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COMPANY INFORMATION

BOARD OF DIRECTORS:	Mrs. Naz Mansha Mian Raza Mansha Mian Hassan Mansha Mr. Muhammad Nawaz Tishna (NIT) Mr. Faisal Ehsan Ellahi Mr. Khalid Qadeer Qureshi Mr. Muhammad Azam Rana Muhammad Mushtaq	Chief Executive/Chairperson Chief Financial Officer
AUDIT COMMITTEE:	Mr. Faisal Ehsan Ellahi Mian Hassan Mansha Mr. Muhammad Azam	Chairman/Member Member Member
COMPANY SECRETARY:	Mr. Khalid Mahmood Chohan	
AUDITORS:	Riaz Ahmad & Company Chartered Accountants	
LEGAL ADVISOR:	Mr. M. Aurangzeb Khan, Advocate, Chamber No. 6, District Court, Faisalabad.	
BANKERS TO THE COMPANY:	ABN AMRO Bank Albaraka Islamic Bank B.S.C (E.C) Allied Bank of Pakistan Limited Askari Commercial Bank Limited Bank Alfalah Limited Citibank N.A. Crescent Commercial Bank Ltd. Deutsche Bank Faysal Bank Limited Habib Bank Limited Habib Bank A.G. Zurich	KASB Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited PICIC Commercial Bank Limited Standard Chartered Bank The Hong Kong & Shanghai Banking Corporation Limited Union Bank Limited United Bank Limited
MILLS:	Nishatabad, Faisalabad 12 K.M. Faisalabad Road, Sheikhupura. 21 K.M. Ferozepur Road, Lahore. 5 K.M. Nishat Avenue Off 22 K.M. Ferozepur Road, Lahore. 20 K.M. Sheikhupura Faisalabad Road, FerozeWatwan	(Spinning, Processing, Stitching units & Power Plant) (Weaving units & Power Plant) (Stitching unit) (Weaving, Dyeing & Finishing unit and Power Plant) (Spinning unit)
REGISTERED OFFICE & SHARES DEPARTMENT	Nishat House, 53, A, Lawrence Road, Lahore. Tel: 042-6367812-16 Fax: 042-6367414	
HEAD OFFICE:	7, Main Gulberg, Lahore. Tel: 042-5716351-9 Fax: 042-5716349-50 E-mail: nishat@nishatmills.com Website: www.nishatmills.com	
LIAISON OFFICE:	Ist Floor, Karachi Chambers, Hasrat Mohani Road, Karachi. Tel: 021-2414721-23 Fax: 021-2412936	

Mission Statement

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

Vision Statement

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that Annual General Meeting of the members of Nishat Mills Limited (the Company) will be held on October 31, 2006 (Tuesday) at 11:00 a.m. at Nishat House, 53 – A, Lawrence Road, Lahore, to transact the following business:

1. To confirm minutes of the last Meeting.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2006 together with Directors' and Auditors' reports thereon.
3. To approve Cash Dividend @ 15% (i.e. Rs. 1.50 per share) and bonus shares in the proportion of ONE share for every 10 shares i.e. 10% as recommended by the Board of Directors.
4. To approve re-appointment of M/s Riaz Ahmad & Company, Chartered Accountants, as external auditors of the Company for the year 2006-2007 and fix their remuneration, as recommended by the Audit Committee and Board of Directors.
5. Any other matter with the permission of the chair.

BY ORDER OF THE BOARD

LAHORE
September 18, 2006

(KHALID MAHMOOD CHOHAN)
Company Secretary

NOTES:-

- 1) **BOOK CLOSURE NOTICE FOR ENTITLEMENT OF FINAL 15% CASH DIVIDEND AND 10% BONUS SHARES FOR THE YEAR ENDED JUNE 30, 2006:-**

The Share Transfer Books of the Company will remain closed for entitlement of Cash Dividend @ Rupees 1.50 per share i.e. (15%) and Bonus shares in the proportion of ONE (1) share for every 10 shares i.e. 10%, from 23-10-2006 to 31-10-2006 (both days inclusive). Physical transfers / CDS transactions / IDs. received in order at Nishat House, 53-A, Lawrence Road, Lahore upto 1:00 p.m. on October 21, 2006 will be considered in time for the entitlement of said dividend, bonus and attending of meeting.

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

DIRECTORS' REPORT

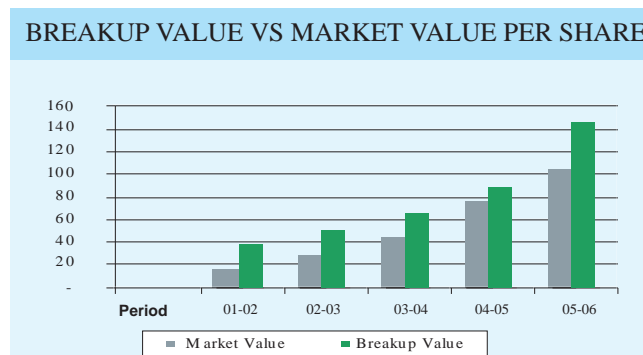
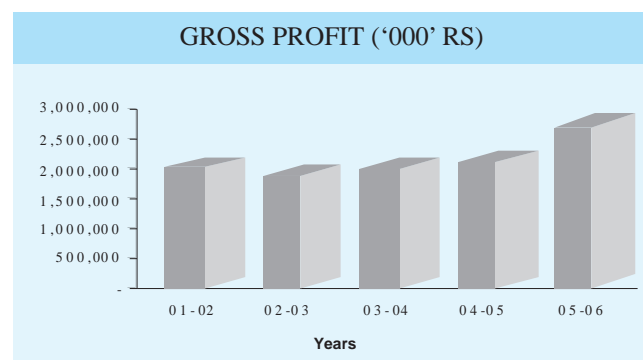
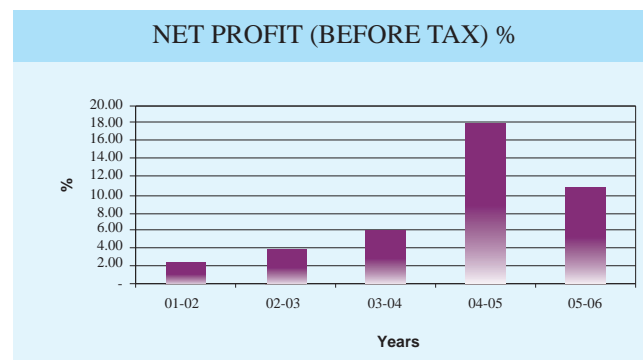
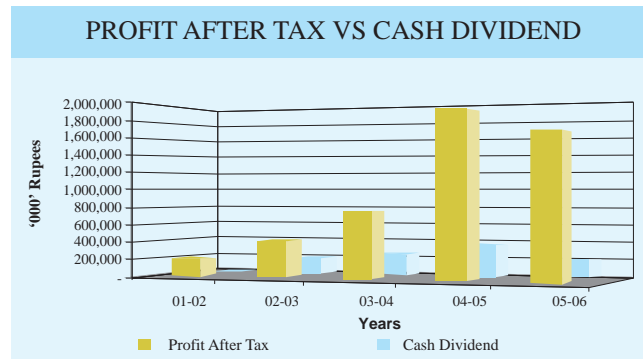
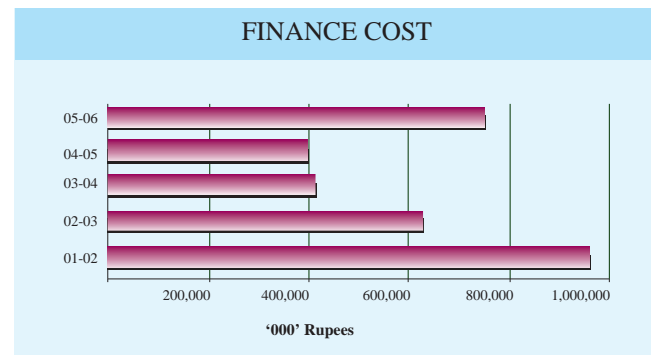
Your directors are pleased to present you the 58th annual report and audited accounts for the year ended June 30, 2006.

Operating financial results

Highlights	2006 - '000' Rs	2005 - '000' Rs (9 - Months)	Variance %
Sales	16,417,358	11,374,630	44.33
Gross Profit	2,715,732	2,134,899	27.21
Operating Profit	1,986,526	2,000,204	(0.68)
Profit Before Tax	1,758,866	2,033,354	(13.50)
Profit After Tax	1,632,866	1,867,354	(12.56)
EPS	11.24	12.86	(12.56)

Our company has earned an after tax profit of Rs 1,632.866 Million in this year thus showing a decrease of 12.56 % as compared to Rs. 1,867.354 Million for the previous period. Analysis revealed that increase in local cotton prices by 20.79 %, finance cost by 85.20 % (Rs. 347.358 M) and decrease in other income by 55.28 % (Rs. 343.608 M) are the major factors causing the profit for the period to reduce. Increase in finance cost is due to increase in short term financing rate by 96 % (2006: 7.54 %, 2005: 3.85 %) and long term financing rate by 44 % (2006: 9.61 %, 2005: 6.66 %) causing the overall financing rate to increase to 8.49 % as compared to 4.93 % for the previous period. Decrease in other income is due to decrease in gain on sale of investment by Rs. 376.806 M resulted in previous period mainly from sale of shares of MCB Bank Limited.

The Board of Directors of the company has proposed 15 % cash dividend and 10 % bonus share (2005: 25 % cash dividend) and recommends transferring Rs. 1,269 Million (2005: 1,142 Million) to general reserve.



