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 149,744 spindles, 293 looms, a modern dyeing and finishing plant having capacity of 101,370 meters per day and captive power plants with a total capacity of 29MW.

Nishat Chunian Power Limited (NCPL) was incorporated in February 23, 2007, is a subsidiary of Nishat (Chunian) Limited. The gross capacity of the NCPL is 200MW and is operating as an independent power producer, selling its electricity to National Transmission & dispatch company. The Company successfully commenced commercial operations on 21 July 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. Mushtaq Ahmed	
Audit Committee:	Mr. Aftab Ahmad Khan	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Manzar Mushtaq	Member
Company Secretary and CFO:	Mr. Ahmad Subhani	

Bankers to the Company:

Allied Bank Limited
Askari Bank Limited
AlBarka Bank (Pakistan) Limited
Bank Alfalah Limited
Barclays Bank plc, Pakistan
Bank Islami Pakistan Limited
Bank AlHabib Limited
Burj Bank Limited
Citibank N.A.
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Kuwait Investment Company (Private) Limited
Standard Chartered Bank Pakistan Limited
Saudi Pak Industrial and agriculture Investment Company Limited
SAMBA Bank Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Auditors:

Riaz Ahmad & Company
Chartered Accountants

Registered & Head Office:

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

Share Registrar:

Hameed Majeed Associates (Pvt) Limited
1st Floor, H.M. House
7-Bank Square, Lahore
Ph: 042 37235081-2
Fax: 042 37358817

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 22nd 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 31st October 2011 at 11.30 A.M to transact the following business:-

1. To confirm the minutes of the last General Meeting.
2. To receive and adopt audited accounts of the Company for the year ended 30 June 2011 together with Directors' and Auditors' reports thereon.
3. To approve 20% cash dividend for ordinary shares and 15% preferential dividend for preference shares as recommended by the Board of Directors.
4. To appoint auditors for the year ending 30 June 2012 and to fix their remuneration. The present auditors M/s Riaz Ahmad & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Ahmad Subhani
Company Secretary

Lahore: 08 October 2011

Notes:

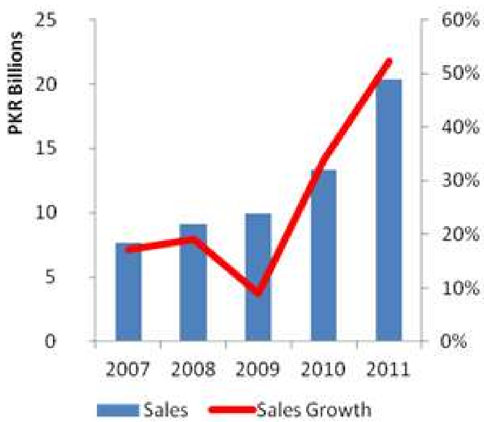
1. The Members' Register will remain closed from 29-10-2011 to 04-11-2011 (both days inclusive).Transfers received at Hameed Majeed Associate (Pvt) Limited, H.M. House, 7-Bank Square, Lahore, the Registrar and share transfer office of the Company by the close of business on 28-10-2011 will be considered in time for attending the AGM and also for 20% cash Dividend and 15% preferential dividend's entitlements.
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.

Directors' Report

We are pleased to present the Annual Report of Nishat (Chunian) Limited for the year ended June 30, 2011. During the year, the Company recorded one of the best financial performances in its history. Sales during the year were recorded at PKR 20.32 billion compared to PKR 13.34 billion last year, registering an increase of 52%. Increase in sales was mainly due to higher product prices resulting from record hike in cotton prices. Despite the increase in sales, Company's gross profit margin reduced to 16.77% from 20.10% last year, because the higher input prices could not be completely passed on to the customers. Financial Charges of the Company increased by 34.6% due to the increase in working capital requirements arising from high cotton prices. However, as a percentage of sales, financial charges decreased to 7.29% compared to 8.25% last year. Company's net profit margin reduced slightly to 7.18% from 7.51% last year. However, in absolute terms, Company's net profit increased by 45.60% to PKR 1,458.58 million during the year compared to PKR 1,001.83 million last year. Keeping in view the drop in market prices of cotton, the company has reduced the valuation of cotton stock as of June 30, 2011 to the market value of PKR 6,500 per maund. The provision to reduce the valuation of stocks to net realizable value has decreased the company's profitability by PKR 369.579 million.

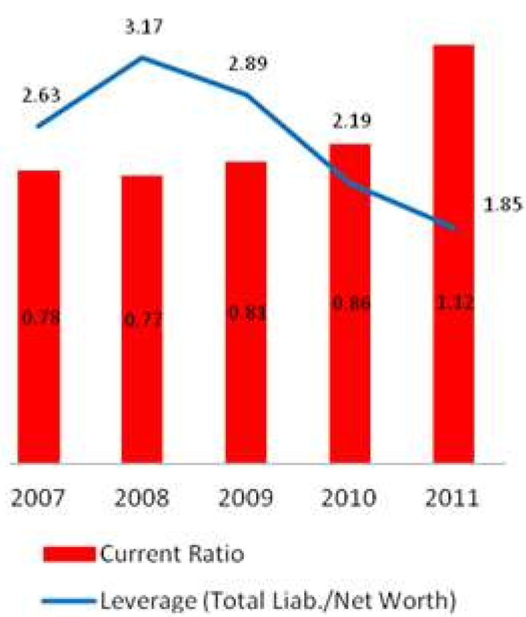


Financial Cost and Capital Structure

Company's financial charges increased to PKR 1.48 billion from PKR 1.10 billion last year. Because of record high cotton prices, the company's average availment of bank borrowings during the year, increased to approximately PKR 11 billion. Average SBP Export Refinance Loans availment remained at approximately PKR 2,080 million compared to PKR 2,000 million last year.

The company has always strived to maintain a conservative capital structure by raising capital from time to time to meet its funding requirements and to keep the leverage ratios at the desired level.

Because of prudent financial management, company's leverage decreased (maintaining the trend of last 3 years as exhibited in graph) despite significant investments made by the company in textiles operations and NCPL. As of June 30, 2011, company's total leverage ratio was 1.85:1.00 and current ratio was 1.12:1.00



Investments

During the year the company made an investment of PKR 407 million in weaving division to replace 77 older looms with new state of the art Picanol air jet looms. An investment of PKR 220 million was made in spinning machinery on account of BMR.

The company is presently operating with 149,744 spindles, 293 wider width air jet looms, a dyeing, stitching and printing plant, and captive power plants with total capacity of 29 MW.

Nishat Chunian Power Limited

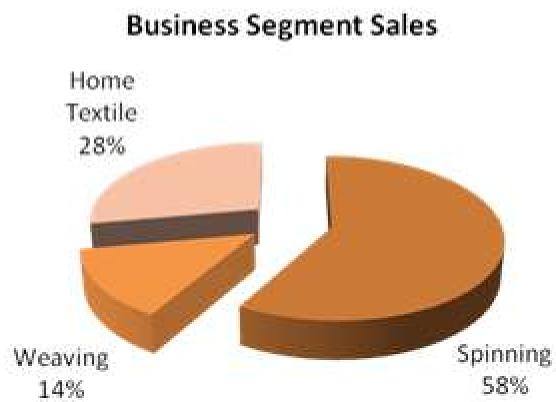
During the year an interim dividend of PKR 197 million was received from the company's subsidiary, NCPL. Moreover, NCPL has declared a final dividend of PKR 1.00/share which will be received by NCL in November 2011. NCPL has already paid off through its internal cash generation, the subordinated loan of PKR 386 million received from NCL. NCL's total investment in NCPL (at cost) stands at PKR 1,943 million and NCL is holding 52.89% shares of NCPL as of June 30, 2011.

Profitability and Return on Equity

Major contributor to this year's profitability was the company's spinning division. Record high cotton prices negatively impacted the home textiles and weaving division margins. Drastic increase in sales and net profit led to a return on equity of 32% for the year.

Dividends

Directors of the company have proposed to pay 20% cash dividend on ordinary shares and 15% cash dividend on outstanding preference shares. Consequently, total dividend payout would amount to approximately PKR 322.4 million.



Business Segment Review

Spinning

It was yet another year of extreme volatility and record breaking cotton prices. Pakistani cotton prices opened at PKR 5,500 per maund in July 2010 and rose to an all time high of PKR 14,000 per maund by the end of March 2011. Cotlook A index was at the season's low in July 2010 at 84.15 cents and touched an all time high in March 2011 at 229.67. Pakistani spinners who covered their cotton position at lower prices by Dec ~Jan 2011 (including NCL), benefited from the increasing raw material and yarn prices and set new profitability records.

The massive increase in yarn prices was a result of ever increasing raw cotton prices in the International market. Raw cotton kept on increasing due to much higher demand as compared to supply. Bad weather and floods in most cotton growing countries including Pakistan resulted in massive damages and hence lower supply of cotton. Furthermore, India put export restrictions on raw cotton and yarn resulting in further shortage of cotton and yarn in the international market and probably Pakistani growers and spinners benefited from it the most. Major sales of Pakistani yarn were to a very strong & growing domestic market and the Far East, with China being the key customer.

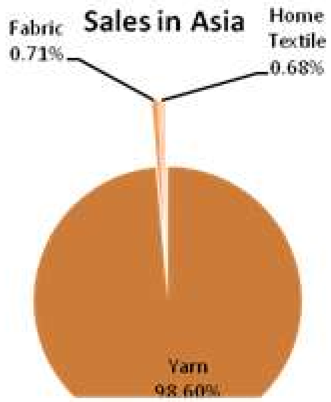
Weaving

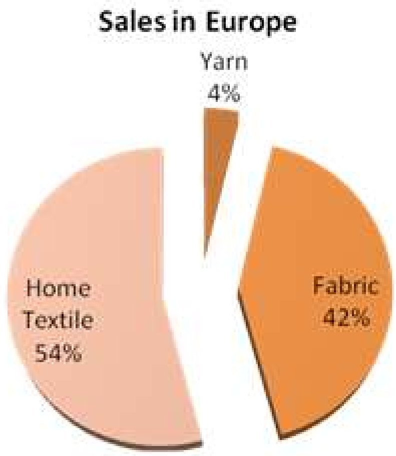
The period under review presented hard challenges for the weaving segment. The main reason was the increasing trend of yarn prices in first three quarters and unexpected decrease in yarn prices in last quarter. While sales went up, both in volume and dollar terms, profit margins were difficult to maintain as increase in yarn prices was not completely absorbed at the customer end. Moreover, the sudden and unexpected drop in yarn prices in the last quarter brought quite an uncertainty in market and our customers were forced to hold their orders. Turkish market contributed majorly in our sales of last year but this year Turkish Government has imposed punitive duty on fabric imports which hit our fabric sales. The marketing strategy adopted to tackle the challenges was to take positions on raw material which helped us to sell without reducing our margins. Efforts were made to broaden the customer base by emphasizing on new market development as well as product development. Market penetration was achieved by participating in textile fairs in Europe, Turkey, China and Bangladesh which resulted in acquisition of new customers. We have also replaced 77 of our old 1998 model airjet looms with new state of the art Picanol Air jet Looms. Due to these new looms, our output increased by 30% over the replaced looms, thereby increasing our competitiveness in the market.

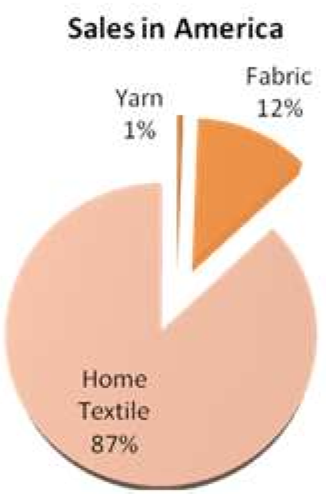
Home Textiles

This year saw continued price pressure on Home Textile products. The hike in raw material prices remained for the majority of the year. Since the price of the home textile products is long term, we were not able to pass on the increased cost to the end customer. Competition from regional players such as China, India and Bangladesh kept pressure. In the last quarter of the financial year we did see some drop in the raw material prices which is a good sign for future business.

This year the positive development was substantial increase in home textile orders due to which the sales of the home textile business increased from PKR 4,641 Million to PKR 5,759 million, a percentage increase of 24%. The gross profit for the home textile business decreased for the period ending June 2011 because of higher raw material costs. Focus has been on expanding the customer base by exploring new markets in Europe and South America through participation in various Home Textiles Exhibitions around the Globe. Focused efforts on R&D for variation in existing product lines enabled us to successfully develop and launch niche products for our customers.







Future Outlook

Pakistan's textile industry is facing number of challenges at the moment. In the coming year, cotton prices are expected to remain low on account of higher output. However, domestic law and order and political situation is posing serious threat to business climate of Pakistan. Gas and electricity load shedding is worsening day by day without any solution in sight. Further increases in gas and electricity prices will jeopardize the profitability margins. Higher interest rates have impaired the viability of textile businesses in Pakistan. Overall, the next year is expected to be quite uncertain.

Corporate Governance

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

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

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

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

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

e. The system of internal control 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 June 30, 2011 amounts to Rupees 138.43 million

i. The pattern of shareholding as at June 30, 2011 is annexed.

During the year under review Five (5) meeting were held. Attendance by each director is as follows:

Name of Director	Attendance
Mr. Muhammad Saleem (Chairman)	3
Mr. Shahzad Saleem (Chief Executive)	4
Mrs. Farhat Saleem	3
Mr. Manzoor Ahmad (Nominee NIT)	4
Mr. Aftab Ahmad Khan	3
Mr. Manzar Mushtaq	1
Mr. Mehmood Akhtar (Resigned)	2
Mr. Mushtaq Ahmad (Appointed in place of Mehmood Akhtar)	1

on behalf of the Board

Shahzad Saleem
Chief Executive

Lahore: 08 October 2011

Financial Highlights

	2002	2003	2004	2005	2006	2007*	2008	2009	2010 (Restated)	2011
					(Rupees in thousand)					
Capital	403,200	443,520	443,520	683,644	752,008	752,008	752,008	1,240,814	1,654,418	1,654,418
Reserves	742,888	919,106	1,444,303	1,992,547	2,036,835	1,934,191	1,848,186	1,861,657	2,834,299	4,050,023
Net Worth	1,146,088	1,362,626	1,886,823	2,676,191	2,788,843	2,686,199	2,600,194	3,102,471	4,488,717	5,704,441
Long Term Liabilities	865,539	589,642	1,116,667	2,780,833	3,413,020	2,984,127	2,591,030	3,183,458	2,729,938	3,333,932
Current Liabilities	773,885	1,110,277	1,355,126	2,790,559	3,263,315	4,083,538	5,646,893	5,730,881	7,089,429	7,191,922
Total Equity & Liabilities	2,785,512	3,062,545	4,358,616	8,247,583	9,465,178	9,753,863	10,838,116	12,016,810	14,308,086	16,230,295
Fixed Assets	1,829,775	1,954,767	2,837,084	5,778,293	6,903,335	6,544,227	6,259,570	5,927,348	5,970,253	6,215,030
Long Term Deposits & Advances	545	426	386	1,800	4,828	7,829	9,026	4,621	391,207	4,385
Current Assets	955,192	1,107,352	1,521,146	2,467,490	2,557,015	3,201,807	4,357,788	4,646,949	6,073,156	8,068,112
Total Assets	2,785,512	3,062,545	4,358,616	8,247,583	9,465,178	9,753,863	10,626,384	10,578,918	14,308,086	16,230,295
Sales	4,054,099	4,226,715	6,516,226	5,454,231	6,550,782	7,677,539	9,138,298	9,964,545	13,343,539	20,322,002
Gross Profit	966,745	742,242	968,808	1,225,206	1,168,532	957,209	1,040,880	1,491,183	2,682,206	3,408,524
Operating Profit plus Other Income	781,787	519,004	796,705	947,262	834,845	759,303	782,001	1,249,880	2,236,669	3,145,188
Financial & Other charges	218,099	143,586	111,014	187,899	494,045	648,146	705,822	1,081,536	1,101,054	1,482,399
Taxation	60,409	48,000	50,614	37,542	90,000	101,000	58,000	65,000	133,783	204,209
Net Profit	503,279	327,418	635,077	721,822	250,800	10,157	18,180	103,344	1,001,832	1,458,580
Gross Margin	18.9%	17.6%	14.9%	22.5%	17.8%	12.47%	11.39%	14.96%	20.1%	16.77%
Net Margin	12.4%	7.7%	9.7%	13.2%	3.8%	0.13%	0.20%	1.04%	7.5%	7.18%
Current Ratio	1.23	1.00	1.12	0.88	0.78	0.78	0.77	0.81	0.85	1.12
Leverage (Total Liab./Net Worth)	1.43	1.25	1.31	2.08	2.39	2.63	3.17	2.87%	2.19	1.85
Long Term Debt : Equity	43:57	30:70	37:63	51:49	55:45	53:47	50:50	51:49	38:62	37:63
EPS **	6.69	4.35	8.45	9.60	3.34	0.14	0.22	1.19	8.49	9.07

* 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 2011

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 four 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. A casual vacancy of one of the directors occurred during the year which was duly filled.

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: 08 October 2011

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: 08 October 2011

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 2011, 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, Listing Regulations of The Karachi & Lahore Stock Exchanges require 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 2011.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 08 October 2011

LAHORE

Auditors' Report to the Members

We have audited the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in Note 2.6 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 08 October 2011

LAHORE

Balance Sheet as at

	NOTE	30 June 2011 Rupees	Restated 30 June 2010 Rupees	Restated 01 July 2009 Rupees
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	3	1,950,000,000	1,950,000,000	1,750,000,000
Issued, subscribed and paid-up share capital	4	1,654,418,440	1,654,418,440	1,240,813,830
Reserves	5	4,050,022,531	2,834,299,058	1,847,505,020
Total equity		5,704,440,971	4,488,717,498	3,088,318,850
NON-CURRENT LIABILITIES				
Long term financing	6	3,333,932,201	2,729,938,648	3,181,905,316
Deferred income tax liability		-	-	1,552,252
		3,333,932,201	2,729,938,648	3,183,457,568
CURRENT LIABILITIES				
Trade and other payables	7	892,831,127	662,321,821	454,523,239
Accrued mark-up	8	191,413,429	216,443,282	171,523,906
Short term borrowings	9	4,608,615,759	4,667,797,672	3,500,578,041
Current portion of long term financing	6	1,499,061,615	1,542,866,668	1,604,255,864
		7,191,921,930	7,089,429,443	5,730,881,050
TOTAL LIABILITIES		10,525,854,131	9,819,368,091	8,914,338,618
CONTINGENCIES AND COMMITMENTS	10			
TOTAL EQUITY AND LIABILITIES		16,230,295,102	14,308,085,589	12,002,657,468

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

CHIEF EXECUTIVE

30 June 2011

	NOTE	30 June 2011 Rupees	Restated 30 June 2010 Rupees	Restated 01 July 2009 Rupees
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	11	6,215,029,724	5,970,253,169	5,927,347,672
Investment in subsidiary company	12	1,942,768,220	1,873,469,390	1,437,891,880
Long term loans	13	3,289,666	390,111,778	3,537,975
Long term security deposits		1,095,442	1,095,442	1,082,942
		8,162,183,052	8,234,929,779	7,369,860,469
CURRENT ASSETS				
Stores, spare parts and loose tools	14	448,513,103	378,850,373	263,210,028
Stock-in-trade	15	4,513,058,916	3,254,665,160	2,239,660,718
Trade debts	16	2,144,644,013	1,518,724,508	1,516,728,987
Loans and advances	17	209,627,063	234,065,387	372,218,019
Short term prepayments		379,188	194,704	487,724
Other receivables	18	614,891,305	341,809,768	211,045,658
Accrued interest	19	1,975,178	5,571,439	-
Cash and bank balances	20	135,023,284	90,774,521	29,445,865
		8,068,112,050	5,824,655,860	4,632,796,999
Non-current asset held for sale	21	-	248,499,950	-
		8,068,112,050	6,073,155,810	4,632,796,999
TOTAL ASSETS		16,230,295,102	14,308,085,589	12,002,657,468

DIRECTOR

Profit and Loss Account
for the year ended 30 June 2011

	NOTE	2011 Rupees	Restated 2010 Rupees
SALES	22	20,322,001,699	13,343,539,563
COST OF SALES	23	16,913,477,416	10,661,332,976
GROSS PROFIT		3,408,524,283	2,682,206,587
DISTRIBUTION COST	24	599,586,283	438,360,713
ADMINISTRATIVE EXPENSES	25	126,091,916	111,713,760
OTHER OPERATING EXPENSES	26	141,287,624	81,833,501
		866,965,823	631,907,974
		2,541,558,460	2,050,298,613
OTHER OPERATING INCOME	27	603,629,611	186,371,206
PROFIT FROM OPERATIONS		3,145,188,071	2,236,669,819
FINANCE COST	28	1,482,399,433	1,101,054,097
PROFIT BEFORE TAXATION		1,662,788,638	1,135,615,722
TAXATION	29	204,208,921	133,782,914
PROFIT AFTER TAXATION		1,458,579,717	1,001,832,808
BASIC EARNINGS PER SHARE	30	9.07	8.49
DILUTED EARNINGS PER SHARE	30	8.82	6.59

