Brief Profile

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

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

Contents

Company Information

Board of Directors:	Mr. Muhammad Saleem	Chairman
	Mrs. Farhat Saleem	
	Mr. Shahzad Saleem	Chief Executive
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Aftab Ahmad Khan	
	Mr. Manzar Mushtaq	
	Mr. Mehmood Akhtar	
Audit Committee:	Mr. Aftab Ahmad Khan	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Manzar Mushtaq	Member
Company Secretary:	Mr. Ahmad Subhani	
Bankers to the Company:	Allied Bank Limited Askari Bank Limited Atlas Bank Limited Bank Alfalah Limited Barclays Bank plc Citibank N.A. Dawood Islamic Bank Limited Deutsche Bank AG Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited HSBC Bank Middle East Ltd. Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Standard Chartered Bank Pakistan Limited The Bank of Punjab The Royal Bank of Scotland Limited United Bank Limited	
Auditors:	Riaz Ahmad & Company Chartered Accountants	
Registered & Head Office:	31-Q, Gulberg-II, Lahore, Pakistan. Phone : 5761730-39 Fax : 5878696-97 Web : http://nishat.net & www.nishatchunian.com	
Mills:	Spinning 1, 4 & 5 49th Kilometre, Multan Road, Bhai Pheru, Tehsil Chunian, District Kasur. Spinning 2, 3 & Weaving 49th Kilometre, Multan Road, Kamogal, Tehsil Pattoki, District Kasur. Dyeing & Printing 4th Kilometre, Manga Road, Raiwind.	

Notice of Annual General Meeting

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

ORDINARY BUSINESS

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

SPECIAL BUSINESS

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

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

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

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

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

BOOKS CLOSURE

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

By Order of the Board

AHMAD SUBHANI
Company Secretary

Lahore: 08 October 2009

Notes:

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

   a. For attending the meeting

      i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

      ii). In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

   b. For Appointing Proxies

      i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

      ii). The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

      iii). Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

      iv). The proxy shall produce his original CNIC or original passport at the time of the Meeting.

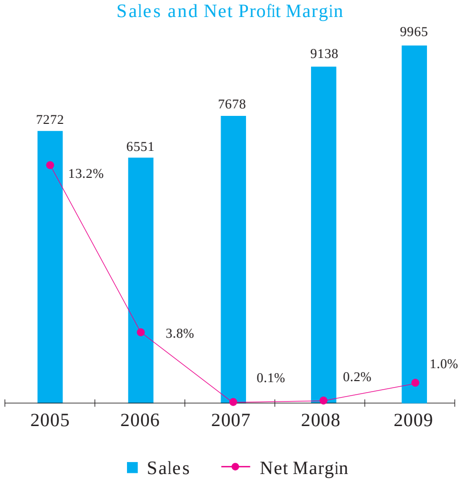
      v). In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

5. A statement U/S 160(1)(b) of the Companies Ordinance 1984 has been sent to the shareholders with this notice.

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

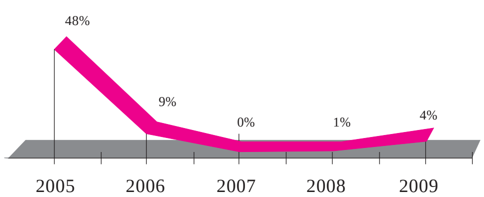
Economic Environment

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



Performance of the Company

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



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

Investments

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

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

Financial Structure

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

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

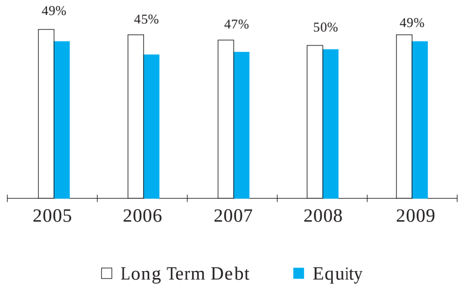
Dividends

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

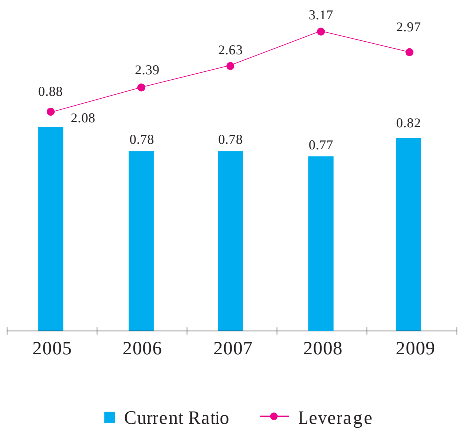
Future Outlook

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

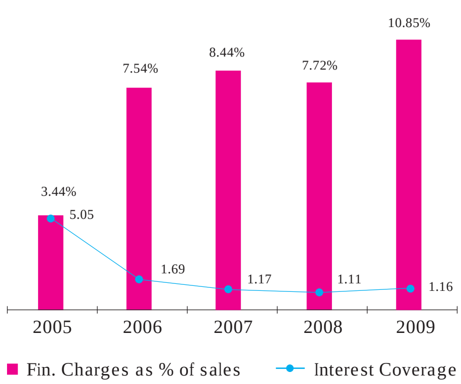
Long Term Debt to Equity Ratios



Financial Ratios



Financial Charges and Interest Coverage



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

Nishat Chunian Power Ltd.

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

Corporate Governance

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

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

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

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

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

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

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

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

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

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

Board Meetings

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

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

On behalf of the Board

Shahzad Saleem
Chief Executive

Lahore: 07 October 2009

Financial Highlights

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

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

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

Statement of Compliance

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

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 (Chapter XI) of listing regulations of Karachi Stock Exchange (Guarantee) Limited and Clause 35 (Chapter XI) of the listing regulations of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

4. No casual vacancy occured during the year.

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

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

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

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

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

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

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

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

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

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

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

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final

results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.

