 190	244 054	16 923 939	87 096
Accumulated depreciation	-	(1 243 616)	(4 817 831)	(273 827)	(63 284)	(87 880)	(40 458)	(87 432)	(6 614 328)	(16 077)
Net book value	370 784	1 672 235	7 584 876	291 838	73 749	106 775	52 732	156 622	10 309 611	71 019
Year ended 30 June 2008										
Opening net book value	370 784	1 672 235	7 584 876	291 838	73 749	106 775	52 732	156 622	10 309 611	71 019
Additions	7 971	299 004	730 187	24 222	19 362	14 414	4 137	33 271	1 132 568	-
Transfer										
Cost	-	-	87 096	-	-	-	-	-	87 096	(87 096)
Accumulated depreciation	-	-	(22 922)	-	-	-	-	-	(22 922)	22 922
	-	-	64 174	-	-	-	-	-	64 174	(64 174)
Disposals										
Cost	(249)	(2 098)	(534 030)	-	(1 232)	(253)	(209)	(35 218)	(573 289)	-
Accumulated depreciation	-	1 641	404 947	-	321	177	88	18 251	425 425	-
	(249)	(457)	(129 083)	-	(911)	(76)	(121)	(16 967)	(147 864)	-
Depreciation charge	-	(174 225)	(724 737)	(29 916)	(8 170)	(11 541)	(16 219)	(28 419)	(993 227)	(6 845)
Closing net book value	378 506	1 796 557	7 525 417	286 144	84 030	109 572	40 529	144 507	10 365 262	-
At 30 June 2008										
Cost	378 506	3 212 757	12 685 960	589 887	155 163	208 816	97 118	242 107	17 570 314	-
Accumulated depreciation	-	(1 416 200)	(5 160 543)	(303 743)	(71 133)	(99 244)	(56 589)	(97 600)	(7 205 052)	-
Net book value	378 506	1 796 557	7 525 417	286 144	84 030	109 572	40 529	144 507	10 365 262	-
Annual rate of depreciation (%)	-	10	10	10	10	10	30	20		10

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

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
			(RUPEES IN THOUSAND)					
Land	10 M	249	-	249	500	251	Negotiation	Chaudhri Khalid Mahmood, District Faisalabad.
Building								
Building Material	-	2 098	1 641	457	460	3	Negotiation	Mr.Bahadar Khan, Hussainabad, Faisalabad.
Plant and Machinery								
Cloth Trollies and Batchors	-	748	544	204	204	-	Negotiation	Millinnium Textile (Private) Limited, Kahna Kacha Railway Station, Lahore.
Old Processing Equipment	-	1 453	1 295	158	164	6	Negotiation	Fahim Traders, Nishatabad, Faisalabad.
Singeing Machine	1	11 638	8 506	3 132	2 240	(892)	Negotiation	Sharif Textile Industries (Private) Limited,Satiana Road, Faisalabad.
Exposing Machine	1	2 262	1 730	532	160	(372)	Negotiation	Fahim Traders, Nishatabad, Faisalabad.
Rolling Machine	1	783	667	116	155	39	Negotiation	Dawood Usman Industry, Razaabad, Faisalabad
Processing Equipment	-	541	367	174	202	28	Negotiation	B.M. Traders, Gulberg, Faisalabad
Steps Repeat Machine	1	468	418	50	40	(10)	Negotiation	B.M. Traders, Gulberg, Faisalabad
Stenter Machine Krantz	1	13 511	9 223	4 288	3 536	(752)	Negotiation	Haroon Textile Industries, G.T. Road, Gujranwala
Koyoto Gas Singeing Machine	1	6 390	4 890	1 500	1 500	-	Negotiation	Kamal Spinning Mills, Jaranwala Road, Khurianwala, Faisalabad
Bleaching Plant	1	42 138	32 430	9 708	8 500	(1 208)	Negotiation	Kamal Spinning Mills, Jaranwala Road, Khurianwala, Faisalabad
Generator	1	1 077	518	559	250	(309)	Negotiation	Al-Rahman Autos, Peco Road, Lahore
Alternate Demno	1	53 471	37 901	15 570	2 050	(13 520)	Negotiation	Abdul Hameed, Sumandari Road, Faisalabad
Air Jet Looms	59	129 984	97 653	32 331	12 464	(19 867)	Negotiation	Qafsa General Trading, UAE
Air Jet Looms	8	23 488	17 279	6 209	5 880	(329)	Negotiation	Faisal Enterprises, Shahrah-e-Faisal, Karachi
Air Jet Looms	8	23 488	17 314	6 174	5 880	(294)	Negotiation	Faisal Enterprises, Shahrah-e-Faisal, Karachi
Air Jet Looms	16	46 975	34 721	12 254	11 760	(494)	Negotiation	Faisal Enterprises, Shahrah-e-Faisal, Karachi
Sulzer Looms	8	28 233	22 402	5 831	9 440	3 609	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	10	35 291	28 024	7 267	11 800	4 533	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	10	35 291	28 045	7 246	11 800	4 554	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	8	28 233	22 442	5 791	9 440	3 649	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Over Head Cleaner	1	3 476	2 761	715	200	(515)	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	12	42 349	34 257	8 092	14 170	6 078	Negotiation	Interweave Textile Mills (Private) Limited, Industrial Estate Kot Lakhpat, Lahore
Sewing Machine	50	1 367	1 088	279	200	(79)	Negotiation	Zafar Ahmad, Samundri Road, Faisalabad.
Factory equipment								
Mahlo	1	245	178	67	90	23	Negotiation	Dawood Usman Industry, Razaabad, Faisalabad
Vehicles								
Suzuki Alto LXV-6018	1	469	339	130	254	124	Negotiation	Mr.Sohail Shafi, Mustafabad, Lahore.
Suzuki Alto FDZ-0954	1	505	342	163	267	104	Negotiation	Mr.Haris Haroon Rashid, Gulshan Sir Syed, North Karachi.
Honda Civic LRE-0300	1	1 327	860	467	575	108	Negotiation	Mr.Nishat Haroon, DHA, Lahore, Company's employee
BMW LZS-0700	1	9 089	3 318	5 771	6 000	229	Negotiation	Mr. Taimur Ali Malik, Gulberg-II, Lahore
Suzuki Baleno LRX-9045	1	797	470	327	418	91	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Suzuki Baleno LZX-6827	1	817	307	510	525	15	Negotiation	Mr. Shahbaz Khan, New Town Ship, Lahore
Suzuki Alto LRA-9166	1	479	350	129	278	149	Negotiation	Mr. Mohsin Mumtaz, Samanabad, Lahore
Suzuki Cultus FDY-9121	1	587	416	171	305	134	Negotiation	Mr. Badar Ali, Shalamar Bagh, Lahore

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
			(RUPEES IN THOUSAND)					
Honda City LZH-0836	1	891	431	460	619	159	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Suzuki Cultus LZU-8882	1	651	260	391	402	11	Negotiation	Mr. Muhammad Sarwar, Gulshan Ravi, Lahore
Tracking System	17	540	300	240	276	36	Negotiation	Trakker (Private) Limited, P.E.C.H.S., Karachi
Suzuki Baleno LZX-7784	1	817	331	486	817	331	Negotiation	Mr. Ghulam Abbas, Wapda Town, Lahore, Company Employee
Honda City LZE-1410	1	810	424	386	387	1	Negotiation	Mr. Ali Imran Shah, Multan Road, Lahore, Company employee
Suzuki Cultus LWQ-5819	1	677	204	473	498	25	Negotiation	Nishat Power Limited, 7-Main Gulberg, Lahore
Suzuki Baleno LRL-1448	1	793	506	287	452	165	Negotiation	Mr.Zia ur Rehman, Chamber Bazar, Kasur.
Toyota Hiace Van LXP-7917	1	1 859	1 435	424	811	387	Negotiation	Mr.Abdul Majid Khan, Raj Gar, Lahore
Toyota Corolla LRU-6693	1	1 119	699	420	424	4	Negotiation	Mr. Sulaiman Kiyani, New Garden Town, Lahore, Company employee
Honda City LRS-1756	1	810	477	333	580	247	Negotiation	Mr. Abdul Aziz, Shalamar Town, Lahore
Suzuki Baleno LRZ-8743	1	829	506	323	343	20	Negotiation	Nishat Power Limited, 7 - Main Gulberg, Lahore
Honda City LRL-1445	1	760	483	277	378	101	Negotiation	Mr.Mohammad Adil Ghani, Rehman Town, Faisalabad, Company Employee
Toyota Corolla 2.0 D FDX-3518	1	912	738	174	390	216	Negotiation	Mr.Saqib Waseem Jaffar, Punjab Government Society, Lahore.
Tracking System	8	298	151	147	128	(19)	Negotiation	Trakker (Private) Limited, P.E.C.H.S., Karachi
Honda Civic LRU-6061	1	1 201	753	448	456	8	Negotiation	Mr. Faisal Naseem Kari, Lahore, Company employee
Suzuki Cultus LRX-4815	1	603	377	226	229	3	Negotiation	Mr. Muhammad Azmat Ali, New Super Town, Lahore. Employee
Suzuki Cultus LZU-8359	1	643	213	430	452	22	Negotiation	Nishat Power Limited, 7-Main Gulberg, Lahore
Toyota Corolla 2.0 D Saloon LRQ-1900	1	1 225	787	438	782	344	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Nissan Sunny LZS-6699	1	1 162	485	677	663	(14)	Negotiation	Mr. Zafar Iqbal Qureshi, Model Town Link Road, Lahore
Suzuki Cultus FS-8963	1	601	397	204	345	141	Negotiation	Syed Arshad Ali Zaidi, Depal Pur, District Okara
Suzuki Cultus LZV-8054	1	610	250	360	428	68	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Honda Civic LZO-5045	1	1 062	529	533	543	10	Negotiation	Mr. Badar-ul-Hassan, New Muslim Town, Lahore, Company employee
Tracking System	7	223	103	120	116	(4)	Negotiation	Trakker (Private) Limited, P.E.C.H.S., Karachi
Honda City LZS-7111	1	908	464	444	470	26	Negotiation	Nishat Power Limited. 7-Main Gulberg, Lahore.
Suzuki Alto LWO-4265	1	518	137	381	432	51	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Computer equipment								
Laptop Del-505	1	100	41	59	76	17	Negotiation	Mr.Nauman A.Khan, Ex.Company employee
Laptop	1	109	48	61	68	7	Insurance Claim	Security General Insurance Company, 53-A, Lawrance Road, Lahore
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50 000		3 241	1 200	2 041	2 217	176		
		573 289	**425 425**	**147 864**	**135 489**	**(12 375)**		

	(RUPEES IN THOUSAND) 2008	2007
14.1.2 Depreciation charge for the year has been allocated as follows:		
Owned		
Cost of sales (Note 27.3)	**937 048**	932 770
Distribution cost (Note 28)	**2 502**	2 943
Administrative expenses (Note 29)	**53 677**	39 450
	993 227	975 163
Leased		
Cost of sales (Note 27.3)	**6 845**	7 605
	1 000 072	982 768

14.2 Capital work in progress

	2008	2007
Building on freehold land	**51 974**	89 878
Plant and machinery	**213 937**	96 918
Electric installation	**3 820**	-
Unallocated capital expenditure	**-**	8 425
Letters of credit against machinery	**756**	22
Letters of credit and advances against furniture and office equipment	**5 646**	3 271
Advances against vehicles	**5 915**	7 015
	282 048	205 529

15. LONG TERM INVESTMENTS

	(RUPEES IN THOUSAND) 2008	2007 (Restated)
AVAILABLE FOR SALE		
Subsidiary		
Nishat Power Limited - unquoted (Note 15.1)		
64 000 000 (30 June 2007: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 80% (30 June 2007: Nil)	**640 000**	-
Add: advance for purchase of shares	**12 600**	-
	652 600	-

	(RUPEES IN THOUSAND) 2008	2007 (Restated)
Associated companies (with significant influence)		
D.G. Khan Cement Company Limited - quoted 79 614 700 (30 June 2007: 79 614 700) fully paid ordinary share of Rupees 10 each. Equity held 31.40% (30 June 2007: 31.40%)	**2 258 955**	2 258 955
Gulf Nishat Apparel Limited - unquoted 18 451 300 (30 June 2007: 9 036 000) fully paid ordinary shares of Rupees 10 each. Equity held 25.72% (30 June 2007: 19.05%)	**184 513**	90 360
Nishat Paper Products Company Limited - unquoted (Formerly Nishat Shuaiba Paper Products Company Limited) 11 634 199 (30 June 2007:11 634 199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (30 June 2007: 25 %)	**116 342**	116 342
Add: advance for purchase of shares	**-**	598
	116 342	116 940
Associated companies (others)		
Adamjee Insurance Company Limited - quoted 30 031 (30 June 2007: 30 031) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (30 June 2007: 0.03%)	**3 725**	3 725
Security General Insurance Company Limited - unquoted 4 798 908 (30 June 2007: 1 279 709) fully paid ordinary shares of Rupees 10 each. Equity held 15.02% (30 June 2007: 15.02%)	**5 250**	5 250
Related party		
MCB Bank Limited - quoted 21 474 658 (30 June 2007: 16 919 258) fully paid ordinary of Rupees 10 each. Equity held 6.77% (30 June 2007: 6.04%)	**2 502 976**	906 353
Other		
Habib Bank Limited - quoted 110 (30 June 2007: Nil) fully paid ordinary shares of Rupees 10 each.	**24**	-
	5 724 385	3 381 583
Fair value adjustment - surplus	**7 596 703**	12 291 397
	13 321 088	15 672 980

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

	(RUPEES IN THOUSAND) 2008	2007
16. LONG TERM LOANS		
Secured - considered good:		
Executives (Note 16.1)	**8 391**	9 294
Other employees	**5 857**	6 101
	14 248	15 395
Less: current portion (Note 22)		
Executives	**3 429**	4 139
Other employees	**2 697**	1 733
	6 126	5 872
	8 122	9 523

16.1 Reconciliation of carrying amount of loans to executives:

	2008	2007
Opening balance	**9 294**	6 626
Add: disbursements	**5 073**	7 618
	14 367	14 244
Less: repayments	**5 976**	4 950
Closing balance	**8 391**	9 294

16.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 11.491 million (30 June 2007: Rupees 10.516 million).