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Comprehensive Income

for the year ended 30 June 2011

	2011 Rupees	Restated 2010 Rupees
PROFIT AFTER TAXATION	1,458,579,717	1,001,832,808
OTHER COMPREHENSIVE INCOME		
Reclassification adjustment for gain included in profit or loss	-	(4,435,005)
Deferred income tax relating to other comprehensive income	-	1,552,252
Net loss recognized in other comprehensive income	-	(2,882,753)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,458,579,717	998,950,055

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement
for the year ended 30 June 2011

	NOTE	2011 Rupees	Restated 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	1,485,199,724	1,828,466,263
Net increase in long term security deposits		-	(12,500)
Finance cost paid		(1,542,771,727)	(1,056,134,721)
Income tax paid		(291,257,866)	(142,413,974)
Net (increase) / decrease in long term loans		(604,471)	65,157
Net cash (used in) / generated from operating activities		(349,434,340)	629,970,225
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(855,047,733)	(561,129,419)
Capital expenditure on intangible asset		(672,373)	(4,991,943)
Proceeds from sale of property, plant and equipment		56,620,192	7,925,094
Proceeds from sale of shares of subsidiary company		279,936,623	-
Investment in subsidiary company		-	(685,577,460)
Long term loan made to subsidiary company		(85,000,000)	(386,638,960)
Repayment of long term loan by subsidiary company		471,638,960	-
Dividend received from subsidiary company		196,980,439	-
Interest income received		73,842,691	1,445,996
Net cash from / (used in) investing activities		138,298,799	(1,628,966,692)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		2,754,963,500	1,290,900,000
Repayment of long term financing		(2,194,775,000)	(1,804,255,864)
Short term borrowings - net		(59,181,913)	1,167,219,631
Proceeds from issue of right shares		-	413,604,610
Share issuance cost		-	(1,822,251)
Dividends paid		(245,622,283)	(5,321,003)
Net cash from financing activities		255,384,304	1,060,325,123
Net increase in cash and cash equivalents		44,248,763	61,328,656
Cash and cash equivalents at the beginning of the year		90,774,521	29,445,865
Cash and cash equivalents at the end of the year		135,023,284	90,774,521

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 2011

	SHARE CAPITAL			RESERVES					TOTAL EQUITY
				CAPITAL RESERVE	REVENUE RESERVES		TOTAL		
	Ordinary shares	Preference shares	TOTAL	Hedging reserve	General reserve	Unappropr-iated profit	TOTAL		
	.... Rupees								
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
Effect of change in accounting policy (Note 2.6)	-	-	-	-	-	(14,152,081)	(14,152,081)		(14,152,081)
Balance as at 30 June 2009 - restated	827,209,220	413,604,610	1,240,813,830	2,882,753	1,629,221,278	215,400,989	1,847,505,020		3,088,318,850
Ordinary shares issued	413,604,610	-	413,604,610	-	-	-	-		413,604,610
Share issuance cost, net	-	-	-	-	-	(1,822,251)	(1,822,251)		(1,822,251)
Preference shares converted into ordinary shares	344,712,840	(344,712,840)	-	-	-	-	-		-
Preference dividend for the year ended 30 June 2010	-	-	-	-	-	(10,333,766)	(10,333,766)		(10,333,766)
Total comprehensive income for the year ended 30 June 2010	-	-	-	(2,882,753)	-	1,001,832,808	998,950,055		998,950,055
Balance as at 30 June 2010 - restated	1,585,526,670	68,891,770	1,654,418,440	-	1,629,221,278	1,205,077,780	2,834,299,058		4,488,717,498
Final dividend for the year ended 30 June 2010 @ Rupees 1.5 per ordinary share	-	-	-	-	-	(237,829,001)	(237,829,001)		(237,829,001)
Preference shares converted into ordinary shares	35,376,820	(35,376,820)	-	-	-	-	-		-
Preference dividend for the year ended 30 June 2011	-	-	-	-	-	(5,027,243)	(5,027,243)		(5,027,243)
Total comprehensive income for the year ended 30 June 2011	-	-	-	-	-	1,458,579,717	1,458,579,717		1,458,579,717
Balance as at 30 June 2011	1,620,903,490	33,514,950	1,654,418,440	-	1,629,221,278	2,420,801,253	4,050,022,531		5,704,440,971

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 2011

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, fabrics 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.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

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) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IFRS 8 (Amendment), 'Operating Segments' (effective for annual periods beginning on or after 01 January 2010). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other new interpretations and amendments to the published approved standards 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.

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

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid amendment on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

IFRS 10 'Consolidated Financial Statements' (effective for annual period beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation - Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual period beginning on or after 01 January 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' 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 standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 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.

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.

Depreciation

Depreciation on all operating fixed assets is charged to income on the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 11.1. 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.

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

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized form the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

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 and re-evaluates such designation on regular basis.

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 investment 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 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 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 materials is measured using the monthly average cost formula.

Cost of work-in-process and finished goods comprise cost of direct material, labour and appropriate manufacturing overheads. Cost of goods purchased for resale is based on first-in-first-out (FIFO) cost formula.

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.

During the year ended 30 June 2011, the Company has changed its accounting policy for measurement of cost of raw material of spinning segment. Previously, cost of raw material of spinning segment was measured using annual average cost formula. Now, it is measured using monthly moving average cost formula. This change in accounting policy has been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Had there been no change in this accounting policy, the figures recognized in these financial statements would have been different as follows:

	2011 Rupees	2010 Rupees
Unappropriated profit as at the beginning of the year would be (lower) / higher by	(56,206,852)	14,152,081
Profit for the year ended 30 June would be lower by	(340,239,687)	(70,358,933)
Stock-in-trade as at 30 June would be lower by	(396,446,539)	(56,206,852)
Earnings per share - basic would be lower by	(2.12)	(0.60)
Earnings per share - diluted would be lower by	(2.06)	(0.46)

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 from sale of electricity is recognized at the time of transmission.

Dividend income on equity investment 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 debts 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.

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 Derivative financial instruments

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

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

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

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

2.15 Provisions

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

2.16 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

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

2.17 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has four reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles) and Power Generation (Generating and distributing power).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.18 Dividend to ordinary shareholders and other appropriations

Dividend distribution to the ordinary shareholders is recognized as a liability in the Company's financial statements in period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.19 Off setting

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

3. AUTHORIZED SHARE CAPITAL

2011 (Number of shares)	2010 (Number of shares)		2011 Rupees	2010 Rupees
175,000,000	175,000,000	Ordinary shares of Rupees 10 each	1,750,000,000	1,750,000,000
20,000,000	20,000,000	15% non-voting cumulative convertible preference shares of Rupees 10 each	200,000,000	200,000,000
195,000,000	195,000,000		1,950,000,000	1,950,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011 (Number of shares)	2010 (Number of shares)		2011 Rupees	2010 Rupees
Ordinary Shares				
91,369,427	87,831,745	Ordinary shares of Rupees 10 each fully paid in cash	913,694,270	878,317,450
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
162,090,349	158,552,667		1,620,903,490	1,585,526,670
Preference shares				
3,351,495	6,889,177	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	33,514,950	68,891,770
165,441,844	165,441,844		1,654,418,440	1,654,418,440

	2011	2010
	(Number of Shares)	
4.1 Ordinary shares of the Company held by related parties		
Nishat Mills Limited	22,513,321	22,513,321
D.G. Khan Cement Company Limited	5,010,059	5,010,059
	27,523,380	27,523,380

4.2 Movement during the year

2011	2010		2011	2010
(Number of shares)			Rupees	Rupees
Ordinary shares				
158,552,667	82,720,922	At 01 July	1,585,526,670	827,209,220
-	41,360,461	Ordinary shares of Rupees 10 each issued as fully paid right shares	-	413,604,610
3,537,682	34,471,284	Preference shares converted into ordinary shares of Rupees 10 each at par	35,376,820	344,712,840
162,090,349	158,552,667		1,620,903,490	1,585,526,670
Preference shares				
6,889,177	41,360,461	At 01 July	68,891,770	413,604,610
(3,537,682)	(34,471,284)	Preference shares converted into ordinary shares of Rupees 10 each at par	(35,376,820)	(344,712,840)
3,351,495	6,889,177		33,514,950	68,891,770

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

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

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

4.3.3 The preference shareholders 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 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 have one month after the two months conversion notice to issue ordinary shares to the preference shareholders at the conversion price. The preference shares along with the accumulated dividend will be convertible into ordinary shares at a price Rupees 10 per ordinary share. No put or call option is available.

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

	2011 Rupees	Restated 2010 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	2,420,801,253	1,205,077,780
	4,050,022,531	2,834,299,058

	2011 Rupees	2010 Rupees
6. LONG TERM FINANCING		
From banking companies / financial institutions - secured		
Long term loans (Note 6.1)	3,747,993,816	3,685,305,316
Long term musharaka (Note 6.2)	585,000,000	587,500,000
Privately placed term finance certificates - secured (Note 6.3)	500,000,000	-
	4,832,993,816	4,272,805,316
Less: Current portion shown under current liabilities		
Long term loans	1,262,811,615	1,400,366,668
Long term musharaka	142,500,000	142,500,000
Privately placed term finance certificates	93,750,000	-
	1,499,061,615	1,542,866,668
	3,333,932,201	2,729,938,648

6.1 Long term loans

Lender	2011 Rupees	2010 Rupees	Rate of mark up per annum	Number of installments	Mark up repricing	Mark up payable
Standard Chartered Bank (Pakistan) Limited	-	500,000,000	6-month KIBOR + 2.5%	Five equal half yearly instalments commenced on 24 December 2010 and ending on 24 December 2012. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
United Bank Limited-1	62,500,000	187,500,000	SBP rate for LTF-EOP + 2%	Eight equal half yearly instalments commenced on 28 February 2007 and ending on 31 July 2011.	-	Quarterly
United Bank Limited-2	40,000,000	80,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 27 December 2007 and ending on 27 June 2012.	Half Yearly	Half Yearly
United Bank Limited-3	150,000,000	250,000,000	6-month KIBOR + 0.95%	Ten equal half yearly instalments commenced on 24 June 2008 and ending on 24 December 2012.	Half Yearly	Half Yearly
United Bank Limited-4	312,500,000	437,500,000	6-month KIBOR + 1.75%	Eight equal half yearly instalments commenced on 31 March 2010 and ending on 30 September 2013.	Half Yearly	Quarterly
United Bank Limited-5	23,333,334	35,000,000	6-month KIBOR + 2.40%	Six equal half yearly instalments commenced on 31 December 2010 and ending on 30 June 2013.	Half Yearly	Quarterly
United Bank Limited-6	25,025,000	28,600,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014.	-	Quarterly
United Bank Limited-7	33,600,000	38,400,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commenced on 08 June 2011 and ending on 08 December 2014.	-	Quarterly
United Bank Limited-8	8,800,000	8,800,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commencing on 28 July 2011 and ending on 28 January 2015.	-	Quarterly
United Bank Limited-9	88,600,000	88,600,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commencing on 18 July 2011 and ending on 18 January 2015.	-	Quarterly
United Bank Limited-10	26,500,000	26,500,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commencing on 26 July 2011 and ending on 26 January 2015.	-	Quarterly
Habib Bank Limited-1	-	27,350,000	SBP rate for LTF-EOP + 2%	Six equal half yearly instalments commenced on 30 March 2007 and ended on 30 September 2010.	-	Quarterly
Habib Bank Limited-2	-	62,500,000	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 25 December 2006 and ended on 25 June 2011.	-	Quarterly
Habib Bank Limited-3	9,155,796	27,467,388	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 24 May 2007 and ending on 24 November 2011.	-	Quarterly
Habib Bank Limited-4	15,238,408	30,476,816	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 03 August 2007 and ending on 03 February 2012.	-	Quarterly
Habib Bank Limited-5	-	231,111,111	6-month KIBOR + 2.50%	Nine equal half yearly instalments commenced on 31 March 2010 and ending on 31 March 2014. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
Habib Bank Limited-6	-	213,333,333	6-month KIBOR + 2.50%	Nine equal half yearly instalments commenced on 30 June 2010 and ending on 30 June 2014. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
Citibank N.A	-	74,666,668	SBP rate for LTF-EOP + 2%	Six equal half yearly instalments commenced on 31 December 2007 and ended on 27 June 2011.	-	Half Yearly
Allied Bank Limited-1	100,000,000	200,000,000	6-month KIBOR + 1.05%	Six equal half yearly instalments commenced on 23 December 2009 and ending on 23 June 2012.	Half Yearly	Half Yearly
Allied Bank Limited-2	150,000,000	250,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 28 March 2008 and ending on 28 September 2012.	Half Yearly	Half Yearly
Allied Bank Limited-3	210,000,000	350,000,000	6-month KIBOR + 0.85%	Ten equal half yearly instalments commenced on 15 June 2008 and ending on 15 December 2012.	Half Yearly	Half Yearly
Pak Kuwait Investment Company (Private) Limited-1	177,777,778	200,000,000	6-month KIBOR + 2.50%	Eighteen equal quarterly instalments commenced on 14 January 2011 and ending on 14 April 2015.	Half Yearly	Quarterly
Pak Kuwait Investment Company (Private) Limited-2	250,000,000	-	6-month KIBOR + 2.45%	Eighteen equal quarterly instalments commencing on 21 September 2011 and ending on 21 December 2015.	Half Yearly	Quarterly
Atlas Bank Limited	75,000,000	150,000,000	6-month KIBOR + 1.05%	Twenty equal quarterly instalments commenced on 01 January 2008 and ending on 01 October 2012.	Half Yearly	Quarterly
National Bank of Pakistan	125,000,000	187,500,000	6-month KIBOR + 2.50%	Eight equal half yearly instalments commenced on 30 September 2009 and ending on 31 March 2013.	Half Yearly	Half Yearly
The Bank of Punjab-1	270,000,000	-	SBP rate for LTFF-EOP + 2.5%	Sixteen equal quarterly instalments commencing on 15 January 2012 and ending on 15 October 2015.	-	Quarterly
The Bank of Punjab-2	250,000,000	-	6-month KIBOR + 1.35%	Twelve equal quarterly instalments commencing on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly
Faysal Bank Limited	1,000,000,000	-	6-month KIBOR + 2.15%	Eight equal half yearly instalments commencing on 23 June 2012 and ending on 23 December 2015.	Half Yearly	Quarterly
SAMBA Bank Limited	250,000,000	-	3-month KIBOR + 2.30%	Eight equal quarterly instalments commencing on 31 January 2012 and ending on 31 October 2013.	Quarterly	Quarterly
Saudi Pak Industrial and Agricultural Investment Company Limited	94,963,500	-	SBP rate for LTFF-EOP + 3%	Eighteen equal quarterly instalments commencing on 31 May 2012 and ending on 31 August 2016.	-	Quarterly
	3,747,993,816	3,685,305,316				

6.2 Long term musharika

Lender	2011 Rupees	2010 Rupees	Rate of Profit per annum	Number of installments	Profit Repricing	Profit payable
Burj Bank Limited (Formerly Dawood Islamic Bank Limited) -1	125,000,000	187,500,000	6-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 30 September 2009 and ending on 30 June 2013.	Half Yearly	Quarterly
Burj Bank Limited (Formerly Dawood Islamic Bank Limited) - 2	140,000,000	-	6-month KIBOR + 1.50%	Sixteen equal quarterly instalments commencing on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Dubai Islamic Bank (Pakistan) Limited	320,000,000	400,000,000	6-month KIBOR + 1.80%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
	585,000,000	587,500,000				
6.3 Privately placed term finance certificates	500,000,000	-	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commencing on 30 December 2011 and ending on 30 September 2015.	Quarterly	Quarterly

6.4 Long term loans and privately placed term finance certificates 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 (2010: Rupees 7,345 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 1,999 million (2010: Rupees 266.666 million).

6.5 Long term musharaka 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 783.333 million (2010: Rupees 250 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 187 million (2010: Rupees 533.333 million).

	2011 Rupees	2010 Rupees
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	402,905,346	292,627,151
Accrued liabilities	218,616,063	171,275,258
Advances from customers	129,439,569	62,115,680
Securities from contractors - interest free and repayable on completion of contracts	2,311,761	2,222,637
Retention money	4,722,582	6,863,292
Income tax deducted at source	3,064,730	791,718
Unclaimed dividend	15,883,004	13,495,721
Preference dividend payable	5,184,583	10,337,905
Workers' profit participation fund (Note 7.2)	82,364,547	57,112,696
Workers' welfare fund	21,681,803	21,681,803
Others (Note 7.3)	6,657,139	23,797,960
	892,831,127	662,321,821

7.1 It includes Rupees 0.229 million (2010: Rupees 3.694 million) due to related parties.

	2011 Rupees	2010 Rupees
7.2 Workers' profit participation fund		
Balance as on 01 July	57,112,696	9,066,344
Add: Interest for the year (Note 28)	2,457,472	1,051,075
Add: Provision for the year (Note 26)	82,364,547	57,112,696
	141,934,715	67,230,115
Less : Payments during the year	59,570,168	10,117,419
	82,364,547	57,112,696

7.2.1 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.

7.3 It includes Rupees 0.464 million (2010: Rupees Nil) due to Nishat Chunian Power Limited - subsidiary company, which is in the ordinary course of business and is interest free.

	2011 Rupees	2010 Rupees
8. ACCRUED MARK-UP		
Long term financing	141,057,648	127,861,231
Short term borrowings	50,355,781	88,582,051
	191,413,429	216,443,282
9. SHORT TERM BORROWINGS		
From banking companies-secured		
Short term running finances (Notes 9.1 and 9.2)	1,401,961,600	1,081,105,841
Export finances - Preshipment / SBP refinance (Notes 9.1 and 9.3)	2,432,805,740	2,324,688,364
Other short term finances (Notes 9.1 and 9.4)	773,848,419	1,262,003,467
	4,608,615,759	4,667,797,672

9.1 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 13,738 million (2010: Rupees 10,259 million). These form part of total credit facility of Rupees 9,225 million (2010: Rupees 5,743 million).

9.2 The rates of mark-up range from 2.15% to 16.16% (2010: 1.57% to 17%) per annum on the balance outstanding.

9.3 The rates of mark-up range from 1.9% to 14.53% (2010: 1.26% to 16%) per annum on the balance outstanding.

9.4 The rates of mark-up range from 14.35% to 14.74% (2010: 12.87% to 15.22%) per annum on the balance outstanding.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 Guarantees of Rupees 200.639 million (2010: Rupees 200.678 million) have been issued by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Shell Pakistan Limited against purchase of furance oil.

10.2 Guarantees of Rupees 48.000 million (2010: Rupees 32.000 million) are given by banks of the Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

10.3 The Company preferred appeal against the Government of Punjab in the Honourable Lahore High Court, Lahore against imposition of electricity duty on internal generation and the writ petition has been accepted. However, Government of Punjab has moved to the Honourable Supreme Court of Pakistan against the order of Honourable Lahore High Court, Lahore. The Company has fully provided its liability in respect of electricity duty on internal generation. As at the reporting date, an amount of Rupees 9.120 million is payable on this account but the management of the Company is confident that payment of electricity duty will not be required.

10.4 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 (2010: Rupees 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 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.

10.5 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's appeal against the order of ACIR was disposed off by the Commissioner Inland Revenue (Appeals) [CIR(A)] through order dated 23 April 2011. Through such order, a significant relief was extended to the Company, however, the Company has further assailed the matter before ATIR so as the issues decided by CIR(A) against the Company are further contested. The Company's appeal has not yet been taken up for hearing by ATIR. The Company considers 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 tax counsel. Further, the Company has also impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.

10.6 While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue 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 (2010: Rupees 17.157 million) would be required.

10.7 As a result of withholding tax audit for the tax year 2006, the Deputy Commissioner Inland Revenue (DCIR) has raised a demand of Rupees 32.156 million under sections 161 and 205 of the Income Tax Ordinance, 2001. The Company is in appeal before ATIR as its appeal before CIR(A) was unsuccessful. The Company expects a favourable outcome of the appeal based on advice of the tax counsel. The Company has also challenged the initiation of proceedings, under section 161 and 205 of the Income Tax Ordinance, 2001 pertaining to tax years 2007, 2008 and 2009, in the Honourable Lahore High Court, Lahore through a writ petition. The Department has been restrained from passing any adverse order till the date of next hearing. The management of the Company believes that the expected favourable outcome of its appeal before ATIR, in respect of tax year 2006 on same issues, will dispose of the initiation of these proceedings.

10.8 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.

10.9 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 927.402 million (2010: Rupees 36.933 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 amounting to Rupees 39.329 million (2010: Rupees 377.382 million).

ii) Letters of credit other than for capital expenditure amounting to Rupees 171.715 million (2010: Rupees 68.954 million).

iii) Outstanding foreign currency forward contracts of Rupees 1,461.410 million (2010: Rupees 3,031.700 million).