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

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

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

Shahzad Saleem
Chief Executive

Lahore: 07 October 2009

Statement of Compliance
with the Best Practices on Transfer Pricing

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

Shahzad Saleem
Chief Executive

Lahore: 07 October 2009

Review Report

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

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

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

LAHORE: 07 October 2009

Auditors' Report to the Members

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

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

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

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

(b) in our opinion:

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

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Syed Mustafa Ali

Date: 07 October 2009
LAHORE

Balance Sheet as at

	NOTE	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	3	1,950,000,000	1,750,000,000
Issued, subscribed and paid up share capital	4	1,654,418,440	1,240,813,830
Reserves	5	2,778,092,207	1,861,657,101
Total Equity		4,432,510,647	3,102,470,931
NON-CURRENT LIABILITIES			
Long term financing	6	2,729,938,648	3,181,905,316
Deferred tax liability	7	-	1,552,252
		2,729,938,648	3,183,457,568
CURRENT LIABILITIES			
Trade and other payables	8	665,456,457	454,523,239
Accrued mark-up	9	216,443,282	171,523,906
Short term borrowings	10	4,667,797,672	3,500,578,041
Current portion of non-current liabilities	11	1,542,866,668	1,604,255,864
		7,092,564,079	5,730,881,050
TOTAL LIABILITIES		9,822,502,727	8,914,338,618
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		14,255,013,374	12,016,809,549

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

CHIEF EXECUTIVE

30 June 2010

	NOTE	2010 Rupees	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	13	5,970,253,169	5,927,347,672
Investment in subsidiary company	14	1,873,469,390	1,437,891,880
Long term loans	15	390,111,778	3,537,975
Long term security deposits		1,095,442	1,082,942
		8,234,929,779	7,369,860,469
CURRENT ASSETS			
Stores, spare parts and loose tools	16	410,722,936	333,919,097
Stock in trade	17	3,166,585,745	2,183,103,730
Trade debts	18	1,520,159,145	1,516,728,987
Loans and advances	19	234,065,387	372,218,019
Short term prepayments		194,704	487,724
Other receivables	20	343,509,768	211,045,658
Accrued interest	21	5,571,439	-
Cash and bank balances	22	90,774,521	29,445,865
		5,771,583,645	4,646,949,080
Non-current asset held for sale	23	248,499,950	-
		6,020,083,595	4,646,949,080
TOTAL ASSETS		14,255,013,374	12,016,809,549

DIRECTOR

Profit and Loss Account
for the year ended 30 June 2010

	NOTE	2010 Rupees	2009 Rupees
Sales	24	13,343,539,563	9,964,545,471
Cost of sales	25	10,731,691,909	8,473,362,242
Gross profit		2,611,847,654	1,491,183,229
Distribution cost	26	438,360,713	291,799,017
Administrative expenses	27	111,263,759	105,656,507
Other operating expenses	28	82,283,501	16,467,327
		631,907,973	413,922,851
		1,979,939,681	1,077,260,378
Other operating income	29	186,371,206	172,619,698
Profit from operations		2,166,310,887	1,249,880,076
Finance cost	30	1,101,054,097	1,081,536,433
Profit before taxation		1,065,256,790	168,343,643
Taxation	31	133,782,914	65,000,000
Profit after taxation		931,473,876	103,343,643
Basic earnings per share	32	7.89	1.19
Diluted earnings per share	32	7.53	0.83

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement
for the year ended 30 June 2010

	NOTE	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	1,828,689,301	1,584,810,043
Net increase in long term deposits		(12,500)	(187,000)
Finance cost paid		(1,056,134,721)	(1,029,834,966)
Income tax paid		(142,413,974)	(79,006,443)
Net decrease in long term loans		65,157	4,591,697
Net cash generated from operating activities		630,193,263	480,373,331
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(561,129,419)	(216,041,103)
Capital expenditure on intangible assets		(4,991,943)	-
Proceeds from sale of property, plant and equipment		7,925,094	11,227,536
Investment in subsidiary company		(685,577,460)	(1,226,159,080)
Long term loan to subsidiary company		(386,638,960)	-
Interest received on loan to subsidiary company		1,222,958	-
Net cash used in investing activities		(1,629,189,730)	(1,430,972,647)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,290,900,000	1,537,333,333
Repayment of long term financing		(1,804,255,864	(1,295,299,142)
Short term borrowings - net		1,167,219,631	309,861,903
Proceeds from issuance of preference shares		-	413,604,610
Proceeds from issuance of right shares		413,604,610	-
Share issuance cost		(1,822,251)	(3,667,721)
Dividend paid		(5,321,003)	(33,656)
Net cash from financing activities		1,060,325,123	961,799,327
Net decrease in cash and cash equivalents		61,328,656	11,200,011
Cash and cash equivalents at the beginning of the year		29,445,865	18,245,854
Cash and cash equivalents at the end of the year		90,774,521	29,445,865

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity

for the year ended 30 June 2010

	SHARE CAPITAL			RESERVES				TOTAL EQUITY
				CAPITAL RESERVE	REVENUE RESERVES		TOTAL	
	Ordinary shares	Preference shares	TOTAL	Hedging reserve	General reserve	Unappropr-iated profit		
	.... Rupees							
Balance as at 30 June 2008	752,008,380	-	752,008,380	8,617,175	1,629,221,278	210,347,197	1,848,185,650	2,600,194,030
Bonus share issued @ 10%	75,200,840	-	75,200,840	-	-	(75,200,840)	(75,200,840)	-
15% non-voting cumulative convertible preference shares issued	-	413,604,610	413,604,610	-	-	-	-	413,604,610
Shares issuance cost, net	-	-	-	-	-	(3,667,721)	(3,667,721)	(3,667,721)
Preference dividend for the year ended 30 June 2009	-	-	-	-	-	(5,269,209)	(5,269,209)	(5,269,209)
Total comprehensive income for the year ended 30 June 2009	-	-	-	(5,734,422)	-	103,343,643	97,609,221	97,609,221
Balance as at 30 June 2009	827,209,220	413,604,610	1,240,813,830	2,882,753	1,629,221,278	229,553,070	1,861,657,101	3,102,470,931
Ordinary shares issued	413,604,610	-	413,604,610	-	-	-	-	413,604,610
Shares issuance cost, net	-	-	-	-	-	(1,822,251)	(1,822,251)	(1,822,251)
Preference dividend for the year ended 30 June 2010	-	-	-	-	-	(10,333,766)	(10,333,766)	(10,333,766)
Preference shares converted into ordinary shares	344,712,840	(344,712,840)	-	-	-	-	-	-
Total comprehensive income for the year ended 30 June 2010	-	-	-	(2,882,753)	-	931,473,876	928,591,123	928,591,123
Balance as at 30 June 2010	1,585,526,670	68,891,770	1,654,418,440	-	1,629,221,278	1,148,870,929	2,778,092,207	4,432,510,647

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements
for the year ended 30 June 2010

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

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.