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

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

	(RUPEES IN THOUSAND) 2008	2007

17. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST

	2008	2007
Security deposits	**9 454**	9 184
Prepayments	**1 964**	-
Deferred cost (Note 17.1)	**-**	158
	11 418	9 342
Less: current portion (Note 23)	**877**	-
	10 541	9 342

17.1 Reconciliation of deferred cost is given below:

	2008	2007
Balance as at 01 July	**158**	788
Less: amortized during the year (Note 30)	**158**	630
	-	158

18. STORES, SPARE PARTS AND LOOSE TOOLS

	2008	2007
Stores (Note 18.1)	**332 843**	269 114
Spare parts	**156 744**	152 798
Loose tools	**642**	516
	490 229	422 428

18.1 It includes stores in transit amounting to Rupees 37.010 million (30 June 2007: Rupees 29.766 million).

19. STOCK IN TRADE

	2008	2007
Raw materials	**1 800 826**	1 264 787
Work in process	**1 157 415**	942 753
Finished goods (Note 19.1 and 19.2)	**1 145 407**	898 896
	4 103 648	3 106 436

19.1 Finished goods include inventory valued at net realizable value amounting to Rupees 124.927 million (30 June 2007: Rupees 81.500 million).

19.2 Finished goods include stock in transit amounting to Rupees 82.602 million (30 June 2007: Rupees 107.657 million).

	(RUPEES IN THOUSAND) 2008	2007
20. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	**507 299**	250 387
Unsecured (Note 20.1)	**821 728**	581 266
	1 329 027	831 653
Considered doubtful:		
Others - unsecured	**27 000**	-
Less: provision for doubtful debts	**27 000**	-
	-	-
	1 329 027	831 653

20.1 It includes an amount of Rupees 44.296 million (30 June 2007: Rupees 24.310 million) due from Gulf Nishat Apparel Limited - associated company.

21. SHORT TERM INVESTMENTS

AVAILABLE FOR SALE

	2008	2007
Associated companies		
Nishat (Chunian) Limited - quoted 10 233 329 (30 June 2007: 10 233 329) fully paid ordinary shares of Rupees 10 each. Equity held 13.61 % (30 June 2007: 13.61 %)	**109 931**	109 931
Security General Insurance Company Limited - unquoted 5 427 336 (30 June 2007: 1 447 290) fully paid ordinary shares of Rupees 10 each. Equity held 15.02 % (30 June 2007: 15.02%)	**5 938**	5 938
Related party		
MCB Bank Limited - quoted 21 057 999 (30 June 2007: 21 057 999) fully paid ordinary shares of Rupees 10 each. Equity held 6.77% (30 June 2007: 6.04%)	**5 327 003**	254 780
Other		
Pakistan Strategic Allocation Fund - quoted 500 000 (30 June 2007: 500 000) fully paid certificates of Rupees 10 each	**5 000**	5 000
	5 447 872	375 649
Fair value adjustment - surplus	**1 681 282**	7 742 810
	7 129 154	8 118 459

	(RUPEES IN THOUSAND) 2008	2007
22. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
– Executives	**392**	232
– Other employees	**3 214**	2 111
	3 606	2 343
Current portion of long term loans (Note 16)	**6 126**	5 872
Advances to suppliers	**47 612**	45 930
Letters of credit	**1 398**	18 023
Employees' provident fund trust	**2 201**	6 406
Income tax	**302 923**	279 316
Other advances	**39 429**	53 380
	403 295	411 270
Considered doubtful:		
Others	**108**	108
Less: provision for doubtful debts	**108**	108
	-	-
	403 295	411 270

	2008	2007
23. SHORT TERM DEPOSITS AND PREPAYMENTS		
Deposits	**24 146**	24 279
Prepayments - including current portion (Note 17)	**6 254**	2 116
	30 400	26 395

	2008	2007
24. OTHER RECEIVABLES		
Considered good		
Export rebate and claims	**154 659**	163 555
Sales tax refundable	**204 170**	144 116
Derivative financial instrument	**-**	14 015
Miscellaneous receivables	**11 184**	1 153
	370 013	322 839

	(RUPEES IN THOUSAND) 2008	2007
25. CASH AND BANK BALANCES		
With banks:		
On PLS saving accounts Including US$ 17 108 (30 June 2007: US$ 108 324)	**1 180**	6 671
On current accounts (Note 25.1) Including US$ 134 175 (30 June 2007: US$ 118 167)	**66 352**	54 037
	67 532	60 708
Cash in hand	**6 220**	8 899
	73 752	69 607

25.1 Cash at banks includes balance of Rupees 32.893 million (30 June 2007: Rupees 33.945 million) with MCB Bank Limited - related party.

25.2 Rate of profit on bank deposits ranges from 0.1% to 6.5% (30 June 2007: 0.1% to 4.75%) per annum.

26. SALES

	2008	2007
Export	**14 796 829**	14 355 187
Local (Note 26.1)	**4 404 120**	2 793 059
Export rebate	**66 684**	31 946
	19 267 633	17 180 192

26.1 Local sales

	2008	2007
Sales (Note 26.2)	**4 312 510**	2 770 959
Less: sales tax	**8 193**	4 830
	4 304 317	2 766 129
Processing income	**93 335**	26 930
Doubling income	**6 468**	-
	4 404 120	2 793 059

26.2 It includes sales of Rupees 1 042.783 million (30 June 2007: NIL) made to direct exporters against special purchase order (SPO).

26.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 10.580 million (30 June 2007: Rupees 2.296 million) has been included in export sales.

	(RUPEES IN THOUSAND) 2008	2007
27. COST OF SALES		
Raw material consumed (Note 27.1)	**5 518 217**	4 763 180
Cloth and yarn purchased / used	**5 359 441**	4 102 826
Processing charges	**123 445**	94 523
Salaries, wages and other benefits (Note 27.2)	**1 207 916**	1 160 877
Stores, spare parts and loose tools	**1 464 355**	1 337 211
Packing materials consumed	**418 126**	365 155
Repair and maintenance	**109 195**	118 589
Fuel and power	**1 433 453**	1 395 790
Insurance	**22 511**	22 877
Other factory overheads	**159 478**	141 212
Depreciation (Note 27.3)	**943 893**	940 375
	16 760 030	14 442 615
Work in process		
Opening stock	**942 753**	896 854
Closing stock	**(1 157 415)**	(942 753)
	(214 662)	(45 899)
Cost of goods manufactured	**16 545 368**	14 396 716
Finished goods		
Opening stock	**898 896**	837 434
Closing stock	**(1 145 407)**	(898 896)
	(246 511)	(61 462)
Cost of sales	**16 298 857**	14 335 254

27.1 Raw material consumed

	2008	2007
Opening stock	**1 264 787**	1 268 886
Add: purchased during the year	**6 054 256**	4 759 081
	7 319 043	6 027 967
Less: closing stock	**1 800 826**	1 264 787
	5 518 217	4 763 180

27.2 Salaries, wages and other benefits include provident fund contribution of Rupees 38.597 million (30 June 2007: Rupees 34.921 million) by the Company.

	(RUPEES IN THOUSAND) 2008	2007
27.3 Depreciation		
Operating assets		
- Owned (Note 14.1.2)	**937 048**	932 770
- Leased (Note 14.1.2)	**6 845**	7 605
	943 893	940 375

28. DISTRIBUTION COST

	2008	2007
Salaries and other benefits (Note 28.1)	**68 675**	55 811
Outward freight and handling	**557 053**	553 329
Commission to selling agents	**263 980**	254 490
Rent, rates and taxes	**2 644**	2 811
Insurance	**6 934**	2 841
Traveling and conveyance	**28 588**	27 767
Vehicles' running	**2 321**	1 382
Entertainment	**1 095**	696
Advertisement	**6 270**	8 664
Postage, telephone and telegram	**19 621**	16 107
Electricity and sui gas	**553**	354
Printing and stationery	**1 124**	890
Repair and maintenance	**342**	173
Fee and subscription	**9**	520
Depreciation- owned assets (Note 14.1.2)	**2 502**	2 943
	961 711	928 778

28.1 Salaries and other benefits include provident fund contribution of Rupees 3.857 million (30 June 2007: Rupees 3.264 million) by the Company.

29. ADMINISTRATIVE EXPENSES

	(RUPEES IN THOUSAND) 2008	2007
Salaries and other benefits (Note 29.1)	**182 163**	170 609
Rent, rates and taxes	**26 251**	2 706
Legal and professional	**7 732**	8 997
Insurance	**3 771**	3 297
Traveling and conveyance	**13 546**	15 195
Vehicles' running	**17 141**	15 096
Entertainment	**4 756**	5 719
Auditors' remuneration (Note 29.2)	**1 774**	1 622
Advertisement	**235**	69
Postage, telephone and telegram	**5 284**	5 387
Electricity and sui gas	**10 330**	11 397
Printing and stationery	**10 929**	9 799
Repair and maintenance	**5 862**	6 572
Fee and subscription	**1 154**	5 237
Research and development (Note 29.3)	**44 103**	12 470
Miscellaneous	**10 049**	6 580
Depreciation – owned assets (Note 14.1.2)	**53 677**	39 450
	398 757	320 202

29.1 Salaries and other benefits include provident fund contribution of Rupees 7.408 million (30 June 2007: Rupees 6.847 million) by the Company.

29.2 Auditors' remuneration

	2008	2007
Audit fee	**1 406**	1 278
Half yearly review	**315**	315
Reimbursable expenses	**53**	29
	1 774	1 622

29.3 Research and development

	2008	2007
Support on account of research and development (Note 29.3.1)	**240 608**	205 773
Less: utilization		
Product development	**180 495**	154 700
Upgradation of information technology	**3 075**	4 935
Professional consultancy	**16 183**	7 395
Market research	**40 806**	23 716
Environment improvement	**34 488**	15 223
Participation in exhibition	**9 664**	12 274
	284 711	218 243
	44 103	12 470

29.3.1 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.

	(RUPEES IN THOUSAND) 2008	2007
30. OTHER OPERATING EXPENSES		
Workers' profit participation fund (Note 9.2)	**70 497**	64 618
Workers' welfare fund (Note 30.1)	**-**	25 462
Loss on sale of property, plant and equipment	**12 375**	-
Provision for doubtful debts	**27 000**	-
Amortization of deferred cost (Note 17.1)	**158**	630
Donation (Note 30.2)	**751**	1 048
	110 781	91 758

30.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001, therefore, provision for workers' welfare fund is not required.