	2011 Rupees	2010 Rupees
11. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 11.1)	6,152,148,025	5,593,337,106
Capital work-in-progress (Note 11.2)	58,916,678	371,396,520
	6,211,064,703	5,964,733,626
Intangible asset:		
Computer software (Note 11.1)	3,965,021	527,600
Intangible asset under development - computer software	-	4,991,943
	6,215,029,724	5,970,253,169

11.1 Reconciliations of carrying amounts of operating fixed assets and intangible asset - computer software at the beginning and at the end of the year are as follows:

	Operating Fixed Assets									Intangible Assets
Description	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total	Computer software
	-----	-----	-----	-----	-----Rupees-----	-----	-----	-----	-----	
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 / amortization	-	(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
Year ended 30 June 2010										
Opening 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
Additions	-	43,196,901	145,798,692	198,900	-	27,700	7,556,137	13,665,757	210,444,087	-
Disposals:										
Cost	-	-	(9,857,222)	-	-	-	(24,000)	(7,374,265)	(17,255,487)	-
Accumulated depreciation	-	-	7,101,851	-	-	-	400	4,800,514	11,902,765	-
	-	-	(2,755,371)	-	-	-	(23,600)	(2,573,751)	(5,352,722)	-
Depreciation / amortization charge	-	(46,941,396)	(438,354,619)	(8,096,421)	(2,438,603)	(2,243,658)	(8,765,348)	(10,627,398)	(517,467,443)	(395,700)
Closing net book value	188,776,332	927,370,466	4,222,220,776	72,925,786	21,947,429	20,207,295	83,034,480	56,854,542	5,593,337,106	527,600
At 30 June 2010										
Cost	188,776,332	1,617,603,002	7,815,497,793	168,770,901	63,269,485	40,659,605	137,254,426	113,405,522	10,145,237,066	1,319,000
Accumulated depreciation / amortization	-	(690,232,536)	(3,593,277,017)	(95,845,115)	(41,322,056)	(20,452,310)	(54,219,946)	(56,550,980)	(4,551,899,960)	(791,400)
Net book value	188,776,332	927,370,466	4,222,220,776	72,925,786	21,947,429	20,207,295	83,034,480	56,854,542	5,593,337,106	527,600
Year ended 30 June 2011										
Opening net book value	188,776,332	927,370,466	4,222,220,776	72,925,786	21,947,429	20,207,295	83,034,480	56,854,542	5,593,337,106	527,600
Additions-	-	78,835,068	1,067,176,440	5,248,385	6,868,621	6,256,770	5,161,455	33,323,277	1,202,870,016	5,664,316
Reclassification adjustments:*										
Cost	-	153,314	9,712,955	7,721,818	68,356,368	9,132,897	(95,077,390)	38	-	-
Accumulated depreciation	-	211,422	(14,818,598)	(94,621)	(25,030,063)	(3,400,586)	40,354,963	2,777,483	-	-
	-	364,736	(5,105,643)	7,627,197	43,326,305	5,732,311	(54,722,427)	2,777,521	-	-
Disposals:										
Cost	-	-	(258,009,907)	-	-	-	(93,000)	(35,385,017)	(293,487,924)	-
Accumulated depreciation	-	-	163,785,050	-	-	-	27,882	21,545,727	185,358,659	-
	-	-	(94,224,857)	-	-	-	(65,118)	(13,839,290)	(108,129,265)	-
Depreciation / amortization charge	-	(46,773,384)	(454,764,800)	(8,146,161)	(6,627,688)	(2,778,366)	(3,085,183)	(13,754,250)	(535,929,832)	(2,226,895)
Closing net book value	188,776,332	959,796,886	4,735,301,916	77,655,207	65,514,667	29,418,010	30,323,207	65,361,800	6,152,148,025	3,965,021
At 30 June 2011										
Cost	188,776,332	1,696,591,384	8,634,377,281	181,741,104	138,494,474	56,049,272	47,245,491	111,343,820	11,054,619,158	6,983,316
Accumulated depreciation / amortization	-	(736,794,498)	(3,899,075,365)	(104,085,897)	(72,979,807)	(26,631,262)	(16,922,284)	(45,982,020)	(4,902,471,133)	(3,018,295)
Net book value	188,776,332	959,796,886	4,735,301,916	77,655,207	65,514,667	29,418,010	30,323,207	65,361,800	6,152,148,025	3,965,021
Annual rate of depreciation / amortization (%)	-	5	10	10	10	10	10	20		30

* As part of the implementation of new Enterprise Resource Planning (ERP) system, the management of the Company carried out a comprehensive exercise during the year which is included of physical verification of all operating fixed assets and checking of classification of all operating fixed assets. The reclassification adjustments represents the adjustments emanating from this exercise.

11.1.1 Detail of operating fixed assets, exceeding the book value Rupees 50,000, disposed of during the year is as follow:

Description		Cost	Accumulated depreciation	Net Book Value	Sale Proceeds	(Gain)/ Loss	Mode of Disposal	Particulars of Purchaser
			.... Rupees					
Plant and machinery								
Picanol Air Jet 280 cm Omni	18	53,240,238	(39,226,632)	14,013,606	9,477,900	4,535,706	Negotiation	Shan Associates, Karachi
Picanol Air Jet 340 cm Omni	6	18,721,746	(14,535,302)	4,186,444	3,159,300	1,027,144	Negotiation	Shan Associates, Karachi
Picanol Air Jet 340 cm Omni	49	171,336,759	(102,678,876)	68,657,883	24,837,120	43,820,763	Negotiation	Tricon Genera Trading, Lahore
Picanol Air Jet 340 cm Omni plus	4	14,711,164	(7,344,240)	7,366,924	2,027,520	5,339,404	Negotiation	Tricon Genera Trading, Lahore
Vehicles								
Toyota Corolla 2.0D LEB-07-3572	1	1,316,950	(673,705)	643,245	915,000	(271,755)	Negotiation	Mr. Tajammal Javed, Faisalabad
Suzuki Cultus LZQ-8338	1	626,208	(436,213)	189,995	470,000	(280,005)	Negotiation	Mrs. Rehana Hafeez, Lahore
Suzuki Cultus LW-8555	1	614,000	(352,344)	261,656	585,000	(323,344)	Negotiation	Mr. Muhammad Ali, Lahore
Hyundai Shehzore LZJ-9082	1	602,170	(429,992)	172,178	525,000	(352,822)	Negotiation	Mr. Rana Khurram Sajjad, Lahore
Honda CD-70 LRE-9358	1	69,948	(55,833)	14,115	20,100	(5,985)	Negotiation	Mr. Asif Shoukat, Lahore
Honda CD-70 LRS-4673	1	60,200	(42,991)	17,209	22,000	(4,791)	Negotiation	Mr. Muhammad Safdar, Sialkot
Honda CD-70 LZD-4408	1	60,285	(46,900)	13,385	18,200	(4,815)	Negotiation	Mr. Muhammad Afzal Javed, Lahore
BMW - 750LI LW-467	1	12,948,285	(5,201,902)	7,746,383	6,000,000	1,746,383	Negotiation	Mr. Muhammad Akram, Lahore
Hyundai Shehzore LZJ-6910	1	611,623	(457,380)	154,243	495,000	(340,757)	Negotiation	Mr. Naeem Iqbal, Lahore
Toyota Hiace LZJ-5975	1	1,772,200	(1,293,238)	478,962	1,495,000	(1,016,038)	Negotiation	Mr. Sakhi, Peshawar
Hyundai Shehzore LZP-1429	1	603,290	(502,388)	100,902	480,000	(379,098)	Negotiation	Mr. Muhammad Asif, Faisalabad
Toyota 2.OD LZO-6839	1	1,238,730	(901,293)	337,437	675,000	(337,563)	Negotiation	Mr. Jantaz Khan, Peshawar
Suzuki Mehran LWG-3284	1	406,950	(233,528)	173,422	161,130	12,292	As per Company policy	Mr. Mirza Abdul Ghafoor on behalf of Mr. Asghar Rahim (Employee), Lahore
Toyota Corolla LWB-4152	1	1,317,697	(821,536)	496,161	840,000	(343,839)	Negotiation	Mr. Irfan Khan, Lahore
Honda City LEB-06-6823	1	859,125	(476,215)	382,910	755,000	(372,090)	Negotiation	Mr. Muhammad Shehryar Khan, Lahore
Honda LZL-4035	1	849,510	(584,341)	265,169	765,000	(499,831)	Negotiation	Mr. Abdul Qadir, Lahore
Suzuki Cultus LEC-07-5322	1	615,120	(364,955)	250,165	450,000	(199,835)	Negotiation	Mr. Muhammad Tayyab, Lahore
Suzuki Cultus LEC-07-4092	1	642,170	(323,739)	318,431	555,000	(236,569)	Negotiation	Mr. Asif Zaman Khan, Bannu
Mercedes Benz C240 LXX-467	1	9,615,056	(8,143,168)	1,471,888	1,500,000	(28,112)	Negotiation	Mr. Hamid Ullah Malik, Karachi
Suzuki Mehran LEB-09-6864	1	555,500	(204,066)	351,434	366,922	(15,488)	As per Company policy	Mr. Ilyas Ahmad (Employee), Kasur
Aggregate of other items of equipment with individual book values not exceeding Rupees 50,0000	2	93,000	(27,882)	65,118	25,000	40,118		
		293,487,924	(185,358,659)	108,129,265	56,620,192	51,509,073		

	2011 Rupees	2010 Rupees
11.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 23)	523,963,792	507,012,938
Administrative expenses (Note 25)	11,966,040	10,454,505
	535,929,832	517,467,443

11.1.3 Amortization on intangible asset amounting to Rupees 2.227 million (2010: Rupees 0.396 million) has been allocated to administrative expenses.

	2011 Rupees	2010 Rupees
11.2 CAPITAL WORK-IN-PROGRESS		
Plant and machinery (Note 13.2.1)	4,119,409	210,460,088
Civil works on freehold land	18,758,137	37,164,500
Mobilization advance	-	2,188,766
Unallocated expenses	-	125,558
Letters of credit	35,364,132	120,928,608
Advance against purchase of assets	675,000	529,000
	58,916,678	371,396,520

11.3 Borrowing cost capitalized amounted to Rupees 35.343 million (2010: Rupees 7.705 million) using the capitalization rate ranging from 9.70% to 15.82% (2010: 9.70%) per annum.

	2011 Rupees	2009 Rupees
12. INVESTMENT IN SUBSIDIARY COMPANY - AT COST		
Nishat Chunian Power Limited - quoted (Notes 12.1 and 21.1) "194,276,822 (2010: 187,346,939) fully paid ordinary shares of Rupees 10 each. Equity held 52.89% (2010: 57.81%)"	1,942,768,220	1,873,469,390

12.1 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 which is 21 July 2010. Moreover, the Company has pledged its 187,346,939 (2010: 187,346,939) ordinary shares to lenders of NCPL for the purpose of securing finance.

	2011 Rupees	2010 Rupees
13. LONG TERM LOANS		
Considered good:		
Executives (Notes 13.1 and 13.2)	1,907,898	1,541,913
Other employees (Note 13.2)	2,557,012	2,318,526
Subsidiary company (Note 13.4)	-	386,638,960
	4,464,910	390,499,399
Less: Current portion shown under current assets (Note 17)		
Executives	890,108	183,692
Other employees	285,136	203,929
	1,175,244	387,621
	3,289,666	390,111,778
13.1 Reconciliation of carrying amount of loans to executives:		
Opening balance as at 01 July	1,541,913	976,542
Disbursements	3,389,685	1,274,496
Less: Repayments	3,023,700	709,125
Closing balance as at 30 June	1,907,898	1,541,913

13.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 4.605 million (2010: Rupees 2.177 million).

13.2 These represent motor vehicle loans and personal loans to executives and employees, payable in 48-60 and 15 monthly instalments respectively. Interest on long term loans ranged from 13.60 % to 14.50% per annum (2010: 9.00% to 13.50% per annum) while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of the Company, whereas personal loan is secured against balance standing to the credit of employee in the provident fund trust account.

13.3 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.

13.4 This represented subordinated loan given to Nishat Chunian Power Limited - subsidiary company. This loan was unsecured and carried mark-up at the rate of 3-month KIBOR plus 2% payable on quarterly basis. The loan was subordinate to the prior payment in full by the subsidiary company of the secured obligations to its finance parties. The bullet loan repayment date was five year after the last principal disbursement date. However, during the current year, the subsidiary company has repaid this loan to the Company. The effective mark-up rate charged during the year on balance receivable ranged from 14.29% to 15.52% (2010: 14.33% to 14.34%) per annum.

	2011 Rupees	2010 Rupees
14. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	293,387,298	222,783,269
Spare parts	150,116,143	147,853,046
Loose tools	5,009,662	8,214,058
	448,513,103	378,850,373

14.1 Stores and spare parts includes items which may result in fixed capital expenditure but are not distinguishable.

	2011 Rupees	Restated 2010 Rupees
15. STOCK IN TRADE		
Raw materials	3,072,621,338	2,070,078,648
Work-in-process	629,297,302	466,561,040
Finished goods - own produced (Notes 15.2)	770,989,076	681,133,741
Finished goods - trading stock	-	75,612
Waste	40,151,200	36,816,119
	4,513,058,916	3,254,665,160

15.1 Stock-in-trade of Rupees 1,567.893 million (2010: Rupees 55.227 million) is being carried at net realizable value.

15.2 Finished goods include stock-in-transit of Rupees Nil (2010: Rupees 8.600 million).

15.3 The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 369.579 million (2010: Rupees Nil).

	2011 Rupees	2010 Rupees
16. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	1,264,841,819	491,368,376
Unsecured (Note 16.3)	879,802,194	1,027,356,132
	2,144,644,013	1,518,724,508

16.1 As at 30 June 2011, trade debts of Rupees 8.709 million (2010: Rupees 37.086 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:

	2011 Rupees	2010 Rupees
Upto 1 month	-	12,101,149
1 to 6 months	1,336,629	1,230,916
More than 6 months	7,371,885	23,753,981
	8,708,514	37,086,046

16.2 As at 30 June 2011, trade debts of Rupees 2.172 million (2010: Rupees Nil) were impaired and written off. The aging of these trade debts was more than three years.

16.3 Trade debts include Rupees 0.725 million (2010: Rupees Nil) due from Nishat Mills Limited - related party.

	2011 Rupees	2010 Rupees
17. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
- Executives	566,630	1,927,153
- Other employees	6,045,786	12,018,646
	6,612,416	13,945,799
Current portion of long term loans (Note 13)	1,175,244	387,621
Advances to suppliers	178,803,707	97,153,412
Advances to contractors	76,608	1,632,378
Letters of credit	22,959,088	120,946,177
	209,627,063	234,065,387

	2011 Rupees	2010 Rupees

18. OTHER RECEIVABLES

	2011 Rupees	2010 Rupees
Considered good:		
Sales tax recoverable	307,626,857	199,581,413
Advance income tax - net	126,371,960	39,323,015
Export rebate and claims	143,091,327	52,288,029
Fair value of forward exchange contracts	13,188,828	36,750,839
Mark-up rate support receivable against long term loans and export finance	6,397,828	1,772,954
Receivable from employees' provident fund trust	4,765,297	2,217,433
Others (Note 18.1)	13,449,208	9,876,085
	614,891,305	341,809,768

18.1 It includes interest free receivable of Rupees Nil (2010: Rupees 2.485 million) from Nishat Chunian Power Limited - subsidiary company in the ordinary course of the business.

19. ACCRUED INTERST

This includes interest receivable of Rupees Nil (2010: Rupees 5.571 million) on long term loan given to Nishat Chunian Power Limited - subsidiary company.

20. CASH AND BANK BALANCES

	2011 Rupees	2010 Rupees
Cash with banks:		
On saving accounts (Note 20.1) Including US$ 55,172 (2010: US$ 12,107)	5,926,945	1,034,332
Term deposit receipts (Note 20.2)	22,000,000	20,000,000
On current accounts (Note 20.3) Including US$ 25,157 (2010: US$ 89,782)	100,217,740	67,994,008
	128,144,685	89,028,340
Cash in hand	6,878,599	1,746,181
	135,023,284	90,774,521

20.1 Rate of profit on saving accounts ranged from 5% to 5.5% (2010: 5% to 5.5%) per annum.

20.2 These represents deposits under lien with a bank against bank guarantees of the same amount issued by the bank to the Director, Excise and Taxation against disputed amount of infrastructure cess. The effective interest rate on term deposit receipts ranged from 6 % to 11% (2010: 11%) per annum.

20.3 Included in cash with banks on current accounts are Rupees 48.364 million (2010: Rupees 45.571 million) with MCB Bank Limited - associated company.

21. NON-CURRENT ASSET HELD FOR SALE

	2011 Rupees	2010 Rupees
Nishat Chunian Power Limited - quoted Nil (2010: 24,999,995) fully paid ordinary shares of Rupees 10 each (Note 21.1)	-	249,999,950
Less: Loss on write-down of the investment to fair value less costs to sell	-	1,500,000
	-	248,499,950

21.1 During the year ended 30 June 2010, the Company classified 24,999,995 ordinary shares of Nishat Chunian Power Limited - subsidiary company as non-current asset held for sale. This portion of the total investment in ordinary shares of the subsidiary company was non-strategic and over and above 51% stake in the subsidiary company. Out of it, 18,070,112 ordinary shares of Rupees 10 each were disposed of during the current year. The remaining 6,929,883 ordinary shares of Rupees 10 each of the subsidiary company have been reclassified to investment in subsidiary company and are being carried at cost.

22. SALES

	2011 Rupees	2010 Rupees
Export	13,825,571,075	9,944,828,677
Local (Notes 22.1 and 22.2)	6,361,093,097	3,300,659,812
Export rebate	36,562,729	29,941,970
Duty draw back	98,774,798	68,109,104
	20,322,001,699	13,343,539,563

	2011 Rupees	2010 Rupees
22.1 Local sales		
Sales	6,214,052,835	3,063,608,553
Processing income	147,040,262	175,922,448
Sale of electricity (Note 22.1.1)	-	61,128,811
	6,361,093,097	3,300,659,812

22.1.1 Sale of electricity during the year ended 30 June 2010 was exclusive of sales tax amounting to Rupees 9.781 million.

22.2 This includes sale of Rupees 2,444 million (2010: Rupees 674.477 million) made to direct exporters against special purchase orders (SPOs). Further, local sales includes waste sales of Rupees 614.302 million (2010: Rupees 298.532 million).

23. COST OF SALES

	2011 Rupees	Restated 2010 Rupees
Raw materials consumed (Note 23.1)	12,567,113,523	7,628,168,365
Packing materials consumed	474,520,651	348,818,362
Stores, spare parts and loose tools consumed	802,104,542	633,020,013
Salaries, wages and other benefits (Note 23.2)	916,434,241	758,442,203
Fuel and power	1,745,996,402	1,139,520,168
Insurance	28,092,932	23,378,632
Postage and telephone	509,082	368,045
Traveling and conveyance	11,649,842	8,754,219
Vehicles' running and maintenance	14,577,031	12,382,460
Entertainment	2,316,101	2,335,462
Depreciation on operating fixed assets (Note 11.1.2)	523,963,792	507,012,938
Repair and maintenance	27,800,827	15,750,825
Other factory overheads	54,249,516	65,633,702
	17,169,328,482	11,143,585,394
Work-in-process		
Opening stock	466,561,040	304,749,505
Closing stock	(629,297,302)	(466,561,040)
	(162,736,262)	(161,811,535)
Cost of goods manufactured	17,006,592,220	10,981,773,859
Finished goods and waste - opening stocks		
Finished goods	681,133,741	361,764,128
Waste	36,816,119	22,083,974
	717,949,860	383,848,102
	17,724,542,080	11,365,621,961
Finished goods and waste - closing stocks		
Finished goods	(770,989,076)	(681,133,741)
Waste	(40,151,200)	(36,816,119)
	(811,140,276)	(717,949,860)
Cost of sales - own manufactured goods	16,913,401,804	10,647,672,101
Opening stock of purchased finished goods	75,612	-
Finished goods purchased	-	13,736,487
Closing stock of purchased finished goods	-	(75,612)
Cost of sales - purchased finished goods	75,612	13,660,875
	16,913,477,416	10,661,332,976

	2011 Rupees	Restated 2010 Rupees
23.1 Raw material consumed		
Opening stock	2,070,078,648	1,551,063,111
Add: Purchased during the year	13,569,656,213	8,147,183,902
	15,639,734,861	9,698,247,013
Less: Closing stock	3,072,621,338	2,070,078,648
	12,567,113,523	7,628,168,365

23.2 Salaries, wages and other benefits include Rupees 14.630 million (2010: Rupees 5.421 million) and Rupees 20.763 million (2010: Rupees 17.258 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2011 Rupees	2010 Rupees
24. DISTRIBUTION COST		
Salaries and other benefits (Note 24.1)	28,724,393	26,494,976
Ocean freight	110,228,639	90,249,601
Freight and octroi	69,103,860	59,301,945
Forwarding and other expenses	17,623,846	20,235,480
Export marketing expenses	201,410,376	107,765,662
Commission to selling agents	172,495,169	`134,313,049
	599,586,283	438,360,713

24.1 Salaries and other benefits include Rupees 0.728 million (2010: Rupees 0.882 million) and Rupees 1.422 million (2010: Rupees 1.336 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2011 Rupees	2010 Rupees
25. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 25.1)	52,989,752	46,166,036
Printing and stationery	3,849,580	5,471,299
Vehicles' running and maintenance	4,212,275	4,261,518
Traveling and conveyance	21,874,537	16,834,894
Postage and telephone	4,201,313	5,049,821
Fee and subscription	4,520,544	2,748,901
Legal and professional	3,030,060	2,176,672
Electricity and sui gas	6,747,972	2,275,790
Insurance	3,232,423	2,466,804
Repair and maintenance	1,505,653	4,862,801
Entertainment	3,161,098	1,602,942
Auditors' remuneration (Note 25.2)	1,338,500	1,316,750
Depreciation on operating fixed assets (Note 11.1.2)	11,966,040	10,454,505
Amortization on intangible asset (Note 11.1.3)	2,226,895	395,700
Miscellaneous	1,235,274	5,629,327
	126,091,916	111,713,760

25.1 Salaries and other benefits include Rupees 2.128 million (2010: Rupees 0.093 million) and Rupees 1.632 million (2010: Rupees 1.335 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2011 Rupees	2010 Rupees
25.2 Auditors' remuneration		
Audit fee	1,000,000	1,000,000
Half yearly review	178,500	157,300
Certification fees	50,000	50,000
Reimbursable expenses	110,000	109,450
	1,338,500	1,316,750

26. OTHER OPERATING EXPENSES

	2011 Rupees	2010 Rupees
Workers' profit participation fund (Note 7.2)	82,364,547	57,112,696
Workers' welfare fund (Note 26.1)	-	18,833,365
Loss on sale of property, plant and equipment (Note 11.1.1)	51,509,073	-
Loss on write-down of the investment to fair value less costs to sell (Note 21)	-	1,500,000
Bad debts written off	2,171,737	-
Donations (Note 26.2)	4,200,000	4,387,440
Expenses on sale of shares of subsidiary company	1,042,267	-
	141,287,624	81,833,501

26.1 Workers' welfare fund has not been provided for in these financial statements based on the advice of the Company's legal consultant.