Accumulating compensated absences

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

Taxation

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

Provisions for doubtful debts

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

Impairment of investment in subsidiary company

In making an estimate of recoverable amount of the Company's investment in subsidiary company, the management considers future cash flows.

d) Standard and amendments to published approved accounting standards that are effective in current year

i) Changes in accounting policies and disclosures arising from standard and amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009).The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 (Amendment) 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

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 requires 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. Previously, the Company did not present segment information as IAS 14 limited reportable segments to those that earn a majority of their revenue from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments. Under the management approach, the Company has determined operating segments on the basis of business activities i.e. Spinning, Weaving, Processing and Home Textile and Power Generation. As the change in accounting policy only results in additional disclosures of segment information, there is no impact on earnings per share.

ii) Other amendment to published approved accounting standard that is effective in the current year

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. The Company's accounting policy on borrowing cost, as disclosed in Note 2.8, complies with the above mentioned requirements to capitalize borrowing cost and hence this change has not impacted the Company's accounting policy.

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

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

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

Following standards and amendments to the published approved accounting standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2010 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7. The management of the Company is in the process of evaluating impacts of the aforesaid standard on the Company's financial statements.

There are other amendments resulting from annual improvements projects initiated by International Accounting Standards Board in April 2009 and May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IFRS 8 'Operating Segments', IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 24 'Related Party Disclosures' and IAS 36 'Impairment of Assets' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

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

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

2.2 Taxation

Current

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

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.3 Employee benefits

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

Provident fund

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

Accumulating compensated absences

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

2.4 Fixed assets

Property, plant, equipment and depreciation

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

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

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

Derecognition

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

Intangible asset - Computer software

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

Generally, costs associated with developing or maintaining computer software programme are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits accruing for a period exceeding one year, are recognized as intangible asset. Direct costs include the purchase costs of software and related overhead costs. Intangible assets are stated at cost less accumulated amortization and any identified impairment loss. These are amortized on a straight line basis over its estimated useful life.

Previously, amortization on intangible asset was charged on reducing balance method. However, during the year, the Company's management carried out a comprehensive review of the pattern of consumption of economic benefits of the intangible asset. Such a change has been accounted for as a change in accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the profit after taxation for the year ended 30 June 2010 would have been higher by Rupees 110,398 and carrying value of intangible asset as at that date would have been higher by Rupees 118,708.

2.5 Investments

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

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

The Company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in subsidiary company, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Investment in subsidiary company

Investment in subsidiary company is stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27 'Consolidated and Separate Financial Statements'.

d) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

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

Unquoted

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

2.6 Inventories

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

Stores and spares

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

Stock in trade

Cost of raw material represents:

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

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

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

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

2.7 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the income currently.

2.8 Borrowing cost

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

2.9 Revenue recognition

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

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

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

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

2.10 Share capital

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

2.11 Financial instruments

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

a) Trade and other receivables

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

b) Borrowings

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

c) Trade and other payables

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

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair value. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts, other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Previously, short term borrowings availed by the Company were included as part of cash and cash equivalents for the purpose of cash flow statement. Now, the changed accounting policy only requires a change in grouping of short term borrowings from cash and cash equivalents to cash flows from financing activities. This change has no impact on earnings per share.

2.13 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.14 Related party transactions and transfer pricing

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

2.15 Impairment

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

2.16 Dividend and other appropriations

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

3. AUTHORIZED SHARE CAPITAL

2010 (Number of shares)	2009 (Number of shares)		2010 Rupees	2009 Rupees
150,000,000	130,000,000	Ordinary shares of Rupees 10 each	1,500,000,000	1,130,000,000
45,000,000	45,000,000	15% non-voting cumulative convertible preference shares of Rupees 10 each	450,000,000	450,000,000
195,000,000	175,000,000		1,950,000,000	1,750,000,000

3.1 The company has increased its authorized share capital (ordinary shares) by Rupees 200,000,000 divided into 20 million ordinary shares of Rupees 10 each by way of special resolution of its members in their Extra Ordinary General Meeting dated 20 August 2009.

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010 (Number of shares)	2009 (Number of shares)		2010 Rupees	2009 Rupees
87,831,745	12,000,000	Ordinary shares of Rupees 10 each fully paid in cash	87,317,450	120,000,000
69,496,657	69,496,657	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	694,966,570	694,966,570
1,224,265	1,224,265	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of arrangement as approved by the Honourable Lahore High Court, Lahore.	12,242,650	12,242,650
158,552,667	82,720,922		1,585,526,670	827,209,220
Preference shares				
6,889,177	41,360,461	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	68,891,770	413,604,610
165,441,844	124,081,383		1,654,418,440	1,240,813,830

	2010	2009
	(Number of Shares)	
4.1 Ordinary shares of the Company held by related party		
Nishat Mills Limited	22,513,321	11,256,661
D.G. Khan Cemenet Limited	5,010,059	7,775,482
	27,523,380	19,032,143
4.2 Preference shares of the Company held by related parties		
Nishat Mills Limited	-	5,628,330
D.G. Khan Cemenet Limited	-	3,887,741
	-	9,516,071

4.3 Movement during the year

Ordinary shares			2009 Rupees	2008 Rupees
82,720,922	75,200,838	At 01 July	827,209,220	752,008,380
-	7,520,084	Ordinary shares of Rupees 10 Issued as fully paid bonus shares	-	75,200,840
41,360,461	-	Ordinary shares of Rupees 10 Issued as fully paid right shares	413,604,610	-
34,471,284	-	Preference shares converted into ordinary shares of Rupees 10 each at par	344,712,840	-
158,552,667	82,720,922		1,585,526,670	827,209,220
Preference shares				
41,360,461	-	At 01 July	413,604,610	-
-	41,360,461	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	-	413,604,610
(34,471,284)	-	Preference shares converted into ordinary shares of Rupees 10 each at par	(344,712,840)	-
6,889,177	41,360,461		68,891,770	413,604,610

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

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

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

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

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

	2010 Rupees	2009 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Capital reserve		
Hedging reserve (Note 5.1)	-	2,882,753
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	1,148,870,929	229,553,070
	2,778,092,207	1,858,774,348
	2,778,092,207	1,861,657,101

5.1 This represent the unrealized gain on remeasurement of derivative quanto (interest rate) swap at fair value and is not available for distribution.

	2010 Rupees	2009 Rupees
6. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 6.1)	3,685,305,316	4,536,161,180
Long term musharika (Note 6.2)	587,500,000	250,000,000
	4,272,805,316	4,786,161,180
Less: Current portion shown under current liabilities	1,542,866,668	1,604,255,864
	2,729,938,648	3,181,905,316

6.1

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

6.1.1 These are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 7,345 million (2009: Rupees 8,033 million). However, Pak Kuwait Investment Company (Private) Limited has ranking charge on all present and future fixed assets of the Company to the extent of Rupees 266.666 (2009: Rupees Nil) million out of the total charge.