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

	(RUPEES IN THOUSAND) 2008	2007 (Restated)
31. OTHER OPERATING INCOME		
Income from financial assets		
Dividend income (Note 31.1)	**668 832**	438 067
Profit on deposits with banks	**1 850**	368
	670 682	438 435
Income from non financial assets		
Gain on sale of property, plant and equipment	**-**	21 081
Sale of scrap, empties and sundry receipts	**73 432**	55 569
Rental income	**2 242**	247
Others	**104**	-
	75 778	76 897
	746 460	515 332

	(RUPEES IN THOUSAND) 2008	2007 (Restated)
31.1 Dividend income		
From related parties		
D.G. Khan Cement Company Limited	**119 422**	132 252
MCB Bank Limited	**512 268**	273 746
Nishat (Chunian) Limited	**15 350**	15 350
Adamjee Insurance Company Limited	**90**	1 834
Security General Insurance Company Limited	**20 452**	13 635
	667 582	436 817
Others		
Pakistan Strategic Allocation Fund	**1 250**	1 250
	668 832	438 067

32. FINANCE COST

	2008	2007
Mark-up on:		
Long term financing	**181 988**	322 382
Short term borrowings	**608 206**	403 881
Interest on workers' profit participation fund (Note 9.2)	**2 888**	2 003
Finance charges on lease liabilities	**2 186**	5 735
Bank charges and commission	**112 164**	85 266
	907 432	819 267

33. PROVISION FOR TAXATION

	2008	2007
Current - for the year (Note 33.1)	**258 000**	220 807
Prior year adjustment	**-**	(75 807)
	258 000	145 000

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

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

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

		2008	2007

34. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2008	2007
Net profit for the year	(Rupees in thousand)	**6 138 968**	1 211 208
Number of ordinary shares	(Numbers)	**159 785 717**	159 785 717
Earnings per share – basic	(Rupees)	**38.42**	7.58

35. CASH GENERATED FROM OPERATIONS

	(RUPEES IN THOUSAND) 2008	2007 (Restated)
Profit before taxation	**6 396 968**	1 356 208
Adjustments for non-cash charges and other items:		
Depreciation	**1 000 072**	982 768
Provision for doubtful debts	**27 000**	-
(Gain) / loss on sale of property, plant and equipment	**12 375**	(21 081)
Gain on sale of investment	**(5 060 413)**	(155 943)
Dividend Income	**(668 832)**	(438 067)
Amortization of deferred cost	**158**	630
Finance cost	**907 432**	819 267
Working capital changes (Note 35.1)	**2 760 257**	856 424
	5 375 017	3 400 206

35.1 Working capital changes

	2008	2007
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	**(67 801)**	49 092
- Stock in trade	**(997 212)**	(103 262)
- Trade debts	**(524 374)**	195 231
- Loans and advances	**31 836**	(40 837)
- Short term deposits and prepayments	**(3 128)**	1 897
- Other receivables	**(47 174)**	84 308
	(1 607 853)	186 429
Increase / (decrease) in current liabilities		
- Trade and other payables	**211 256**	(32 961)
- Short term borrowings	**4 156 854**	702 956
	4 368 110	669 995
	2 760 257	856 424

36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2008 of Rupees 2.50 per share (30 June 2007: Rupees 2.50 per share) at their meeting held on 27 August 2008.The Board of directors also proposed to transfer Rupees 4 870 million (30 June 2007: Rupees 1 244 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 ‘Events after the Balance Sheet Date’ and have not been recognized in these financial statements.

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		**Directors**		**Executives**	
	2008	2007	**2008**	2007	**2008**	2007
	(RUPEES IN THOUSAND)					
Managerial remuneration	3 871	3 200	2 453	2 826	38 740	22 172
Allowances						
Cost of living allowance	-	-	8	5	225	148
House rent	1 742	1 440	1 115	1 246	14 472	8 319
Conveyance	-	-	-	-	96	75
Medical	-	-	90	32	1 733	1 031
Utilities	194	160	147	130	2 545	1 466
Special allowance	-	-	2	2	92	77
Contribution to provident fund	-	-	136	124	3 125	2 107
Leave encashment	-	-	-	-	1 089	1 030
	5 807	4 800	3 951	4 365	62 117	36 425
Number of persons	**1**	**1**	**4**	**4**	**54**	**34**

37.1 Chief Executive, four Directors and certain Executives of the Company are provided with free maintained vehicles and certain Executives are also provided with free housing facility alongwith utilities.

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

38. TRANSACTIONS WITH RELATED PARTIES

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

	(RUPEES IN THOUSAND)	
	2008	2007
Subsidiary company		
Sale of vehicles	**1 763**	-
Associated companies		
Purchase of goods and services	**325 949**	1 124 766
Sale of goods and services	**231 198**	31 718
Purchase of plant and machinery	**19 587**	449
Sale of property, plant and equipment	**-**	3 065
Dividend income	**155 314**	163 072
Dividends paid	**52 564**	28 671
Insurance premium paid	**41 963**	40 697
Insurance claim received	**1 949**	5 621
Other related parties		
Dividend income	**512 268**	273 746
Company's contribution to provident fund trust	**49 862**	45 032

39. PLANT CAPACITY AND ACTUAL PRODUCTION

		(FIGURES IN THOUSAND)	
		2008	2007
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 098 shifts (30 June 2007: 1 095 shifts)	(Kgs.)	**62 106**	60 917
Actual production converted to 20s count based on 3 shifts per day for 1 098 shifts (30 June 2007: 1 095 shifts)	(Kgs.)	**55 643**	54 779
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day for 1 098 shifts (30 June 2007: 1 095 shifts)	(Sq.Mt.)	**208 869**	215 767
Actual production converted to 50 picks based on 3 shifts per day for 1 098 shifts (30 June 2007: 1 095 shifts)	(Sq.Mt.)	**195 222**	202 730

		(FIGURES IN THOUSAND)	
		2008	2007
Dyeing and Finishing			
Production capacity for 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Mt.)	**48 132**	48 000
Actual production on 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Mt.)	**43 371**	42 080
Power Plant			
Generation capacity	(KWH)	**442 589**	421 957
Actual generation	(KWH)	**297 599**	293 714

Processing and Stitching

The capacity of this division is indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

39.1 REASON FOR LOW PRODUCTION

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

40. FINANCIAL INSTRUMENTS

(RUPEES IN THOUSAND)

	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
								(Restated)
Financial assets								
Long term investments	-	-	-	-	13 321 088	13 321 088	13 321 088	15 672 980
Long term loans				6 126	8 122	14 248	14 248	15 395
Long term deposits	-	-	-	-	9 454	9 454	9 454	9 184
Trade debts	-	-	-	1 329 027	-	1 329 027	1 329 027	831 653
Short term investments	-	-	-	7 129 154	-	7 129 154	7 129 154	8 118 459
Loans and advances				43 035	-	43 035	43 035	55 723
Short term deposits	-	-	-	994	-	994	994	994
Other receivables	-	-	-	11 184	-	11 184	11 184	15 168
Cash and bank balances	1 180	-	1 180	72 572	-	72 572	73 752	69 607
	1 180	-	1 180	8 592 092	13 338 664	21 930 756	21 931 936	24 789 163
Off balance sheet	-	-	-	-	-	-	-	-
Total	1 180	-	1 180	8 592 092	13 338 664	21 930 756	21 931 936	24 789 163
Financial liabilities								
Long term financing	926 025	1 047 794	1 973 819	-	-	-	1 973 819	3 082 354
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	33 031
Short term borrowings	9 175 518	-	9 175 518	-	-	-	9 175 518	5 018 664
Trade and other payables	-	-	-	926 133	-	926 133	926 133	796 938
Accrued mark-up	-	-	-	201 847	-	201 847	201 847	131 744
	10 101 543	1 047 794	11 149 337	1 127 980	-	1 127 980	12 277 317	9 062 731
Off balance sheet								
Contracts for capital expenditure	-	-	-	370 168	-	370 168	370 168	17 882
Letters of credit other than for capital expenditure	-	-	-	403 627	-	403 627	403 627	458 158
	-	-	-	773 795	-	773 795	773 795	476 040
Total	10 101 543	1 047 794	11 149 337	1 901 775	-	1 901 775	13 051 112	9 538 771
On balance sheet sensitivity gap	(10 100 363)	(1 047 794)	(11 148 157)	7 464 112	13 338 664	20 802 776	9 654 619	15 726 432
Off balance sheet sensitivity gap	-	-	-	(773 795)	-	(773 795)	(773 795)	(476 040)

40.1 Effective interest / mark up rates

The Company's exposure to interest / mark up effective rates on its financial assets and financial liabilities are summarized as follows:

	(PERCENTAGE PER ANNUM)	
	2008	2007
Financial assets		
Profit on bank deposits	**0.1 to 6.5**	0.1 to 4.75
Financial liabilities		
Long term financing	**6 to 11.49**	6 to 11.32
Liabilities against assets subject to finance lease	**11.75**	11.75
Short term borrowings	**4.20 to 15.01**	5.69 to 13.41

40.2 Credit risk

The management of the Company believes that the Company is not exposed to major concentration of credit risk. Further, the Company controls its credit risk by ascertainment of credit worthiness of customers, monitoring of debt on a continuous basis and providing appropriate provision for doubtful receivables where it is considered necessary.

40.3 Foreign exchange risk

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.

40.4 Liquidity risk

Liquidity risk reflects an enterprises 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.

40.5 Fair value of financial instruments

The carrying values of financial assets and financial liabilities approximate their fair values. Investments in unquoted equity instruments are stated at cost less impairment loss, if any, as allowed under IAS 39 'Financial Instruments: Recognition and Measurement'.

40.6 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 7 and 11 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity.

		2008	2007
Borrowings	Rupees in thousand	**11 149 337**	8 101 018
Total equity	Rupees in thousand	**25 147 180**	30 163 898
Total capital employed	Rupees in thousand	**36 296 517**	38 264 916
Gearing ratio	Percentage	**30.72**	21.17

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

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 August 2008 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

Comparative figures of balance sheet, profit and loss account, cash flow statement and statement of changes in equity and related notes have been re-arranged, wherever necessary for the purpose of comparison. No significant reclassification has been made except required for the change in accounting policy stated in note 4.5.4.

43. GENERAL

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NISHAT MILLS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2008

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited results of Nishat Group for the year ended 30 June, 2008. The Group results comprise financial statements of Nishat Mills Limited and Nishat Power Limited.

Nishat Power Limited, incorporated under the Companies Ordinance, 1984 on 23 Feb, 2007, is the subsidiary company of Nishat Mills Limited and is unlisted public limited company. The principle business of the subsidiary is generation, supply and transmission of electrical power. Nishat Mills Limited owns and controls 80% shares of the Nishat Power Limited. The subsidiary is expected to achieve its commercial operations by September 2009. Due to the addition of the subsidiary, our company has annexed consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Accounting Standards-27 (Consolidated and Separate Financial Statements).

The Directors report, giving a commentary on the performance of Nishat Mills Limited for the year ended 30 June, 2008, has been presented separately.

For and on behalf of Board of Directors

Lahore:
August 27, 2008

(Mian Umer Mansha)
Chief Executive/Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Nishat Mills Limited (the Holding Company) and its Subsidiary Company, Nishat 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 Mills Limited and its Subsidiary Company, Nishat 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 Mills Limited and its Subsidiary Company, Nishat Power Limited as at 30 June 2008 and the results of their operations for the year then ended.