	2011 Rupees	2010 Rupees
26.2 Name of donee in which a director or his spouse has an interest:		
Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.	4,200,000	4,387,440

	2011 Rupees	2010 Rupees
27. OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposits	2,226,575	223,038
Net exchange gain	199,265,731	145,340,294
Income from investment in and loan to subsidiary company		
Interest income on loan to subsidiary company	68,019,855	6,794,397
Dividend income	196,980,439	-
Gain on sale of shares of subsidiary company	100,319,710	-
Reversal of impairment loss on shares of subsidiary company	415,793	-
Income from non-financial assets		
Gain on sale of property, plant and equipment	-	2,572,372
Others		
Sale of scrap	34,614,252	30,527,554
Miscellaneous	1,787,256	913,551
	603,629,611	186,371,206

	2011 Rupees	2010 Rupees
28. FINANCE COST		
Mark-up on:		
- long term loans - net (Note 28.1)	554,905,972	522,643,407
- privately placed term finance certificates	58,556,986	-
- long term musharaka	76,509,592	31,378,751
- short term running finances	376,741,845	301,299,296
- export finances - Preshipment / SBP refinances (Note 28.1)	277,894,397	181,706,890
- short term finances	65,540,502	477,061
Interest on workers' profit participation fund (Note 7.2)	2,457,472	1,051,075
Bank charges and commission	69,792,667	62,497,617
	1,482,399,433	1,101,054,097

28.1 These are net of mark-up rate support against long term loans and export finance amounting to Rupees 26.214 million (2010: Rupees 14.536 million).

	2011 Rupees	2010 Rupees
29. TAXATION		
Current (Note 29.1)	208,513,359	137,517,209
Prior year adjustment	(4,304,438)	(3,734,295)
	204,208,921	133,782,914

29.1 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.

29.2 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.

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

	2011	Restated 2010
30. EARNINGS PER SHARE - BASIC AND DILUTED		
Basic		
Profit after taxation (Rupees)	1,458,579,717	1,001,832,808
Less: Preference dividend (Rupees)	5,027,243	10,333,766
Profit after taxation attributable to ordinary shareholders (Rupees)	1,453,552,474	991,499,042
Weighted average number of ordinary shares outstanding during the year (Number)	160,192,070	116,758,568
Basic earnings per share (Rupees)	9.07	8.49
Diluted		
Profit after taxation (Rupees)	1,458,579,717	1,001,832,808
Weighted average number of ordinary shares outstanding during the year (Number)	160,192,070	116,758,568
Impact of dilutive potential preference shares (Number)	5,249,774	35,300,088
	165,441,844	152,058,656
Diluted earnings per share (Rupees)	8.82	6.59

	2011 Rupees	Restated 2010 Rupees
31. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,662,788,638	1,135,615,722
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	535,929,832	517,467,443
Amortization on intangible asset	2,226,895	395,700
Loss / (gain) on sale of property, plant and equipment	51,509,073	(2,572,372)
Gain on sale of shares of subsidiary company	(100,319,710)	-
Dividend income	(196,980,439)	-
Finance cost	1,482,399,433	1,101,054,097
(Reversal) / recognition of impairment loss for write-down of non-current asset held for sale	(415,793)	1,500,000
Interest income on long term loan to subsidiary company	(68,019,855)	(6,794,397)
Interest on bank deposits	(2,226,575)	(223,038)
Bad debts written off	2,171,737	-
Working capital changes (Note 31.1)	(1,883,863,512)	(917,976,892)
	1,485,199,724	1,828,466,263

	2011 Rupees	2010 Rupees
31.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(69,662,730)	(115,640,345)
Stock-in-trade	(1,258,393,756)	(1,015,004,442)
Trade debts	(628,091,242)	(1,995,521)
Loans and advances	25,225,947	138,152,632
Short term prepayments	(184,484)	293,020
Other receivables	(186,032,592)	(129,153,267)
	(2,117,138,857)	(1,123,347,923)
Increase in current liabilities:		
Trade and other payables	233,275,345	205,371,031
	(1,883,863,512)	(917,976,892)

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive, director and executives of the Company is as follows:

	Director		Executives	
	2011	2010	2011	2010
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,840,092	1,600,080	33,768,355	25,093,254
Contribution to provident fund	-	-	2,812,904	2,090,268
House rent	735,816	639,840	15,503,290	10,034,291
Utilities	184,092	160,008	3,378,355	2,510,455
Others	445,440	445,440	4,813,587	2,222,869
	3,205,440	2,845,368	60,276,491	41,951,137
Number of persons	1	1	32	24

32.1 No expenses was charged in the financial statements for the salary to chief executive of the Company. The Company provides to chief executive, directors and certain executives with free use of Company maintained cars and residential telephones.

32.2 Aggregate amount charged in the financial statements for meeting fee to one director was Rupees 40,000 (2010: Rupees 40,000).

33. 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:

	2011 Rupees	2010 Rupees
Subsidiary company		
Investment made	-	685,577,460
Subordinated loan made during the year	85,000,000	386,638,960
Repayment of subordinated loan by the subsidiary company	471,638,960	-
Common facilities cost charged	1,800,000	1,800,000
Share of ERP system implementation cost	-	2,385,000
Other related parties		
Purchase of goods	99,983,926	186,823,098
Sales of goods	101,265,882	173,931,069
Preference dividend paid	-	1,212,320
Ordinary dividend paid	41,285,070	-
Contribution to employees' provident fund	23,816,982	19,928,857

34. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Power Generation		'Elimination of inter-segment transactions		Total - Company	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	--Rupees--											
Sales	14,994,226,691	9,163,604,665	6,577,876,976	4,226,875,781	5,759,252,076	4,640,699,225	1,126,532,539	1,020,213,370	(8,135,886,583)	(5,707,853,478)	20,322,001,699	13,343,539,563
Cost of sales	(12,077,962,032)	(7,225,703,476)	(6,094,288,144)	(3,893,145,807)	(5,370,166,966)	(4,237,455,961)	(1,506,946,857)	(1,012,881,210)	8,135,886,583	5,707,853,478	(16,913,477,416)	(10,661,332,976)
Gross profit / (loss)	2,916,264,659	1,937,901,189	483,588,832	333,729,974	389,085,110	403,243,264	(380,414,318)	7,332,160	-	-	3,408,524,283	2,682,206,587
Distribution cost	(295,322,305)	(210,665,963)	(92,570,836)	(55,979,317)	(211,693,142)	(171,715,433)	-	-	-	-	(599,586,283)	(438,360,713)
Administrative expenses	(69,744,974)	(61,457,814)	(23,383,752)	(23,681,643)	(27,356,650)	(21,580,399)	(5,606,540)	(4,993,904)	-	-	(126,091,916)	(111,713,760)
	(365,067,279)	(272,123,777)	(115,954,588)	(79,660,960)	(239,049,792)	(193,295,832)	(5,606,540)	(4,993,904)	-	-	(725,678,199)	(550,074,473)
Profit / (loss) before taxation and unallocated income and expenses	2,551,197,380	1,665,777,412	367,634,244	254,069,014	150,035,318	209,947,432	(386,020,858)	2,338,256	-	-	2,682,846,084	2,132,132,114
Unallocated income and expenses												
Other operating expenses											(141,287,624)	(81,833,501)
Other operating income											603,629,611	186,371,206
Finance cost											(1,482,399,433)	(1,101,054,097)
Provision for taxation											(204,208,921)	(133,782,914)
Profit after taxation											1,458,579,717	1,001,832,808

34.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Power Generation		Total - Company	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	--Rupees--									
Total assets for reportable segments	6,685,083,743	5,256,038,150	2,221,645,903	1,560,731,297	3,627,551,305	2,572,181,675	980,234,252	729,421,115	13,514,515,203	10,118,372,237
Unallocated assets:										
Long term investments									1,942,768,220	1,873,469,390
Other receivables									614,891,305	341,809,768
Cash and bank balances									135,023,284	90,774,521
Other corporate assets									23,097,090	1,883,659,673
Total assets as per balance sheet									16,230,295,102	14,308,085,589
Total liabilities for reportable segments	22,767,665	33,850,750	101,660,656	84,685,052	161,988,376	27,467,267	98,969,476	-	385,386,173	146,003,069
Unallocated liabilities:										
Other corporate liabilities									10,140,467,958	9,673,365,022
Total liabilities as per balance sheet									10,525,854,131	9,819,368,091

34.2 Geographical information

The Company's revenue from external customers by geographical location is detailed below:

	2011 Rupees	2010 Rupees
Europe	2,351,916,907	1,766,969,077
Asia, Africa and Australia	7,242,809,589	4,817,572,829
United States of America and Canada	4,366,182,106	3,458,337,845
Pakistan	6,361,093,097	3,300,659,812
	20,322,001,699	13,343,539,563

34.3 All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

34.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers. However, revenue from transactions with a single external customer of the Processing and Home Textile business segment of the Company amounted to Rupees 2,560.892 million (2010: Rupees 2,469.177 million).

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
Spinning		
Number of spindles installed	149,744	147,926
Number of spindles worked	142,324	141,949
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	51,481,595	50,948,536
Actual production of yarn after conversion into 20/1 count (Kgs.)	49,932,454	50,225,855

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

	2011	2010
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	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	199,417,592	214,588,988

Under utilization of available capacity was due to the following reasons:

- change of articles required
- higher count and cover factor
- due to normal maintenance

	2011	2010
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	317,698,920
Actual generation (KWh)	172,000,823	172,357,094

Under utilization of available capacity was due to normal maintenance.

	2011	2010
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	3	2
Number of shifts per day	3	3
Capacity in meters	30,800,000	26,400,000
Actual processing of fabrics - meters	20,900,000	25,522,831

Under utilization of available capacity was due to normal maintenance and power outages.

	2011	2010
Printing		
Number of stenter machine	1	-
Number of shifts per day	2	-
Capacity in meters	6,200,000	-
Actual processing of fabrics - meters	1,732,000	-

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

Stitching

The plant capacity of this division is indeterminable due to multi product plant involving varying run length of order lots.

36. FINANCIAL RISK MANAGEMENT

36.1 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 minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. 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, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(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:

	2011	2010
Cash at banks - USD	80,329	101,889
Trade debts - USD	18,844,028	13,935,801
Trade and other payable - USD	344,618	607,259
Short term borrowings as FE 25 import / export loans - USD	7,128,535	1,476,190
Accrued mark-up on FE 25 import / export loans - USD	73,908	6,460
Net exposure - USD	11,377,296	11,947,781

The following significant exchange rates were applied during the year:

	2011	2010
Rupees per US Dollar		
Average rate	85.63	84.27
Reporting date rate	85.95	85.60

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 45.639 million (2010: Rupees 47.557 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 asset. 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:

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	634,382,704	600,860,872
Short term borrowings	1,803,457,060	3,238,389,484
Floating rate instruments		
Financial assets		
Loan to subsidiary company	-	386,638,960
Bank balances - saving accounts	5,926,945	1,034,332
Term deposit receipts	22,000,000	20,000,000
Financial liabilities		
Long term financing	4,198,611,112	3,671,944,444
Short term borrowings	2,805,158,699	1,429,408,188

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 66.271 million (2010: Rupees 43.651 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:

	2011 Rupees	2010 Rupees
Loans and advances	11,077,326	404,445,198
Deposits	1,095,442	1,095,442
Trade debts	2,144,644,013	1,518,724,508
Other receivables	26,638,036	46,626,924
Accrued interest	1,975,178	5,571,439
Bank balances	128,144,685	89,028,340
	2,313,574,680	2,065,491,851

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			2011 Rupees	2010 Rupees
	Short term	Long term	Agency		
Banks					
Askari Bank Limited	A1+	AA	PACRA	22,059,379	20,059,067
Al-Baraka Bank (Pakistan) Limited	A2	A-	PACRA	2,242	-
Allied Bank Limited	A1+	AA	PACRA	15,019,848	-
Bank Alfalah Limited	A1+	AA	PACRA	322,708	616,399
Bank Al-Habib Limited	A1+	AA	PACRA	2,007,873	-
BankIslami Pakistan Limited	A1	A	PACRA	153,961	1,283,826
Barclays Bank Plc	P-1	Aa3	Moody's	2,534,397	-
Burj Bank Limited (Formerly Dawood Islamic Bank Limited)	A-2	A-	JCR-VIS	-	3
Citibank N.A.	P-1	A1	Moody's	2,285	224,203
Deutsche Bank AG	P-1	Aa3	Moody's	119,876	-
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	427,391	553,521
Faysal Bank Limited	A1+	AA	PACRA	15,119,622	4,607,178
Habib Bank Limited	A-1+	AA+	JCR-VIS	4,413,818	417,496
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,148,433	171
HSBC Bank Middle East Limited	P-1	A1	Moody's	691,644	7,288,887
MCB Bank Limited	A1+	AA+	PACRA	48,364,037	45,571,236
Meezan Bank Limited	A-1+	AA-	JCR-VIS	2,855,727	23,430
NIB Bank Limited	A1+	AA -	PACRA	441,612	7,831,769
Samba Bank Limited	A-1+	A+	JCR-VIS	90,761	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	10,918,668	463,318
Summit Bank Limited	A-2	A	JCR-VIS	12,490	14,631
The Bank of Punjab	A1+	AA -	PACRA	1,041,509	1,106
United Bank Limited	A-1+	AA+	JCR-VIS	396,404	72,099
				128,144,685	89,028,340

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 16.

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 2011, the Company had Rupees 4,616 million available borrowing limits from financial institutions and Rupees 135.023 million cash and bank balances. The management believes 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 2011:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
	------------------------- Rupees -------------------------					
Non-derivative financial liabilities:						
Long term financing	4,832,993,816	6,228,163,807	979,945,058	1,147,639,915	1,797,515,971	2,303,062,863
Short term borrowings	4,608,615,759	4,712,750,694	4,339,278,557	373,472,137	-	-
Trade and other payables	656,280,478	656,280,478	656,280,478	-	-	-
Accrued mark-up	191,413,429	191,413,429	191,413,429	-	-	-
	10,289,303,482	11,788,608,408	6,166,917,522	1,521,112,052	1,797,515,971	2,303,062,863

Contractual maturities of financial liabilities as at 30 June 2010:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
	------------------------- Rupees -------------------------					
Non-derivative financial liabilities:						
Long term financing	4,272,805,316	5,329,283,672	1,059,862,228	1,005,248,957	1,701,114,646	1,563,057,841
Short term borrowings	4,667,797,672	4,913,534,410	3,775,390,038	1,138,144,372	-	-
Trade and other payables	520,619,924	520,619,924	520,619,924	-	-	-
Accrued mark-up	216,443,282	216,443,282	216,443,282	-	-	-
	9,677,666,194	10,979,881,288	5,572,315,472	2,143,393,329	1,701,114,646	1,563,057,841

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 9 to these financial statements.

36.2 Fair values of financial assets and liabilities

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

	2011 Rupees	2010 Rupees
36.3 Financial instruments by categories		
Loans and receivables		
Assets as per balance sheet		
Loans and advances	11,077,326	404,445,198
Deposits	1,095,442	1,095,442
Trade debts	2,144,644,013	1,518,724,508
Other receivables	26,638,036	46,626,924
Accrued interest	1,975,178	5,571,439
Cash and bank balances	135,023,284	90,774,521
	2,320,453,279	2,067,238,032
Financial liabilities at amortized cost		
Liabilities as per balance sheet		
Long term financing	4,832,993,816	4,272,805,316
Accrued mark-up	191,413,429	216,443,282
Short term borrowings	4,608,615,759	4,667,797,672
Trade and other payables	656,280,478	520,619,924
	10,289,303,482	9,677,666,194

37. 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 9 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.

		2011	2010
Borrowings	Rupees	9,441,609,575	8,940,602,988
Total equity	Rupees	5,704,440,971	4,488,717,498
Total capital employed	Rupees	15,146,050,546	13,429,320,486
Gearing ratio	Percentage	62.34	66.58

38. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 9,225 million (2010: Rupees 5,743 million) out of which Rupees 4,616 million (2010: Rupees 1,078 million) remained unutilized at the end of the year.

39. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2011 of Rupees 2 /- per ordinary share (2010: Rupees 1.50 per ordinary share) at their meeting held on 08 October 2011. Moreover, 15% (2010: 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.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 08 October 2011 by the Board of Directors of the Company.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of comparison. However, no significant rearrangements / regroupings have been made except lycra amounting to Rupees 31.873 million has been reclassified from stores, spare parts and loose tools to stock-in-trade.

42. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE DIRECTOR

Categories of Shareholders
as on 30 June 2011

	Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
A)	Directors/Chief Executive Officer and their spouse and minor Children			
	Mr. Muhammad Saleem - Chairman	1	6,531,227	4.03
	Mr. Shahzad Saleem - Chief Executive	1	13,705,750	8.46
	Mrs. Farhat Saleem - Director	1	8,865,610	5.47
	Spouse:			
	Mrs. Ayesha Shahzad w/o Mr. Shahzad Saleem	1	164,222	0.10
	TOTAL: -	4	29,102,587	17.95
B)	Executives			
	N/A	-	-	0.00
C)	Associated Companies, Undertakings and related parties	-	-	0.00
D)	Public Sectors Companies & Corporations	-	-	0.00
E)	NIT and IDBP (ICP UNIT)	6	7,858,044	4.85
F)	Banks, Development Financial Institutions & Non-Banking Financial Institutions	28	28,698,569	17.71
H)	Insurance Companies	7	4,957,698	3.06
I)	Modarabas & Mutual Funds	24	6,005,238	3.70
J)	*Shareholding 10% or more	*1	*22,513,321	*13.89
K)	Joint Stock Companies	99	31,278,360	19.30
L)	Others	23	200,926	0.12
M)	General Public	6,464	53,988,927	33.31
	TOTAL: -	6,654	162,090,349	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	22,513,321	13.89
TOTAL :-	22,513,321	13.89

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 childern during the year July 01, 2010 to June 30, 2011

Sale	Purchanse
NIL	NIL

Pattern of Shareholding
as at 30 June 2011

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held	% of Capital
2557	1	100	60,715	0.04
1205	101	500	334,835	0.21
864	501	1000	629,102	0.39
1348	1001	5000	3,330,598	2.05
304	5001	10000	2,232,122	1.38
89	10001	15000	1,091,277	0.67
61	15001	20000	1,088,705	0.67
42	20001	25000	988,483	0.61
16	25001	30000	440,788	0.27
12	30001	35000	382,278	0.24
6	35001	40000	231,730	0.14
9	40001	45000	381,345	0.24
18	45001	50000	889,301	0.55
7	50001	55000	372,160	0.23
6	55001	60000	344,943	0.21
9	60001	65000	552,604	0.34
5	65001	70000	331,138	0.20
10	70001	75000	738,698	0.46
5	75001	80000	387,684	0.24
5	80001	85000	413,485	0.26
3	85001	90000	263,240	0.16
1	90001	95000	95,000	0.06
4	95001	100000	400,000	0.25
1	100001	105000	104,000	0.06
1	105001	110000	110,000	0.07
2	110001	115000	221,202	0.14
1	115001	120000	119,304	0.07
2	120001	125000	242,820	0.15
1	125001	130000	126,324	0.08
1	135001	140000	139,920	0.09
2	140001	145000	283,890	0.18
2	145001	150000	299,127	0.18
1	150001	155000	153,267	0.09
1	155001	160000	158,126	0.10
1	165001	170000	170,000	0.10
1	180001	185000	180,283	0.11
2	185001	190000	378,000	0.23
1	230001	235000	232,843	0.14
1	270001	275000	272,665	0.17
1	275001	280000	279,745	0.17
1	295001	300000	300,000	0.19
1	305001	310000	308,549	0.19
1	325001	330000	330,000	0.20
1	365001	370000	367,305	0.23
1	390001	395000	393,931	0.24
2	410001	415000	826,830	0.51
1	435001	440000	440,000	0.27
1	505001	510000	505,954	0.31
1	580001	585000	582,200	0.36
1	585001	590000	587,130	0.36
1	595001	600000	600,000	0.37
1	665001	670000	670,000	0.41
2	745001	750000	1,500,000	0.93
1	885001	890000	888,832	0.55
1	995001	1000000	1,000,000	0.62
1	1045001	1050000	1,047,594	0.65
1	1120001	1125000	1,122,318	0.69
1	1170001	1175000	1,172,000	0.72
1	1270001	1275000	1,275,000	0.79
1	1295001	1300000	1,300,000	0.80
1	1505001	1510000	1,510,000	0.93
1	1545001	1550000	1,547,412	0.95
1	1585001	1590000	1,587,840	0.98
1	1700001	1705000	1,704,368	1.05
1	1730001	1735000	1,734,532	1.07
1	1770001	1775000	1,773,490	1.09
1	1780001	1785000	1,780,494	1.10
1	1895001	1900000	1,900,000	1.17
1	2145001	2150000	2,150,000	1.33
1	2300001	2305000	2,300,600	1.42
1	2595001	2600000	2,600,000	1.60
1	2755001	2760000	2,755,841	1.70
1	3355001	3360000	3,355,757	2.07
1	3885001	3890000	3,887,741	2.40
1	5470001	5475000	5,470,771	3.38
1	5570001	5575000	5,574,030	3.44
1	6025001	6030000	6,025,273	3.72
1	7700001	7705000	7,702,352	4.75
1	8790001	8795000	8,791,318	5.42
1	9770001	9775000	9,770,713	6.03
1	12115001	12120000	12,117,910	7.48
1	12670001	12675000	12,673,724	7.82
1	12740001	12745000	12,742,608	7.86
1	15960001	15965000	15,964,185	9.85
6,654			162,090,349	100.00

Nishat (Chunian) Limited and its Subsidiary Company

Consolidated Financial Statements With Accompanying Information

30 June 2011

Directors' Report

The directors are pleased to present their report together with the consolidated audited results of Nishat (Chunian) Limited and its subsidiary for the year ended 30 June, 2011. The group results comprise of financial statements of Nishat (Chunian) Limited and Nishat Chunian Power Limited. Group turnover for the year is Rs.40.675 billion and EPS (Basic) for the year is Rs.12.79 per ordinary share.