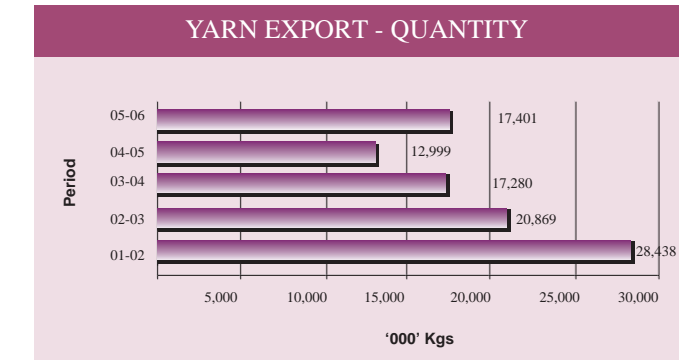
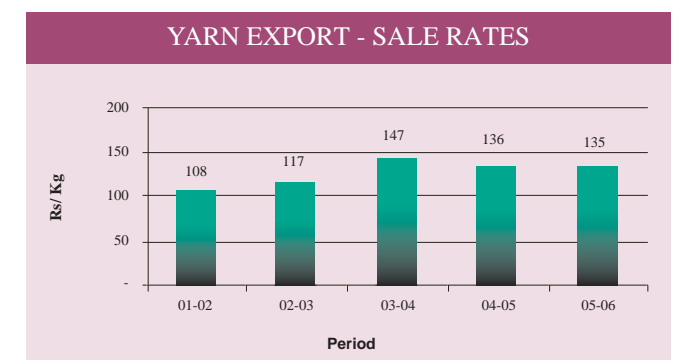
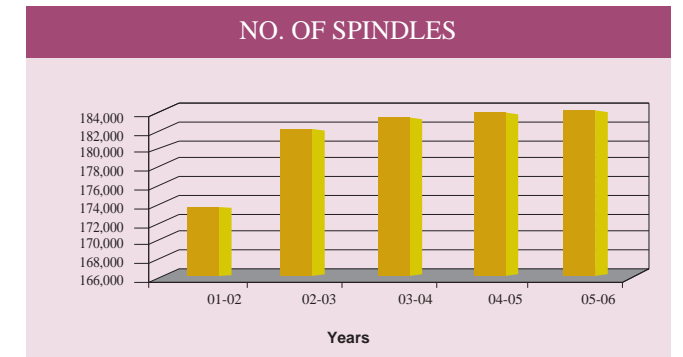
Marketing strategy & future prospects

Spinning Section

The fiscal year 2005-2006 was over all a stable year for Nishat Mills Limited. Cotton prices varied between Rs.2,200/maund to around Rs.2,500/maund. With the start of the season, spinners started buying for the month of September & onwards. This is a factor because of which, almost every year, market rises by end September / early October and by the end of October, prices become normal & things get stable. As Nishat, purchased cotton on good rates this year, this had a good impact in 2nd half of the year.

Cotton yarn demand from all over the world has shown an increasing trend; except last quarter, which remained under pressure. During the year, yarn prices showed a maximum raise of 10% as compared to the start of the year. In Far East, especially, demand for Combed counts was more than the demand of Carded counts. There was a decrease in export of Carded yarn as in house usage was increased. At Nishat, this year, a development in compact yarn production has been made, in terms of production capacity. European markets had the decreasing trend in 100% cotton yarn. However, Nishat's major markets, this year, for cotton yarn remained Far East and some areas of North America.

Total yarn quantity sold during the year comes to 27.856 M Kgs as compared to 20.907 M Kgs for the previous period. There can be seen a stability in overall average sale rates of yarn as compared to previous period (2006: Rs. 142 / Kg, 2005: Rs. 143 / Kg). Local sale rates decreased to Rs 153 / Kg as compared to Rs 155 / Kg for the previous period. Moreover, export sale rate decreased to Rs 135 / Kg as compared to Rs 136 / Kg for the previous period. Average purchase rate of local cotton increased by 21 % (2006: Rs. 64 / Kg, 2005: Rs. 53 / Kg) and for imported cotton by 6 % (2006: Rs. 90 / Kg, 2005: Rs. 85 / Kg).



Weaving Section

Markets behaved relatively normal in the 1st financial half of the year 2006. Fabric prices went higher with increase in yarn prices close to the end of 2005. Yarn market, especially the fine cotton counts were recorded on very high side. Local cotton market played high in the beginning of crop harvesting season amid speculations of low yield crop production than estimated and eventually got stable in the later part of the year. Oil and gas prices rose close to the end of this year causing a raise in the costs of production.

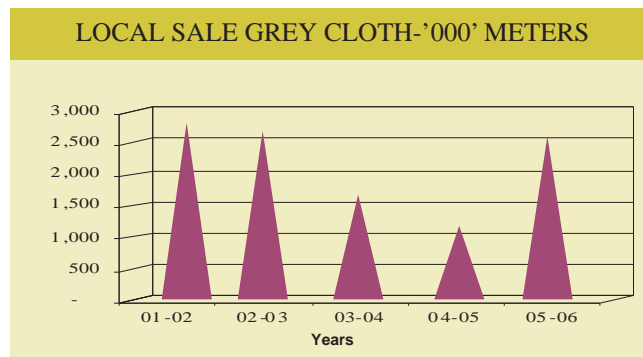
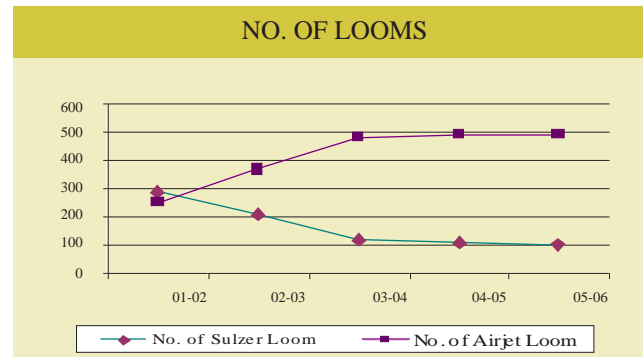
January and February were the months experiencing simultaneous increase in yarn prices as well as the fabric prices. Business volumes were good with stable trends. Local cotton market played high. Local and foreign dye houses continued buying greige quantities that eventually made fabric prices to rise and yarn prices to stay stable on high side until the end of 2nd month, 2006.

Wider width fabric market started to slow down drastically in the month of March and exerted its effect until the end of financial year. Yarn market got down in March in the wake of halted greige fabric inquiries and with inquiries finally creeping in, yarn market started going up in basic coarse counts.

With export market being the foremost focus, new prospective customers were targeted and business was concluded. In the European and near Eastern markets, Nishat weaving started business in Morocco, France, Malaysia and consolidated on the existing business in Europe and the Far East. In Europe, the weaving section was able to expand its business in the industrial fabrics especially Germany and United Kingdom. In German market, Nishat strike the prospects of starting technical fabric business. Canada is another market where business prospects were successfully explored.

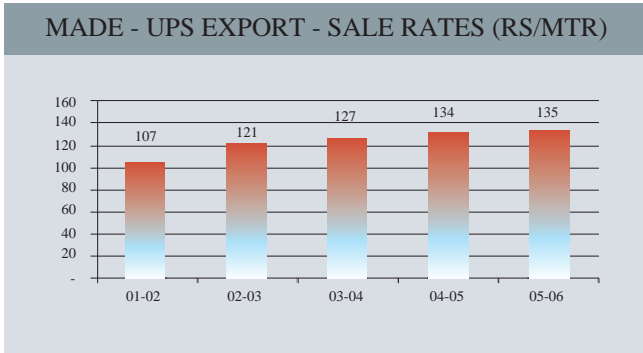
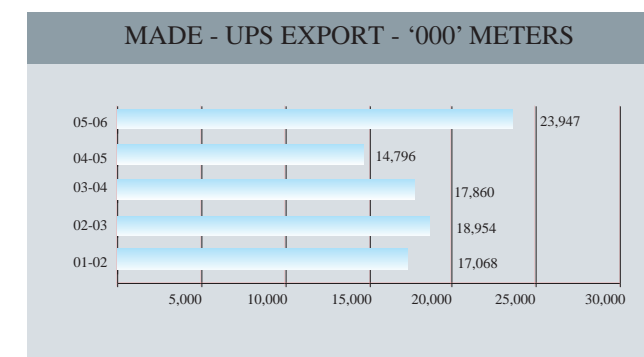
An increase of 8 % has been observed in average sale rates of grey cloth as compared to the previous period (2006: Rs. 82 / Mtr, 2005: Rs. 76 / Mtr). Moreover, quantity sold has increased by 33 % (2006: 54.518 M Mtrs, 2005: 41.041 M Mtrs). Local sale rates decreased to Rs 57 / Mtr as compared to Rs 67 / Mtr for the previous period. However, export rates increased to Rs 83 / Mtr as compared to Rs 76 / Mtr for the previous period.

Number of meters locally sold during the period increased to 2.602 M as compared to 1.102 M for the previous period. Following the similar trend, export meters of grey cloth increased to 51.916 M as compared to 39.939 M for the previous period.



Processing and Stitching Section

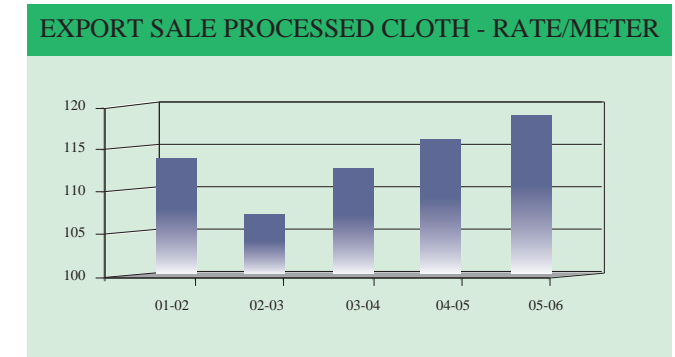
Despite Global recession the Home Textiles sales have increased. Made-ups exports during the year are 23.947 Million Mtrs as compared to 14.796 Million Mtrs for the previous period. Sale rate has also increased slightly as compared to previous period (2006: Rs. 135 / Mtrs, 2005: Rs. 134 / Mtr). However, Export sale rate for processed cloth decreased to Rs. 97 / Mtr as compared to Rs. 113 / Mtr for the previous period. Moreover, export meters has also declined by 26 % (2006: 2.865 M Mtrs, 2005: 3.870 M Mtr)



Nishat Dyeing & Finishing – (NDF)

Nishat Dyeing & Finishing started the FY 2005 - 2006 on a positive note, with record sales and net margins in the period of July to December of 2005. Raw material remained stable and helped us in achieving phenomenal growth in all markets. We started facing challenges in the second half of the FY i.e. January 2006 - June 2006 due to increase in cotton prices world over and particularly Pakistan.