Lahore: August 27, 2008

RIAZ AHMAD AND COMPANY
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008	2007
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
178 470 000 (2007: 178 470 000) ordinary shares of Rupees 10 each		**1 784 700**	1 784 700
Issued, subscribed and paid up share capital	5	**1 597 857**	1 597 857
Reserves	6	**28 214 359**	28 359 567
		29 812 216	29 957 424
Minority interest		**160 000**	-
Total Equity		**29 972 216**	29 957 424
NON-CURRENT LIABILITIES			
Long term financing	7	**1 047 794**	1 773 820
Long term murabaha	8	**2 841 813**	-
Liabilities against assets subject to finance lease	9	**-**	-
		3 889 607	1 773 820
CURRENT LIABILITIES			
Trade and other payables	10	**1 155 457**	926 593
Accrued mark-up	11	**292 419**	131 744
Short term borrowings	12	**9 175 518**	5 018 664
Current portion of non-current liabilities	13	**926 025**	1 341 565
Provision for taxation		**276 988**	230 807
		11 826 407	7 649 373
TOTAL LIABILITIES		**15 716 014**	9 423 193
CONTINGENCIES AND COMMITMENTS	14	**-**	-
TOTAL EQUITY AND LIABILITIES		**45 688 230**	39 380 617

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

CHIEF EXECUTIVE OFFICER

	Note	(RUPEES IN THOUSAND) 2008	2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**14 402 457**	10 586 159
Long term investments	16	**17 333 620**	15 466 506
Long term loans	17	**8 122**	9 523
Long term deposits, prepayments and deferred cost	18	**10 541**	9 342
		31 754 740	26 071 530
CURRENT ASSETS			
Stores, spare parts and loose tools	19	**490 229**	422 428
Stock in trade	20	**4 103 648**	3 106 436
Trade debts	21	**1 329 027**	831 653
Short term investments	22	**7 129 154**	8 118 459
Loans and advances	23	**403 399**	411 270
Short term deposits and prepayments	24	**30 500**	26 395
Other receivables	25	**371 397**	322 839
Cash and bank balances	26	**76 136**	69 607
		13 933 490	13 309 087
TOTAL ASSETS		**45 688 230**	39 380 617

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 (RUPEES IN THOUSAND)	2007 (RUPEES IN THOUSAND)
SALES	27	**19 267 633**	17 180 192
COST OF SALES	28	**16 298 857**	14 335 254
GROSS PROFIT		**2 968 776**	2 844 938
DISTRIBUTION COST	29	**961 711**	928 778
ADMINISTRATIVE EXPENSES	30	**398 757**	320 202
OTHER OPERATING EXPENSES	31	**110 877**	91 758
		1 471 345	1 340 738
		1 497 431	1 504 200
OTHER OPERATING INCOME	32	**627 038**	406 767
GAIN ON SALE OF INVESTMENT		**5 060 413**	155 943
PROFIT FROM OPERATIONS		**7 184 882**	2 066 910
FINANCE COST	33	**907 432**	819 267
		6 277 450	1 247 643
SHARE OF PROFIT IN ASSOCIATED COMPANIES	16.1	**112 965**	571 527
PROFIT BEFORE TAXATION		**6 390 415**	1 819 170
PROVISION FOR TAXATION	34	**258 000**	145 000
PROFIT AFTER TAXATION		**6 132 415**	1 674 170
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	35	**38.38**	10.48

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	(RUPEES IN THOUSAND) 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	**5 477 268**	3 400 206
Finance cost paid		**(837 327)**	(838 759)
Income tax paid		**(234 467)**	(146 751)
Net decrease / (increase) in long term loans		**1 147**	(3 610)
Net decrease / (increase) in long term deposits and prepayments		**(2 234)**	2 391
Net cash generated from operating activities		**4 404 387**	2 413 477
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**133 726**	140 000
Proceeds from sale of investment		**7 952 746**	231 712
Proceeds from redemption of preference shares		**-**	131 594
Dividends received		**668 832**	438 067
Investments made		**(9 654 758)**	(797 458)
Purchase of property, plant and equipement		**(4 962 565)**	(1 076 493)
Net cash used in investing activities		**(5 862 019)**	(932 578)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**3 041 813**	-
Proceeds from issue of share to minority shareholders		**160 000**	-
Repayment of long term financing		**(1 308 535)**	(1 214 158)
Payment of finance lease liabilities		**(33 031)**	(28 612)
Dividend paid		**(396 086)**	(218 772)
Net cash generated from / (used in) financing activities		**1 464 161**	(1 461 542)
Net increase in cash and cash equivalents		**6 529**	19 357
Cash and cash equivalents at the beginning of the year		**69 607**	50 250
Cash and cash equivalents at the end of the year		**76 136**	69 607

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

(RUPEES IN THOUSAND)

	SHARE CAPITAL	ATTRIBUTABLE TO EUITY HOLDERS OF THE HOLDING COMPANY										MINORITY INTEREST	TOTAL
		CAPITAL RESERVES					REVENUE RESERVES			TOTAL RESERVES	SHARE-HOLDERS' EQUITY		
		Premium on issue of right shares	Fair value reserve	Reserve for issue of bonus shares	Capital redemption reserve fund	Sub Total	General reserve	Unappro-priated profit	Sub Total				
Balance as at 30 June 2006	1 452 597	1 027 622	10 194 839	-	82 331	11 304 792	6 135 132	1 701 888	7 837 020	19 141 812	20 594 409	-	20 594 409
Final dividend for the year ended 30 June 2006 @ Rupees 1.5 per share	-	-	-	-	-	-	-	(217 890)	(217 890)	(217 890)	(217 890)	-	(217 890)
Transfer to reserve for issue of bonus shares	-	-	-	145 260	-	145 260	-	(145 260)	(145 260)	-	-	-	-
Bonus shares issued @ 10%	145 260	-	-	(145 260)	-	(145 260)	-	-	-	(145 260)	-	-	-
Transfer to general reserve	-	-	-	-	-	-	1 269 000	(1 269 000)	-	-	-	-	-
Fair value adjustment on investments	-	-	6 793 693	-	-	6 793 693	-	-	-	6 793 693	6 793 693	-	6 793 693
Share in reserves of associated companies under equity method	-	-	1 185 416	-	27 883	1 213 299	-	(100 257)	(100 257)	1 113 042	1 113 042	-	1 113 042
Profit for the year	-	-	-	-	-	-	-	1 674 170	1 674 170	1 674 170	1 674 170	-	1 674 170
Balance as at 30 June 2007	1 597 857	1 027 622	18 173 948	-	110 214	19 311 784	7 404 132	1 643 651	9 047 783	28 359 567	29 957 424	-	29 957 424
Final dividend for the year ended 30 June 2007 @ Rupees 2.5 per share	-	-	-		-	-	-	(399 464)	(399 464)	(399 464)	(399 464)	-	(399 464)
Transfer to general reserve	-	-	-	-	-	-	1 244 000	(1 244 000)	-	-	-	-	-
Fair value adjustment on investments	-	-	(6 826 441)	-	-	(6 826 441)	-	-	-	(6 826 441)	(6 826 441)	-	(6 826 441)
Share in reserves of associated companies under equity method	-	-	953 782	-	788	954 570	431 750	(438 038)	(6 288)	948 282	948 282	-	948 282
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	160 000	160 000
Profit for the year	-	-	-	-	-	-	-	6 132 415	6 132 415	6 132 415	6 132 415	-	6 132 415
Balance as at 30 June 2008	**1 597 857**	**1 027 622**	**12 301 289**	**-**	**111 002**	**13 439 913**	**9 079 882**	**5 694 564**	**14 774 446**	**28 214 359**	**29 812 216**	**160 000**	**29 972 216**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. THEGROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

- Nishat Mills Limited

Subsidiary Company

- Nishat Power Limited

Nishat Mills Limited

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

Nishat Power Limited

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

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 41.6).

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

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

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

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

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

IFRS 7 '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 Company's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. Currently the Holding Company do not presents segment information as IAS 14 limited reportable segments to those that earn a majority of their revenue from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments. Under the management approach, the Holding Company will present segment information in respect of Spinning, Weaving, Dyeing, Processing, Stitching and Power.

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 28 ‘Investments in Associates’, IAS 36 ‘Impairment of 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 the 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 accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

3.2.1 Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management. Further, the 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 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.

3.2.3 Provision for doubtful debts

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

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.

Associates

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

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

4.2 Employee Benefits

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

4.3 Taxation

Holding Company

Current

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

Deferred

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

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

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.

4.4 Foreign currencies

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

4.5 Property, plant, equipment and depreciation

Owned

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

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

Leased - Finance Lease

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

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

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

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 15.1. Depreciation on additions is charged from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant. Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

Change in accounting estimate

During the year ended 30 June 2008, the Holding Company has revised its estimate of useful life of computers. Hence depreciation rate of computers has been revised to 30% per annum from 10% per annum. This change in assessment of useful life of computers has been accounted as a change in accounting estimate, recognized prospectively, in accordance with IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” in these financial statements.

Had there been no change in this accounting estimate, the profit for the year and the written down value of operating fixed assets as on 30 June 2008 would have been higher by Rupees 10.813 million.

De-recognition

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

4.6 Investments

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

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

4.6.1 Investment at fair value through profit or loss

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

4.6.2 Held-to-maturity

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

4.6.3 Available-for-sale

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

Quoted

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

Un-Quoted

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are carried at cost less impairment loss, if any.

4.7 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

4.8 Deferred costs

Deferred costs already recognized in the books of the Holding Company are being amortized over a period of five years from the year of occurrence. From the year 2005, the Holding Company has not deferred any cost to comply with Circular No. 1 of 2005 dated 19 January 2005 issued by Securities and Exchange Commission of Pakistan.

4.9 Borrowing cost

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

4.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on delivery of goods to customers.
- Revenue on sale of electricity is recognized at the time of transmission.
- The share of profits or losses of the associated companies after tax is included in the profit and loss account to recognise the post acquisition changes in the share of net assets of the investees. Dividend from associated companies is recognised as reduction in cost of investments as prescribed by International Accounting Standard (IAS) 28 'Investments in Associates'.
- Dividend on other investments is recognized when right to receive the dividend is established.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

4.11 Share Capital

Ordinary shares are classified as equity.

4.12 Financial instruments

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

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

4.12.1 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.

4.12.2 Borrowings

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

4.12.3 Trade and other payables

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

4.13 Provisions

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

4.14 Impairment

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

4.15 Derivative financial instruments

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

4.16 Off setting

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

4.17 Cash and cash equivalents

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

4.18 Related party transactions and transfer pricing

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

4.19 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

			(RUPEES IN THOUSAND) 2008	2007
5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL				
2008	2007			
(NUMBER OF SHARES)				
67 762 264	67 762 264	Ordinary shares of Rupees 10 each fully paid up in cash	**677 623**	677 623
37 252 280	37 252 280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	**372 522**	372 522
54 771 173	54 771 173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**547 712**	547 712
159 785 717	159 785 717		**1 597 857**	1 597 857

5.1 Ordinary shares of the Holding Company held by associated undertakings:

	(NUMBER OF SHARES) 2008	2007
D.G. Khan Cement Company Limited	**20 157 391**	20 157 391
Adamjee Insurance Company Limited	**868 035**	868 035
	21 025 426	21 025 426

	(RUPEES IN THOUSAND) 2008	2007
6. RESERVES		
Composition of reserves is as follows:		
Capital		
Premium on issue of right shares (Note 6.1)	**1 027 622**	1 027 622
Fair value reserve (Note 6.2)	**12 301 289**	18 173 948
Capital redemption reserve fund (Note 6.3)	**111 002**	110 214
	13 439 913	19 311 784
Revenue		
General	**9 079 882**	7 404 132
Unappropriated profit	**5 694 564**	1 643 651
	14 774 446	9 047 783
	28 214 359	28 359 567

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

6.2 This represents the unrealized gain on remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

6.3 This reserve was created by D. G. Khan Cement Company Limited - associated company to redeem the preference shares.

7. LONG TERM FINANCING-SECURED

	(RUPEES IN THOUSAND) 2008	2007
Financing from banking companies (Note 7.1)	**1 774 019**	2 482 954
Term finance certificates (Note 7.2)	**199 800**	599 400
	1 973 819	3 082 354
Less: shown under current liabilities (Note 13)	**926 025**	1 308 534
	1 047 794	1 773 820

7.1

Lender	2008 (Rupees in thousand)	2007 (Rupees in thousand)	Rate of interest per annum	Number of installments	Interest repricing	Interest payable	Security
Allied Bank Limited-1	**-**	100 000	6-Month KIBOR + 0.75%	Four equal half yearly installments commenced on 24 November 2006 and ended on 24 May 2008.	Half yearly	Quarterly	First exclusive charge on unencumbered specific machinery for Rupees 267 million.
Allied Bank Limited-2	**375 000**	525 000	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced on 24 January 2007 and ending on 24 October 2010.	As and when notified by SBP.	Quarterly	First joint pari passu hypothecation charge on plant and machinery of the Company for an amount of Rupees 800 million.
United Bank Limited-1	**-**	75 000	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 31 December 2004 and ended on 30 June 2008.	As and when notified by SBP.	Quarterly	First pari passu charge on all present and future fixed assets of the Company, including land, building and machinery and personal guarantee of chief executive.
United Bank Limited-2	**112 500**	187 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 30 June 2006 and ending on 31 December 2009.	As and when notified by SBP.	Quarterly	Mortgage charge or charge on the immovable property and machinery of the Company.
Habib Bank Limited-1	**-**	11 875	6-Month KIBOR + 0.50%	Sixteen equal quarterly installments commenced on 30 November 2003 and ended on 31 August 2007.	Half Yearly	Quarterly	First exclusive charge on fixed assets of the Company.
Habib Bank Limited-2	**600 000**	800 000	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 07 July 2007 and ending on 07 January 2011.	As and when notified by SBP.	Quarterly	First pari passu hypothecation charge of Rupees 1 067 million on plant and machinery of the Company excluding specific and exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited-1	**-**	8 334	SBP discount rate + 2%, floor 9%	Twelve equal quarterly installments commenced on 25 December 2004 and ended on 25 September 2007.	As and when notified by SBP.	Quarterly	Ranking hypothecation charge on plant and machinery and personal guarantee of chief executive .