6.1.2 Derivative quanto (interest rate) swap

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

6.2 The long term musharika from Dawood Islamic Bank Limited is secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 250 million (2009: Rupees 334 million). The long term musharika from Dubai Islamic Bank Pakistan Limited is secured by ranking charge on all present and future fixed assets of the Company to the extent of Rupees 533.333 million (2009: Rupees Nil)

7. DEFERRED TAX LIABILITY

This represented deferred tax liability on gain arising during the year ended 30 June 2009 on quanto interest rate swap (Note 6.1.2) which was reversed during the current year on maturity of derivative. Provision for deferred tax on other temporary differences was not considered necessary as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001.

	2010 Rupees	2009 Rupees
8. TRADE AND OTHER PAYABLES		
Creditors (Note 8.1)	295,761,787	208,463,332
Accrued liabilities	171,275,258	148,572,231
Advances from customers	62,115,680	26,477,001
Securities from contractors - interest free, repayable on completion of contracts	2,222,637	1,617,842
Retention money	6,863,292	6,046,272
Income tax deducted at source	791,718	3,376,930
Unpaid and unclaimed dividend	13,495,721	13,551,654
Preference dividend payable	10,337,905	5,269,209
Workers' profit participation fund (Note 8.2)	57,112,696	9,066,344
Workers' welfare fund	21,681,803	9,511,304
Others	23,797,960	22,571,120
	665,456,457	454,523,239

8.1 'Creditors include Rupees 1.063 million (2009: Rupees 1.196 million) due from D.G. Khan Cement Limited - related party.

	2010 Rupees	2009 Rupees
8.2 Workers' profit participation fund		
Balance as on 01 July	9,066,344	4,036,732
Interest for the year (Note 30)	1,051,075	481,311
Add: Provision for the year (Note 28)	57,112,696	9,066,344
	67,230,115	13,584,387
Less : Payments during the year	10,117,419	4,518,043
	57,112,696	9,066,344

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

	2010 Rupees	2009 Rupees
9. ACCRUED MARK-UP		
Long term financing	127,861,231	87,632,838
Short term borrowings	88,582,051	83,891,068
	216,443,282	171,523,906
10. SHORT TERM BORROWINGS		
From banking companies-secured		
Short term running finances (Notes 10.1 and 10.2)	1,081,105,841	1,212,392,470
Export finances-Preshipment / SBP refinance (Notes 10.1 and 10.3)	2,324,688,364	1,008,185,571
Other short term finances (Notes 10.1 and 10.4)	1,262,003,467	1,280,000,000
	4,667,797,672	3,500,578,041

10.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Company and lien on export bills to the extent of Rupees 10.259 million (2009: Rupees 10.263 million). These form part of total credit facility of Rupees 5,743 million (2009: Rupees 8,455 million).

10.2 The rates of mark-up range from 1.57% to 17% (2009: 3.01% to 17%) per annum on the balance outstanding.

10.3 The rates of mark-up range from 1.26% to 16% (2009: 3.33% to 15.13%) per annum on the balance outstanding.

10.4 The rates of mark-up range from 12.87% to 15.22% (2009: 14.20% to 15.22%) per annum on the balance outstanding.

	2010 Rupees	2009 Rupees
11. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing	1,400,366,668	1,541,755,864
Long term musharika	142,500,000	62,500,000
	1,542,866,668	1,604,255,864

12. CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 Guarantees of Rupees 199.678 million (2009: Rupees 187.219 million) have been issued by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections.

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

- Performance guarantee of USD 1 million (Pak Rupees 85.60 million) [2009: USD 1 million (Pak Rupees 81.100 million)] in favour of Private Power and Infrastructure Board (Government of Pakistan) to secure performance of Nishat Chunian Power Limited under Implementation Agreement and Power Purchase Agreement.

- The Company has issued irrevocable standby letters of credit of Rupees 642.406 million (2009: Rupees 882.876 million) for equity injection and Rupees Nil (2009: Rupees 147.120 million) for positive cost overrun, in accordance with Project Funds Agreement, in favour of security trustee of syndicated lenders of Nishat Chunian Power Limited.

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

12.4 The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2009: 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Company has not submitted Appendix-1 as per Rule 297-A of the above referred scheme. The Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal Inland Revenue (ATIR) Karachi Bench which is still pending. The Company had also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Company and forwarded the case to FBR. The matter is still pending at FBR end.

12.5 Orders were issued by the Officer of Inland Revenue under Section 221 of the Income Tax Ordinance, 2001 for assessment years 1998-99 to 2000-01 under which the assessing officer has levied tax under Section 80D on local sales of the Company irrespective of the tax paid under Section 80CC and thus creating a demand of Rupees 1.470 million, Rupees 1.436 million and Rupees 2.250 million respectively for said years. An appeal against said orders was filed before the Commissioner Inland Revenue (Appeals) who decided the case in favour of the Company. The department filed appeals before Appellate Tribunal Inland Revenue (ATIR) who has decided the case in Company's favour subsequent to the reporting date. The appeal effect orders are pending.

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

12.7 While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03 the Income Tax Officer disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) which was decided in Company's favour against which the department preferred an appeal to Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances and addition has been made in the financial statements as the management is confident that the matter would be settled in the Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million (2009: Rupees 17.157 million) would be required. As a result of withholding tax audit for the tax year 2006, the Deputy Commissioner Inland Revenue (DCIR) has raised a demand of Rupees 23.077 million under sections 161 and 205 of the Income Tax Ordinance, 2001. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) against the order of DCIR and expects a favourable outcome of the appeal based on advice of the legal counsel.

12.8 The Deputy Collector (Refund – Gold) by order dated 16 May 2007 rejected the input tax claim of the Company, for the month of June 2005, amounting to Rupees 1.604 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. The appeal of the Company before Appellate Tribunal Inland Revenue (ATIR) was successful and input tax claim of the Company is expected to be processed after necessary verification in this regard. Pending the outcome of verification no provision for inadmissible input tax has been recognized in these financial statements.

12.9 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 36.933 million (2009: Rupees 24.689 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheque issued as security shall be encashable.