Simultaneously the markets started showing signs of slowness thus affecting our sales. The margins were



squeezed due to heavy pressure on selling prices, fierce competition and increase in raw material costs.

Overall, it was a good year for Nishat Dyeing & Finishing. Our total sales volume was the ever highest since inception of this plant. 29.372 million meters of processed fabric exported during 2006 (2005: 17.454 million meters) at comparatively high rate (2006: Rs 119/Mtr, 2005: Rs 116/Mtr) The future although is bright but is going to be very challenging. The sudden fluctuations in domestic cotton market and our high cost of raw material may reflect negatively on our profitability.

Nishat Dyeing & Finishing has acquired new finishing equipments, which will help in providing newer products to our customers and will add value to our existing product range. We are confident that with the added capacity and new products we will out perform our previous year's performance and will be able to offset various challenges faced by the textile industry in Pakistan. New customers and markets are explored simultaneously and we remain committed in providing better quality and value for money to our customers.

Power Generation

For reliable and cheaper power, Nishat has installed its own power plants. In 1991-1995 heavy fuel oil fired power plants of 34 MW were installed at Fsd and Bhikki. From 2000 onward due to rising oil prices and environment concerns, new natural gas fired generators were progressively installed at all Nishat Textile Mills sites totaling about 40 MW. These are cutting edge technology highly efficient reciprocating engines and gas turbines generators, which besides generating power are supplying steam and air conditioning, being produced using so called "waste heat", to the production units. In fact, Nishat Mills is the trendsetter in this type of power generation in the country.

Power Plants	Diesel / Furnace Oil Engines	Gas Engines	Gas Turbines
Faisalabad	4	4	1
Bhikki	3	4	1
Lahore	5	4	3
Ferozewatwan	2	4	-

Expansion

This year saw major expansions in all businesses of Nishat Mills. In almost all divisions, old machines were replaced with new and up-graded technology. This is vital to stay ahead of the competition and to continue the existing growth pattern.

Spinning Division

The spinning division of Nishat continued to balance and modernize its facilities. The prime focus was to up-grade the existing facilities to remain quality conscious. During this year, 14,400 spindles were replaced in unit 17 and like wise new combers were added in unit 14. To cater to the growing demand of high quality cotton yarn, 11,208 spindles in unit 15 & 27 were equipped with compact devices. Like wise 12,480 spindles are being replaced with 13,104 new RX-240 Toyada compact spindles in unit 11. With these changes, Nishat Mills will continue to remain one of the most modern spinning set-ups of Pakistan.

Weaving Division

Nishat weaving plant at Bhikki was revamped to be equipped with the latest generation European warping, sizing machines and new Japanese Tsudakoma weaving machines. 120 old air-jets were changed to 108 high-speed Tsudakoma weaving machines. The new loom configuration would further enhance the weaving capability to produce high-end dobby and stretch items for the European Market.

The new weaving plant at Lahore also saw major expansion. A batch of 72 new wider width Toyoda looms was added to the existing set-up of 110 narrow width looms. Like wise new back process comprising of Toyoda warping and Toyoda sizing machine was also installed. Nishat weaving embarked upon a new venture of "size recovery plant" with the aim to recycle synthetic sizing material which will in turn increase cost optimization, reduce lead time in dyeing process and help the environment protection by reducing use of chemicals and less water drain by dyeing units.

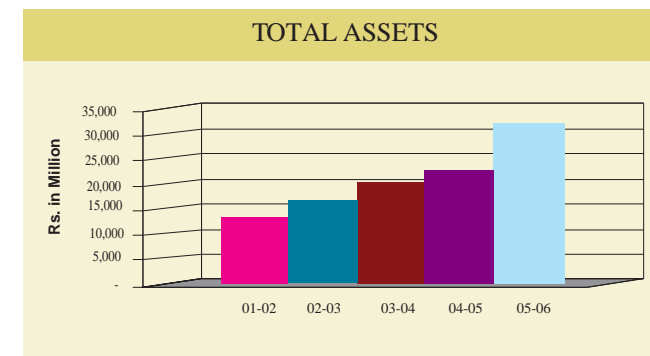
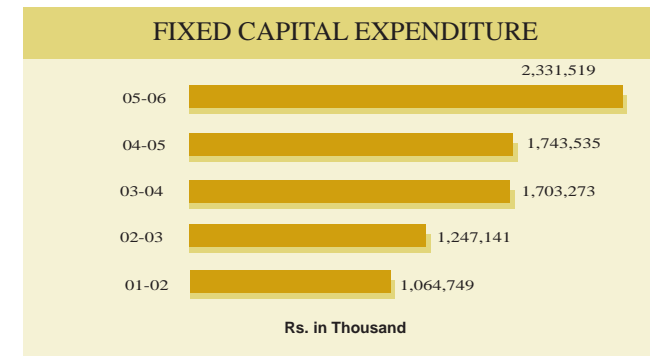
Processing & Stitching Division

A new state of art wider width dyeing plant has been set up at the Lahore plant. This is a major investment in the Home Textiles sector by the company. The set up includes an open width bleaching machine, a chain mercerizing machine, a continuous dyeing thermosol, pad steam dyeing

range, finishing stenters, calendar, sanforizer and a wider width emerizing machine. These machines are backed by a new high tech laboratory to deliver fault free fabrics to Nishat's valued clients. All the machines and technology is from leading European manufacturers. Special emphasis has been given to incorporate time and energy efficiency. Few old machines from the Faisalabad processing plant have also been successfully shifted to the new plant to balance its production. In the second phase, the Home Textiles would be shifting its print works to the new facility. This will include major modernization and up-gradation of old machines. A new 12 color wider width printing machine would also be bought in this phase. In the stitching operation, more capacities were added. A new central cutting hall is under construction that would be equipped with latest cutting equipment from Gerber.

Nishat Dyeing & Finishing – NDF

Nishat Dyeing & Finishing has expended its capacities by 30% starting FY 2006-07. The total capacity of the plant stands at 4 million meters / month, thus making us the largest piece dyeing facility in whole of South East Asia.



We have invested heavily in acquiring a new singeing, bleaching, dyeing thermosol and a stenter machine. At the same time, heavy investments are made to upgrade our finishing equipment for value added goods. This, we firmly believe, will help us in providing better and newer products to markets. The expansion has been a cost effective solution for us. With the same management and no significant increase in work force, the capacity has been increased tremendously. This will certainly help us in getting a better share of the market and work at optimal levels of production.

New Investments

Gulf Nishat Apparel Limited (GNAL)

Gulf Nishat Apparel Limited is an unquoted company having its registered office at Nishat House, 53-A, Lawrence Road, Lahore. It is a joint venture with Gulf Baraka Apparel of Bahrain to manufacture and sell apparel products. The plant is being set up at Nishat Avenue, 7 K.M. Off Ferozepur Road Lahore. Major plant and machinery of the project has arrived at site. Civil works are almost complete. The commercial production is expected to start in December 2006.

The Company has approved an investment up to Rs. 200 Million in the equity of Gulf Nishat Apparel Limited in its annual general meeting held on October 31, 2005. To date, the Company had invested Rs 77.9 Million against equity participation where as the remaining amount will be invested in the subsequent period as and when required.

Nishat Shuaiba Paper Products Co. Ltd. (NSPPL)

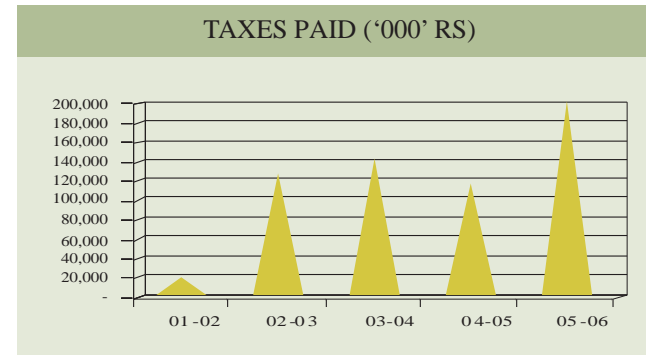
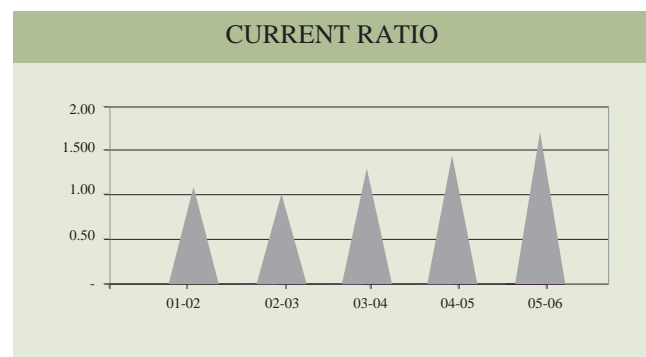
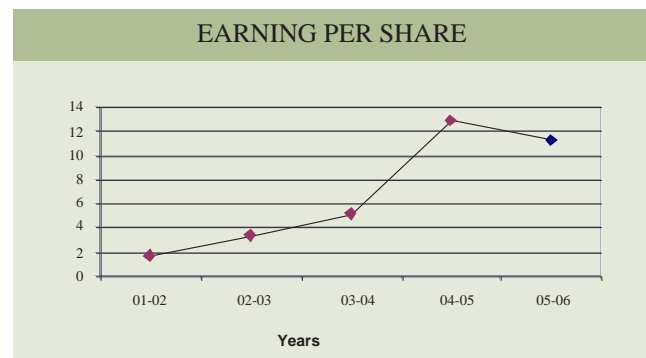
Nishat Shuaiba Paper Products Company Limited is also an unquoted company having its registered office at Nishat House, 53-A, Lawrence Road, Lahore. It is a joint venture with Shuaiba Paper Products Company of Kuwait to manufacture and sell paper sacks for packing of cement. The plant is situated at Khairpur, near Kallar Kahar District Chakwal. The first production line of the company has successfully started its commercial production in January 2006. The second production line has completed its trial operations and ready for commercial production. The company is making all out efforts to get its market share

from existing market players. Stiff competitions in sack industry coupled with increasing rate of Kraft Paper in international markets are negatively affecting the financials of the company. The management of NSPPL is making all out efforts to improve the situation by gradually increasing the selling price, capture more market share and cutting production costs.