Lender	2008	2007	Rate of interest per annum	Number of installments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited-2	**200 000**	-	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commencing on 30 April 2009 and ending on 31 January 2013.	As and when notified by SBP.	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.
Standard Chartered Bank (Pakistan) Limited	**66 667**	133 333	SBP rate for LTF - EOP + 2%	Six equal half yearly installments commenced on 30 September 2006 and ending on 31 March 2009.	As and when notified by SBP.	Quarterly	First exclusive hypothecation charge on plant, machinery and equipment installed at Sheikhupura (Bhikki).
Citibank N.A.	**187 500**	312 500	SBP rate for LTF - EOP + 2%	Eight equal half yearly installments commenced on 21 April 2006 and ending on 21 October 2009.	As and when notified by SBP.	Quarterly	First ranking pari passu charge on all present and future fixed assets, excluding land and building.
The Royal Bank of Scotland Limited (Formely ABN AMRO Bank (Pakistan) Limited)	**82 352**	129 412	SBP rate for LTF - EOP + 2%	Seventeen equal quarterly installments commenced on 15 February 2006 and ending on 15 February 2010.	As and when notified by SBP.	Quarterly	First parri passu charge on plant and machinery for an amount of Rupees 267 million.
The Hong Kong and Shanghai Banking Corporation Limited	**150 000**	200 000	SBP rate for LTF - EOP + 2%	Ten equal half yearly installments commenced on 01 December 2006 and ending on 01 June 2011.	As and when notified by SBP.	Quarterly	Registered ranking charge on plant and machinery of the Company.
	1 774 019	2 482 954					

7.1.1 These finances are obtained by Nishat Mills Limited - Holding Company.

7.2 Term finance certificates

This represents the privately placed Term Finance Certificates issued by Nishat Mills Limited - Holding Company to consortium of four banks which is secured against first pari passu hypothecation charge on fixed assets of the Company excluding land and building with 25% margin. The facility carries mark up at weighted average market yield of last three auctions of 6 month treasury bills plus 1.70% payable semi annually. It is redeemable in 10 half yearly installments commenced from 16 March 2004 and ending on 16 September 2008. The first five installments are of Rupees 0.200 million each and the remaining five installments are of Rupees 199.800 million each.

8. LONG TERM MURABAHA - SECURED

8.1

Lender	2008	2007	Rate of interest per annum	Number of installments	Interest repricing	Interest payable	Security
	(Rupees in thousand)						
Consortium of banks (Note 8.1.1)	**2 841 813**	-	3-Month KIBOR + 3.00%	Fourty equal quarterly installments commencing on 31 December 2009 and ending on 30 September 2019.	Quarterly	Quarterly	First joint parri passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of Nishat Power Limited - NPL (excluding the mortgaged immovable property), lien over project bank accounts and pledge of shares of Nishat Mills Limited in NPL.
	2 841 813	-					

8.1.1 This represents long term murabaha obtained by Nishat Power Limited - Subsidiary Company from a consortium of five banks led by Habib Bank Limited (agent bank) and includes National Bank of Pakistan, Allied Bank Limited, United Bank Limited and Faysal Bank Limited. The total project financing facility amounts to Rupees 12 260 million (30 June 2007: Rupees Nil).

	(RUPEES IN THOUSAND)	
	2008	2007
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	**-**	33 031
Less: current portion shown under current liabilities (Note 13)	**-**	33 031
	-	-

9.1 The rate of interest used as the discounting factor, implicit in lease is 11.75 percent per annum (30 June 2007: 11.75 percent per annum). Rentals are paid in monthly equal installments. Taxes, repairs and insurance costs are to be borne by the Holding Company. The Holding Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Holding Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against personal guarantee of directors and demand promissory note.

9.2 All lease liabilities have been matured and paid during the year ended 30 June 2008 therefore reconciliation of minimum lease payments and present value of minimum lease payments between not later than one year and later than one year and not later than five years is not given.

10. TRADE AND OTHER PAYABLES

	2008	2007
Creditors (Note 10.1)	**495 804**	386 481
Accrued liabilities	**407 486**	382 207
Advances from customers	**114 952**	36 028
Securities from contractors - Interest free, repayable on completion of contracts	**13 647**	9 659
Income tax deducted at source	**5 241**	3 547
Dividend payable	**21 969**	18 591
Employees' provident fund trust - Nishat Power Limited	**399**	-
Workers' profit participation fund (Note 10.2)	**70 497**	64 618
Workers' welfare fund	**25 462**	25 462
	1 155 457	926 593

10.1 This includes amounts in aggregate of Rupees 15.751 million (30 June 2007: Rupees 4.791 million) due to associated undertakings.

	(RUPEES IN THOUSAND) 2008	2007
10.2 Workers' profit participation fund		
Balance as on 01 July	**64 618**	67 006
Interest for the year (Note 33)	**2 888**	2 003
Add: provision for the year (Note 31)	**70 497**	64 618
	138 003	133 627
Less: payments during the year	**67 506**	69 006
Deposited in the Government treasury	**-**	3
	67 506	69 009
	70 497	64 618

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

11. ACCRUED MARK-UP

	2008	2007
Long term financing	**36 428**	79 456
Long term murabaha	**90 572**	-
Short term borrowings	**165 419**	52 288
	292 419	131 744

12. SHORT TERM BORROWINGS

	2008	2007
From banking companies - secured		
Short term running finances (Note 12.1 and 12.2)	**4 570 263**	40 715
SBP refinances (Note 12.1 and 12.3)	**2 988 000**	2 312 535
Other short term finances (Note 12.1 and 12.4)	**1 027 800**	2 498 834
Temporary bank overdrafts (Note 12.1 and 12.2)	**589 455**	166 580
	9 175 518	5 018 664

12.1 These finances are obtained by the Nishat Mills Limited - Holding Company from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, all marketable securities, other instruments, ranking hypothecation charge on plant and machinery, pledge of cotton and equity investments of the Company. These form part of total credit facility of Rupees 20 159 million (30 June 2007: Rupees 14 285 million).

12.2 The rates of mark-up range from 9.72% to 14.58% (30 June 2007: 9.53% to 13.41%) per annum on the balance outstanding.

12.3 The rates of mark up range from 6.90% to 7.50% (30 June 2007: 6.90% to 7.00%) per annum on the balance outstanding.

12.4 The rates of mark up range from 4.20% to 15.01% (30 June 2007: 5.69% to 10.50%) per annum on the balance outstanding.

	(RUPEES IN THOUSAND)	
	2008	2007
13. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 7)	**926 025**	1 308 534
Liabilities against assets subject to finance lease (Note 9)	**-**	33 031
	926 025	1 341 565

14. CONTINGENCIES AND COMMITMENTS

Contingencies

i) The Nishat Mills Limited is contingently liable for Rupees 61.891 million (30 June 2007: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before the Court.

ii) Guarantees of Rupees 347.751 million (30 June 2007: Rupees 363.174 million) have been given by the banks of the Nishat Mills Limited to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and Director Excise and Taxation, Karachi.

iii) Post dated cheques have been issued by the Nishat Mills Limited to customs authorities in respect of duties amounting to Rupees 59.163 million (30 June 2007: Rupees 6.330 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.

iv) Nishat Mills Limited has given performance guarantee of USD 1 million (Pak Rupees 68.200 million) in favour of Private Power and Infrastructure Board to secure performance of Nishat Power Limited under Implementation Agreement and Power Purchase Agreement.

v) Irrevocable standby letters of credit of Rupees 1 104.995 million given by Nishat Mills Limited for equity injection and Rupees 147.120 million for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Power Limited.

vi) Irrevocable letter of credit of USD 5 369 650 (Pak Rupees 366.210 million) given by the Nishat Power Limited in favour of National Transmission and Despatch Company as required under Power Purchase Agreement.

vii) The Nishat Mills Limited's share in contingencies of associated companies' is Rupees 451.385 million (30 June 2007: 249.430 million).

Commitments

i) Contracts for capital expenditure of the Group are approximately amounting to Rupees 10 895.782 million (30 June 2007: Rupees 17.882 million).

ii) Letters of credit other than for capital expenditure of Nishat Mills Limited are amounting to Rupees 403.627 million (30 June 2007: Rupees 458.158 million).

15. PROPERTY PLANT AND EQUIPMENT

	(RUPEES IN THOUSAND) 2008	2007
Operating assets		
- Owned (Note 15.1)	**10 449 290**	10 309 611
- Leased (Note 15.1)	**-**	71 019
Capital work in progress (Note 15.2)	**3 953 167**	205 529
	14 402 457	10 586 159

15.1 Operating assets

	Owned									Leased
	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture, fixtures and office equipment	Computer equipment	Vehicles	Total	Plant and machinery
										(RUPEES IN THOUSAND)
At 01 July 2006										
Cost	362 243	2 250 740	10 643 084	490 486	108 907	167 966	84 464	205 748	14 313 638	87 096
Accumulated depreciation	-	(1 101 694)	(4 308 074)	(245 061)	(56 884)	(78 469)	(34 202)	(90 944)	(5 915 328)	(8 472)
Net book value	362 243	1 149 046	6 335 010	245 425	52 023	89 497	50 262	114 804	8 398 310	78 624
Year ended 30 June 2007										
Opening net book value	362 243	1 149 046	6 335 010	245 425	52 023	89 497	50 262	114 804	8 398 310	78 624
Additions	8 541	667 997	2 103 923	75 963	28 587	26 720	8 977	84 675	3 005 383	-
Disposals:										
Cost	-	(2 886)	(344 300)	(784)	(461)	(31)	(251)	(46 369)	(395 082)	-
Accumulated depreciation	-	2 362	242 531	647	385	26	98	30 114	276 163	-
	-	(524)	(101 769)	(137)	(76)	(5)	(153)	(16 255)	(118 919)	-
Depreciation charge	-	(144 284)	(752 288)	(29 413)	(6 785)	(9 438)	(6 353)	(26 602)	(975 163)	(7 605)
Closing net book value	370 784	1 672 235	7 584 876	291 838	73 749	106 774	52 733	156 622	10 309 611	71 019
At 30 June 2007										
Cost	370 784	2 915 851	12 402 707	565 665	137 033	194 655	93 190	244 054	16 923 939	87 096
Accumulated depreciation	-	(1 243 616)	(4 817 831)	(273 827)	(63 284)	(87 881)	(40 457)	(87 432)	(6 614 328)	(16 077)
Net book value	370 784	1 672 235	7 584 876	291 838	73 749	106 774	52 733	156 622	10 309 611	71 019
Year ended 30 June 2008										
Opening net book value	370 784	1 672 235	7 584 876	291 838	73 749	106 774	52 733	156 622	10 309 611	71 019
Additions	88 657	299 004	730 187	24 377	19 362	14 519	4 448	34 509	1 215 063	-
Transfer:										
Cost	-	-	87 096	-	-	-	-	-	87 096	(87 096)
Accumulated depreciation	-	-	(22 922)	-	-	-	-	-	(22 922)	22 922
			64 174						64 174	(64 174)
Disposals:										
Cost	(249)	(2 098)	(534 030)	-	(1 232)	(253)	(209)	(32 161)	(570 232)	-
Accumulated depreciation	-	1 641	404 947	-	321	177	88	16 863	424 037	-
	(249)	(457)	(129 083)	-	(911)	(76)	(121)	(15 298)	(146 195)	-
Depreciation charge	-	(174 225)	(724 737)	(29 918)	(8 170)	(11 543)	(16 257)	(28 513)	(993 363)	(6 845)
Closing net book value	459 192	1 796 557	7 525 417	286 297	84 030	109 674	40 803	147 320	10 449 290	-
At 30 June 2008										
Cost	459 192	3 212 757	12 685 960	590 042	155 163	208 921	97 429	246 402	17 655 866	-
Accumulated depreciation	-	(1 416 200)	(5 160 543)	(303 745)	(71 133)	(99 247)	(56 626)	(99 082)	(7 206 576)	-
Net book value	459 192	1 796 557	7 525 417	286 297	84 030	109 674	40 803	147 320	10 449 290	-
Annual rate of depreciation (%)	-	10	10	10	10	10	30	20		10