Nishat Chunian Power Limited (NCPL), incorporated under the Companies Ordinance 1984 on 23 February, 2007, is the subsidiary company of Nishat (Chunian) Limited. The Company has been listed on Karachi and Lahore Stock Exchanges since October 2009. The Company has commenced its commercial operation on July 21, 2010. The Operations and Maintenance contract is with Wartsila Pakistan (Private) Limited.NCPL is experiencing good capacity utilization. Delay in payments from WAPDA and circular debt continues to be an issue as face by all other Independent Power Producers. NCPL's turnover for the year was Rs. 20.353 billion with an after tax profit of Rs. 1.612 billion and earnings per share (EPS) of Rs. 4.389.

Power shortage also remains to be a serious challenge for the country. In view of the overall situation; the management expects high capacity utilization and looks forward to a profitable operations year ahead. Nishat (Chunian) Limited currently owns and controls 52.89% shares of Nishat Chunian Power Limited. The Directors' Report giving a commentary on the performance of Nishat (Chunian) Limited for the year ended 30 June 2011 has been presented separately.

On behalf of the Board

Shahzad Saleem
Chief Executive

08 October 2011
Lahore

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Nishat (Chunian) Limited (the Holding Company) and its Subsidiary Company (together referred to as Group) as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Nishat (Chunian) Limited. The financial statements of the Subsidiary Company, Nishat Chunian Power Limited were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Nishat (Chunian) Limited and its Subsidiary Company as at 30 June 2011 and the results of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner:
Syed Mustafa Ali

Date: 08 October 2011

Lahore

Consolidated Balance Sheet as at

	NOTE	30 June 2011 Rupees	Restated 30 June 2010 Rupees	Restated 01 July 2009 Rupees
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	3	1,950,000,000	1,950,000,000	1,750,000,000
Issued, subscribed and paid-up share capital	4	1,654,418,440	1,654,418,440	1,240,813,830
Reserves	5	4,687,597,343	2,814,537,484	1,845,658,890
Equity attributable to equity holders of the Holding Company		6,342,015,783	4,468,955,924	3,086,472,720
Non-controlling interest		2,305,932,032	1,540,327,620	359,011,447
Total equity		8,647,947,815	6,009,283,544	3,445,484,167
NON-CURRENT LIABILITIES				
Long term financing	6	17,145,214,989	17,721,442,341	10,296,389,685
Deferred income tax liability		-	-	1,552,252
		17,145,214,989	17,721,442,341	10,297,941,937
CURRENT LIABILITIES				
Trade and other payables	7	1,563,171,399	1,532,750,774	459,619,896
Accrued mark-up	8	953,708,954	776,990,805	412,461,194
Short term borrowings	9	8,219,915,747	6,492,739,649	3,500,578,041
Current portion of long term financing	6	2,533,783,675	1,953,143,926	1,679,207,525
		13,270,579,775	10,755,625,154	6,051,866,656
TOTAL LIABILITIES		30,415,794,764	28,477,067,495	16,349,808,593
CONTINGENCIES AND COMMITMENTS	10			
TOTAL EQUITY AND LIABILITIES		39,063,742,579	34,486,351,039	19,795,292,760

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

CHIEF EXECUTIVE

30 June 2011

	NOTE	30 June 2011 Rupees	Restated 30 June 2010 Rupees	Restated 01 July 2009 Rupees
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	11	22,963,097,004	24,027,092,110	15,145,261,812
Long term loans	12	5,382,191	3,633,468	3,537,975
Long term security deposits		1,200,442	1,200,442	1,187,942
		22,969,679,637	24,031,926,020	15,149,987,729
CURRENT ASSETS				
Stores, spare parts and loose tools	13	694,943,360	599,399,344	263,210,028
Stock-in-trade	14	5,178,429,523	3,560,305,415	2,239,660,718
Trade debts	15	9,053,785,203	3,251,175,130	1,516,728,987
Loans and advances	16	284,807,263	770,678,338	374,538,500
Short term prepayments		7,899,639	194,704	487,724
Other receivables	17	694,150,949	488,784,940	216,500,366
Derivative financial instrument	18	3,061,396	-	-
Accrued interest		2,660,798	-	-
Short term investment	19	-	131,890,238	-
Cash and bank balances	20	174,324,811	1,651,996,910	34,178,708
		16,094,062,942	10,454,425,019	4,645,305,031
TOTAL ASSETS		39,063,742,579	34,486,351,039	19,795,292,760

DIRECTOR

Consolidated Profit and Loss Account
for the year ended 30 June 2011

	NOTE	2011 Rupees	Restated 2010 Rupees
SALES	21	40,675,056,941	13,343,539,563
COST OF SALES	22	(32,662,974,975)	(10,661,332,976)
GROSS PROFIT		8,012,081,966	2,682,206,587
DISTRIBUTION COST	23	(599,586,283)	(438,360,713)
ADMINISTRATIVE EXPENSES	24	(171,037,680)	(117,509,568)
OTHER OPERATING EXPENSES	25	(145,331,249)	(80,333,501)
		(915,955,212)	(636,203,782)
		7,096,126,754	2,046,002,805
OTHER OPERATING INCOME	26	250,861,668	178,918,808
PROFIT FROM OPERATIONS		7,346,988,422	2,224,921,613
FINANCE COST	27	(4,357,248,680)	(1,101,054,097)
PROFIT BEFORE TAXATION		2,989,739,742	1,123,867,516
TAXATION	28	(217,788,642)	(135,086,275)
PROFIT AFTER TAXATION		2,771,951,100	988,781,241
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE HOLDING COMPANY		2,054,484,551	992,053,991
NON-CONTROLLING INTEREST		717,466,549	(3,272,750)
		2,771,951,100	988,781,241
BASIC EARNINGS PER SHARE	29	12.79	8.41
DILUTED EARNINGS PER SHARE	29	12.42	6.52

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

	2011 Rupees	Restated 2010 Rupees
PROFIT AFTER TAXATION	2,771,951,100	988,781,241
OTHER COMPREHENSIVE INCOME		
Reclassification adjustment for gain included in profit or loss	-	(4,435,005)
Deferred income tax relating to other comprehensive income	-	1,552,252
Net loss recognized in other comprehensive income	-	(2,882,753)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,771,951,100	985,898,488
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE HOLDING COMPANY	2,054,484,551	989,171,238
NON-CONTROLLING INTEREST	717,466,549	(3,272,750)
	2,771,951,100	985,898,488

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Cash Flow Statement

for the year ended 30 June 2011

	NOTE	2011 Rupees	Restated 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	30	2,002,020,603	(247,426,127)
Net increase in long term security deposits		-	(12,500)
Finance cost paid		(4,327,408,491)	(736,524,486)
Income tax paid		(296,368,564)	(143,808,817)
Net (increase) / decrease in short term investment		131,890,238	(131,226,152)
Net increase in long term loans		(2,585,646)	(95,493)
Net cash used in operating activities		(2,492,451,860)	(1,259,093,575)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(690,039,678)	(9,398,767,347)
Capital expenditure on intangible assets		(672,373)	(7,376,943)
Proceeds from sale of property, plant and equipment		56,620,192	7,925,094
Profit on bank deposits received		14,270,278	1,066,656
Net cash used in investing activities		(619,821,581)	(9,397,152,540)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		2,754,963,500	9,503,244,921
Repayment of long term financing		(2,750,551,103)	(1,804,255,864)
Short term borrowings - net		1,727,176,098	2,992,161,608
Proceeds from issue of right shares		-	413,604,610
Proceeds from disposal of interest to non-controlling interest		279,936,623	1,190,527,070
Dividend paid to non-controlling interest		(170,367,208)	-
Share issuance cost		-	(15,897,025)
Dividends paid		(206,556,568)	(5,321,003)
Net cash from financing activities		1,634,601,342	12,274,064,317
Net (decrease) / increase in cash and cash equivalents		(1,477,672,099)	1,617,818,202
Cash and cash equivalents at the beginning of the year		1,651,996,910	34,178,708
Cash and cash equivalents at the end of the year		174,324,811	1,651,996,910

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Changes in Equity
for the year ended 30 June 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY								NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL			RESERVES				SHAREHOLDERS' EQUITY		
				CAPITAL RESERVE	REVENUE RESERVES		Sub Total			
	Ordinary shares	Preference shares	Sub Total	Hedging reserve	General reserve	Unappropr-iated profit				
	.... Rupees									
Balance as at 30 June 2009	827,209,220	413,604,610	1,240,813,830	2,882,753	1,629,221,278	227,706,940	1,859,810,971	3,100,624,801	359,011,447	3,459,636,248
Effect of change in accounting policy (Note 2.8)	-	-	-	-	-	(14,152,081)	(14,152,081)	(14,152,081)	-	(14,152,081)
Balance as at 30 June 2009 - restated	827,209,220	413,604,610	1,240,813,830	2,882,753	1,629,221,278	213,554,859	1,845,658,890	3,086,472,720	359,011,447	3,445,484,167
Ordinary shares issued	413,604,610	-	413,604,610	-	-	-	-	413,604,610	-	413,604,610
Share issuance cost, net	-	-	-	-	-	(9,958,878)	(9,958,878)	(9,958,878)	(5,938,147)	(15,897,025)
Preference shares converted into ordinary shares	344,712,840	(344,712,840)	-	-	-	-	-	-	-	-
Preference dividend for the year ended 30 June 2010	-	-	-	-	-	(10,333,766)	(10,333,766)	(10,333,766)	-	(10,333,766)
Increase in non-controlling interest	-	-	-	-	-	-	-	-	1,190,527,070	1,190,527,070
Total comprehensive income for the year ended 30 June 2010	-	-	-	(2,882,753)	-	992,053,991	989,171,238	989,171,238	(3,272,750)	985,898,488
Balance as at 30 June 2010 - restated	1,585,526,670	68,891,770	1,654,418,440	-	1,629,221,278	1,185,316,206	2,814,537,484	4,468,955,924	1,540,327,620	6,009,283,544
Final dividend for the year ended 30 June 2010 @ Rupees 1.5 per ordinary share	-	-	-	-	-	(237,829,001)	(237,829,001)	(237,829,001)	-	(237,829,001)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(170,367,208)	(170,367,208)
Preference shares converted into ordinary shares	35,376,820	(35,376,820)	-	-	-	-	-	-	-	-
Preference dividend for the year ended 30 June 2011	-	-	-	-	-	(5,027,243)	(5,027,243)	(5,027,243)	-	(5,027,243)
Disposal of interest to non-controlling interest	-	-	-	-	-	61,431,552	61,431,552	61,431,552	218,505,071	279,936,623
Total comprehensive income for the year ended 30 June 2011	-	-	-	-	-	2,054,484,551	2,054,484,551	2,054,484,551	717,466,549	2,771,951,100
Balance as at 30 June 2011	1,620,903,490	33,514,950	1,654,418,440	-	1,629,221,278	3,058,376,065	4,687,597,343	6,342,015,783	2,305,932,032	8,647,947,815

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

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

Nishat (Chunian) Limited

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

Nishat Chunian Power Limited

Nishat Chunian Power Limited ("the Subsidiary Company") is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 and listed on the Lahore Stock Exchange (Guarantee) Limited and Karachi Stock Exchange (Guarantee) Limited. The principal activity of the Subsidiary Company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW and net capacity of 195.722 MW at Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. Its registered office is situated at 31-Q, Gulberg II, Lahore. The Subsidiary Company has commenced commercial operations from 21 July 2010 and the twenty five years term of the Power Purchase Agreement (PPA) with National Transmission and Despatch Company Limited starts from this date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated 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 consolidated 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 consolidated financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

c) Article accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

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

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Accumulating compensated absences

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

Taxation

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

Provisions for doubtful debts

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

d) Amendments to published approved standards that are effective in current year and relevant to the Group

The following amendments to published approved standards are mandatory for the accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the consolidated cash flow statement and the presentation of recognized assets in the consolidated balance sheet. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

IFRS 8 (Amendment), 'Operating Segments' (effective for annual periods beginning on or after 01 January 2010). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. The application of the amendment does not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

e) Interpretations and amendments to published approved standards that are effective in current year but are not relevant to the Group

There are other new interpretations and amendments to the published approved standards 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 Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Group is in the process of evaluating the impact of the aforesaid amendment on the Group's consolidated financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.

IFRS 10 'Consolidated Financial Statements' (effective for annual period beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation - Special Purpose Entities' in its entirety. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual period beginning on or after 01 January 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the Group's consolidated financial statements. These amendments are unlikely to have a significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Group

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

h) Exemption from applicability of IFRIC - 4 'Determining whether an Arrangement contains a Lease'

IFRIC 4 'Determining whether an Arrangement contains a Lease' is applicable for periods beginning on or after 01 January 2006, however, Independent Power Producer (IPPs), whose letter of intent has been signed on or before 30 June 2010, have been exempted from its application by the Securities and Exchange Commission of Pakistan (SECP).This interpretation provides guidance on determining whether arrangements that do not take legal form of lease should, nonetheless, be accounted for as lease in accordance with International Accounting Standard (IAS) 17 'Lease'.

Consequently, the Subsidiary Company is not required to account for a portion of its Power Purchase Agreement (PPA) with National Transmission and Despatch Company Limited (NTDCL) as lease under IAS 17 'Leases'. If the Subsidiary Company were to follow IFRIC 4 and IAS 17, the effect on these consolidated financial statements would be as follows:

	2011 Rupees	2010 Rupees
De-recognition of property, plant and equipment	(16,741,091,245)	(17,984,649,259)
Recognition of lease debtor	17,473,512,141	-
Recognition of inventory - work-in-process	-	(17,984,649,259)
Increase / (decrease) in un-appropriated profit at the beginning of the year	-	-
Increase in profit for the year	732,420,894	-
Increase in un-appropriated profit at the end of the year	732,420,894	-

2.2 Consolidation

Subsidiary

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

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

Intra group balances and transactions have been eliminated.

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

2.3 Taxation

Current

Holding Company

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.

Subsidiary Company

The Subsidiary Company's profits and gains from electric power generation are exempt from tax under clause (132), Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein. The Subsidiary Company is also exempt from minimum tax on turnover under clause (11A), Part IV of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any.

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 consolidated 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 reporting date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Nishat Chunian Power Limited - Subsidiary Company has not made provision for deferred tax as the Subsidiary Company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Subsidiary Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132), Part I of the Second Schedule to the Income Tax Ordinance, 2001.

2.4 Employee benefits

The main features of the schemes operated are as follows:

Provident fund

The Group operates funded provident fund schemes covering all permanent employees. Equal monthly contributions are made both by the employees and the employer to funds in accordance with the funds' rules. The employer's contributions to the funds are charged to income currently.

Accumulating compensated absences

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

2.5 Fixed assets

Property, plant, equipment and depreciation

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and 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.

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.

Depreciation

Depreciation on all operating fixed assets is charged to income on the reducing balance method, except in case of the Subsidiary Company, where this accounting estimate is based on straight line method, so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 11.1. 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.

Previously, depreciation on operating fixed assets of the Subsidiary Company was charged on reducing balance method. However, during the year, the Subsidiary Company's management carried out a comprehensive review of the pattern of consumption of economic benefits of the operating fixed assets. Now the Subsidiary Company charges depreciation on operating fixed assets on straight line method. Such a change has been accounted for as a change in an 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 tax for the year ended 30 June 2011, would be higher by Rupees 656,125 and carrying value of operating fixed assets as at that date would have been higher by the same amount.

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 consolidated profit and loss account in the year the asset is derecognized.

Intangible asset

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the identifiable net assets acquired. Goodwill is tested annually for the impairment and carried at cost less accumulated impairment losses. Any impairment is recognized immediately through the consolidated profit and loss account and is not subsequently reversed.

Negative goodwill is recognized directly in consolidated profit and loss account in the year of acquisition.

2.7 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 and re-evaluates such designation on regular basis.

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 Group assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Group applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to its investments.

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 consolidated 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 Group 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 consolidated profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) 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 consolidated statement of 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 consolidated statement of comprehensive income is included in consolidated 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 reporting 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'.

2.8 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 materials is measured using the monthly average cost formula.

Cost of work-in-process and finished goods comprise cost of direct material, labour and appropriate manufacturing overheads. Cost of goods purchased for resale is based on first-in-first-out (FIFO) cost formula.

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.

During the year, the Holding Company has changed its accounting policy for measurement of cost of raw material of spinning segment. Previously, cost of raw material of spinning segment was measured using annual average cost formula. Now, it is measured using monthly moving average cost formula. This change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Had there been no change in this accounting policy, the figures recognized in these consolidated financial statements would have been different as follows:

	2011 Rupees	2010 Rupees
Unappropriated profit as at the beginning of the year would be (lower) / higher by	(56,206,852)	14,152,081
Profit for the year ended 30 June would be lower by	(340,239,687)	(70,358,933)
Stock-in-trade as at 30 June would be lower by	(396,446,539)	(56,206,852)
Earnings per share - basic would be lower by	(2.12)	(0.60)
Earnings per share - diluted would be lower by	(2.06)	(0.46)

2.9 Foreign currencies

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting 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.

2.10 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.

2.11 Revenue recognition

Revenue from different sources is recognized as under:

- 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 account of energy is recognized on transmission of electricity to National Transmission and Despatch Company Limited, whereas on account of capacity is recognized when due.
- Dividend income on equity investments is recognized as and when the right to receive dividend is established.

2.12 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.

2.13 Financial instruments

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

a) Trade debts 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 consolidated 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.

2.14 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.

2.15 Derivative financial instruments

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

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

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

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

2.16 Provisions

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

2.17 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

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

2.18 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has four reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles) and Power Generation (Generating, transmitting and distributing power).

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.19 Dividend to ordinary shareholders and other appropriations

Dividend distribution to the ordinary shareholders is recognized as a liability in the Group financial statements in period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.20 Offsetting of financial assets and financial liabilities

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

3. AUTHORIZED SHARE CAPITAL

2011	2010		2011	2010
(Number of Shares)			Rupees	Rupees
175,000,000	175,000,000	Ordinary shares of Rupees 10 each	1,750,000,000	1,750,000,000
20,000,000	20,000,000	15% non-voting cumulative convertible preference shares of Rupees 10 each	200,000,000	200,000,000
195,000,000	195,000,000		1,950,000,000	1,950,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011	2010		2011	2010
(Number of shares)			Rupees	Rupees
Ordinary shares				
91,369,427	87,831,745	Ordinary shares of Rupees 10 each fully paid in cash	913,694,270	878,317,450
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
162,090,349	158,552,667		1,620,903,490	1,585,526,670
Preference shares				
3,351,495	6,889,177	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	33,514,950	68,891,770
165,441,844	165,441,844		1,654,418,440	1,654,418,440

4.1 Ordinary shares of the Holding Company held by related parties

	2011	2010
	(Number of shares)	
Nishat Mills Limited	22,513,321	22,513,321
D.G. Khan Cement Company Limited	5,010,059	5,010,059
	27,523,380	27,523,380

4.2 Movement during the year

2011	2010		2011	2010
(Number of shares)			Rupees	Rupees
Ordinary shares				
158,552,667	82,720,922	At 01 July	1,585,526,670	827,209,220
-	41,360,461	Ordinary shares of Rupees 10 each issued as fully paid right shares	-	413,604,610
3,537,682	34,471,284	Preference shares converted into ordinary shares of Rupees 10 each at par	35,376,820	344,712,840
162,090,349	158,552,667		1,620,903,490	1,585,526,670
Preference shares				
6,889,177	41,360,461	At 01 July	68,891,770	413,604,610
(3,537,682)	(34,471,284)	Preference shares converted into ordinary shares of Rupees 10 each at par	(35,376,820)	(344,712,840)
3,351,495	6,889,177		33,514,950	68,891,770

4.3 The Holding 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 Holding Company's shareholders as on 10 February 2009. These shares are listed on Lahore and Karachi Stock Exchanges of Pakistan. The salient terms of this issue are as follows:

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

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

4.3.3 The preference shareholders 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 have the option to serve a notice to convert the preference shares along with the accumulated dividend into the ordinary shares of the Holding Company within the conversion period by providing a two months written notice to the Holding Company. The Holding Company will have one month after the two months conversion notice to issue ordinary shares to the preference shareholders at the conversion price. The preference shares along with the accumulated dividend will be convertible into ordinary shares at a price Rupees 10 per ordinary share. No put or call option is available.