The Company approved total investment up to Rs. 140 Million in the equity of NSPPL in its extraordinary general meeting held on September 29, 2004 and annual general meeting held on October 31, 2005. To date, the Company has invested Rs 111.5 Million against equity participation where as the remaining amount will be invested in the subsequent period as and when required.

Earning Per Share

The earning per share of the company stood at Rs 11.24 (2005: Rs 12.86)



Auditor's Qualification

The company has not made provision for Workers' Participation Fund against gain on sale of shares amounting to Rs 48.824 Million in the financial statement for the year ended June 30, 2006. The auditors have qualified their report to the members on these financial statements due to above non-provision of Fund.

We are of the opinion that gain on sale of share does not qualify for the provision of Workers' Participation Fund as no efforts of workers are involved in such gain. The same has also been confirmed by one of our legal consultants.

Information Technology

Increasing business volumes, growing diversity of products, management devotion for improvement and complexities involved in decision-making has created demands for well-versed system and these factors are the drivers to achieve excellence for our in-house developed information system.

Related parties

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

Corporate Governance

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

Corporate and Financial Frame Work

In compliance with the Code of Corporate Governance, we give below statements of Corporate and Financial Reporting framework:

- a. The financial statements, prepared by the management of the Company, present fairly its statement of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as stated in note 2.2 and 2.9 to the financial statements that have been duly approved and adopted in the current year. Accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant 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.
- h. The following is the value of investments in respect of retirement benefits fund; Provident Fund: Rs. 219.739 Million Un-audited (2005: Rs. 200.615 Million-Audited).
- i. During the year under review, four Meetings were held, attendance position was as under:-

Sr. No.	Name of Director	No. of Meetings Attended
1	Mrs. Naz Mansha [Chief Executive / Chairperson]	4
2	Mian Raza Mansha	2
3	Mian Hassan Mansha	2
4	Mr. Muhammad Nawaz Tishna [Nominee NIT]	4
5	Mr. Faisal Ehsan Ellahi	0
6	Mr. Khalid Qadeer Qureshi	4
7	Mr. Muhammad Azam	4
8	Rana Muhammad Mushtaq	2

Audit Committee

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

Auditors

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

Pattern of shareholding and information under clause xix (i) and (j) of the Code of Corporate Governance

The information under this head as on June 30, 2006 is annexed.

Key operating and financial data

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

Nishat Mills Limited

Nishat Mills Limited

Acknowledgement

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

For and on behalf of Board of Directors

Lahore: **(MRS. NAZ MANSHA)**
September 18, 2006 **Chief Executive/Chairperson**

FINANCIAL HIGHLIGHTS

	2001	2002	2003	2004	2005	2006
(Rupees in thousand)						
Profit and loss						
Net sales	11 662 457	11 947 783	13 209 299	14 875 877	11 374 630	16 417 358
Gross Profit	2 057 444	2 027 947	1 887 991	1 933 924	2 134 899	2 715 732
Profit before tax *	392 731	333 530	544 135	905 502	2 033 354	1 758 866
Profit after tax *	314 962	201 511	410 579	751 060	1 867 354	1 632 866
Cash outflows						
Taxes paid	110 060	17 569	124 918	141 850	116 675	196 772
Financial Charges Paid	941 253	1 096 593	687 712	443 665	351 094	692 267
Fixed capital expenditures	2 416 093	1 064 749	1 247 141	1 703 273	1 743 535	2 331 519
Balance sheet						
Current assets*	5 915 894	5 006 405	5 804 815	8 074 343	7 746 417	9 758 440
Current liabilities	6 895 203	6 060 993	6 583 115	7 456 610	6 253 333	7 051 533
Operating fixed assets	6 194 523	6 327 546	6 911 233	7 631 620	7 926 838	8 398 257
Total assets *	14 222 444	12 795 822	15 454 628	19 581 627	21 917 602	31 179 326
Long term loans and finances	2 596 766	2 467 484	2 753 389	2 622 873	2 858 155	3 015 384
Shareholders' Equity *	4 717 514	4 255 227	6 118 124	9 502 144	12 806 114	21 112 409
Ratios						
Current ratio	0.97:1	1.04:1	1.03:1	1.22:1	1.40:1	1.71:1
Gearing ratio *	0.42:1	0.47:1	0.38:1	0.27:1	0.22:1	0.17:1
Gross profit %	17.64	16.97	14.29	13.00	18.77	16.54
Net profit % (before tax) *	3.37	2.79	4.12	6.09	17.88	10.71
Earning per share *	2.83	1.65	3.35	5.17	12.86	11.24
Proposed dividend %	15	-	15	20	25	15
Bonus %	-	10	-	-	-	10
Production machines						
No. of Spindles	172 992	172 832	181 384	182 568	183 416	183 576
No. of Sulzar Looms	284	284	202	114	108	108
No. of Airjet Looms	244	252	362	472	482	484
No. of Thermosole Dyeing machines	3	3	3	3	4	4
No. of Rotary Printing machines	3	3	3	3	3	3

* Previous year figures have been restated due to change in accounting policy for investment in associates

**PATTERN OF HOLDING OF THE SHARES HELD BY
THE SHAREHOLDERS OF NISHAT MILLS LIMITED
AS AT 30 JUNE 2006**

FORM 34
THE COMPANIES ORDINANCE, 1984 (SECTION 236)

No. of Share Holders	Shareholding		Total Shares Held
	From	To	
4415	1	100	161806
4569	101	500	1137809
1117	501	1000	832399
1027	1001	5000	2451624
220	5001	10000	1647148
63	10001	15000	786773
41	15001	20000	728802
23	20001	25000	543677
18	25001	30000	507828
13	30001	35000	430942
8	35001	40000	308146
7	40001	45000	307379
17	45001	50000	822767
2	50001	55000	103185
10	55001	60000	589009
7	60001	65000	441300
2	65001	70000	134760
5	70001	75000	374905
5	75001	80000	391700
2	80001	85000	167100
1	85001	90000	87000
2	90001	95000	189708
5	95001	100000	500000
2	100001	105000	205493
1	105001	110000	106300
1	110001	115000	113240
1	120001	125000	125000
5	125001	130000	645275
3	145001	150000	445781
2	150001	155000	306441
1	170001	175000	171000
1	175001	180000	178443
1	190001	195000	195000
3	195001	200000	600000
1	205001	210000	205500
1	210001	215000	210500
2	215001	220000	437000
1	220001	225000	225000
1	245001	250000	250000
1	250001	255000	252500
2	255001	260000	516068
1	260001	265000	264200
1	280001	285000	284700
2	285001	290000	577200
2	330001	335000	667309
1	345001	350000	348500
1	390001	395000	390900
2	395001	400000	798600
1	415001	420000	417500
1	480001	485000	485000
1	510001	515000	511000
1	525001	530000	525300
1	530001	535000	532000

Nishat Mills Limited

No. of Share Holders	Shareholding		Total Shares Held
	From	To	
1	610001	615000	610587
1	615001	620000	620000
2	625001	630000	1254045
1	745001	750000	750000
1	755001	760000	755500
1	780001	785000	785000
1	785001	790000	789123
1	800001	805000	800800
1	850001	855000	853000
1	1065001	1070000	1068100
1	1070001	1075000	1070900
1	1115001	1120000	1116000
1	1140001	1145000	1141000
1	1225001	1230000	1227700
2	1375001	1380000	2755600
1	1420001	1425000	1425000
1	1620001	1625000	1623930
1	1705001	1710000	1709900
1	2010001	2015000	2014700
1	2105001	2110000	2107000
1	2300001	2305000	2303200
1	2520001	2525000	2525000
1	2995001	3000000	3000000
1	3185001	3190000	3190000
1	3815001	3820000	3818118
1	3895001	3900000	3897000
1	4160001	4165000	4163400
1	5500001	5505000	5501830
1	9975001	9980000	9977302
1	11465001	11470000	11466422
1	13495001	13500000	13498213
1	14475001	14480000	14479955
1	18320001	18325000	18324901
11659		TOTAL	145259743

CATEGORIES OF MEMBERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	11321	66882739	46.04
Investment Companies	22	861906	0.59
Insurance Companies	20	6050174	4.17
Joint Stock Companies	124	21310235	14.67
Private Limited Companies	4	1218	0.00
Financial Institutions	63	14383981	9.90
Modaraba Companies	57	27911893	19.22
Foreign Investors	16	3060725	2.11
Miscellaneous	32	4796872	3.30
	11659	145259743	100.00