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

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
			(RUPEES IN THOUSAND)					
Land	10 M	249	-	249	500	251	Negotiation	Chaudhri Khalid Mahmood, District Faisalabad.
Building								
Building Material	-	2 098	1 641	457	460	3	Negotiation	Mr.Bahadar Khan, Hussainabad, Faisalabad.
Plant and Machinery								
Cloth Trollies and Batchors	-	748	544	204	204	-	Negotiation	Millinnium Textile (Private) Limited, Kahna Kacha Railway Station, Lahore.
Old Processing Equipment	-	1 453	1 295	158	164	6	Negotiation	Fahim Traders, Nishatabad, Faisalabad.
Singeing Machine	1	11 638	8 506	3 132	2 240	(892)	Negotiation	Sharif Textile Industries (Private) Limited,Satiana Road, Faisalabad.
Exposing Machine	1	2 262	1 730	532	160	(372)	Negotiation	Fahim Traders, Nishatabad, Faisalabad.
Rolling Machine	1	783	667	116	155	39	Negotiation	Dawood Usman Industry, Razaabad, Faisalabad
Processing Equipment	-	541	367	174	202	28	Negotiation	B.M. Traders, Gulberg, Faisalabad
Steps Repeat Machine	1	468	418	50	40	(10)	Negotiation	B.M. Traders, Gulberg, Faisalabad
Stenter Machine Krantz	1	13 511	9 223	4 288	3 536	(752)	Negotiation	Haroon Textile Industries, G.T. Road, Gujranwala
Koyoto Gas Singeing Machine	1	6 390	4 890	1 500	1 500	-	Negotiation	Kamal Spinning Mills, Jaranwala Road, Khurianwala, Faisalabad
Bleaching Plant	1	42 138	32 430	9 708	8 500	(1 208)	Negotiation	Kamal Spinning Mills, Jaranwala Road, Khurianwala, Faisalabad
Generator	1	1 077	518	559	250	(309)	Negotiation	Al-Rahman Autos, Peco Road, Lahore
Alternate Demno	1	53 471	37 901	15 570	2 050	(13 520)	Negotiation	Abdul Hameed, Sumandari Road, Faisalabad
Air Jet Looms	59	129 984	97 653	32 331	12 464	(19 867)	Negotiation	Qafsa General Trading, UAE
Air Jet Looms	8	23 488	17 279	6 209	5 880	(329)	Negotiation	Faisal Enterprises, Shahrah-e-Faisal, Karachi
Air Jet Looms	8	23 488	17 314	6 174	5 880	(294)	Negotiation	Faisal Enterprises, Shahrah-e-Faisal, Karachi
Air Jet Looms	16	46 975	34 721	12 254	11 760	(494)	Negotiation	Faisal Enterprises, Shahrah-e-Faisal, Karachi
Sulzer Looms	8	28 233	22 402	5 831	9 440	3 609	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	10	35 291	28 024	7 267	11 800	4 533	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	10	35 291	28 045	7 246	11 800	4 554	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	8	28 233	22 442	5 791	9 440	3 649	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Over Head Cleaner	1	3 476	2 761	715	200	(515)	Negotiation	Kamal Fabric, Jhang Road, Faisalabad.
Sulzer Looms	12	42 349	34 257	8 092	14 170	6 078	Negotiation	Interweave Textile Mills (Private) Limited, Industrial Estate Kot Lakhpat, Lahore
Sewing Machine	50	1 367	1 088	279	200	(79)	Negotiation	Zafar Ahmad, Samundri Road, Faisalabad.
Factory equipment								
Mahlo	1	245	178	67	90	23	Negotiation	Dawood Usman Industry, Razaabad, Faisalabad
Vehicles								
Suzuki Alto LXV-6018	1	469	339	130	254	124	Negotiation	Mr.Sohail Shafi, Mustafabad, Lahore.
Suzuki Alto FDZ-0954	1	505	342	163	267	104	Negotiation	Mr.Haris Haroon Rashid, Gulshan Sir Syed, North Karachi.
Honda Civic LRE-0300	1	1 327	860	467	575	108	Negotiation	Mr. Nishat Haroon, DHA, Lahore, Employee
BMW LZS-0700	1	9 089	3 318	5 771	6 000	229	Negotiation	Mr. Taimur Ali Malik, Gulberg-II, Lahore
Suzuki Baleno LRX-9045	1	797	470	327	418	91	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Suzuki Baleno LZX-6827	1	817	307	510	525	15	Negotiation	Mr. Shahbaz Khan, New Town Ship, Lahore
Suzuki Alto LRA-9166	1	479	350	129	278	149	Negotiation	Mr. Mohsin Mumtaz, Samanabad, Lahore
Suzuki Cultus FDY-9121	1	587	416	171	305	134	Negotiation	Mr. Badar Ali, Shalamar Bagh, Lahore

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of purchasers
			(RUPEES IN THOUSAND)					
Honda City LZH-0836	1	891	431	460	619	159	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Suzuki Cultus LZU-8882	1	651	260	391	402	11	Negotiation	Mr. Muhammad Sarwar, Gulshan Ravi, Lahore
Tracking System	17	540	300	240	276	36	Negotiation	Trakker (Private) Limited, P.E.C.H.S., Karachi
Suzuki Baleno LZX-7784	1	817	331	486	817	331	Negotiation	Mr. Ghulam Abbas, Wapda Town, Lahore, Employee
Honda City LZE-1410	1	810	424	386	387	1	Negotiation	Mr. Ali Imran Shah, Multan Road, Lahore, Employee
Suzuki Baleno LRL-1448	1	793	506	287	452	165	Negotiation	Mr.Zia ur Rehman, Chamber Bazar, Kasur.
Toyota Hiace Van LXP-7917	1	1 859	1 435	424	811	387	Negotiation	Mr.Abdul Majid Khan, Raj Gar, Lahore
Toyota Corolla LRU-6693	1	1 119	699	420	424	4	Negotiation	Mr. Sulaiman Kiyani, New Garden Town, Lahore, Employee
Honda City LRS-1756	1	810	477	333	580	247	Negotiation	Mr. Abdul Aziz, Shalamar Town, Lahore
Honda City LRL-1445	1	760	483	277	378	101	Negotiation	Mr.Mohammad Adil Ghani, Rehman Town, Faisalabad, Employee
Toyota Corolla 2.0 D FDX-3518	1	912	738	174	390	216	Negotiation	Mr.Saqib Waseem Jaffar, Punjab Government Society, Lahore.
Tracking System	8	298	151	147	128	(19)	Negotiation	Trakker (Private) Limited, P.E.C.H.S., Karachi
Honda Civic LRU-6061	1	1 201	753	448	456	8	Negotiation	Mr. Faisal Naseem Kari, Lahore, Employee
Suzuki Cultus LRX-4815	1	603	377	226	229	3	Negotiation	Mr. Muhammad Azmat Ali, New Super Town, Lahore. Employee
Toyota Corolla 2.0 D Saloon LRQ-1900	1	1 225	787	438	782	344	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Nissan Sunny LZS-6699	1	1 162	485	677	663	(14)	Negotiation	Mr. Zafar Iqbal Qureshi, Model Town Link Road, Lahore
Suzuki Cultus FS-8963	1	601	397	204	345	141	Negotiation	Syed Arshad Ali Zaidi, Depal Pur, District Okara
Suzuki Cultus LZV-8054	1	610	250	360	428	68	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Honda Civic LZO-5045	1	1 062	529	533	543	10	Negotiation	Mr. Badar-ul-Hassan, New Muslim Town, Lahore, Employee
Tracking System	7	223	103	120	116	(4)	Negotiation	Trakker (Private) Limited, P.E.C.H.S., Karachi
Suzuki Alto LWO-4265	1	518	137	381	432	51	Negotiation	Argosy Enterprises, Gulberg III, Lahore
Computer equipment								
Laptop Del-505	1	100	41	59	76	17	Negotiation	Mr. Nauman A. Khan, Ex-employee
Laptop	1	109	48	61	68	7	Insurance Claim	Security General Insurance Company, 53-A, Lawrance Road, Lahore
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50 000		3 241	1 199	2 042	2 217	175		
		570 232	**424 037**	**146 195**	**133 726**	**(12 469)**		

	(RUPEES IN THOUSAND) 2008	2007
15.1.2 Depreciation charge for the year has been allocated as follows:		
Owned		
Cost of sales (Note 28.3)	**937 048**	932 770
Distribution cost (Note 29)	**2 502**	2 943
Administrative expenses (Note 30)	**53 677**	39 450
	993 227	975 163
Leased		
Cost of sales (Note 28.3)	**6 845**	7 605
	1 000 072	982 768

15.2 Capital work in progress

	2008	2007
Building on freehold land	**127 950**	89 878
Plant and machinery	**229 001**	96 918
Electric installation	**3 848**	-
Letters of credit against plant and machinery	**7 616**	22
Letters of credit and advances against furniture and office equipment	**5 646**	3 271
Advances against plant and machinery	**2 839 426**	-
Advances against vehicles	**5 915**	7 015
Advances to contractors	**304 329**	-
Unallocated expenditure (Note 15.2.1)	**429 436**	8 425
	3 953 167	205 529

15.2.1 Unallocated expenditures - Nishat Power Limited - Subsidiary Company

	2008	2007
Salaries and other benefits (Note 15.2.2)	**8 312**	-
Insurance	**150 661**	-
Traveling and conveyance	**1 734**	-
Entertainment	**150**	-
Rent, rates and taxes	**589**	-
Vehicle running and maintenance	**440**	-
Printing and stationery	**109**	-
Postage and telephone	**77**	-
Fuel and power	**21**	-
Legal and professional charges	**2 375**	-
Auditor’s remuneration	**50**	-
Consultancy charges	**9 121**	-
Registration fee	**40**	-

	(RUPEES IN THOUSAND) 2008	2007
Advertisement expenses	**71**	-
Fee and subscription	**22 289**	-
Mark-up on long term murabaha	**119 408**	-
Bank charges and financing fee	**107 394**	-
Bank guarantee commission	**6 740**	-
Miscellaneous	**1 149**	-
Depreciation (Note 15.1)	**136**	-
Exchange gain on foreign currency bank accounts	**(24)**	-
Profit on saving bank accounts	**(1 406)**	-
	429 436	-

15.2.2 This includes remuneration of chief executive and three executives of Nishat Power Limited - Subsidiary Company amounting to Rupees 2.5 million (30 June 2007: NIL) and Rupees 4.138 million (30 June 2007: NIL) respectively.