Commitments

i) Contracts for capital expenditure amounted to Rupees 377.382 million (2009: Rupees 19.499 million).

ii) Letters of credit other than for capital expenditure amounted to Rupees 68.954 million (2009: Rupees 291.489 million).

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

iv) Outstanding foreign currency forward contracts of Rupees 3,031.700 million (2009: Rupees 1,131.288 million).

	2010 Rupees	2009 Rupees
13. FIXED ASSETS		
Property, plant and equipment		
Operating assets (Note 13.1)	5,593,337,106	5,905,713,184
Capital work in progress (Note 13.2)	371,396,520	20,711,188
	5,964,733,626	5,926,424,372
Intangible asset:		
Computer software (Note 13.1)	527,600	923,300
Intangible asset under development - ERP computer software	4,991,943	-
	5,970,253,169	5,927,347,672

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

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

13.1.1 Detail of operating assets disposed off during the year is as follows:

Description	Cost	Accumulated depreciation	Net Book Value	Sale Proceeds	(Gain)/ Loss	Mode of Disposal	Particulars of Purchaser
	.... Rupees						
Plant & Machinery							
Compressor Model ZR-315	9,857	7,101,851	2,755,371	2,700,000	53,371	Negotiation	Azgard Nine Limited
Vehicles							
Honda Civic Saloon LRD-467	1,266,447	1,003,307	263,140	785,000	(521,860)	As per Company policy	Faisal Shahid Qureshi (Employee), Township, Lahore
Toyota Corolla LZD-8177	1,222,500	866,942	355,558	800,000	(444,442)	As per Company policy	Muhammad Mumtaz (Employee), Mianwali
Suzuki Cultus LZW-8667	730,640	408,477	322,163	368,399	(46,236)	As per Company policy	Muhammad Shahbaz Khan (Employee), Askari 10, Lahore
Suzuki Cultus LZV-2524	572,338	342,897	229,441	234,695	(5,254)	As per Company policy	Jamshaid Akhtar (Employee), Tehsil Chunian, Kasur
Honda Civic Saloon LEA-2986	1,359,720	785,420	574,300	1,350,000	(775,700)	Negotiation	Hassan Sharif (Ex-employee), Defence Housing Society, Lahore
Toyota Corolla 2.0D LRX-5550	1,215,730	888,284	327,446	815,000	(487,554)	Negotiation	Umer Zameer, Lawrence Road, Lahore
Suzuki Cultus LEA-06-1248	608,120	352,914	255,206	600,000	(344,794)	Negotiation	Farhat Mehmood, Qila Gujar Singh, Lahore
Suzuki Mehran	39,770	152,273	246,497	250,000	(3,503)	Negotiation	Adamjee Insurance Company Limited
Office Equipment							
Blackberry curve 8900	24,000	400	23,600	22,000	1,600	Negotiation	Hassan Sharif (Ex-employee), Defence Housing Society, Lahore
	17,255,487	11,902,765	5,352,722	7,925,094	(2,572,372)		

	2010 Rupees	2009 Rupees
13.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 25)	507,012,938	527,628,997
Administrative expenses (Note 27)	10,850,205	9,926,894
	517,863,143	537,555,891
13.2 Capital work-in-progress		
Plant and machinery (Note 13.2.1)	210,460,088	791,648
Civil works on freehold land	37,164,500	18,162,458
Mobilization advance	2,188,766	303,015
Unallocated expenses	125,558	1,173,597
Letters of credit	120,928,608	-
Advance against purchase of assets	529,000	280,470
	371,396,520	20,711,188

13.2.1 It includes borrowing cost capitalized of Rupees 7.705 million using the capitalization rate of 9.70% per annum.

14. INVESTMENT IN SUBSIDIARY - AT COST

Nishat Chunian Power Limited - quoted (Note 14.1) 14187,346,939 (2009: 143,789,188) fully paid ordinary shares of Rupees 10 each. Equity held 57.81% (2009: 80%)	1,873,469,390	1,437,891,880

14.1 The Company has to maintain at least 51% holding in the share capital of Nishat Chunian Power Limited (NCPL) during the period of first six years from the date of commercial operations of NCPL. Moreover, the Company has pledged its 187,346,939 shares to lenders of NCPL for the purpose of securing finance.

14.2 'Based on value in use calculations as at 30 June 2010, there was no impairment loss on investments in subsidiary (tested for impairment under IAS 36 'Impairment of Assets').

	2010 Rupees	2009 Rupees
15. LONG TERM LOANS		
Considered good:		
Executives (Notes 15.1 and 15.2)	1,541,913	976,542
Other employees (Note 15.2)	2,318,526	3,207,167
Subsidiary company (Note 15.4)	386,638,960	-
	390,499,399	4,183,709
Less: Current portion shown under current assets (Note 19)		
Executives	183,692	384,708
Other employees	203,929	261,026
	387,621	645,734
	390,111,778	3,537,975

15.1 Reconciliation of carrying amount of loans to executives:

	2010 Rupees	2009 Rupees
Opening balance as at 01 July	976,542	6,292,655
Disbursements	1,274,496	1,678,203
Less: Repayments	709,125	6,994,316
Closing balance as at 30 June	1,541,913	976,542

15.1.1 Maximum aggregate balance due from executives at the end of any month during the year is Rupees 2.177 million (2009: Rupees 7.109 million).

15.2 These represent car and personal loans to executives and employees, payable in 60 and 15 monthly installments respectively. Interest on long term loans ranged from 9.00 % to 13.50% per annum (2009: 9.00% to 13.50% per annum) while some loans are interest free. Car loans are secured against registration of cars in the name of the Company, whereas personal loan is secured against balance to the credit of employee in the provident fund trust.

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

15.4 This represents subordinated long term loan given to Nishat Chunian Power Limited - subsidiary company. This loan is unsecured and carries markup at the rate of 3 months KIBOR plus 2% payable on quarterly basis. The total amount of subordinated loan facility is Rupees 800 million. The bullet loan repayment date is five years after the last principal disbursement date. Interest on subordinated loan ranged from 14.33% to 14.34% per annum.

	2010 Rupees	2009 Rupees
16. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	167,978,355	205,247,070
Spare parts	235,505,807	126,616,302
Loose tools	7,238,774	2,055,725
	410,722,936	333,919,087
17. STOCK IN TRADE		
Raw materials (Note 17.1)	1,981,999,233	1,494,506,123
Work in process	466,561,040	304,749,505
Finished goods - own produced (Note 17.2 and 17.3)	681,133,741	361,764,128
Finished goods - trading stock	75,612	-
Waste	36,816,119	22,083,974
	3,166,585,745	2,183,103,730

17.1 Raw materials include stock in transit of Rupees 14.023 million (2009: Rupees 2.551 million).

17.2 Finished goods include stock in transit of Rupees 8.600 million (2009: Rupees Nil).

17.3 Finished goods include inventory of Rupees 4.560 million (2009: Rupees 2.940 million) valued at net realizable value.