**INFORMATION UNDER CLAUSE XIX (i) OF
THE CODE OF CORPORATE GOVERNANCE
AS ON JUNE 30, 2006**

	NO. OF SHARES	PERCENTAGE	
(A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
1. D. G. KHAN CEMENT CO. LTD.	18 324 901	12.62	
(B) NIT AND ICP			
1. NATIONAL INVESTMENT TRUST LIMITED	147 363	0.10	
2. NATIONAL BANK OF PAKISTAN - TRUSTEE DEPTT.	5 728 750	3.94	
(C) DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN			
1. MRS. NAZ MANSHA	CHIEF EXECUTIVE/ CHAIRPERSON	9 977 302	6.87
2. MIAN RAZA MANSHA	DIRECTOR	13 498 213	9.29
3. MIAN HASSAN MANSHA	DIRECTOR	11 466 422	7.89
4. MR. FAISAL EHSAN ELLAHI	DIRECTOR	3 000	0.00
(D) EXECUTIVES			
	NIL	NIL	
(E) PUBLIC SECTOR, COMPANIES AND CORPORATIONS			
1. JOINT STOCK COMPANIES	21 310 235	14.67	
(F) BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS			
1. INVESTMENT COMPANIES	861 906	0.59	
2. INSURANCE COMPANIES	6 050 174	4.17	
3. FINANCIAL INSTITUTIONS	14 383 981	9.90	
4. MODARABAS, MUTUAL FUNDS & LEASING COMPANIES	27 911 893	19.22	
(G) SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY			
	NIL	NIL	

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

NAME OF CEO/DIRECTOR/CFO/ COMPANY SECRETARY AND THEIR SPOUSE AND MINOR CHILDREN	NO. OF SHARES PURCHASED	DATE	RATE (RS.)
MIAN HASSAN MANSHA (DIRECTOR)	76 900	February 25, 2006	130.04

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended: **June 30, 2006**

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairperson and, in her absence, by one of the directors present elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No new orientation course has been arranged during the year.
10. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment have been duly approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The audit committee is continued and it comprises 3 members, of whom, two are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been substantially complied with.

Lahore: September 18, 2006

(MRS. NAZ MANSHA)
Chief Executive / Chairperson
NIC Number: 35202-2851133-6

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER
PRICING FOR THE YEAR ENDED JUNE 30, 2006**

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

Lahore: September 18, 2006

(MRS. NAZ MANSHA)
Chief Executive / Chairperson
NIC Number: 35202-2851133-6

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Nishat Mills Limited to comply with the Listing Regulations of the respective stock exchanges, where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Faisalabad: September 18, 2006

**RIAZ AHMAD AND COMPANY
Chartered Accountants**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NISHAT MILLS LIMITED** as at 30 June 2006 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that as stated in Note 7.2.2 to the financial statements, the company has not made provision for Workers' Participation Fund to the extent of Rupees 2.441 million against profit on sale of equity investments amounting to Rupees 48.824 million. Had the aforesaid provision been made in the financial statements, the profit for the year ended 30 June 2006 and shareholders' equity as of that date would have been lower by Rupees 2.441 million.

Except for the effects of failure to provide for workers' participation fund against profit on sale of equity investments described in the preceding paragraph, 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 changes stated in Note 2.2 and 2.9 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

Nishat Mills Limited

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

Faisalabad: September 18, 2006

RIAZ AHMAD AND COMPANY
Chartered Accountants

BALANCE SHEET

	Note	(RUPEES IN THOUSAND)	
		2006	2005
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 178 470 000 (2005: 178 470 000) ordinary shares of Rupees 10 each		1 784 700	1 784 700
Issued, subscribed and paid up share capital 145 259 743 (2005: 145 259 743) ordinary shares of Rupees 10 each	3	1 452 597	1 452 597
Reserves	4	19 659 812	11 353 517
		21 112 409	12 806 114
NON-CURRENT LIABILITIES			
Long term finances	5	2 982 353	2 796 512
Liabilities against assets subject to finance lease	6	33 031	61 643
		3 015 384	2 858 155
CURRENT LIABILITIES			
Trade and other payables	7	960 436	812 216
Accrued markup	8	151 236	88 449
Short term finances	9	4 315 708	4 284 815
Current portion of long term liabilities	10	1 342 771	711 164
Provision for taxation		281 382	356 689
		7 051 533	6 253 333
CONTINGENCIES AND COMMITMENTS	11		
		31 179 326	21 917 602

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

CHIEF EXECUTIVE OFFICER

Nishat Mills Limited

AS AT 30 JUNE 2006

		(RUPEES IN THOUSAND)	
	Note	2006	2005
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	10 611 353	9 151 096
Long term investments	13	10 793 026	5 003 177
Long term Loans	14	6 377	4 890
Long term deposits, prepayments and deferred cost	15	10 130	12 022
		21 420 886	14 171 185
CURRENT ASSETS			
Stores, spare parts and loose tools	16	471 520	424 827
Stock-in-trade	17	3 003 174	2 897 392
Trade debts	18	1 026 884	877 358
Short term investments	19	4 350 146	2 173 530
Loans and advances	20	418 794	424 533
Short term deposits and prepayments	21	30 525	39 180
Other receivables	22	407 147	388 598
Cash and bank balances	23	50 250	520 999
		9 758 440	7 746 417
		31 179 326	21 917 602

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	(RUPEES IN THOUSAND)	
		Year ended 30 June 2006	Period ended 30 June 2005
SALES	24	16 417 358	11 374 630
COST OF SALES	25	13 701 626	9 239 731
GROSS PROFIT		2 715 732	2 134 899
DISTRIBUTION AND SELLING COST	26	663 671	510 246
ADMINISTRATIVE AND GENERAL EXPENSES	27	264 807	175 040
OTHER OPERATING EXPENSES	28	78 689	70 978
		1 007 167	756 264
OTHER OPERATING INCOME	29	1 708 565	1 378 635
		277 961	621 569
OPERATING PROFIT		1 986 526	2 000 204
FINANCE COST	30	755 054	407 696
		1 231 472	1 592 508
SHARE OF PROFIT IN ASSOCIATED COMPANIES		527 394	440 846
PROFIT BEFORE TAXATION		1 758 866	2 033 354
PROVISION FOR TAXATION	31	126 000	166 000
PROFIT AFTER TAXATION		1 632 866	1 867 354
EARNINGS PER SHARE- BASIC (RUPEES)	32	11.24	12.86

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	(RUPEES IN THOUSAND)	
	Year ended 30 June 2006	Period ended 30 June 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1 758 866	2 033 354
Adjustments for non-cash charges and other items		
Depreciation	797 881	600 252
Gain on disposal of operating fixed assets	(9 458)	(59 506)
Gain on sale of investment	(48 824)	(425 630)
Share of profit in associated companies	(527 394)	(440 846)
Amortization of deferred cost	1 065	1 778
Finance cost	755 054	407 696
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	2 727 190	2 117 098
CASH FLOWS FROM WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Stores, spare parts and loose tools	(46 693)	10 107
Stock-in-trade	(105 782)	2 416
Trade debts	(149 526)	728 729
Loans and advances	2 930	141 821
Short term deposits and prepayments	8 784	(1 943)
Other receivables	(18 549)	(6 951)
Increase/(decrease) in current liabilities		
Trade and other payables	143 876	1 551
Short term finances	30 893	(1 324 170)
<hr/>		
NET CASH USED IN WORKING CAPITAL CHANGES	(134 067)	(448 440)
<hr/>		
CASH GENERATED FROM OPERATING ACTIVITIES	2 593 123	1 668 658
Finance cost paid	(692 267)	(351 094)
Income tax paid	(196 772)	(116 675)
<hr/>		
NET CASH GENERATED FROM OPERATING ACTIVITIES	1 704 084	1 200 889

Nishat Mills Limited

	(RUPEES IN THOUSAND)	
	Year ended 30 June 2006	Period ended 30 June 2005
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term loans	(3 213)	(6 830)
Long term deposits, prepayments and deferred cost	698	3 386
Proceeds from disposal of operating fixed assets	82 839	270 874
Proceeds from sale of equity investment	67 593	639 514
Dividend from associated companies	86 852	78 957
Investment made	(508 114)	(337 604)
Fixed capital expenditure	(2 331 519)	(1 743 535)
NET CASH USED IN INVESTING ACTIVITIES	(2 604 864)	(1 095 238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances	1 650 000	700 000
Repayment of long term finances	(819 643)	(626 123)
Repayment of finance lease liabilities	(41 521)	(31 074)
Dividend paid	(358 805)	(242 837)
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	430 031	(200 034)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(470 749)	(94 383)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/ PERIOD	520 999	615 382
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/ PERIOD (NOTE 23)	50 250	520 999

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

(RUPEES IN THOUSAND)

	Share Capital	Premium on issue of right shares	Fair Value Reserve	Reserve for issue of bonus shares	Hedging reserve	Capital redemption reserve fund	General Reserve	Unappropriated profit	Shareholders' Equity
Balance as on 30 September 2004	1 452 597	1 027 622	2 455 453	-	-	-	4 319 028	247 444	9 502 144
Effect of change in accounting policy (Note 2.2)	-	-	-	-	-	-	(506 000)	506 000	-
Effect of change in accounting policy regarding investment in associated companies (Note 2.9)	-	490 264	(783 464)	52 636	-	40 506	260 880	160 453	221 275
Balance as on 30 September 2004- restated	1 452 597	1 517 886	1 671 989	52 636	-	40 506	4 073 908	913 897	9 723 419
Dividend @ Rupees 2 per share	-	-	-	-	-	-	-	(244 958)	(244 958)
Transfer to general reserve	-	-	-	-	-	-	506 000	(506 000)	-
Fair value gain adjusted on sale of investment	-	-	(316 394)	-	-	-	-	-	(316 394)
Fair value gain for the period	-	-	1 309 974	-	-	-	-	-	1 309 974
Share of increase in reserves of associated companies under equity method	-	-	613 004	(52 636)	(93 649)	20 912	413 224	(434 136)	466 719
Profit for the period	-	-	-	-	-	-	-	1 867 354	1 867 354
Balance as on 30 June 2005- restated	1 452 597	1 517 886	3 278 573	-	(93 649)	61 418	4 993 132	1 596 157	12 806 114
Dividend @ Rupees 2.5 per share	-	-	-	-	-	-	-	(363 149)	(363 149)
Transfer to general reserve	-	-	-	-	-	-	1 142 000	(1 142 000)	-
Fair value gain adjusted on sale of investment	-	-	(40 640)	-	-	-	-	-	(40 640)
Fair value gain for the year	-	-	4 141 745	-	-	-	-	-	4 141 745
Reserves adjusted against sale of investment in associated companies	-	-	-	-	-	-	-	(1 073)	(1 073)
Share of increase in reserves of associated companies under equity method	-	-	2 842 897	-	93 649	20 913	-	(20 913)	2 936 546
Net profit for the year	-	-	-	-	-	-	-	1 632 866	1 632 866
Balance as on 30 June 2006	1 452 597	1 517 886	10 222 575	-	-	82 331	6 135 132	1 701 888	21 112 409

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared in Pak Rupees under the historical cost convention as modified by the revaluation of equity investments at fair value/under equity method and fair valuation of derivative financial instruments as stated in note 2.9 and 2.18 respectively.