16. LONG TERM INVESTMENTS

ASSOCIATED COMPANIES - UNDER EQUITY METHOD

	2008	2007
D.G. Khan Cement Company Limited - quoted 79 614 700 (30 June 2007: 79 614 700) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (30 June 2007: 31.40%)	**10 132 961**	9 091 321
Nishat Paper Products Company Limited - unquoted (Formerly Nishat Shuaiba Paper Products Company Limited) 11 634 199 (30 June 2007:11 634 199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (30 June 2007: 25 %)	**77 918**	93 659
Add: advance for purchase of shares	**-**	598
	77 918	94 257
Gulf Nishat Apparel Limited - unquoted 18 451 300 (30 June 2007: 9 036 000) fully paid ordinary shares of Rupees 10 each. Equity held 25.72% (30 June 2007: 19.05%)	**100 439**	-
	10 311 318	9 185 578

	(RUPEES IN THOUSAND) 2008	2007
AVAILABLE FOR SALE		
Associated companies		
Adamjee Insurance Company Limited - quoted 30 031 (30 June 2007: 30 031) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (30 June 2007: 0.03%)	**3 725**	3 725
Gulf Nishat Apparel Limited - unquoted 18 451 300 (30 June 2007: 9 036 000) fully paid ordinary shares of Rupees 10 each. Equity held 25.72% (30 June 2007: 19.05%)	**-**	90 360
Security General Insurance Company Limited - unquoted 4 798 908 (30 June 2007: 1 279 709) fully paid ordinary shares of Rupees 10 each. Equity held 15.02% (30 June 2007: 15.02%)	**5 250**	5 250
Related party		
MCB Bank Limited - quoted 21 474 658 (30 June 2007: 16 919 258) fully paid ordinary shares of Rupees 10 each. Equity held 6.77% (30 June 2007: 6.04%)	**2 502 976**	906 353
Other		
Habib Bank Limited - quoted 110 (30 June 2007: Nil) fully paid ordinary shares of Rupees 10 each.	**24**	-
	2 511 975	1 005 688
Fair value adjustment - surplus	**4 510 327**	5 275 240
	7 022 302	6 280 928
	17 333 620	15 466 506

16.1 Reconciliation of investments in associated companies under equity method:

(RUPEES IN THOUSAND)

	D G Khan Cement Company Limited		Nishat Paper Products Company Limited		Gulf Nishat Apparel Limited		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Cost:								
As at 01 July	**2 258 955**	2 258 955	**116 342**	116 342	**90 360**	-	**2 465 657**	2 375 297
Addition in investment	**-**	-	**-**	-	**94 153**	-	**94 153**	-
	2 258 955	2 258 955	**116 342**	116 342	**184 513**	-	**2 559 810**	2 375 297
Share of post acquisition reserves:								
As at 01 July	**6 832 366**	5 239 165	**(22 683)**	(5 486)	**-**	-	**6 809 683**	5 233 679
Share of profit / (loss) after income tax	**207 280**	588 724	**(15 741)**	(17 197)	**(78 574)**	-	**112 965**	571 527
Share of direct movement in equity	**953 782**	1 113 042	**-**	-	**(5 500)**	-	**948 282**	1 113 042
Dividend received	**(119 422)**	(108 565)	**-**	-	**-**	-	**(119 422)**	(108 565)
As at 30 June	**1 041 640**	1 593 201	**(15 741)**	(17 197)	**(84 074)**	-	**941 825**	1 576 004
	7 874 006	6 832 366	**(38 424)**	(22 683)	**(84 074)**	-	**7 751 508**	6 809 683
Advance for purchase of shares	**-**	-	**-**	598	**-**	-	**-**	598
As at 30 June	**10 132 961**	9 091 321	**77 918**	94 257	**100 439**	-	**10 311 318**	9 185 578

16.2 Group's share of income from associated companies of Rupees 112.965 million (30 June 2007: Rupees 571.527 million) is based on unaudited financial statements of associated companies.

16.3 Aggregate market value of investment in D. G. Khan Cement Company Limited - quoted associated company was Rupees 5 345 million (30 June 2007: Rupees 9 275 million).

16.4 Summarized financial information of Associated Companies:

(RUPEES IN THOUSAND)

Name of associated company	Audited/ Un-audited	Assets	Liabilities	Net assets	Revenues	Profit/ (Loss)
2008						
D.G Khan Cement Company Limited	Un-audited	51 904 371	21 581 091	30 323 280	14 065 339	660 128
Nishat Paper Products Company Limited	Un-audited	2 007 566	1 696 652	310 914	1 275 826	(52 965)
Gulf Nishat Apparel Limited	Un-audited	1 019 644	649 376	370 268	334 247	(290 351)
2007						
D.G.Khan Cement Company Limited	Un-audited	44 043 453	17 037 504	27 005 949	4 801 143	1 153 533
Nishat Paper Products Company Limited	Un-audited	1 443 357	1 069 477	373 880	362 914	(52 882)
Gulf Nishat Apparel Limited	Un-audited	979 198	561 628	417 570	19 298	(49 083)

	(RUPEES IN THOUSAND) 2008	2007
17. LONG TERM LOANS		
Secured - considered good:		
Executives (Note 17.1)	**8 391**	9 294
Other employees	**5 857**	6 101
	14 248	15 395
Less: current portion (Note 23)		
Executives	**3 429**	4 139
Other employees	**2 697**	1 733
	6 126	5 872
	8 122	9 523

17.1 Reconciliation of carrying amount of loans to executives:

	2008	2007
Opening balance	**9 294**	6 626
Add: disbursements	**5 073**	7 618
	14 367	14 244
Less: repayments	**5 976**	4 950
Closing balance	**8 391**	9 294

17.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 11.491 million (30 June 2007: Rupees 10.516 million).

17.2 These represents interest free house construction loans given to executives and employees of Nishat Mills Limited - Holding Company and are secured against balance to the credit of employee in the provident fund trust . These are recoverable in equal monthly installments.

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

	(RUPEES IN THOUSAND) 2008	2007
18. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST		
Security deposits	**9 454**	9 184
Prepayments	**1 964**	-
Deferred cost (Note 18.1)	**-**	158
	11 418	9 342
Less: current portion (Note 24)	**877**	-
	10 541	9 342

18.1 Reconciliation of deferred cost is given below:

	2008	2007
Balance as at 01 July	**158**	788
Less: amortized during the year (Note 31)	**158**	630
	-	158

19. STORES, SPARE PARTS AND LOOSE TOOLS

	2008	2007
Stores (Note 19.1)	**332 843**	269 114
Spare parts	**156 744**	152 798
Loose tools	**642**	516
	490 229	422 428

19.1 It includes stores in transit amounting to Rupees 37.010 million (30 June 2007: Rupees 29.766 million).

20. STOCK IN TRADE

	2008	2007
Raw materials	**1 800 826**	1 264 787
Work in process	**1 157 415**	942 753
Finished goods (Note 20.1 and 20.2)	**1 145 407**	898 896
	4 103 648	3 106 436

20.1 Finished goods include inventory valued at net realizable value amounting to Rupees 124.927 million (30 June 2007: Rupees 81.500 million).

20.2 Finished goods include stock in transit amounting to Rupees 82.602 million (30 June 2007: Rupees 107.657 million).

	(RUPEES IN THOUSAND) 2008	2007
21. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	**507 299**	250 387
Unsecured (Note 21.1)	**821 728**	581 266
	1 329 027	831 653
Considered doubtful:		
Others - unsecured	**27 000**	-
Less: provision for doubtful debts	**27 000**	-
	-	-
	1 329 027	831 653

21.1 It includes an amount of Rupees 44.296 million (30 June 2007: Rupees 24.310 million) due from Gulf Nishat Apparel Limited - associated company.

22. SHORT TERM INVESTMENTS

AVAILABLE FOR SALE

	2008	2007
Associated companies		
Nishat (Chunian) Limited - quoted 10 233 329 (30 June 2007: 10 233 329) fully paid ordinary shares of Rupees 10 each. Equity held 13.61% (30 June 2007: 13.61 %)	**109 931**	109 931
Security General Insurance Company Limited - unquoted 5 427 336 (30 June 2007: 1 447 290) fully paid ordinary shares of Rupees 10 each. Equity held 15.02 % (30 June 2007: 15.02%)	**5 938**	5 938
Related party		
MCB Bank Limited - quoted 21 057 999 (30 June 2007: 21 057 999) fully paid ordinary shares of Rupees 10 each. Equity held 6.77% (30 June 2007: 6.04%)	**5 327 003**	254 780
Other		
Pakistan Strategic Allocation Fund - quoted 500 000 (30 June 2007: 500 000) fully paid certificates of Rupees 10 each	**5 000**	5 000
	5 447 872	375 649
Fair value adjustment - surplus	**1 681 282**	7 742 810
	7 129 154	8 118 459

	(RUPEES IN THOUSAND) 2008	2007
23. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
– Executives	**392**	232
– Other employees	**3 214**	2 111
	3 606	2 343
Current portion of long term loans (Note 17)	**6 126**	5 872
Advances to suppliers	**47 612**	45 930
Letters of credit	**1 398**	18 023
Employees' provident fund trust	**2 201**	6 406
Income tax	**303 022**	279 316
Other advances	**39 434**	53 380
	403 399	411 270
Considered doubtful:		
Others	**108**	108
Less: provision for doubtful debts	**108**	108
	-	-
	403 399	411 270

	2008	2007
24. SHORT TERM DEPOSITS AND PREPAYMENTS		
Deposits	**24 246**	24 279
Prepayments - including current portion (Note 18)	**6 254**	2 116
	30 500	26 395

	2008	2007
25. OTHER RECEIVABLES		
Considered good		
Export rebate and claims	**154 659**	163 555
Sales tax refundable	**205 494**	144 116
Derivative financial instrument	**-**	14 015
Miscellaneous receivables	**11 244**	1 153
	371 397	322 839

	(RUPEES IN THOUSAND) 2008	2007
26. CASH AND BANK BALANCES		
With banks:		
On PLS saving accounts		
Including US$ 17 108 (30 June 2007: US$ 108 324)	**2 917**	6 671
On current accounts (Note 26.1)		
Including US$ 134 175 (30 June 2007: US$ 118 167)	**66 927**	54 037
	69 844	60 708
Cash in hand	**6 292**	8 899
	76 136	69 607

26.1 Cash at banks includes balance of Rupees 33.263 million (30 June 2007: Rupees 33.945 million) with MCB Bank Limited - related party.

26.2 Rate of profit on bank deposits ranges from 0.1% to 6.5% (30 June 2007: 0.1% to 4.75%) per annum.

27. SALES

	2008	2007
Export	**14 796 829**	14 355 187
Local (Note 27.1)	**4 404 120**	2 793 059
Export rebate	**66 684**	31 946
	19 267 633	17 180 192

27.1 Local sales

	2008	2007
Sales (Note 27.2)	**4 312 510**	2 770 959
Less: sales tax	**8 193**	4 830
	4 304 317	2 766 129
Processing income	**93 335**	26 930
Doubling income	**6 468**	-
	4 404 120	2 793 059

27.2 It includes sales of Rupees 1 042.783 million (30 June 2007: NIL) made to direct exporters against special purchase order (SPO).

27.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 10.580 million (30 June 2007: Rupees 2.296 million) has been included in export sales.

28. COST OF SALES

	2008 (RUPEES IN THOUSAND)	2007
Raw material consumed (Note 28.1)	**5 518 217**	4 763 180
Cloth and yarn purchased / used	**5 359 441**	4 102 826
Processing charges	**123 445**	94 523
Salaries, wages and other benefits (Note 28.2)	**1 207 916**	1 160 877
Stores, spare parts and loose tools	**1 464 355**	1 337 211
Packing materials consumed	**418 126**	365 155
Repair and maintenance	**109 195**	118 589
Fuel and power	**1 433 453**	1 395 790
Insurance	**22 511**	22 877
Other factory overheads	**159 478**	141 212
Depreciation (Note 28.3)	**943 893**	940 375
	16 760 030	14 442 615
Work in process		
Opening stock	**942 753**	896 854
Closing stock	**(1 157 415)**	(942 753)
	(214 662)	(45 899)
Cost of goods manufactured	**16 545 368**	14 396 716
Finished goods		
Opening stock	**898 896**	837 434
Closing stock	**(1 145 407)**	(898 896)
	(246 511)	(61 462)
Cost of sales	**16 298 857**	14 335 254

28.1 Raw material consumed

	2008	2007
Opening stock	**1 264 787**	1 268 886
Add: purchased during the year	**6 054 256**	4 759 081
	7 319 043	6 027 967
Less: closing stock	**1 800 826**	1 264 787
	5 518 217	4 763 180

28.2 Salaries, wages and other benefits include provident fund contribution of Rupees 38.597 million (30 June 2007: Rupees 34.921 million).

	(RUPEES IN THOUSAND) 2008	2007
28.3 Depreciation		
Operating assets		
- Owned (Note 15.1.2)	**937 048**	932 770
- Leased (Note 15.1.2)	**6 845**	7 605
	943 893	940 375

29. DISTRIBUTION COST

	2008	2007
Salaries and other benefits (Note 29.1)	**68 675**	55 811
Outward freight and handling	**557 053**	553 329
Commission to selling agents	**263 980**	254 490
Rent, rates and taxes	**2 644**	2 811
Insurance	**6 934**	2 841
Traveling and conveyance	**28 588**	27 767
Vehicles' running	**2 321**	1 382
Entertainment	**1 095**	696
Advertisement	**6 270**	8 664
Postage, telephone and telegram	**19 621**	16 107
Electricity and sui gas	**553**	354
Printing and stationery	**1 124**	890
Repair and maintenance	**342**	173
Fee and subscription	**9**	520
Depreciation- owned assets (Note 15.1.2)	**2 502**	2 943
	961 711	928 778

29.1 Salaries and other benefits include provident fund contribution of Rupees 3.857 million (30 June 2007: Rupees 3.264 million).