4.3.4 Preferred dividend will be paid on an annual basis at the end of each accounting period subsequent to 30 June 2009 or proportionately for the period prior to 30 June 2009 from the date of issue and after the approval of the dividend payment in the Annual General Meeting. 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%.

	2011 Rupees	2010 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	3,058,376,065	1,185,316,206
	4,687,597,343	2,814,537,484

	2011 Rupees	2010 Rupees
6. LONG TERM FINANCING		
From banking companies / financial institutions - secured		
Long term loans (Note 6.1)	18,593,998,664	19,087,086,267
Long term musharaka (Note 6.2)	585,000,000	587,500,000
Privately placed term finance certificates - secured (Note 6.3)	500,000,000	-
	19,678,998,664	19,674,586,267
Less: Current portion shown under current liabilities		
Long term loans	2,297,533,675	1,810,643,926
Long term musharaka	142,500,000	142,500,000
Privately placed term finance certificates	93,750,000	-
	2,533,783,675	1,953,143,926
	17,145,214,989	17,721,442,341

6.1 Long term loans

Lender	2011 Rupees	2010 Rupees	Rate of mark-up per annum	Number of installments	Mark-up repricing	Mark-up payable
Nishat (Chunian) Limited - Holding Company						
Standard Chartered Bank (Pakistan) Limited	-	500,000,000	6-month KIBOR + 2.5%	Five equal half yearly instalments commenced on 24 December 2010 and ending on 24 December 2012. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
United Bank Limited-1	62,500,000	187,500,000	SBP rate for LTF-EOP + 2%	Eight equal half yearly instalments commenced on 28 February 2007 and ending on 31 July 2011.	-	Quarterly
United Bank Limited-2	40,000,000	80,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 27 December 2007 and ending on 27 June 2012.	Half Yearly	Half Yearly
United Bank Limited-3	150,000,000	250,000,000	6-month KIBOR + 0.95%	Ten equal half yearly instalments commenced on 24 June 2008 and ending on 24 December 2012.	Half Yearly	Half Yearly
United Bank Limited-4	312,500,000	437,500,000	6-month KIBOR + 1.75%	Eight equal half yearly instalments commenced on 31 March 2010 and ending on 30 September 2013.	Half Yearly	Quarterly
United Bank Limited-5	23,333,334	35,000,000	6-month KIBOR + 2.40%	Six equal half yearly instalments commenced on 31 December 2010 and ending on 30 June 2013.	Half Yearly	Quarterly
United Bank Limited-6	25,025,000	28,600,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014.	-	Quarterly
United Bank Limited-7	33,600,000	38,400,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commenced on 08 June 2011 and ending on 08 December 2014.	-	Quarterly
United Bank Limited-8	8,800,000	8,800,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commencing on 28 July 2011 and ending on 28 January 2015.	-	Quarterly
United Bank Limited-9	88,600,000	88,600,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commencing on 18 July 2011 and ending on 18 January 2015.	-	Quarterly
United Bank Limited-10	26,500,000	26,500,000	SBP rate for LTFF-EOP + 2.5%	Eight equal half yearly instalments commencing on 26 July 2011 and ending on 26 January 2015.	-	Quarterly
Habib Bank Limited-1	-	27,350,000	SBP rate for LTF-EOP + 2%	Six equal half yearly instalments commenced on 30 March 2007 and ended on 30 September 2010.	-	Quarterly
Habib Bank Limited-2	-	62,500,000	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 25 December 2006 and ended on 25 June 2011.	-	Quarterly
Habib Bank Limited-3	9,155,796	27,467,388	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 24 May 2007 and ending on 24 November 2011.	-	Quarterly
Habib Bank Limited-4	15,238,408	30,476,816	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 03 August 2007 and ending on 03 February 2012.	-	Quarterly
Habib Bank Limited-5	-	231,111,111	6-month KIBOR + 2.50%	Nine equal half yearly instalments commenced on 31 March 2010 and ending on 31 March 2014. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
Habib Bank Limited-6	-	213,333,333	6-month KIBOR + 2.50%	Nine equal half yearly instalments commenced on 30 June 2010 and ending on 30 June 2014. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
Citibank N.A	-	74,666,668	SBP rate for LTF-EOP + 2%	Six equal half yearly instalments commenced on 31 December 2007 and ended on 27 June 2011.	-	Half Yearly
Allied Bank Limited-1	100,000,000	200,000,000	6-month KIBOR + 1.05%	Six equal half yearly instalments commenced on 23 December 2009 and ending on 23 June 2012.	Half Yearly	Half Yearly
Allied Bank Limited-2	150,000,000	250,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 28 March 2008 and ending on 28 September 2012.	Half Yearly	Half Yearly
Allied Bank Limited-3	210,000,000	350,000,000	6-month KIBOR + 0.85%	Ten equal half yearly instalments commenced on 15 June 2008 and ending on 15 December 2012.	Half Yearly	Half Yearly
Pak Kuwait Investment Company (Private) Limited-1	177,777,778	200,000,000	6-month KIBOR + 2.50%	Eighteen equal quarterly instalments commenced on 14 January 2011 and ending on 14 April 2015.	Half Yearly	Quarterly
Pak Kuwait Investment Company (Private) Limited-2	250,000,000	-	6-month KIBOR + 2.45%	Eighteen equal quarterly instalments commencing on 21 September 2011 and ending on 21 December 2015.	Half Yearly	Quarterly
Atlas Bank Limited	75,000,000	150,000,000	6-month KIBOR + 1.05%	Twenty equal quarterly instalments commenced on 01 January 2008 and ending on 01 October 2012.	Half Yearly	Quarterly
National Bank of Pakistan	125,000,000	187,500,000	6-month KIBOR + 2.50%	Eight equal half yearly instalments commenced on 30 September 2009 and ending on 31 March 2013.	Half Yearly	Half Yearly
The Bank of Punjab-1	270,000,000	-	SBP rate for LTFF-EOP + 2.5%	Sixteen equal quarterly instalments commencing on 15 January 2012 and ending on 15 October 2015.	-	Quarterly
The Bank of Punjab-2	250,000,000	-	6-month KIBOR + 1.35%	Twelve equal quarterly instalments commencing on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly
Faysal Bank Limited	1,000,000,000	-	6-month KIBOR + 2.15%	Eight equal half yearly instalments commencing on 23 June 2012 and ending on 23 December 2015.	Half Yearly	Quarterly
SAMBA Bank Limited	250,000,000	-	3-month KIBOR + 2.30%	Eight equal quarterly instalments commencing on 31 January 2012 and ending on 31 October 2013.	Quarterly	Quarterly
Saudi Pak Industrial and Agricultural Investment Company Limited	94,963,500	-	SBP rate for LTFF-EOP + 3%	Eighteen equal quarterly instalments commencing on 31 May 2012 and ending on 31 August 2016.	-	Quarterly
	3,747,993,816	3,685,305,316				

Lender	2011 Rupees	2010 Rupees	Rate of mark-up per annum	Number of installments	Mark-up repricing	Mark-up payable
Nishat Chunian Power Limited - Subsidiary Company						
Senior facility (Note 6.6)	11,969,644,180	12,354,502,346	3-month KIBOR + 3%	Thirty seven quarterly instalments ending on 01 July 2020.	Quarterly	Quarterly
Term finance facility (Note 6.6)	2,876,360,668	3,047,278,605	3-month KIBOR + 3%	Thirty seven quarterly instalments ending on 01 July 2020.	Quarterly	Quarterly
	14,846,004,848	15,401,780,951				
	18,593,998,664	19,087,086,267				

6.2 Long term musharaka - Nishat (Chunian) Limited - Holding Company

Lender	2011 Rupees	2010 Rupees	Rate of profit per annum	Number of installments	Profit repricing	Profit payable
Burj Bank Limited (Formerly Dawood Islamic Bank Limited) -1	125,000,000	187,500,000	6-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 30 September 2009 and ending on 30 June 2013.	Half Yearly	Quarterly
Burj Bank Limited (Formerly Dawood Islamic Bank Limited) - 2	140,000,000	-	6-month KIBOR + 1.50%	Sixteen equal quarterly instalments commencing on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Dubai Islamic Bank (Pakistan) Limited	320,000,000	400,000,000	6-month KIBOR + 1.80%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
	585,000,000	587,500,000				
6.3 Privately placed term finance certificates	500,000,000	-	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commencing on 30 December 2011 and ending on 30 September 2015.	Quarterly	Quarterly

6.4 Long term loans and privately placed term finance certificates of Holding Company are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 7,345 million (2010: Rupees 7,345 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 1,999 million (2010: Rupees 266.666 million).

6.5 Long term musharaka are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 783.333 million (2010: Rupees 250 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 187 million (2010: Rupees 533.333 million).

6.6 This represents long term financing obtained by the Subsidiary Company from a consortium of banks led by United Bank Limited (Agent Bank). The portion of long term financing from Faysal Bank Limited is on murabaha basis. The original project financing facility was Rupees 12,354,502,346. During the previous year, the Subsidiary Company obtained a term finance facility of Rupees 3,047,278,605 to cover the additional cost of the power project from the lenders of the original project finance facility, excluding one bank, on the same terms and conditions.

6.6.1 The overall financing is secured against registered first joint pari passu charge on immovable property, mortgage of project receivables (excluding energy payment receivables), hypothecation of all present and future assets and all properties of the Subsidiary Company (excluding working capital hypothecated property), lien over project bank accounts and pledge of shares held by the Holding Company in the Subsidiary Company. The effective mark-up rate charged during the year on the outstanding balance ranges from 15.29% to 16.52% (2010: 15.34% to 15.62%) per annum.

6.6.2 In accordance with the terms of agreement with the lenders of long term finances there are certain restrictions on the distribution of dividends by the Subsidiary Company.

	2011 Rupees	2010 Rupees
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	775,991,298	368,919,344
Payable to equipment suppliers	-	789,674,902
Accrued liabilities	308,345,451	171,585,258
Advances from customers	129,439,569	62,115,680
Securities from contractors - interest free and repayable on completion of contracts	2,311,761	2,222,637
Retention money	5,536,221	9,979,074
Income tax deducted at source	32,529,534	794,937
Sales tax payable	56,029,246	-
Unclaimed dividend	54,948,719	13,495,721
Preference dividend payable	5,184,583	10,337,905
Workers' profit participation fund (Note 7.2)	163,665,204	57,112,696
Workers' welfare fund	21,681,803	21,681,803
Commitment fee	-	468,901
Others	7,508,010	24,361,916
	1,563,171,399	1,532,750,774

7.1 It includes Rupees 0.229 million (2010: Rupees 3.694 million) due to related parties.

	2011 Rupees	2010 Rupees
7.2 Workers' profit participation fund		
Balance as on 01 July	57,112,696	9,066,344
Add: Interest for the year (Note 27)	2,457,472	1,051,075
Add: Provision for the year	163,665,204	57,112,696
	223,235,372	67,230,115
Less : Payments during the year	59,570,168	10,117,419
	163,665,204	57,112,696

7.2.1 The Holding 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 Holding Company till the date of allocation to workers.

	2011 Rupees	2010 Rupees
8. ACCRUED MARK-UP		
Long term financing	755,994,821	662,674,828
Short term borrowings	197,714,133	114,315,977
	953,708,954	776,990,805

	2011 Rupees	2010 Rupees
9. SHORT TERM BORROWINGS		
From banking companies-secured		
Nishat (Chunian) Limited - Holding Company		
Short term running finances (Notes 9.1 and 9.2)	1,401,961,600	1,081,105,841
Export finances - Preshipment / SBP refinance (Notes 9.1 and 9.3)	2,432,805,740	2,324,688,364
Other short term finances (Notes 9.1 and 9.4)	773,848,419	1,262,003,467
Nishat Chunian Power Limited - Subsidiary Company		
Short term running finances (Note 9.5)	2,611,299,988	1,328,684,977
Short term finance (Note 9.6)	1,000,000,000	496,257,000
	8,219,915,747	6,492,739,649

9.1 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 Holding Company and lien on export bills to the extent of Rupees 13,738 million (2010: Rupees 10,259 million). These form part of total credit facility of Rupees 9,225 million (2010: Rupees 5,743 million).

9.2 The rates of mark-up range from 2.15% to 16.16% (2010: 1.57% to 17%) per annum on the balance outstanding.

9.3 The rates of mark-up range from 1.9% to 14.53% (2010: 1.26% to 16%) per annum on the balance outstanding.

9.4 The rates of mark-up range from 14.35% to 14.74% (2010: 12.87% to 15.22%) per annum on the balance outstanding.

9.5 Short term running finance facilities available from commercial banks to the Subsidiary Company under mark-up arrangements amount to Rupees 4,026.06 million (2010: Rupees 2,215.33 million) at mark-up rate of three month KIBOR plus 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against first parri passu assignment of the present or future energy payment price of the tariff, first parri passu hypothecation charge on the fuel stock and inventory, ranking charge over all present and future project assets (including moveable/immoveable assets) of the Subsidiary Company. The effective mark-up rate charged during the year on the outstanding balance ranges from 14.29% to 15.52% (2010: 14.34% to 14.28%) per annum.

9.6 This represents murabaha finance facility obtained by the Subsidiary Company of Rupees 1,000 million under mark-up arrangements from a commercial bank at mark-up rates ranging from three to nine month KIBOR plus 2% per annum, to finance the procurement of multiple oils from the fuel suppliers. Mark-up is payable at the maturity of the respective murabaha transaction. The aggregate facility is secured against first pari passu charge on current assets comprising of fuel stocks, inventories and assignment of energy payment receivables from National Transmission and Despatch Company Limited (NTDCL). The effective mark-up rate charged during the year on the outstanding balance ranges from 14.29% to 16.14% (2010: 14.30%) per annum.

Of the aggregate facilities of Rupees 902.200 million (2010: Rupees 623.015 million) for opening letters of credit and guarantees, the amount utilised at 30 June 2011 was Rupees 336.726 million (2010: USD 7.292 million equivalent to Rupees 623.015 million). The aggregate facilities for opening letters of credit and guarantees are secured by lien on import documents and a first pari passu charge on current assets comprising of fuel stocks and inventories of the Subsidiary Company.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 Guarantees of Rupees 200.639 million (2010: Rupees 200.678 million) have been issued by the banks of the Holding Company to Sui Northern Gas Pipelines Limited against gas connections and Shell Pakistan Limited against purchase of furnace oil.

10.2 Guarantees of Rupees 48.000 million (2010: Rupees 32.000 million) are given by banks of the Holding Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

10.3 The Holding Company preferred appeal against the Government of Punjab in the Honourable Lahore High Court, Lahore against imposition of electricity duty on internal generation and the writ petition has been accepted. However, Government of Punjab has moved to the Honourable Supreme Court of Pakistan against the order of Honourable Lahore High Court, Lahore. The Holding Company has fully provided its liability in respect of electricity duty on internal generation. As at the reporting date, an amount of Rupees 9.120 million is payable on this account but the management of the Holding Company is confident that payment of electricity duty will not be required.

10.4 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 (2010: Rupees 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Holding Company has not submitted Appendix-1 as per Rule 297-A of the above referred scheme. The Holding Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal Inland Revenue (ATIR) Karachi Bench which is still pending. The Holding Company also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Holding Company and forwarded the case to FBR. The matter is still pending at FBR end.

10.5 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 Holding Company under section 177 of the Income Tax Ordinance, 2001 whereby a demand of Rupees 42.833 million has been raised against the Holding Company on various grounds. The Holding Company's appeal against the order of ACIR was disposed off by the Commissioner Inland Revenue (Appeals) [CIR(A)] through order dated 23 April 2011. Through such order, a significant relief was extended to the Holding Company, however, the Company has further assailed the matter before ATIR so as the issues decided by CIR(A) against the Company are further contested. The Holding Company's appeal has not yet been taken up for hearing by ATIR. The Holding Company considers 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 tax counsel. Further, the Holding Company has also impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.

10.6 While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Holding Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) which was decided in Holding Company's favour against which the department preferred an appeal to ATIR. ATIR decided the case in favour of the Holding Company. The department has filed an appeal before Honourable Lahore High Court, Lahore. 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 Holding Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million (2010: Rupees 17.157 million) would be required.

10.7 As a result of withholding tax audit for the tax year 2006, the Deputy Commissioner Inland Revenue (DCIR) has raised a demand of Rupees 32.156 million under sections 161 and 205 of the Income Tax Ordinance, 2001. The Holding Company is in appeal before ATIR as its appeal before CIR(A) was unsuccessful. The Holding Company expects a favourable outcome of the appeal based on advice of the tax counsel. The Holding Company has also challenged the initiation of proceedings, under section 161 and 205 of the Income Tax Ordinance, 2001 pertaining to tax years 2007, 2008 and 2009, in the Honourable Lahore High Court, Lahore through a writ petition. The Department has been restrained from passing any adverse order till the date of next hearing. The management of the Holding Company believes that the expected favourable outcome of its appeal before ATIR, in respect of tax year 2006 on same issues, will dispose of the initiation of these proceedings.

10.8 The Deputy Collector (Refund – Gold) by order dated 16 May 2007 rejected the input tax claim of the Holding Company, for the month of June 2005, amounting to Rupees 1.604 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. The appeal of the Holding Company before ATIR was successful and input tax claim of the Holding 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.

10.9 Post dated cheques have been issued by the Holding Company to custom authorities in respect of duties amounting to Rupees 927.402 million (2010: Rupees 36.933 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.

10.10 The following have been issued by the bank on behalf of the Subsidiary Company:

i) Irrevocable standby letter of credit of Rupees 45.000 million (2010: Rupees Nil) in favour of Wartsila Pakistan (Private) Limited as required under the terms of the Operations and Maintenance Agreement.

ii) Letter of guarantee of Rupees 1.132 million (2010: Rupees Nil) in favour of Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

Commitments

i) Contracts for capital expenditure amounting to Rupees 40.329 million (2010: Rupees 389.159 million).

ii) Letters of credit other than for capital expenditure of the Group amounting to Rupees 462.309 million (2010: Rupees 68.954 million).

iii) Outstanding foreign currency forward contracts of Holding Company amounting to Rupees 1,461.410 million (2010: Rupees 3,031.700 million).

iv) The Subsidiary Company has entered into a contract for purchase of fuel oil from Shell Pakistan Limited ('SPL') for a period of ten years starting from the Commercial Operations Date of the power station i.e. 21 July 2010. Under the terms of the Fuel Supply Agreement, the Subsidiary Company is not required to buy any minimum quantity of oil from SPL.

v) The Subsidiary Company has also entered into an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance ('O&M') of the power station for a five years period starting from the Commercial Operations Date of the power station i.e. 21 July 2010. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output, both of which are adjustable according to the Wholesale Price Index.