	2010 Rupees	2009 Rupees
18. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	1,211,291,593	904,445,228
Unsecured (Note 18.3)	308,867,552	612,283,759
	1,520,159,145	1,516,728,987
Considered doubtful:		
Others - unsecured	450,000	1,908,098
Less: Provision for doubtful debts		
As at 01 July	-	-
Bad debts written off against provision for the year	450,000	1,908,098
As at 30 June	450,000	1,908,098

18.1 'As at 30 June 2010, trade debts of Rupees 37.086 million (2009 : Rupees 43.420 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2010 Rupees	2009 Rupees
Upto 1 month	12,101,149	1,666,889
1 to 6 months	1,230,916	7,217,067
More than 6 months	23,753,981	34,535,666
	37,086,046	43,419,622

18.2 'As at 30 June 2010, trade debts of Rupees 0.450 million (2009 : 1.908 million) were impaired and written off. The aging of these trade debts was more than six month.

18.3 'Trade debts include Rupees 1.435 million (2009: Rupees 0.051 million) due from Nishat Mills Limited - related party.

	2010 Rupees	2009 Rupees
19. LOANS AND ADVANCES		
Considered good:		
Employees:		
-Executives	1,927,153	2,121,791
-Other employees	12,018,646	10,016,474
	13,945,799	12,138,265
Current portion of long term loans (Note 15)	487,621	645,734
Advances to suppliers)	97,153,412	64,608,368
Advances to contractors	1,632,378	7,061,933
Letters of credit	120,946,177	287,763,719
	234,065,387	372,218,019

	2010 Rupees	2009 Rupees
20. OTHER RECEIVABLES		
Sales tax recoverable	199,581,413	77,212,256
Advance income tax - net	39,323,015	33,277,165
Export rebate	52,288,029	11,401,176
Research and development support receivable	-	2,791,494
Fair value gain on forward contracts	36,750,839	5,459,532
Fair value of interest rate swap	-	15,982,394
Subsidy receivable against financing of import of spinning machinery	1,772,954	5,943,260
Receivable from provident fund trust	2,217,433	750,942
Others (Note 20.1)	11,576,085	58,227,439
	343,509,768	211,045,658

20.1 It includes interest free receivable of Rupees 4.185 million (2009: Rupees Nil) from Nishat Chunian Power Limited - subsidiary company in the ordinary course of the business.

21. ACCRUED INTERST

This represents interest receivable on long term loan given to Nishat Chunain Power Limited - subsidiary company.

	2010 Rupees	2009 Rupees
22. CASH AND BANK BALANCES		
Cash with banks:		
On PLS saving accounts (Note 22.1)		
Including US$ 12,107 (2009: US$ 3,840)	21,034,332	312,144
On current accounts (Note 22.2)		
Including US$ 89,782 (2009: US$ 73,063)	67,994,008	26,952,338
	89,028,340	27,264,482
Cash in hand	1,746,181	2,181,383
	90,774,521	29,445,865

22.1 Rate of profit on bank deposits ranged from 5% to 11% (2009: 5%) per annum. Included therein is a balance of Rupees 20 million (2009: Rupees Nil) under lien with a bank against bank guarantee of the same amount issued by the bank to the Director, Excise and Taxation.

22.2 Included in cash at bank are Rupees 45.571 million (2009: Rupees 9.460 million) deposited with MCB Bank Limited - associated company.

	2010 Rupees	2009 Rupees
23. NON-CURRENT ASSET HELD FOR SALE		
Nishat Chunian Power Limited - quoted		
24,999,995 (2009: Nil) fully paid ordinary shares of Rupees 10 each.	249,999,950	-
Less:		
Loss on write-down of the investment to fair value less costs to sell	1,500,000	-
	248,499,950	-

23.1 This represents investment in 24,999,995 ordinary shares of Nishat Chunian Power Limited - subsidiary company which is non-strategic and is over and above 51% stake in the subsidiary company. The Company expects to complete the sale transaction within next twelve months and for this purpose an active programme and complete the plan to sell the investment has been initiated.

	2010 Rupees	2009 Rupees
24. SALES		
Export	9,944,828,677	6,288,427,221
Local (Note 24.1 and 24.2)	3,300,659,812	3,664,102,751
Export rebate	29,941,970	12,015,499
Duty draw back	68,109,104	-
	13,343,539,563	9,964,545,471

	2010 Rupees	2009 Rupees
24.1 Local sales		
Sales	3,063,608,553	3,430,689,394
Processing Income	175,922,448	193,199,342
Sale of electricity to WAPDA	61,128,811	40,214,015
	3,300,659,812	3,664,102,751

24.1.1 Sale of electricity is exclusive of sales tax amounting to Rupees 9.781 million (2009: Rupees 6.032 million).

24.2 This includes sale of Rupees 674.477 million (2009: Rupees Nil) made to direct exporters against special purchase orders (SPO). Further, local sales includes waste sales of Rupees 298.532 million (2009: Rupees 270.537 million).

25. COST OF SALES

	2010 Rupees	2009 Rupees
Raw material consumed (Note 25.1)	7,587,100,102	5,508,354,923
Packing materials consumed	348,818,362	264,564,347
Stores, spare parts and loose tools consumed	744,447,209	611,599,466
Salaries, wages and other benefits (Note 25.2)	758,442,203	634,677,628
Fuel and power	1,139,520,168	824,488,263
Insurance	23,378,632	27,202,583
Postage and telephone	368,045	416,526
Traveling and conveyance	8,754,219	7,116,335
Vehicles' running and maintenance	12,382,460	10,653,164
Entertainment	2,335,462	1,622,616
Depreciation (Note 13.1.2)	507,012,938	527,628,997
Repair and maintenance	15,750,825	22,222,365
Other factory overheads	65,633,702	61,272,551
	11,213,944,327	8,501,819,764
Work-in-process		
Opening stock	304,749,505	195,443,205
Closing stock	(466,561,040)	(304,749,505)
	(161,811,535)	(109,306,300)
Cost of goods manufactured	11,052,132,792	8,392,513,464
Finished goods and waste - opening stocks		
Finished goods	361,764,128	421,026,976
Waste	22,083,974	25,100,317
	383,848,102	446,127,293
	11,435,980,894	8,838,640,757
Finished goods and waste - closing stocks		
Finished goods	(681,133,741)	(361,764,128)
Waste	(36,816,119)	(22,083,974)
	(717,949,860)	(383,848,102)
Cost of sales - own manufactured goods	10,718,031,034	8,454,792,655
Opening stock of purchased finished goods	-	6,412,705
Finished goods purchased	13,736,487	12,156,882
Closing stock of purchased finished goods	(75,612)	-
Cost of sales - purchased finished goods	13,660,875	18,569,587
	10,731,691,909	8,473,362,242