	(RUPEES IN THOUSAND) 2008	2007
30. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 30.1)	**182 163**	170 609
Rent, rates and taxes	**26 251**	2 706
Legal and professional	**7 732**	8 997
Insurance	**3 771**	3 297
Traveling and conveyance	**13 546**	15 195
Vehicles' running	**17 141**	15 096
Entertainment	**4 756**	5 719
Auditors' remuneration (Note 30.2)	**1 774**	1 622
Advertisement	**235**	69
Postage, telephone and telegram	**5 284**	5 387
Electricity and sui gas	**10 330**	11 397
Printing and stationery	**10 929**	9 799
Repair and maintenance	**5 862**	6 572
Fee and subscription	**1 154**	5 237
Research and development (Note 30.3)	**44 103**	12 470
Miscellaneous	**10 049**	6 580
Depreciation – owned assets (Note 15.1.2)	**53 677**	39 450
	398 757	320 202

30.1 Salaries and other benefits include provident fund contribution of Rupees 7.408 million (30 June 2007: Rupees 6.847 million).

30.2 Auditors' remuneration

	2008	2007
Audit fee	**1 406**	1 278
Half yearly review	**315**	315
Reimbursable expenses	**53**	29
	1 774	1 622

30.3 Research and development

	2008	2007
Support on account of research and development (Note 30.3.1)	**240 608**	205 773
Less: utilization		
Product development	**180 495**	154 700
Upgradation of information technology	**3 075**	4 935
Professional consultancy	**16 183**	7 395
Market research	**40 806**	23 716
Environment improvement	**34 488**	15 223
Participation in exhibition	**9 664**	12 274
	284 711	218 243
	44 103	12 470

30.3.1 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.

	(RUPEES IN THOUSAND) 2008	2007
31. OTHER OPERATING EXPENSES		
Workers' profit participation fund (Note 10.2)	**70 497**	64 618
Workers' welfare fund (Note 31.1)	**-**	25 462
Loss on sale of property, plant and equipment	**12 469**	-
Provision for doubtful debts	**27 000**	-
Amortization of deferred cost (Note 18.1)	**158**	630
Donation (Note 31.2)	**753**	1 048
	110 877	91 758

31.1 The Holding Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001, therefore, provision for workers' welfare fund is not required.

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

	2008	2007
32. OTHER OPERATING INCOME		
Income from financial assets		
Dividend income (Note 32.1)	**549 410**	329 502
Profit on deposits with banks	**1 850**	368
	551 260	329 870
Income from non financial assets		
Gain on sale of property, plant and equipment	**-**	21 081
Sale of scrap, empties and sundry receipts	**73 432**	55 569
Rental income	**2 242**	247
Others	**104**	-
	75 778	76 897
	627 038	406 767

	(RUPEES IN THOUSAND) 2008	2007
32.1 Dividend income		
From associated companies and related party		
D.G. Khan Cement Company Limited - associated company	**-**	23 687
MCB Bank Limited - related party	**512 268**	273 746
Nishat (Chunian) Limited - associated company	**15 350**	15 350
Adamjee Insurance Company Limited - associated company	**90**	1 834
Security General Insurance Company Limited - associated company	**20 452**	13 635
	548 160	328 252
Others		
Pakistan Strategic Allocation Fund	**1 250**	1 250
	549 410	329 502

33. FINANCE COST

	2008	2007
Mark-up on:		
Long term financing	**181 988**	322 382
Short term borrowings	**608 206**	403 881
Interest on workers' profit participation fund (Note 10.2)	**2 888**	2 003
Finance charges on lease liabilities	**2 186**	5 735
Bank charges and commission	**112 164**	85 266
	907 432	819 267

34. PROVISION FOR TAXATION

	2008	2007
Current - for the year (Note 34.1)	**258 000**	220 807
Prior year adjustment	**-**	(75 807)
	258 000	145 000

34.1 The Nishat Mills Limited - Holding Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly.

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

34.3 Provision for deferred tax is not required because the Holding 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 and income of the Subsidiary Company is exempt from tax.

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

35. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2008	2007
Net profit for the year	(Rupees in thousand)	**6 132 415**	1 674 170
Number of ordinary shares	(Numbers)	**159 785 717**	159 785 717
Earnings per share – basic	(Rupees)	**38.38**	10.48

36. CASH GENERATED FROM OPERATIONS

	(RUPEES IN THOUSAND) 2008	2007
Profit before taxation	**6 390 415**	1 819 170
Adjustments for non-cash charges and other items:		
Depreciation	**1 000 072**	982 768
Provision for doubtful debts	**27 000**	-
(Gain) / loss on sale of property, plant and equipment	**12 469**	(21 081)
Gain on sale of investment	**(5 060 413)**	(155 943)
Dividend Income- other than associated companies	**(549 410)**	(329 502)
Share of profit from associated companies	**(112 965)**	(571 527)
Amortization of deferred cost	**158**	630
Finance cost	**907 432**	819 267
Working capital changes (Note 36.1)	**2 862 510**	856 424
	5 477 268	3 400 206

36.1 Working capital changes

	2008	2007
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	**(67 801)**	49 092
- Stock in trade	**(997 212)**	(103 262)
- Trade debts	**(524 374)**	195 231
- Loans and advances	**31 831**	(40 837)
- Short term deposits and prepayments	**(3 228)**	1 897
- Other receivables	**(48 559)**	84 308
	(1 609 343)	186 429
Increase / (decrease) in current liabilities		
- Trade and other payables	**314 999**	(32 961)
- Short term borrowings	**4 156 854**	702 956
	4 471 853	669 995
	2 862 510	856 424

37. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of Nishat Mills Limited - Holding Company has proposed a cash dividend for the year ended 30 June 2008 of Rupees 2.50 per share (30 June 2007: Rupees 2.50 per share) at their meeting held on 27 August 2008. The Board of directors of Nishat Mills Limited - Holding Company also proposed to transfer Rupees 5 294 million (30 June 2007: Rupees 1 244 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Balance Sheet Date' and have not been recognized in these financial statements.

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		**Directors**		**Executives**	
	2008	2007	**2008**	2007	**2008**	2007
	(RUPEES IN THOUSAND)					
Managerial remuneration	**3 871**	3 200	**2 453**	2 826	**38 740**	22 172
Allowances						
Cost of living allowance	**-**	-	**8**	5	**225**	148
House rent	**1 742**	1 440	**1 115**	1 246	**14 472**	8 319
Conveyance	**-**	-	**-**	-	**96**	75
Medical	**-**	-	**90**	32	**1 733**	1 031
Utilities	**194**	160	**147**	130	**2 545**	1 466
Special allowance	**-**	-	**2**	2	**92**	77
Contribution to provident fund	**-**	-	**136**	124	**3 125**	2 107
Leave encashment	**-**	-	**-**	-	**1 089**	1 030
	5 807	4 800	**3 951**	4 365	**62 117**	36 425
Number of persons	**1**	**1**	**4**	**4**	**54**	**34**

38.1 Chief Executive, four Directors and certain Executives are provided with free maintained vehicles and certain Executives are also provided with free housing facility alongwith utilities.

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

39. 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 carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	(RUPEES IN THOUSAND) 2008	2007
Associated companies		
Purchase of goods and services	**334 577**	1 124 766
Sale of goods and services	**231 198**	31 718
Purchase of plant and machinery	**19 587**	449
Sale of property, plant and equipment	**-**	3 065
Dividend income	**155 314**	163 072
Dividends paid	**52 564**	28 671
Insurance premium paid	**192 615**	40 697
Insurance claim received	**1 949**	5 621
Other related parties		
Dividend income	**512 268**	273 746
Group's contribution to provident fund trust	**50 062**	45 032
Profit on saving account	**37**	-

40. PLANT CAPACITY AND ACTUAL PRODUCTION

40.1 Holding Company

		(FIGURES IN THOUSAND) 2008	2007
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Kgs.)	**62 106**	60 917
Actual production converted to 20s count based on 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Kgs.)	**55 643**	54 779
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Sq.Mt.)	**208 869**	215 767
Actual production converted to 50 picks based on 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Sq.Mt.)	**195 222**	202 730
Dyeing and Finishing			
Production capacity for 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Mt.)	**48 132**	48 000
Actual production on 3 shifts per day for 1098 shifts (30 June 2007: 1 095 shifts)	(Mt.)	**43 371**	42 080

		(FIGURES IN THOUSAND) 2008	2007
Power Plant			
Generation capacity	(KWH)	**442 589**	421 957
Actual generation	(KWH)	**297 599**	293 714

Processing and Stitching

The capacity of this division is indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

40.1.1 REASON FOR LOW PRODUCTION

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

40.2 Subsidiary Company

After completion of the project, the gross available capacity will be of 200 MW. The expected project commencing date is 30 September 2009.

41. FINANCIAL INSTRUMENTS

(RUPEES IN THOUSAND)

	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
Financial assets								
Long term investments	-	-	-	-	7 022 302	7 022 302	7 022 302	6 280 928
Long term loans	-	-	-	6 126	8 122	14 248	14 248	15 395
Long term deposits	-	-	-	-	9 454	9 454	9 454	9 184
Trade debts	-	-	-	1 329 027	-	1 329 027	1 329 027	831 653
Short term investments	-	-	-	7 129 154	-	7 129 154	7 129 154	8 118 459
Loans and advances	-	-	-	43 035	-	43 035	43 035	55 723
Short term deposits	-	-	-	994	-	994	994	994
Other receivables	-	-	-	11 184	-	11 184	11 184	15 168
Cash and bank balances	2 917	-	2 917	73 219	-	73 219	76 136	69 607
	2 917	-	2 917	8 592 739	7 039 878	15 632 617	15 635 534	15 397 111
Off balance sheet	-	-	-	-	-	-	-	-
Total	2 917	-	2 917	8 592 739	7 039 878	15 632 617	15 635 534	15 397 111
Financial liabilities								
Long term financing	926 025	1 047 794	1 973 819	-	-	-	1 973 819	3 082 354
Long term murabaha	-	2 841 813	2 841 813	-	-	-	2 841 813	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	33 031
Short term borrowings	9 175 518	-	9 175 518	-	-	-	9 175 518	5 018 664
Trade and other payables	-	-	-	938 906	-	938 906	938 906	796 938
Accrued mark up	-	-	-	292 419	-	292 419	292 419	131 744
	10 101 543	3 889 607	13 991 150	1 231 325	-	1 231 325	15 222 475	9 062 731
Off balance sheet								
Contracts for capital expenditure	-	-	-	10 895 782	-	10 895 782	10 895 782	17 882
Letters of credit other than for capital expenditure	-	-	-	403 627	-	403 627	403 627	458 158
	-	-	-	11 299 409	-	11 299 409	11 299 409	476 040
Total	10 101 543	3 889 607	13 991 150	12 530 734	-	12 530 734	26 521 884	9 538 771
On balance sheet sensitivity gap	(10 098 626)	(3 889 607)	(13 988 233)	7 361 414	7 039 878	14 401 292	413 059	6 334 380
Off balance sheet sensitivity gap	-	-	-	(11 299 409)	-	(11 299 409)	(11 299 409)	(476 040)

41.1 Effective interest / mark up rates

The Group's exposure to interest / mark up effective rates on its financial assets and financial liabilities are summarized as follows:

	(PERCENTAGE PER ANNUM)	
	2008	2007
Financial assets		
Profit on bank deposits	**0.1 to 6.5**	0.1 to 4.75
Financial liabilities		
Long term financing	**6 to 11.49**	6 to 11.32
Long term murabaha	**12.85 to 13.14**	-
Liabilities against assets subject to finance lease	**11.75**	11.75
Short term borrowings	**4.20 to 15.01**	5.69 to 13.41

41.2 Credit risk

The management of the Group believes that the Group is not exposed to major concentration of credit risk. Further, the Group controls its credit risk by ascertainment of credit worthiness of customers, monitoring of debt on a continuous basis and providing appropriate provision for doubtful receivables where it is considered necessary.

41.3 Foreign exchange risk

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.

41.4 Liquidity risk

Liquidity risk reflects an enterprises 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.

41.5 Fair value of financial instruments

The carrying values of financial assets and financial liabilities approximate their fair values. Investments in unquoted equity instruments are stated at cost less impairment loss, if any, as allowed under IAS 39 'Financial Instruments: Recognition and Measurement'.

41.6 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 Companies may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, 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'.

		2008	2007
Borrowings	Rupees in thousand	**13 991 150**	8 101 018
Total equity	Rupees in thousand	**29 972 216**	29 957 424
Total capital employed	Rupees in thousand	**43 963 366**	38 058 442
Gearing ratio	Percentage	**31.82**	21.29

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

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 August 2008 by the Board of Directors of the Company.

43. GENERAL

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**