	2011 Rupees	2010 Rupees
11. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 11.1)	22,898,307,305	5,669,936,185
Capital work-in-progress (Note 11.2)	58,916,678	18,349,251,382
	22,957,223,983	24,019,187,567
Intangible assets:		
Computer software (Note 11.1)	5,873,021	527,600
Intangible asset under development - computer software	-	7,376,943
	22,963,097,004	24,027,092,110

11.1 Reconciliations of carrying amounts of operating fixed assets and intangible assets - computer software at the beginning and at the end of the year are as follows:

Description	Operating Fixed assets									Intangible assets
	Freehold land	Buildings on freehold land	Plant and machinery	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total	Computer software
	- Rupees -									
At 30 June 2009										
Cost	259,793,047	1,574,406,101	7,679,556,323	168,572,001	63,269,485	40,656,705	130,175,475	112,182,725	10,028,611,862	1,319,000
Accumulated depreciation / amortization	-	(643,291,140)	(3,162,024,249)	(87,748,694)	(38,883,453)	(18,211,132)	(45,532,657)	(51,343,334)	(4,047,034,659)	(395,700)
Net book value	259,793,047	931,114,961	4,517,532,074	80,823,307	24,386,032	22,445,573	84,642,818	60,839,391	5,981,577,203	923,300
Year ended 30 June 2010										
Opening net book value	259,793,047	931,114,961	4,517,532,074	80,823,307	24,386,032	22,445,573	84,642,818	60,839,391	5,981,577,203	923,300
Additions	-	43,196,901	145,798,692	198,900	-	410,400	8,442,668	14,229,713	212,277,274	-
Disposals:										
Cost	-	-	(9,857,222)	-	-	-	(24,000)	(7,374,265)	(17,255,487)	-
Accumulated depreciation	-	-	7,101,851	-	-	-	400	4,800,514	11,902,765	-
	-	-	(2,755,371)	-	-	-	(23,600)	(2,573,751)	(5,352,722)	-
Depreciation / amortization charge	-	(46,941,396)	(438,354,619)	(8,096,421)	(2,438,603)	(2,249,342)	(8,991,799)	(11,493,390)	(518,565,570)	(395,700)
Closing net book value	259,793,047	927,370,466	4,222,220,776	72,925,786	21,947,429	20,606,631	84,070,087	61,001,963	5,669,936,185	527,600
At 30 June 2010										
Cost	259,793,047	1,617,603,002	7,815,497,793	168,770,901	63,269,485	41,067,105	138,594,143	119,038,173	10,223,633,649	1,319,000
Accumulated depreciation / amortization	-	(690,232,536)	(3,593,277,017)	(95,845,115)	(41,322,056)	(20,460,474)	(54,524,056)	(58,036,210)	(4,553,697,464)	(791,400)
Net book value	259,793,047	927,370,466	4,222,220,776	72,925,786	21,947,429	20,606,631	84,070,087	61,001,963	5,669,936,185	527,600
Year ended 30 June 2011										
Opening net book value	259,793,047	927,370,466	4,222,220,776	72,925,786	21,947,429	20,606,631	84,070,087	61,001,963	5,669,936,185	527,600
Additions	-	248,011,444	18,809,605,252	7,783,924	6,868,621	6,447,022	9,432,615	39,103,464	19,127,252,342	8,049,316
Reclassification adjustments:*										
Cost	-	153,314	9,712,955	7,721,818	68,356,368	9,132,897	(95,077,390)	38	-	-
Accumulated depreciation	-	211,422	(14,818,598)	(94,621)	(25,030,063)	(3,400,586)	40,354,963	2,777,483	-	-
	-	364,736	(5,105,643)	7,627,197	43,326,305	5,732,311	(54,722,427)	2,777,521	-	-
Disposals:										
Cost	-	-	(258,009,907)	-	-	-	(93,000)	(35,385,017)	(293,487,924)	-
Accumulated depreciation	-	-	163,785,050	-	-	-	27,882	21,545,727	185,358,659	-
	-	-	(94,224,857)	-	-	-	(65,118)	(13,839,290)	(108,129,265)	-
Depreciation / amortization charge	-	(53,568,359)	(1,699,340,977)	(8,400,757)	(6,627,688)	(2,835,035)	(3,923,428)	(16,055,713)	(1,790,751,957)	(2,703,895)
Closing net book value	259,793,047	1,122,178,287	21,233,154,551	79,936,150	65,514,667	29,950,929	34,791,729	72,987,945	22,898,307,305	5,873,021
At 30 June 2011										
Cost	259,793,047	1,865,767,760	26,376,806,093	184,276,643	138,494,474	56,647,024	52,856,368	122,756,658	29,057,398,067	9,368,316
Accumulated depreciation / amortization	-	(743,589,473)	(5,143,651,542)	(104,340,493)	(72,979,807)	(26,696,095)	(18,064,639)	(49,768,713)	(6,159,090,762)	(3,495,295)
Net book value	259,793,047	1,122,178,287	21,233,154,551	79,936,150	65,514,667	29,950,929	34,791,729	72,987,945	22,898,307,305	5,873,021
Annual rate of depreciation / amortization (%)	-	4 - 5	4 - 32	10	10	10	10	20		20 - 30

As part of the implementation of new Enterprise Resource Planning (ERP) system, the management of the Holding Company carried out a comprehensive exercise during the year which is included of physical verification of all operating fixed assets and checking of classification of all operating fixed assets. The reclassification adjustments represents the adjustments emanating from this exercise.

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

Description		Cost	Accumulated depreciation	Net Book Value	Sale Proceeds	(Gain)/ Loss	Mode of Disposal	Particulars of Purchaser
		.... Rupees						
Plant and machinery								
Picanol Air Jet 280 cm Omni	18	53,240,238	(39,226,632)	14,013,606	9,477,900	4,535,706	Negotiation	Shan Associates, Karachi
Picanol Air Jet 340 cm Omni	6	18,721,746	(14,535,302)	4,186,444	3,159,300	1,027,144	Negotiation	Shan Associates, Karachi
Picanol Air Jet 340 cm Omni	49	171,336,759	(102,678,876)	68,657,883	24,837,120	43,820,763	Negotiation	Tricon Genera Trading, Lahore
Picanol Air Jet 340 cm Omni plus	4	14,711,164	(7,344,240)	7,366,924	2,027,520	5,339,404	Negotiation	Tricon Genera Trading, Lahore
Vehicles								
Toyota Corolla 2.0D LEB-07-3572	1	1,316,950	(673,705)	643,245	915,000	(271,755)	Negotiation	Mr. Tajammal Javed, Faisalabad
Suzuki Cultus LZQ-8338	1	626,208	(436,213)	189,995	470,000	(280,005)	Negotiation	Mrs. Rehana Hafeez, Lahore
Suzuki Cultus LW-8555	1	614,000	(352,344)	261,656	585,000	(323,344)	Negotiation	Mr. Muhammad Ali, Lahore
Hyundai Shehzore LZJ-9082	1	602,170	(429,992)	172,178	525,000	(352,822)	Negotiation	Mr. Rana Khurram Sajjad, Lahore
Honda CD-70 LRE-9358	1	69,948	(55,833)	14,115	20,100	(5,985)	Negotiation	Mr. Asif Shoukat, Lahore
Honda CD-70 LRS-4673	1	60,200	(42,991)	17,209	22,000	(4,791)	Negotiation	Mr. Muhammad Safdar, Sialkot
Honda CD-70 LZD-4408	1	60,285	(46,900)	13,385	18,200	(4,815)	Negotiation	Mr. Muhammad Afzal Javed, Lahore
BMW - 750LI LW-467	1	12,948,285	(5,201,902)	7,746,383	6,000,000	1,746,383	Negotiation	Mr. Muhammad Akram, Lahore
Hyundai Shehzore LZJ-6910	1	611,623	(457,380)	154,243	495,000	(340,757)	Negotiation	Mr. Naeem Iqbal, Lahore
Toyota Hiace LZJ-5975	1	1,772,200	(1,293,238)	478,962	1,495,000	(1,016,038)	Negotiation	Mr. Sakhi, Peshawar
Hyundai Shehzore LZP-1429	1	603,290	(502,388)	100,902	480,000	(379,098)	Negotiation	Mr. Muhammad Asif, Faisalabad
Toyota 2.OD LZO-6839	1	1,238,730	(901,293)	337,437	675,000	(337,563)	Negotiation	Mr. Jantaz Khan, Peshawar
Suzuki Mehran LWG-3284	1	406,950	(233,528)	173,422	161,130	12,292	As per holding Company policy	Mr. Mirza Abdul Ghafoor on behalf of Mr. Asghar Rahim (Employee), Lahore
Toyota Corolla LWB-4152	1	1,317,697	(821,536)	496,161	840,000	(343,839)	Negotiation	Mr. Irfan Khan, Lahore
Honda City LEB-06-6823	1	859,125	(476,215)	382,910	755,000	(372,090)	Negotiation	Mr. Muhammad Shehryar Khan, Lahore
Honda LZL-4035	1	849,510	(584,341)	265,169	765,000	(499,831)	Negotiation	Mr. Abdul Qadir, Lahore
Suzuki Cultus LEC-07-5322	1	615,120	(364,955)	250,165	450,000	(199,835)	Negotiation	Mr. Muhammad Tayyab, Lahore
Suzuki Cultus LEC-07-4092	1	642,170	(323,739)	318,431	555,000	(236,569)	Negotiation	Mr. Asif Zaman Khan, Bannu
Mercedes Benz C240 LXX-467	1	9,615,056	(8,143,168)	1,471,888	1,500,000	(28,112)	Negotiation	Mr. Hamid Ullah Malik, Karachi
Suzuki Mehran LEB-09-6864	1	555,500	(204,066)	351,434	366,922	(15,488)	As per holding Company policy	Mr. Ilyas Ahmad (Employee of the holding company), Kasur
Aggregate of other items of equipment with individual book values not exceeding Rupees 50,000	2	93,000	(27,882)	65,118	25,000	40,118		
		293,487,924	(185,358,659)	108,129,265	56,620,192	51,509,073		

		2011 Rupees	2010 Rupees
11.1.2	The depreciation charge for the year has been allocated as follows:		
	Cost of sales (Note 22)	1,777,324,357	507,012,938
	Administrative expenses (Note 24)	13,130,855	10,605,321
	Unallocated expenses	296,745	947,311
		1,790,751,957	518,565,570

11.1.3 Amortization on intangible asset amounting to Rupees 2.704 million (2010: Rupees 0.396 million) has been allocated to administrative expenses.

	2011 Rupees	2010 Rupees
11.2 Captial Work-In-Progress		
Plant and machinery	15,434,574,291	15,621,694,846
Electric installations	2,535,539	2,535,539
Buildings	166,734,416	191,864,500
Mobilization advance	-	2,188,766
Letters of credit	35,364,132	120,928,608
Advance for purchase of assets	5,815,364	6,094,079
Unallocated expenses (Note 11.3)	2,332,670,714	2,403,945,044
	17,977,694,456	18,349,251,382
Transferred to operating fixed assets	(17,918,777,778)	-
	58,916,678	18,349,251,382

	2011 Rupees	2010 Rupees
11.3 Unallocated expenses		
Unallocated expenditure incurred upto commercial operations date:		
Raw material consumed	1,958,044,545	1,409,700,618
Stores and spares consumed	421,567	364,048
Salaries, wages and other benefits	50,658,739	47,802,226
Electricity consumed in house	9,610,499	8,034,830
Insurance	159,618,622	156,586,086
Travelling and conveyance	7,337,047	7,253,686
Entertainment	771,848	734,246
Vehicle running and maintenance	2,853,951	2,759,713
Printing and stationery	1,254,673	1,263,362
Postage and telephone	1,492,480	1,349,661
Fuel and power	589,922	571,022
Advertisement	172,391	153,998
Legal and professional charges	16,712,608	16,712,608
Consultancy charges	14,408,804	16,153,464
Fee and subscription	33,561,611	33,545,411
Mark up on:		
- Long term financing - secured	2,626,480,712	2,530,178,940
- Short term borrowings - secured	44,991,077	29,757,330
Bank charges and financing fee	211,878,441	218,747,858
Bank guarantee commission	9,972,744	9,674,009
Payment under O&M Agreement	26,500,000	26,500,000
Depreciation	1,867,193	1,570,448
Miscellaneous	9,947,235	1,040,128
	5,189,146,709	4,520,453,692
Sale of trial production	(2,070,629,618)	(1,494,773,577)
Scrap sales	(3,793,103)	(3,793,103)
Delay liquidated damages recovered	(782,053,274)	(617,941,968)
	2,332,670,714	2,403,945,044

11.4 The Holding Company has capitalized borrowing cost amounting to Rupees 35.343 million (2010: Rupees 7.705 million) using the capitalization rate ranging from 9.70% to 15.82% (2010: 9.70%) per annum.

	2011 Rupees	2010 Rupees
12. LONG TERM LOANS		
Considered good:		
Executives (Notes 12.1 and 12.2)	4,579,910	2,232,750
Other employees (Note 12.2)	2,557,012	2,318,526
	7,136,922	4,551,276
Less: Current portion shown under current assets (Note 16)		
Executives	1,469,595	713,879
Other employees	285,136	203,929
	1,754,731	917,808
	5,382,191	3,633,468

	2011 Rupees	2010 Rupees
12.1 Reconciliation of carrying amount of loans to executives:		
Opening balance as at 01 July	2,232,750	976,542
Disbursements	5,994,599	2,388,573
Less: Repayments	3,647,439	1,132,365
Closing balance as at 30 June	4,579,910	2,232,750

12.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 7.505 million (2010: Rupees 3.058 million).

12.2 These represent motor vehicle loans and personal loans to executives and employees, payable in 48-60 and 15-30 monthly instalments respectively. Interest on long term loans ranged from 13.50 % to 14.50% per annum (2010: 9.00% to 13.50% per annum) while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of respective Company, whereas personal loan is secured against balance standing to the credit of employee in the provident fund trust account.

12.3 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.

	2011 Rupees	2010 Rupees
13. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	296,831,777	222,783,269
Spare parts	393,101,921	368,402,017
Loose tools	5,009,662	8,214,058
	694,943,360	599,399,344

13.1 Stores and spare parts includes items which may result in fixed capital expenditure but are not distinguishable.

	2011 Rupees	Restated 2010 Rupees
14. STOCK-IN-TRADE		
Raw materials (Note 14.1)	3,737,991,945	2,375,718,903
Work-in-process	629,297,302	466,561,040
Finished goods - own produced (Notes 14.2)	770,989,076	681,133,741
Finished goods - trading stock	-	75,612
Waste	40,151,200	36,816,119
	5,178,429,523	3,560,305,415

14.1 Stock-in-trade of Rupees 1,567.893 million (2010: Rupees 55.227 million) is being carried at net realizable value.

14.2 Finished goods include stock-in-transit of Rupees Nil (2010: Rupees 8.600 million).

14.3 The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 369.579 million (2010: Rupees Nil).

	2011 Rupees	2010 Rupees
15. TRADE DEBTS		
Considered good:		
Secured (Note 15.4)	8,173,983,009	2,223,818,998
Unsecured (Note 15.3)	879,802,194	1,027,356,132
	9,053,785,203	3,251,175,130

15.1 As at 30 June 2011, trade debts of Rupees 2,424.668 million (2010: Rupees 37.086 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:

	2011 Rupees	2010 Rupees
Upto 1 month	-	12,101,149
1 to 6 months	2,417,296,404	1,230,916
More than 6 months	7,371,885	23,753,981
	2,424,668,289	37,086,046

15.2 As at 30 June 2011, trade debts of Rupees 2.172 million (2010: Rupees Nil) were impaired and written off. The ageing of these trade debts was more than three years.

15.3 Trade debts include Rupees 0.725 million (2010: Rupees Nil) due from Nishat Mills Limited - related party.

15.4 These include trade receivables from NTDCL and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business of the Subsidiary Company and interest free, however, a delayed payment mark-up at the rate of three month KIBOR plus 4.5% is charged in case the amounts are not paid within due dates. The effective rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 16.75% to 18.22% (2010: 16.68% to 17.32%) per annum.

	2011 Rupees	2010 Rupees
16. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
- Executives	566,630	1,927,153
- Other employees	6,058,375	12,018,646
	6,625,005	13,945,799
Current portion of long term loans (Note 12)	1,754,731	917,808
Advances to suppliers	253,340,410	633,235,327
Advances to contractors	76,608	1,632,378
Letters of credit	23,010,509	120,946,177
Advance against expenses	-	849
	284,807,263	770,678,338

	2011 Rupees	2010 Rupees
17. OTHER RECEIVABLES		
Considered good:		
Sales tax recoverable	307,626,857	239,754,737
Advance income tax - net	118,362,049	39,782,127
Export rebate and claims	143,091,327	52,288,029
Fair value of forward exchange contracts	13,188,828	36,750,839
Mark-up rate support receivable against long term loans and export finance	6,397,828	1,772,954
Receivable from employees' provident fund trust	4,765,297	2,217,433
Delay liquidated damages	-	106,610,061
Insurance claim receivable	-	4,500
Claim recoverable from NTDCL for pass through item Workers' Profit Participation Fund (Note 17.1)	81,300,657	-
Others	19,418,106	9,604,260
	694,150,949	488,784,940

17.1 Under section 9.3(a) of the Power Purchase Agreement (PPA) with NTDCL, payments to Workers' Profit Participation Fund by the Subsidiary Company are recoverable from NTDCL.

18. DERIVATIVE FINANCIAL INSTRUMENT

During the year, the Subsidiary Company has entered into derivative cross currency swap with a commercial bank. Under the terms of the cross currency swap arrangement, the Subsidiary Company pays London Inter-Bank Offered Rate (LIBOR) plus bank spread to the arranging bank on the notional USD amount for the purposes of the cross currency swap, and receives KIBOR from the arranging bank. There has been no transfer of liability under the arrangement, only the nature of the interest payment has changed. The derivative cross currency swap outstanding as at 30 June 2011 has been marked to market and the resulting gain of Rupees 3.061 million has been recognised in the consolidated profit and loss account.

19. SHORT TERM INVESTMENT

Investment in the units of UBL Liquidity Plus Fund has been redeemed during the year and the resulting gain has been recognised as part of other operating income.

	2011 Rupees	2010 Rupees
20. CASH AND BANK BALANCES		
Cash with banks:		
On saving accounts (Note 20.1)		
Including US$ 55,172 (2010: US$ 12,107)	6,042,538	1,561,710,383
Term deposit receipts (Note 20.2)	22,000,000	20,000,000
On current accounts (Note 20.3)		
Including US$ 25,157 (2010: US$ 89,782)	139,403,674	68,540,346
	167,446,212	1,650,250,729
Cash in hand	6,878,599	1,746,181
	174,324,811	1,651,996,910

20.1 Rate of profit on saving accounts ranged from 5% to 5.5% (2010: 5% to 5.5%) per annum.

20.2 These represents deposits under lien with a bank against bank guarantees of the same amount issued by the bank to the Director, Excise and Taxation against disputed amount of infrastructure cess. The effective interest rate on term deposit receipts ranged from 6 % to 11% (2010: 11%) per annum.

20.3 Included in cash with banks on current accounts are Rupees 48.466 million (2010: Rupees 46.081 million) with MCB Bank Limited - associated company.

	2011 Rupees	2010 Rupees
21. SALES		
Export	13,825,571,075	9,944,828,677
Local (Notes 21.1 and 21.2)	26,714,148,339	3,300,659,812
Export rebate	36,562,729	29,941,970
Duty draw back	98,774,798	68,109,104
	40,675,056,941	13,343,539,563

	2011 Rupees	2010 Rupees
21.1 Local sales		
Sales (Note 21.3)	26,567,108,077	3,124,737,364
Processing income	147,040,262	175,922,448
	26,714,148,339	3,300,659,812

21.2 This includes sale of Rupees 2,444 million (2010: Rupees 674.477 million) made to direct exporters by the Holding Company against special purchase orders (SPOs). Further, local sales includes waste sales of Rupees 614.302 million (2010: Rupees 298.532 million).

21.3 Local sales is exclusive of sales tax amounting to Rupees 2,615.294 million (2010: Rupees 9.781 million).

	2011 Rupees	Restated 2010 Rupees
22. COST OF SALES		
Raw materials consumed (Note 22.1)	26,593,403,009	7,628,168,365
Packing materials consumed	474,520,651	348,818,362
Operations and maintenance	262,633,466	-
Stores, spare parts and loose tools consumed	852,764,224	633,020,013
Salaries, wages and other benefits (Note 22.2)	928,129,273	758,442,203
Fuel and power	1,749,481,469	1,139,520,168
Fee and subscription	3,630,535	-
Insurance	158,194,356	23,378,632
Postage and telephone	2,128,872	368,045
Traveling and conveyance	13,929,333	8,754,219
Vehicles' running and maintenance	14,577,031	12,382,460
Entertainment	2,627,113	2,335,462
Depreciation on operating fixed assets (Note 11.1.2)	1,777,324,357	507,012,938
Repair and maintenance	29,046,302	15,750,825
Other factory overheads	56,436,050	65,633,702
	32,918,826,041	11,143,585,394
Work-in-process		
Opening stock	466,561,040	304,749,505
Closing stock	(629,297,302)	(466,561,040)
	(162,736,262)	(161,811,535)
Cost of goods manufactured	32,756,089,779	10,981,773,859
Finished goods and waste - opening stocks		
Finished goods	681,133,741	361,764,128
Waste	36,816,119	22,083,974
	717,949,860	383,848,102
	33,474,039,639	11,365,621,961
Finished goods and waste - closing stocks		
Finished goods	(770,989,076)	(681,133,741)
Waste	(40,151,200)	(36,816,119)
	(811,140,276)	(717,949,860)
Cost of sales - own manufactured goods	32,662,899,363	10,647,672,101
Opening stock of purchased finished goods	75,612	-
Finished goods purchased	-	13,736,487
Closing stock of purchased finished goods	-	(75,612)
Cost of sales - purchased finished goods	75,612	13,660,875
	32,662,974,975	10,661,332,976

	2011 Rupees	Restated 2010 Rupees
22.1 Raw material consumed		
Opening stock	2,375,718,903	1,551,063,111
Add: Purchased during the year	27,955,676,051	8,147,183,902
	30,331,394,954	9,698,247,013
Less: Closing stock	3,737,991,945	2,070,078,648
	26,593,403,009	7,628,168,365

22.2 Salaries, wages and other benefits include Rupees 14.630 million (2010: Rupees 5.421 million) and Rupees 21.131 million (2010: Rupees 17.258 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

23. DISTRIBUTION COST

	2011 Rupees	2010 Rupees
Salaries and other benefits (Note 23.1)	28,724,393	26,494,976
Ocean freight	110,228,639	90,249,601
Freight and octroi	69,103,860	59,301,945
Forwarding and other expenses	17,623,846	20,235,480
Export marketing expenses	201,410,376	107,765,662
Commission to selling agents	172,495,169	134,313,049
	599,586,283	438,360,713

23.1 Salaries and other benefits include Rupees 0.728 million (2010: Rupees 0.882 million) and Rupees 1.422 million (2010: Rupees 1.336 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

24. ADMINISTRATIVE EXPENSES

	2011 Rupees	2010 Rupees
Salaries and other benefits (Note 24.1)	75,310,800	49,433,217
Printing and stationery	4,337,517	5,471,299
Vehicles' running and maintenance	5,011,496	4,315,638
Traveling and conveyance	28,313,379	16,834,894
Postage and telephone	4,432,744	5,049,821
Fee and subscription	6,532,244	2,852,491
Legal and professional	7,253,281	2,176,672
Electricity and sui gas	6,747,972	2,275,790
Insurance	3,307,222	2,485,705
Repair and maintenance	1,554,803	4,862,801
Entertainment	3,705,451	1,602,942
Auditors' remuneration (Note 24.2)	3,510,078	1,717,950
Depreciation on operating fixed assets (Note 11.1.2)	13,130,855	10,605,321
Amortization on intangible asset (Note 11.1.3)	2,703,895	395,700
Miscellaneous	5,185,943	7,429,327
	171,037,680	117,509,568

24.1 Salaries and other benefits include Rupees 2.128 million (2010: Rupees 0.093 million) and Rupees 2.38 million (2010: Rupees 1.421 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

	2011 Rupees	2010 Rupees
24.2 Auditors' remuneration		
Riaz Ahmad & Company		
Audit fee	1,000,000	1,250,000
Half yearly review	178,500	232,300
Certification fee and other services	50,000	115,000
Reimbursable expenses	110,000	120,650
	1,338,500	1,717,950
A. F. Ferguson & Co.		
Statutory audit	1,000,000	-
Half yearly review	500,000	-
Tax services	40,000	-
Other assurance services	550,000	-
Re-imbursement of expenses	81,578	-
	2,171,578	-
	3,510,078	1,717,950

25. OTHER OPERATING EXPENSES

	2011 Rupees	2010 Rupees
Workers' profit participation fund (Note 7.2)	82,364,547	57,112,696
Workers' welfare fund (Note 25.1)	-	18,833,365
Loss on sale of property, plant and equipment (Note 11.1.1)	51,509,073	-
Bad debts written off	2,171,737	-
Donations (Note 25.2)	6,200,000	4,387,440
Interest on delayed payment	2,043,625	-
Expenses on sale of shares of subsidiary company	1,042,267	-
	145,331,249	80,333,501

25.1 Workers' welfare fund has not been provided for in these financial statements based on the advice of the Company's legal consultant.