	2010 Rupees	2009 Rupees
25.1 Raw material consumed		
Opening stock	1,494,506,123	1,799,479,746
Add: Purchased during the year	8,074,593,212	5,203,381,300
	9,569,099,335	7,002,861,046
Less: Closing stock	1,981,999,233	1,494,506,123
	7,587,100,102	5,508,354,923

25.2 Salaries, wages and other benefits include Rupees 7.420 million (2009: Rupees 7.503 million) and Rupees 17.258 million (2009: Rupees 15.635 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

	2010 Rupees	2009 Rupees
26. DISTRIBUTION COST		
Salaries and other benefits (Note 26.1)	26,494,976	23,722,407
Ocean freight	90,249,601	77,626,924
Freight and octroi	59,301,945	38,348,896
Forwarding and other expenses	20,235,480	15,177,380
Export marketing expenses	107,765,662	44,172,137
Commission to selling agents	134,313,049	92,751,273
	438,360,713	291,799,017

26.1 Salaries and other benefits include Rupees 0.882 million (2009: Rupees 0.479 million) and Rupees 1.336 million (2009: Rupees 1.193 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

	2010 Rupees	2009 Rupees
27. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 27.1)	46,166,036	30,423,298
Printing and stationery	5,471,299	48,901,035
Vehicles' running and maintenance	4,261,518	1,949,161
Traveling and conveyance	16,834,894	13,349,741
Postage, telephone and telegraph	5,049,821	4,519,281
Fee and subscription	2,748,901	1,849,922
Legal and professional	2,176,672	4,336,240
Electricity and sui gas	2,275,790	2,901,965
Insurance	2,466,804	2,459,196
Repair and maintenance	4,862,801	1,896,987
Entertainment	1,602,942	1,590,452
Auditors' remuneration (Note 27.2)	1,316,750	1,041,450
Advertisement	689,142	670,510
Depreciation (Note 13.1.2)	10,850,204	9,926,894
Miscellaneous	4,490,184	5,862,924
	111,263,759	105,656,507

27.1 Salaries and other benefits include Rupees 0.093 million (2009: Rupees 2.188 million) and Rupees 1.335 million (2009: Rupees 1.321 million) in respect of staff compensated absences and provident fund contribution by the Company respectively.

	2010 Rupees	2009 Rupees
27.2 Auditors' remuneration		
Audit fee	1,000,000	750,000
Half yearly review	157,300	143,000
Certification fees	50,000	50,000
Reimbursable expenses	109,450	98,450
	1,316,750	1,041,450

28. OTHER OPERATING EXPENSES

	2010 Rupees	2009 Rupees
Workers' profit participation fund (Note 8.2)	57,112,696	9,066,344
Workers' welfare fund	18,833,365	3,435,585
Loss on write-down of the investment to fair value less costs to sell (Note 23)	1,500,00	-
Bad debts written off	450,000	1,908,098
Donations (Note 27.1)	4,387,440	2,057,300
	82,283,501	16,467,327

28.1 Name of donee in which a director or his spouse has an interest:

	2010 Rupees	2009 Rupees
Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.	4,387,440	2,057,300

	2010 Rupees	2009 Rupees
29. OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposits	223,038	25,499
Exchange gain - net	145,340,294	152,679,402
Interest income on loan to subsidiary company	6,794,397	-
Income from non-financial assets		
Profit on sale of property, plant and equipment	2,572,372	519,840
Others		
Sale of scrap	30,527,554	17,978,809
Miscellaneous	913,551	1,416,148
	186,371,206	172,619,698
30. FINANCE COST		
Mark-up on:		
- long term financing - net (Note 30.1)	522,643,407	520,877,094
- long term murabaha	31,378,751	40,457,397
- short term running finances	301,299,296	214,975,933
- export finances - Preshipment / SBP refinances	181,706,890	135,504,251
- short term finances	477,061	114,376,009
Interest on workers' profit participation fund (Note 8.1)	1,051,075	481,311
Bank and other charges	62,397,617	54,864,438
	1,101,054,097	1,081,536,433

30.1 This includes subsidy @ 3% amounting to Rupees 14.536 million (2009: Rupees 25.097 million) received / receivable from Government of Pakistan on mark up rates for financing of import of spinning machinery vide SRO No.973(I)/2007 dated 06 September 2007.

	2010 Rupees	2009 Rupees
31. TAXATION		
Current - (Note 30.1)	137,517,209	65,000,000
Prior year adjustment	(3,734,295)	-
	133,782,914	65,000,000

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

31.2 Provision for deferred tax is not required as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future except for deferred tax liability as explained in Note 7.

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

32. EARNINGS PER SHARE

Basic			
Profit after taxation (Rupees)		931,473,876	103,343,643
Preference dividend (Rupees)		10,333,766	5,269,209
Profit after taxation attributable to ordinary shareholders	(Rupees)	921,140,110	98,074,434
Weighted average number of ordinary shares outstanding during the year		116,758,568	82,720,922
Earnings per share - basic (Rupees)		7.89	1.19
Diluted			
Profit after taxation (Rupees)		931,473,876	103,343,643
Weighted average number of ordinary shares outstanding during the year		116,758,568	82,720,922
Impact od dilutive potential preference shares		6,889,177	41,360,461
		123,647,745	124,081,383
Earnings per share - diluted (Rupees)		7.53	0.83

	2010 Rupees	2009 Rupees
33. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,065,256,790	168,343,643
Adjustment for non cash charges and other items:		
Depreciation / amortisation	517,863,143	537,555,891
Gain on sale of property, plant and equipment	(2,572,372)	(519,841)
Finance cost	1,101,054,097	1,081,536,433
Loss on write-down of the investment of fair value less costs to sell	1,500,000	-
Interest income on loan to subsidiary company	(6,794,397)	-
Working capital changes (Note 33.1)	(847,617,960)	(202,106,083)
	1,828,689,301	1,584,810,043
33.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(76,803,839)	(26,822,443)
Stock in trade	(983,482,015)	264,359,219
Trade debts	(3,430,158)	(205,390,833)
Loans and advances	138,152,632	(258,406,235)
Short term prepayments	293,020	449,097
Other receivables	(130,853,267)	(45,482,960)
	(1,056,123,627)	(271,294,155)
Increase in current liabilities:		
Trade and other payables	208,505,667	69,188,072
	(847,617,960)	(202,106,083)