2.2 Basis of preparation of financial statements

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

During the current year, the Company has changed its accounting policy pertaining to transfers among reserves made subsequent to balance sheet date consequent upon the amendment made by SECP in the Fourth Schedule to the Companies Ordinance, 1984. As per new policy, transfers among reserves made subsequent to the balance sheet date are considered as non-adjusting events and are not recognized in the financial statements. Previously, such transfers among reserves were being treated as adjusting events in the financial statements of the Company. The change in accounting policy has been applied retrospectively and the comparative information has been restated in accordance with the treatment specified in International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in accounting policy, the un-appropriated profit would have been lower by Rupees 1 414.260 million (30 June 2005: Rupees 1 142 million) and general reserve and reserve for issue of bonus shares would have been higher by Rupees 1 269.000 million (30 June 2005: Rupees 1 142.000 million) and Rupees 145.260 million (30 June 2005: Rupees Nil) respectively. However, there is no impact of this change on the results of current year.

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

An IFRS (IAS-1 Presentation of Financial Statements – Capital disclosure) effective from 01 January 2007 has been published/revised and the amendments are applicable to the financial statements of the company covering accounting years beginning on or after 01 January 2006 or later periods. Adoption of the above amendments may only impact to the extent of disclosures presented in the financial statements.

2.4 Staff retirement benefits

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

2.5 Taxation

Current

The company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made in the accounts accordingly. However, provision for tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any.

Deferred

Deferred tax is accounted for by using the liability method on all timing differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

2.6 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or at the contracted rates while foreign currency transactions are initially recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange risk fee is charged to profit and loss account. The company charges all the exchange differences to profit and loss account.

2.7 Operating fixed assets, depreciation and capital work-in-progress

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and impairment losses. Capital work in progress and freehold land are stated at cost less impairment loss, if any. Cost of operating fixed assets consists of historical cost, applicable exchange differences (up to 30 September 2004) and directly attributable cost of bringing the assets to working condition. Borrowing cost pertaining to the construction / erection period is also capitalized as part of historical cost.

Depreciation is charged to income applying the reducing balance method at the rates given in note 12.1 to write off the depreciable amount of operating fixed assets over their expected useful life. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of operating fixed assets is recognized in the profit and loss account.

In pursuance of revised International Accounting Standard (IAS) 16 "Property, Plant and Equipment", the company has revised the following accounting estimates:

- i) Residual values of operating fixed assets have been estimated as at 30 June 2006 and their depreciable amounts have been adjusted accordingly. Had the residual values of operating fixed assets not been considered for charging depreciation, profit after taxation for the year ended 30 June 2006 and written down value of operating fixed assets as at 30 June 2006 would have been lower by Rupees 19.466 million. Accordingly, earnings per share for the year ended 30 June 2006 would have also been lower by Rupees 0.134 per share.
- ii) The company now charges depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is deleted. Previously, no depreciation was charged on assets deleted during the year while full year's depreciation was charged on additions except major additions or extensions to production facilities, which were depreciated on pro-rata basis for the period of use during the year. Had there been no change in the accounting estimate, the profit after taxation for the year ended 30 June 2006 and written down value of operating fixed assets as at 30 June 2006 would have been lower by Rupees 9.412 million. Accordingly, earnings per share would have also been lower by Rupees 0.065 per share.

The company has accounted for the above stated changes in accounting estimates prospectively in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Quantification and disclosure of the financial impact of these changes for the future years is impracticable.

2.8 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over their expected useful life at the rates mentioned in Note 12.2. In pursuance of revised International Accounting Standard (IAS) 16 "Property, Plant and Equipment" the company has revised the following accounting estimates:

- i) Residual values of assets subject to finance lease have been estimated as at 30 June 2006 and their depreciable amounts have been adjusted accordingly. Had the residual values of assets subject to finance lease not been considered for charging depreciation, profit after taxation for the year ended 30 June 2006 and carrying value of assets subject to finance lease would have been lower by Rupees 0.315 million. Accordingly, earnings per share would have also been lower by Rupees 0.002 per share.
- ii) The company now charges depreciation on additions from the date when the asset is available for use and on deletions up to the date when the asset is deleted. Previously, no depreciation was charged on assets deleted during the year while full year's depreciation was charged on additions. This change in accounting estimate has no impact on the amounts reported for the current year as depreciation was charged on pro-rata basis for the period of actual use.

The company has accounted for the above stated changes in accounting estimates prospectively in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Quantification and disclosure of the financial impact of these changes for the future years is impracticable.

2.9 Investments

2.9.1 Investments in associated companies

Investments in associated companies are stated at the company's share of underlying net assets using the equity method.

In the previous years, long term investments in associated companies were carried as "available-for-sale" which were measured at fair value and changes in carrying values were recognized in equity until investment was sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity was included in profit and loss account for the year. However, in accordance with the change in International Accounting Standard (IAS) 28 "Investments in Associates", the company has changed its policy to measure such investments using the equity method.

The change in accounting policy has been applied retrospectively in accordance with the treatment specified in IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors." Had this policy not been changed, the profit for the year would have been lower by Rupees 440.542 million, shareholders' equity would have been lower by Rupees 2,270.601 million and investments in associated companies would have been lower by Rupees 2,270.601 million. Accordingly, earnings per share would have also been lower by Rupees 3.033 per share. Share of profit in associated companies accounted for by the company in these financial statements has been taken upto 31 March 2006 based on the latest available financial statements of associated companies.

2.9.2 Other investments

Due to revision of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement", investments other than mentioned above are initially recognized at trade date on fair value. Previously, these were recognized initially at cost. The change in accounting policy has no recognition/measurement impact on current and prior years. Fair value of listed securities is determined on the basis of closing quotations of stock exchanges on last working day of the accounting year, while for unquoted securities, fair value is determined considering break-up value of the securities. Classification of an investment is made on the basis of intended purpose for holding such investments. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis and presents in the balance sheet on the following basis:

Held - to - Maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

Held - for - Trading

These are recognized at fair value and changes in carrying values are included in profit and loss account.

Available – for – Sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and account for the year.

2.10 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.11 Deferred costs

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

2.12 Borrowing cost

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

2.13 Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of outstanding amounts at year-end. Bad debts are written off when identified.

2.14 Revenue recognition

Revenue from sales is recognized on delivery of goods to customers. Dividend from associated undertakings is recognized as reduction in cost of investments as prescribed by International Accounting Standard (IAS) 28 and on other investments when right to receive the dividend is established. Gain/loss on investments in associated companies is accounted for to recognize the post acquisition changes in the share of net assets of the investee. Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.15 Financial Instruments

Financial assets and liabilities are recognized at cost which is the fair value of the consideration given or received at the time when the company becomes a party to the contractual provisions of the instrument by following trade date accounting. A financial asset or part thereof is de-recognized when the Company loses control of the contractual right that comprises the financial asset or part thereof. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the rights expire or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is accounted for in profit and loss account.

2.16 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, 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

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

2.18 Derivative financial instruments

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

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 legally 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.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances.

2.21 Related party transactions and transfer pricing

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

2.22 Critical accounting estimates and judgments

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

- Property, plant and equipment (Note 12);
- Provision for doubtful loans and advances (Note 20);
- Taxation (Note 31).

	(RUPEES IN THOUSAND)	
	2006	2005
3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
67 762 264 (2005: 67 762 264) ordinary shares of Rupees 10 each fully paid up in cash	677 623	677 623
37 252 280 (2005: 37 252 280) fully paid ordinary shares of Rupees 10 each issued for consideration other than cash	372 522	372 522
40 245 199 (2005: 40 245 199) ordinary shares of Rupees 10 each issued as fully paid bonus shares	402 452	402 452
	1 452 597	1 452 597

- 3.1** 18 324 901 (2005: 18 324 901) ordinary shares of the company are held by the associated undertakings.

(RUPEES IN THOUSAND)**4. RESERVES**

Composition of reserves is as follows:

Capital

Premium on issue of right shares	1 517 886	1 517 886
Hedging reserve	-	(93 649)
Capital redemption reserve fund	82 331	61 418
Fair value reserve	10 222 575	3 278 573

	11 822 792	4 764 228
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Revenue

General	6 135 132	4 993 132
Un appropriated profit	1 701 888	1 596 157

	7 837 020	6 589 289
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	19 659 812	11,353,517
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5. LONG TERM FINANCES - SECURED

Long term finances utilized under markup arrangements are as under:

National Bank of Pakistan (Note 5.1)	45 000	135 000
United Bank Limited (Note 5.2)	150 000	262 500
Habib Bank Limited (Note 5.3)	75 000	150 000
Term Finance Certificates	-	149 880
Habib Bank Limited (Note 5.4)	59 375	106 875
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited (Note 5.5)	41 667	75 000
National Insurance Company Limited	-	187 500
Term Finance Certificates (Note 5.6)	999 000	999 400
Citibank N.A. (Note 5.7)	437 500	500 000
Standard Chartered Bank (Note 5.8)	200 000	200 000
ABN Amro Bank (Note 5.9)	176 470	200 000
United Bank Limited (Note 5.10)	262 500	300 000
Allied Bank Limited (Note 5.11)	200 000	200 000
Allied Bank Limited (Note 5.12)	600 000	-
Habib Bank Limited (Note 5.13)	800 000	-
Hongkong Shangai Banking Corporation (Note 5.14)	250 000	-

	4 296 512	3 466 155
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Less: Current Portion (Note 10)	1 314 159	669 643
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	2 982 353	2 796 512
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5.1 This is secured against exclusive mortgage charge on new machinery of power plant unit of the company and personal guarantee of the directors and chief executive officer. It carries markup @ 2.5 percent above cut off yield of 6-months Treasury Bills, payable on quarterly basis. The finance is repayable in 20 equal quarterly installments commenced from 28 February 2002.