	2011 Rupees	2010 Rupees
25.2 This includes following donation in which directors of the Holding Company have interest:		
Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore Mr. Muhammad Saleem, Chairman and Mr. Shahzad Saleem, Chief Executive are trustees.	4,200,000	4,387,440

26. OTHER OPERATING INCOME

	2011 Rupees	2010 Rupees
Income from financial assets		
Return on bank deposits	16,931,076	1,066,656
Net exchange gain	167,632,965	141,725,791
Unrealized fair value gain on revaluation of financial asset at fair value through profit or loss	-	664,086
Gain on redemption of financial asset at fair value through profit or loss	6,751,598	1,390,810
Mark up on loan to executives	62,936	57,988
Gain on derivative financial instrument:		
Realized	622,638	-
Un-realized	3,061,396	-
	3,684,034	-
Income from non-financial assets		
Gain on sale of property, plant and equipment	-	2,572,372
Others		
Sale of scrap	54,011,803	30,527,554
Miscellaneous	1,787,256	913,551
	250,861,668	178,918,808

	2011 Rupees	2010 Rupees
27. FINANCE COST		
Mark-up on:		
- long term loans - net (Note 27.1)	2,900,284,430	522,643,407
- privately placed term finance certificates	58,556,986	-
- long term musharaka	76,509,592	31,378,751
- short term running finances	376,741,845	301,299,296
- export finances - Preshipment / SBP refinances (Note 27.1)	277,894,397	181,706,890
- short term finances	581,863,010	477,061
Interest on workers' profit participation fund (Note 7.2)	2,457,472	1,051,075
Bank charges and commission	82,940,948	62,497,617
	4,357,248,680	1,101,054,097

27.1 These are net of mark-up rate support against long term loans and export finance amounting to Rupees 26.214 million (2010: Rupees 14.536 million).

	2011 Rupees	2010 Rupees
28. TAXATION		
Current (Note 28.1 and 28.2)	222,093,080	138,551,985
Prior year adjustment	(4,304,438)	(3,465,710)
	217,788,642	135,086,275

28.1 The Nishat (Chunian) Limited - Holding Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Provision for deferred tax is not required as the Holding Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

28.2 The income of Nishat Chunian Power Limited - Subsidiary Company is exempt from tax subject to conditions and limitations provided in clause (132), Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, provision is made in consolidated profit and loss account on income from sources not covered under the aforesaid clause.

	2011	Restated 2010
29. EARNINGS PER SHARE - BASIC AND DILUTED		
Basic		
Profit after taxation (Rupees)	2,054,484,551	992,053,991
Less: Preference dividend (Rupees)	5,027,243	10,333,766
Profit after taxation attributable to ordinary shareholders (Rupees)	2,049,457,308	981,720,225
Weighted average number of ordinary shares outstanding during the year (Number)	160,192,070	116,758,568
Basic earnings per share (Rupees)	12.79	8.41
Diluted		
Profit after taxation (Rupees)	2,054,484,551	992,053,991
Weighted average number of ordinary shares outstanding during the year (Number)	160,192,070	116,758,568
Impact of dilutive potential preference shares (Number)	5,249,774	35,300,088
	165,441,844	152,058,656
Diluted earnings per share (Rupees)	12.42	6.52

	2011 Rupees	Restated 2010 Rupees
30. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	2,989,739,742	1,123,867,516
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	1,790,751,957	518,565,570
Amortization on intangible asset	2,703,895	395,700
Loss / (gain) on sale of property, plant and equipment	51,509,073	(2,572,372)
Finance cost	4,357,248,680	1,101,054,097
Interest on bank deposits	(16,931,076)	(1,066,656)
Unrealized fair value gain on revaluation of financial asset at fair value through profit or loss	-	(664,086)
Unrealized gain on derivative financial instrument	(3,061,396)	-
Bad debts written off	2,171,737	-
Working capital changes (Note 30.1)	(7,172,112,009)	(2,987,005,896)
	2,002,020,603	(247,426,127)

	2011 Rupees	2010 Rupees
30.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(95,544,016)	(336,189,316)
Stock-in-trade	(1,618,124,108)	(1,320,644,697)
Trade debts	(5,804,781,810)	(1,734,446,143)
Loans and advances	486,707,998	(396,139,838)
Short term prepayments	(7,704,935)	293,020
Other receivables	(126,786,087)	(270,579,030)
	(7,166,232,958)	(4,057,706,004)
Increase in current liabilities:		
Trade and other payables	(5,879,051)	1,070,700,108
	(7,172,112,009)	(2,987,005,896)

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive, director and executives of the Holding Company is as follows:

	Director		Executives	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Managerial remuneration	1,840,092	1,600,080	33,768,355	25,093,254
Contribution to provident fund	-	-	2,812,904	2,090,268
House rent	735,816	639,840	15,503,290	10,034,291
Utilities	184,092	160,008	3,378,355	2,510,455
Others	445,440	445,440	4,813,587	2,222,869
	3,205,440	2,845,368	60,276,491	41,951,137
Number of persons	1	1	32	24

31.1 No expenses were charged in the financial statements for the salary to chief executive of the Holding Company. The Holding Company provides to chief executive, directors and certain executives with free use of Company maintained cars and residential telephones.

31.2 Aggregate amount charged in the financial statements for meeting fee to one director of the Holding Company was Rupees 40,000 (2010: Rupees 40,000).

32. TRANSACTIONS WITH RELATED PARTIES

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

	2011 Rupees	2010 Rupees
Other related parties		
Purchase of goods	99,983,926	186,823,098
Sales of goods	101,265,882	173,931,069
Preference dividend paid	-	1,212,320
Ordinary dividend paid	41,285,070	-
Contribution to employees' provident fund	23,816,982	20,883,221

33. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Power Generation		'Elimination of inter-segment transactions		Total - Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
					-----------------Rupees-----------------							
Sales	14,994,226,691	9,163,604,665	6,577,876,976	4,226,875,781	5,759,252,076	4,640,699,225	21,479,587,781	1,020,213,370	(8,135,886,583)	(5,707,853,478)	40,675,056,941	13,343,539,563
Cost of sales	(12,077,962,032)	(7,225,703,476)	(6,094,288,144)	(3,893,145,807)	(5,370,166,966)	(4,237,455,961)	(17,256,444,416)	(1,012,881,210)	8,135,886,583	5,707,853,478	(32,662,974,975)	(10,661,332,976)
Gross profit	2,916,264,659	1,937,901,189	483,588,832	333,729,974	389,085,110	403,243,264	4,223,143,365	7,332,160	-	-	8,012,081,966	2,682,206,587
Distribution cost	(295,322,305)	(210,665,963)	(92,570,836)	(55,979,317)	(211,693,142)	(171,715,433)	-	-	-	-	(599,586,283)	(438,360,713)
Administrative expenses	(69,744,974)	(61,457,814)	(23,383,752)	(23,681,643)	(27,356,650)	(21,580,399)	(50,552,304)	(10,789,712)	-	-	(171,037,680)	(117,509,568)
	(365,067,279)	(272,123,777)	(115,954,588)	(79,660,960)	(239,049,792)	(193,295,832)	(50,552,304)	(10,789,712)	-	-	(770,623,963)	(555,870,281)
Profit / (loss) before taxation and unallocated income and expenses	2,551,197,380	1,665,777,412	367,634,244	254,069,014	150,035,318	209,947,432	4,172,591,061	(3,457,552)	-	-	7,241,458,003	2,126,336,306
Unallocated income and expenses												
Other operating expenses											(145,331,249)	(80,333,501)
Other operating income											250,861,668	178,918,808
Finance cost											(4,357,248,680)	(1,101,054,097)
Provision for taxation											(217,788,642)	(135,086,275)
Profit after taxation											2,771,951,100	988,781,241

33.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Power Generation		Total - Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
				-----------------Rupees-----------------						
Total assets for reportable segments	6,685,083,743	5,256,038,150	2,221,645,903	1,560,731,297	3,627,551,305	2,572,181,675	25,637,888,778	21,051,694,301	38,172,169,729	30,440,645,423
Unallocated assets:										
Other receivables									694,150,949	488,784,940
Cash and bank balances									174,324,811	1,651,996,910
Other corporate assets									23,097,090	1,904,923,766
Total assets as per consolidated balance sheet									39,063,742,579	34,486,351,039
Total liabilities for reportable segments	22,767,665	33,850,750	101,660,656	84,685,052	161,988,376	27,467,267	19,997,383,855	19,053,698,164	20,283,800,552	19,199,701,233
Unallocated liabilities:										
Other corporate liabilities									10,131,994,212	9,277,366,262
Total liabilities as per consolidated balance sheet									30,415,794,764	28,477,067,495

	2011 Rupees	2010 Rupees
33.2 Geographical information		
The Group's revenue from external customers by geographical location is detailed below:		
Europe	2,351,916,907	1,766,969,077
Asia, Africa and Australia	7,242,809,589	4,817,572,829
United States of America and Canada	4,366,182,106	3,458,337,845
Pakistan	26,714,148,339	3,300,659,812
	40,675,056,941	13,343,539,563

33.3 All non-current assets of the Group as at reporting dates are located and operating in Pakistan.

33.4 Revenue from major customers

Nishat Chunian Power Limited - Subsidiary Company sells electricity only to NTDCL. However, revenue from transactions with a single external customer of the Processing and Home Textile business segment of the Group amounted to Rupees 2,560.892 million (2010: Rupees 2,469.177 million).

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
34.1 Nishat (Chunian) Limited - Holding Company		
Spinning		
Number of spindles installed	149,744	147,926
Number of spindles worked	142,324	141,949
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	51,481,595	50,948,536
Actual production of yarn after conversion into 20/1 count (Kgs.)	49,932,454	50,225,855

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	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	199,417,592	214,588,988

Under utilization of available capacity was due to the following reasons:

- change of articles required
- higher count and cover factor
- due to normal maintenance

	2011	2010
Power Plant		
Number of engines installed	10	10
Number of engines worked	10	1 0
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	317,698,920
Actual generation (KWh)	172,000,823	172,357,094

Under utilization of available capacity was due to normal maintenance.

	2011	2010
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	3	2
Number of shifts per day	3	3
Capacity in meters	30,800,000	26,400,000
Actual processing of fabrics - meters	20,900,000	25,522,831

Under utilization of available capacity was due to normal maintenance and power outages.

	2011	2010
Printing		
Number of stenter machine	1	-
Number of shifts per day	2	-
Capacity in meters	6,200,000	-
Actual processing of fabrics - meters	1,732,000	-

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

Stitching

The plant capacity of this division is indeterminable due to multi product plant involving varying run length of order lots.

Nishat Chunian Power Limited - Subsidiary Company

Installed capacity [based on 8,280 hours (2010: Nil)]	1,620,578	-
Actual energy delivered	1,405,751	-

The under utilisation of available capacity is due to less demand by NTDCL.

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

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

Risk management is carried out by finance departments of the Group Companies under policies approved by their respective Board of Directors. The finance departments evaluate and hedge financial risks. The Board of each Group Company 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, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

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

	2011	2010
Cash at banks - USD	80,329	101,889
Trade debts - USD	18,844,028	13,935,801
Other receivable - Euro	-	993,570
Trade and other payable - USD	344,618	2,553,070
Trade and other payable - Euro	-	5,872,900
Short term borrowings as FE 25 import / export loans-USD	7,128,535	1,476,190
Accrued mark-up on FE 25 import / export loans - USD	73,908	6,460
Net exposure - USD	11,377,296	10,001,970
Net exposure - Euro	-	(4,879,330)
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	85.63	84.27
Reporting date rate	85.95	85.60
Rupees per Euro		
Average rate	117.96	116.24
Reporting date rate	124.89	104.58

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 45.639 million and Rupees Nil [2010: Rupees 39.229 million and Rupees (25.514) million] respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	634,382,704	600,860,872
Short term borrowings	1,803,457,060	3,238,389,484
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	6,042,538	1,561,710,383
Term deposit receipts	22,000,000	20,000,000
Financial liabilities		
Long term financing	19,044,615,960	19,073,725,395
Short term borrowings	6,416,458,687	3,254,350,165

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 241.615 million (2010: Rupees 47.246 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:

	2011 Rupees	2010 Rupees
Loans and advances	13,761,927	18,497,075
Deposits	1,200,442	1,200,442
Trade debts	9,053,785,203	3,251,175,130
Other receivables	120,305,419	154,742,614
Short term investment	-	131,890,238
Derivative financial instrument	3,061,396	-
Accrued interest	2,660,798	-
Bank balances	167,446,212	1,650,250,729
	9,362,221,397	5,207,756,228

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 Short term	Long term	Agency	2011 Rupees	2010 Rupees
Banks					
Askari Bank Limited	A1+	AA	PACRA	22,064,379	20,066,947
Al-Baraka Bank (Pakistan) Limited	A2	A-	PACRA	2,242	-
Allied Bank Limited	A1+	AA	PACRA	15,020,798	-
Bank Alfalah Limited	A1+	AA	PACRA	325,058	625,899
Bank Al-Habib Limited	A1+	AA	PACRA	2,007,873	-
BankIslami Pakistan Limited	A1	A	PACRA	153,961	1,283,826
Barclays Bank Plc	P-1	Aa3	Moody's	41,600,112	-
Burj Bank Limited (Formerly Dawood Islamic Bank Limited)	A-2	A-	JCR-VIS	-	3
Citibank N.A.	P-1	A1	Moody's	2,285	224,203
Deutsche Bank AG	P-1	Aa3	Moody's	119,876	-
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	427,391	553,521
Faysal Bank Limited	A1+	AA	PACRA	15,119,634	4,607,178
Habib Bank Limited	A-1+	AA+	JCR-VIS	4,413,818	417,496
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,148,433	171
HSBC Bank Middle East Limited	P-1	A1	Moody's	691,644	7,288,887
MCB Bank Limited	A1+	AA+	PACRA	48,465,238	46,080,744
Meezan Bank Limited	A-1+	AA-	JCR-VIS	2,855,727	23,430
National Bank of Pakistan	A-1+	AAA	JCR-VIS	4,093	4,792
NIB Bank Limited	A1+	AA -	PACRA	441,612	7,831,769
Samba Bank Limited	A-1+	A+	JCR-VIS	90,761	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	10,918,668	463,318
Summit Bank Limited	A-2	A	JCR-VIS	12,490	14,631
The Bank of Punjab	A1+	AA -	PACRA	1,041,509	1,106
United Bank Limited	A-1+	AA+	JCR-VIS	518,610	1,560,762,808
				167,446,212	1,650,250,729

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 15.

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

(c) Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2011, the Group had Rupees 6,030.760 million available borrowing limits from financial institutions and Rupees 174.325 million cash and bank balances. The management believes 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 2011:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
Non-derivative financial liabilities:						
Long term financing	19,678,998,664	34,832,048,670	2,467,029,029	2,856,944,662	4,937,712,979	24,570,362,000
Short term borrowings	8,219,915,747	8,470,642,070	8,230,815,424	239,826,646	-	-
Trade and other payables	1,159,826,043	1,159,826,043	1,159,826,043	-	-	-
Accrued markup	953,708,954	953,708,954	953,708,954	-	-	-
	30,012,449,408	45,416,225,737	12,811,379,450	3,096,771,308	4,937,712,979	24,570,362,000

Contractual maturities of financial liabilities as at 30 June 2010:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Year	More than 2 Years
Non-derivative financial liabilities:						
Long term financing	19,674,586,267	37,163,352,949	2,436,122,523	2,371,963,961	4,494,026,048	27,861,240,417
Short term borrowings	6,492,739,649	6,852,938,824	5,714,794,452	1,138,144,372	-	-
Trade and other payables	1,391,045,658	1,391,045,658	1,391,045,658	-	-	-
Accrued mark-up	776,990,805	776,990,805	776,990,805	-	-	-
	28,335,362,379	46,184,328,236	10,318,953,438	3,510,108,333	4,494,026,048	27,861,240,417

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 9 to these financial statements.

35.2 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.

35.3 Financial instruments by categories

	At fair value through profit or loss	Loans and receivables	Total
	------------------------Rupees------------------------		
As at 30 June 2011			
Assets as per balance sheet			
Loans and advances	-	13,761,927	13,761,927
Deposits	-	1,200,442	1,200,442
Trade debts	-	9,053,785,203	9,053,785,203
Other receivables	-	120,305,419	120,305,419
Derivative financial instrument	3,061,396	-	3,061,396
Accrued interest	-	2,660,798	2,660,798
Cash and bank balances	-	174,324,811	174,324,811
	3,061,396	9,366,038,600	9,369,099,996

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	19,678,998,664
Accrued mark-up	953,708,954
Short term borrowings	8,219,915,747
Trade and other payables	1,159,826,043
	30,012,449,408

As at 30 June 2010	At fair value through profit or loss	Loans and receivables	Total
	------------------------Rupees-----------------------		
Assets as per balance sheet			
Loans and advances	-	18,497,075	18,497,075
Deposits	-	1,200,442	1,200,442
Trade debts	-	3,251,175,130	3,251,175,130
Other receivables	-	154,742,614	154,742,614
Short term investment	131,890,238	-	131,890,238
Cash and bank balances	-	1,651,996,910	1,651,996,910
	131,890,238	5,077,612,171	5,209,502,409

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	19,674,586,267
Accrued mark-up	776,990,805
Short term borrowings	6,492,739,649
Trade and other payables	1,391,045,658
	28,335,362,379

36. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Group as referred to in note 6 and 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Group's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 75% debt and 25% equity.

		2011	2010
Borrowings	Rupees	27,898,914,411	26,167,325,916
Total equity	Rupees	8,647,947,815	6,009,283,544
Total capital employed	Rupees	36,546,862,226	32,176,609,460
Gearing ratio	Percentage	76.34	81.32

37. UNUTILIZED CREDIT FACILITIES

The Group has total credit facilities amounting to Rupees 14,251.06 million (2010: Rupees 25,160 million) out of which Rupees 6,030.760 million (2010: Rupees 2,882 million) remained unutilized at the end of the year.

38. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company has proposed a cash dividend for the year ended 30 June 2011 of Rupees 2/- per ordinary share (2010: Rupees 1.50 per ordinary share) at their meeting held on 08 October, 2011. Moreover, 15% (2010: 15%) preference dividend has been proposed by the Board of Directors of Holding Company for payment after approval in forthcoming Annual General Meeting, in accordance with the approved terms and conditions of preference share issue.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 08 October, 2011 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of comparison. However, no significant rearrangements / regroupings have been made except lycra amounting to Rupees 31.873 million has been reclassified from stores, spare parts and loose tools to stock-in-trade.

41. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

DIRECTOR

Proxy Form

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

I / We ____

of ____ being a member(s) of

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

as per Share Register Folio No. ______________________________

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

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

of ____________________________________ another member of the Company as per

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

of ______________________ another member of the Company) as my / our Proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, to be held on 31 October 2011 (Monday) at 11:30 a.m at the Registered Office of the Company (31-Q, Gulberg II, Lahore) and at any adjournment thereof.

As witness my hand this ______________________ day of ______________________ 2011

signed by the said ______________________________________ in presence

of ____

Witness

Signature

Signature

Affix Rs. 5/-
Revenue
Stamp

Notes:

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

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