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Directors		Executives	
	2010	2009	2010	2009
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,600,080	1,600,080	25,093,254	21,705,004
Contribution to provident fund	-	-	2,090,268	1,808,027
House rent	639,840	639,912	10,034,291	2,170,318
Utilities	160,080	160,008	2,510,455	563,175
Others	445,440	572,724	2,222,869	34,928,252
	2,845,440	2,972,724	41,951,137	34,928,252
Number of persons	1	1	24	23

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

35. TRANSACTIONS WITH RELATED PARTIES

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

	2010 Rupees	2009 Rupees
Subsidiary Company		
Investment made	685,577,460	1,226,159,080
Bridge financing made during the year	-	210,853,032
Subordinated loan made during the year	386,638,960	-
Interest income on subordinated loan	6,794,397	-
Interest income on bridge financing	-	354,859
Common facilities cost	1,800,000	-
Share of ERP system implementation cost	2,385,000	-
Other related party		
Purchase of goods	186,823,098	107,532,958
Sales of goods	173,931,069	128,241,936
Preference dividend paid	1,212,320	-
Post employment benefit plan		
Expense charged in respect of retirement benefit plan	19,928,857	18,148,606

	2010	2009
36. PLANT CAPACITY AND ACTUAL PRODUCTION		
Spinning		
Number of spindles installed	148,357	144,803
Number of spindles worked	139,008	137,170
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	49,507,139	50,499,811
Actual production of yarn after conversion into 20/1 count (Kgs.)	48,775,505	49,753,511

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

	2010	2009
Weaving		
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	182,694,493	182,694,493
Actual production after conversion into 50 picks - square yards	177,425,527	175,508,331

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

	2010	2009
Power Plant		
Number of engines installed	10	10
Number of engines worked	10	10
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	270,088,758
Actual generation (KWh)	179,605,840	180,715,176

Under utilization of available capacity was due to normal maintenance.

	2010	2009
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	2	2
Number of shifts per day	3	3
Capacity in meters	26,400,000	26,400,000
Actual processing of fabrics - meters	18,526,893	21,111,835

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

	2010	2009
Stitching		
Number of stitching machines	240	240
Number of shifts per day	1	1
Capacity in meters	16,800,000	16,800,000
Actual stitching of fabrics - meters	5,045,555	10,406,322

Under utilization of available capacity was due to low demand.

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2010	2009
Cash at banks - USD	76,903	49,413
Trade debts - USD	15,425,686	13,210,419
Trade and other payable - USD	744,149	634,997
Short term borrowings as FE 25 import / export loans - USD	9,133,236	2,112,176
Accrued mark-up on FE 25 import / export loans - USD	73,222	20,844
Net exposure - USD	5,551,982	10,491,815

The following significant exchange rates were applied during the year:

Rupees per US Dollar	2010	2009
Average rate	78.23	64.31
Reporting date rate	81.10	68.35

Sensitivity analysis

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

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	809,732,535	1,134,841,202
Short term borrowings	2,022,532,124	2,428,281,643
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	312,144	1,421,991
Financial liabilities		
Long term financing	3,976,428,645	3,409,285,787
Short term borrowings	1,478,045,917	762,434,495

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 50.274 million (30 June 2008: Rupees 38.784 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010 Rupees	2009 Rupees
Loans and advances	16,321,973	18,079,070
Deposits	1,082,942	915,942
Trade debts	1,516,728,987	1,311,338,154
Other receivables	80,153,092	34,514,292
Bank balances	27,264,482	16,629,284
	1,641,551,476	1,381,476,742

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

	Rating			2010 Rupees	2009 Rupees
	Short term	Long term	Agency		
Banks					
Askari Bank Limited	A1+	AA	PACRA	644,845	47,507
The Royal Bank of Scotland Limited	A1+	AA	PACRA	10,488,038	634,767
Atlas Bank Limited	A2	A-	PACRA	4,800	4,800
Bank Alfalah Limited	A1+	AA	PACRA	215,212	1,336,806
The Bank of Punjab	A1+	AA -	PACRA	25,136	3,823
Bank Islami (Pakistan) Limited	A1	A	PACRA	5,500	-
Citibank N.A.	P-1	A1	Moody's	2,159	1,819
Dubai Islamic Bank Pakistan Limited	A-2	A	JCR-VIS	78,596	207,033
Dawood Islamic Bank Limited	A-2	A-	JCR-VIS	4,346	4,945
Faysal Bank Limited	A-1+	AA	PACRA	45,437	1,647
Habib Bank Limited	A-1+	AA+	JCR-VIS	96,233	93,900
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	20	319
HSBC Bank Middle East Limited	P-1	Aa2	Moody's	479,023	-
Meezan Bank Limited	A-1	A+	JCR-VIS	460,349	102,233
MCB Bank Limited	A1+	AA+	PACRA	9,460,653	10,359,963
NIB Bank Limited	A1+	AA -	PACRA	546,299	341,021
Standard Chartered Bank (Pakistan) Limited	A-1+	AA+	JCR-VIS	461,804	2,081,788
United Bank Limited	A-1+	AA+	JCR-VIS	4,246,032	1,406,912
				27,264,482	16,629,283

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

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

(c) Liquidity risk

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

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

Contractual maturities of financial liabilities as at 30 June 2009:

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

Contractual maturities of financial liabilities as at 30 June 2008:

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

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

37.2 Fair values of financial assets and liabilities

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

37.3 Financial instruments by categories

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

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

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

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

38. CAPITAL RISK MANAGEMENT

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

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

39. UNUTILIZED CREDIT FACILITIES

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

40. EVENTS AFTER THE BALANCE SHEET DATE

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

41. DATE OF AUTHORIZATION FOR ISSUE

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

42. CORRESPONDING FIGURES

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

43. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

DIRECTOR

Categories of Shareholders
as on 30 June 2009

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

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

Shareholding Detail of 10% or more

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

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

Sale	Purchase
Nil	Nil

Pattern of Shareholding

as at 30 June 2009

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