- 5.2** This is secured against first pari passu charge on all present and future fixed assets of the company, including land, building and machinery and personal guarantee of the chief executive officer. It carries markup @ 1 percent above three months KIBOR, payable quarterly. The finance is repayable in 8 semi annual installments commenced from 31 December 2004.
- 5.3** This is secured against first hypothecation charge on specific plant and machinery and carries markup @ 50 bps above 6 months KIBOR immediately preceding the base rate fixing date, payable on quarterly basis. The finance is repayable in 16 equal quarterly installments commenced from 01 September 2003.
- 5.4** This is secured against first exclusive charge on fixed assets of the company. It carries markup @ 50 bps above six months KIBOR, payable on quarterly basis. The finance is repayable in sixteen equal quarterly installments commenced from 30 November 2003.
- 5.5** This is secured against ranking hypothecation charge on plant and machinery and personal guarantee of chief executive officer. It carries mark up equal to State Bank of Pakistan discount rate with 7.50 percent floor, payable on quarterly basis. The finance is repayable in twelve equal quarterly installments commenced from 25 December 2004.
- 5.6** These are issued to a consortium of banks and secured against first pari passu hypothecation charge on fixed assets of the company with 25 % margin. It carries profit @ 1.70 percent above weighted average market yield of the last three auctions of 6 months Treasury Bills, payable semi annually. The finance is redeemable in ten semi annual installments commenced from 16 March 2004. The first five installments are of Rupees 0.200 million each and the remaining five installments are of Rupees 199.800 million each.
- 5.7** This is secured against first ranking pari passu charge on fixed assets, excluding land and building, with 25 % margin on facility amount. It carries markup @ 60 bps above 6 months KIBOR, payable on semi annual basis. The finance is repayable in eight semi annual installments commenced from 20 April 2006.
- 5.8** This is secured against exclusive hypothecation charge on plant, machinery and equipments installed at Bhikki. It carries markup @ 0.5 percent above the average 3 months ASK KIBOR, payable on quarterly basis. The finance is repayable in six semi annual equal installments commencing from 30 September 2006.
- 5.9** This is secured against first pari passu charge on the present and future fixed assets of the company excluding land and building. It carries markup @ 60 bps above three months KIBOR payable on quarterly basis. The finance is repayable in seventeen equal quarterly installments commenced from 15 February 2006.
- 5.10** This is secured against mortgage charge or charge on the immovable property and machinery of the company. It carries markup @ 0.5 percent above six months KIBOR, payable at quarterly basis. The finance is repayable in eight semi annual equal installments commenced from 30 June 2006.
- 5.11** This is secured against first exclusive charge on unencumbered specific machinery for Rupees 267 million. It carries markup @75 bps above six months KIBOR .The finance is repayable in four semi annual equal installments commencing from 24 November 2006.
- 5.12** This is secured against first Joint pari passu hypothecation charge on plant and machinery of the company for an amount of Rupees 800 million. It carries markup @ 1 percent above six months KIBOR with half yearly reset payable on quarterly basis. The finance is repayable in sixteen quarterly installments commencing from 24 January 2007.
- 5.13** This is secured against first pari passu hypothecation charge of Rupees 1,067 million on plant and machinery of the company excluding specific and exclusive charges . It carries markup @ 125 bps above six months KIBOR payable on quarterly basis. The finance is repayable in eight semi annual equal installments commencing from 01 June 2007.

5.14 This is secured against registered ranking charge on plant and machinery of the company. It carries markup @ 1 percent above six months KIBOR payable on semi annual basis. The finance is repayable in ten semi annual equal installments commencing from 01 December 2006.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The rate of interest used as the discounting factor, implicit in leases, ranges from 8.50 to 11.75 percent per annum (2005: 8.50 to 11.75 percent per annum). The amount of future payments and periods during which they fall due are:

YEAR ENDED ON 30 JUNE	(RUPEES IN THOUSAND)	
	2006	2005
2006	-	50 694
2007	34 346	34 346
2008	35 217	35 217
	69 563	120 257
Less: Un-amortized finance charges	7 920	17 093
	61 643	103 164
Less: Current portion (Note 10)	28 612	41 521
	33 031	61 643

6.1 Rentals are paid in monthly/quarterly equal installments. Taxes, repairs and insurance costs are to be borne by the company. The company shall have no right to terminate the lease agreements and if the lease agreements are terminated, the company shall pay entire amount of rentals for un-expired period of lease agreements. Lease agreements are renewable at the option of lessors on such terms as may be agreed upon. Liabilities are secured against personal guarantee of directors, demand promissory notes and security deposits of Rupees Nil (2005: Rupees 4.900 million) (Note 21).

6.2 Reconciliation of minimum lease payments and their present value is given below:

	(RUPEES IN THOUSAND)			
	2006		2005	
	Minimum lease Payments	Present value of minimum lease Payments	Minimum lease Payments	Present value of minimum lease Payments
Due within one year	34 346	28 612	50 694	41 521
Due after one year but not later than five years	35 217	33 031	69 563	61 643
	69 563	61 643	120 257	103 164

	(RUPEES IN THOUSAND)	
	2006	2005
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	485 911	423 101
Advances from customers	30 802	21 218
Securities from contractors - Interest free, repayable on completion of contracts	6 204	7 099
Income tax deducted at source	1 689	1 949
Other accrued liabilities	349 351	278 045
Dividend payable	19 473	15 129
Worker's participation fund (Note 7.2)	67 006	65 675
	960 436	812 216
	960 436	812 216
7.1 Creditors include an amount of Rupees 9.520 million (2005: Rupees 33.107 million) payable to the related parties.		
7.2 WORKERS' PARTICIPATION FUND		
Balance as at 01 July / October	65 675	47 711
Interest accrued thereon (Note 30)	3 620	2 000
Add: Profit allocated for the year (Note 28)	67 006	65 675
	136 301	115 386
Less:		
Payments made to trust	67 110	49 710
Payments made to Government	2 185	1
	69 295	49 711
	67 006	65 675
	67 006	65 675
7.2.1 The company retains workers' 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.		
7.2.2 No provision for workers' participation fund has been made against profit on sale of equity investment amounting to Rupees 48.824 million in the light of an opinion given by the legal advisor.		
7.2.3 Provision for workers' participation fund against share of profit in associated companies has been made to the extent of dividend received from these associated companies.		
8. ACCRUED MARK-UP		
Mark-up accrued on long term finances	81 073	54 899
Mark-up accrued on short term finances	70 163	33 550
	151 236	88 449
	151 236	88 449
9. SHORT TERM FINANCES		
From banking companies		
Secured (Note 9.1)	4 206 525	4 241 920
Temporary bank overdraft (Note 9.2)	109 183	42 895
	4 315 708	4 284 815
	4 315 708	4 284 815

9.1 These are secured against joint pari passu hypothecation charge on all present and future current assets, all marketable securities, instruments, personal guarantees of directors and a second charge on fixed assets of the company. These form part of total credit facility of Rupees 14 125 million (2005: Rupees 11 010 million). Mark-up is charged at the rate of Paisas 8.41 to 26.47 per Rupees 1 000 per day (2005: Paisas 7.12 to 24.93 per Rupees 1 000 per day) and mark-up/profit on export refinance at the rate of 7.90 to 8 percent (2005: 1.90 to 8 percent) per annum.

9.2 This represents the unsecured overdrawn bank balances from banking companies and carries mark-up at the rate of paisas 21.86 to 31.34 per Rupees 1 000 per day (2005: Paisas 6.85 to 26.02 per Rupees 1 000 per day).

	(RUPEES IN THOUSAND)	
	2006	2005
10. CURRENT PORTION OF LONG TERM LIABILITIES		
Long term finances (Note 5)	1 314 159	669 643
Liabilities against assets subject to finance lease (Note 6)	28 612	41 521
	1 342 771	711 164

11. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) The company is contingently liable for Rupees 61.891 million (2005: Rupees 61.891 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.
- ii) Guarantees of Rupees 311.119 million (2005: Rupees 235.051 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Company Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and collector of customs.
- iii) Company's share in contingencies of associated companies is Rupees 234.942 million (2005: Rupees 219.288 million).

Commitments

- i) Contracts for capital expenditure are approximately amounting to Rupees 77.967 million (2005: Rupees 664.662 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 384.814 million (2005: Rupees 77.875 million).

12. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 12.1)	8 398 310	7 926 838
Assets subject to finance lease (Note 12.2)	78 624	160 070
Capital work in progress (Note 12.3)	2 134 419	1 064 188
	10 611 353	9 151 096

12.1 OPERATING FIXED ASSETS

(RUPEES IN THOUSAND)

DESCRIPTION	BALANCE AS AT 01 JULY 2005			RECONCILIATION			BALANCE AS AT 30 JUNE 2006			DEPRECIATION RATE %
	Cost	Accumulated Depreciation	Net Book Value	Additions	Deletion Cost/ (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	
Freehold land	209 728	-	209 728	152 515	-	-	362 243	-	362 243	-
Buildings on freehold land	2 058 818	980 802	1 078 016	191 922	-	120 892	2 250 740	1 101 694	1 149 046	10
Plant and machinery	10 044 621	3 888 167	6 156 454	844 007	245 544 (181 216)	601 123	10 643 084	4 308 074	6 335 010	10
Electric installations	455 483	219 546	235 937	35 583	580 (387)	25 902	490 486	245 061	245 425	10
Factory equipment	93 955	51 981	41 974	14 988	36 (3)	4 906	108 907	56 884	52 023	10
Furniture, fixtures and office equipment	220 412	99 478	120 934	32 020	2 (1)	13 194	252 430	112 671	139 759	10
Vehicles	167 804	84 009	83 795	60 874	22 930 (14 104)	21 039	205 748	90 944	114 804	20
2006	13 250 821	5 323 983	7 926 838	1 331 909	269 092 (195 711)	787 056	14 313 638	5 915 328	8 398 310	
2005	12 609 134	4 977 514	7 631 620	1 100 896	459 209 (247 841)	594 310	13 250 821	5 323 983	7 926 838	

12.1.1 Depreciation charge for the year/period has been allocated as follows:

(RUPEES IN THOUSAND)

	2006	2005
Cost of goods sold (Note 25.2)	752 822	569 638
Distribution and selling cost (Note 26)	2 542	2 432
Administrative and general expenses (Note 27)	31 692	22 240
	787 056	594 310

12.1.2 DISPOSAL OF FIXED ASSETS

(RUPEES IN THOUSAND)

DESCRIPTION	Qty	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal	Particulars of purchaser
Nos.							
Plant & Machinery							
Air Compressors	2	375	30	345	238	Negotiation	Crescent Sugar Mills & Distillery Limited, Nishatabad, Faisalabad.
Auto Coners	2	11 479	8 490	2 989	4 096	Negotiation	Spin Cot Textile Mills, Sargodha Road, Sheikhpura.
Air Compressors	2	250	36	214	300	Negotiation	Kohinoor Industries Limited, Faisalabad.
Air Compressor	1	125	20	105	150	Negotiation	Habib Calico Weaving Industries (Pvt) Ltd., Abdullah Pur, Faisalabad.
Combers & Lapformers	13+2	20 215	16 125	4 090	3 450	Negotiation	Sally Textile Mills Limited, Johar Abad.
Auto Plucker	1	550	399	151	150	Negotiation	Inter Loop (Pvt) Ltd. Khurrianwala, Faisalabad.
Combers	5	7 608	6 465	1 143	1 323	Negotiation	Ali Asghar Textile Mills Limited, Plot # 2,6 Sector 25,Korangi Industrial Area,Karachi.
Auto Coner	1	6 110	5 035	1 075	2 499	Negotiation	Sarfraz Yaqoob Textile Mills Limited, Jail Road, Lahore.
Ring Frames	15	28 337	20 881	7 456	10 875	Negotiation	Sally Textile Mills Limited, Johar Abad.
Ring Frames	25	48 428	35 896	12 532	17 150	Negotiation	Nagina Spinning Mills Ltd. Faisalabad.
Calender	1	3 341	2 522	819	2 940	Negotiation	Moti Wala Industries, D-103, S.I.T.E. Karachi.
Balling Press	1	435	304	131	350	Negotiation	Chaudhri Fabrics, 20-K.M. Multan Road, Lahore.
Warping & Sizing Machine	1+1	39 232	27 750	11 482	7 500	Negotiation	Kamran Textiles, 5.K.M.Jaranwala Road, Khurrianwala Distt.Faisalabad.
Air Jet Looms	28	63 125	45 523	17 602	10 428	Negotiation	Shahraj Fabrics (Pvt) Ltd.,147.148 Quaid-e-Azam Industrial Estate,Kotlakhpat, Lahore.
Monforts Stenter and SS Tank	1+1	13 455	11 121	2 334	3 662	Negotiation	Ihsan Yousaf Textiles (Pvt) Ltd. Faisalabad.
Premier Crosrol Fiber	1	2 256	437	1 819	2 257	Negotiation	Minitex Limited, Lahore.

Nishat Mills Limited

(RUPEES IN THOUSAND)

DESCRIPTION	Qty	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal	Particulars of purchaser
Electric Installations							
Panel	1	477	325	152	170	Negotiation	Sarhad Textile Mills Limited, Plot # 89-89A Industrial Estate, Gadoon Amazai Swabi.
Vehicles							
Suzuki Alto LXW-8334	1	480	315	165	350	Negotiation	Mr. Fiaz Saeed, Plot # 52, Feroz Park, Shadbagh, Lahore.
Suzuki Baleno LZX-3964	1	793	270	523	740	Insurance Claim	Security General Insurance Company Limited, 53-A Lawrence Road, Lahore.
Toyota Corolla FDY-2055	1	993	659	334	656	Negotiation	Mr. Maqsood Ul Haq, 358-G/4 Johar Town, Lahore.
Suzuki Cultus LRM-1098	1	508	179	329	405	Negotiation	Mr. Mohammad Iqbal, House # P-233, New Green Market, Dajkot Road, Lahore.
Suzuki Khyber FDW-1830	1	437	344	93	290	Negotiation	Mr. Imran Sarwar, House # 39-H Gulshan Ravi, Lahore.
Suzuki Alto LXW-8340	1	475	318	157	306	Negotiation	Mr. Faisal Mahmood, House # 11 A-5 PECHS, Lahore.
Suzuki Baleno FDX-9015	1	707	474	233	380	Negotiation	Mr. Imtiaz Mahmood, House # 11 A-5 PECHS near Wapda Town, Lahore.
Suzuki Baleno FDX-8670	1	704	473	231	450	Negotiation	Mian Mohammad Hanif, 549/E Punjab Co-operative Housing Society, Lahore.
Suzuki Baleno LXV-8538	1	709	478	231	405	Negotiation	Mr. Tariq Mahmood, House # 3, Anwar Street near Javid Market, Ichra, Lahore.
Suzuki Baleno FDY-5328	1	711	484	227	381	Negotiation	Sheikh Abdul Qayyum, B.V 254/E, Madni Mohallah, Jehlum.
Suzuki Khyber LXM-4251	1	453	338	115	272	Negotiation	Shahid Mahmood Butt, House # 4, Street # 3, Muslim Colony Shadman, Lahore.
Suzuki Cultus LXZ-1487	1	567	388	179	418	Negotiation	Atif Ahmed Malik, Tech Society Canal Bank New Campus, Lahore.
Suzuki Cultus LRQ-9954	1	603	238	365	603	Negotiation	Mr. Mohammad Azam, 215 R.B., Mohallah Fateh Pur, Faisalabad.
Suzuki Alto LXW-8341	1	480	330	150	267	Negotiation	Rana Mohammad Shahbaz, House # 98, Street # 35, Mohallah Islam Din, Lahore.
Santro Executive LZH-4682	1	593	149	444	510	Negotiation	Mr. Anees Aslam, House # 36/H, Model Town, Lahore.
Suzuki Baleno FDY-8906	1	711	455	256	310	Negotiation	Chaudhri Nargis Iqbal, Chak # 50 South, Sargodha.
Suzuki Alto LXW-5359	1	479	317	162	340	Negotiation	Mr. Mohammad Amir, 832-A, Shadman Colony # 1, Lahore.
Toyota Corolla LXV-7037	1	941	635	306	650	Negotiation	Mian Ahmed Sher, House # 88/B EME Co-operative Housing Society, Lahore.
Suzuki Baleno FDX-7819	1	709	481	228	381	Negotiation	Syed Mohammad Nadeem, House # 13, National Colony, Rehman Pura Lahore.
Suzuki Baleno LXM-6622	1	627	454	173	305	Negotiation	Mr. Abdul Majid Qureshi, House # 587 Ghuzanfar Block, Faisal Town, Lahore.
Suzuki Khyber LXN-2790	1	453	332	121	255	Negotiation	Mirza Iftikhar Mahmood, House # 11-A-5, PECHS, Lahore.
Suzuki Alto LXW-4305	1	474	320	154	294	Negotiation	Mrs. Ishrat Tahir, 220 A, Revenue Employee's Co-operative Housing Society, Johar Town, Lahore.
Toyota Corolla LRA-6290	1	1 007	618	389	574	Negotiation	Muhammad Ashraf, Bagri Post Office, Distt. Kasoor.
Suzuki Alto LXY-4074	1	481	337	144	350	Insurance Claim	Security General Insurance Company Limited, 53-A, Lawrence Road, Lahore.
Suzuki Alto LXY-4072	1	475	332	143	350	Insurance Claim	Security General Insurance Company Limited, 53-A, Lawrence Road, Lahore.
Honda Civic LWA-3416	1	1 021	64	957	988	Negotiation	Mr. Ali Gohar Bhutto, Village Bangul, Larkana, Tehsil Rati Dero, District Larkana.
Suzuki Alto LXW-8309	1	476	337	139	266	Negotiation	Mr. Iftikhar Ahmed, House # 1974, Dar-ul-Islam Sambrial, District Sialkot.
Suzuki Baleno FDX-8727	1	704	473	231	372	Negotiation	Rana Rizwan Elahi, House # 10/C, Street # 15, Shah Kamal Colony, Lahore.
Toyota Hi Ace LXP-2549	1	1 637	1 223	414	740	Negotiation	Muhammad Saeed, Mohallah Corgh, Post Office Mardan, Distt Mardan.
Daihatsu Cuore LRP-5117	1	456	212	244	456	Negotiation	Mr. Saqib Nisar, Mohallah Al Meraj Khulur Wai Road, Ghari, Quetta.
Suzuki Baleno LXR-8030	1	669	491	178	460	Negotiation	Mirza Muhammad Amir, House # I-S/ 8-C, Malik Street, Shama Road, Lahore.
Suzuki Baleno LXO-5216	1	674	513	161	451	Negotiation	Hafiz Tariq Mahmood, 319-Raza Block, Iqbal Town, Lahore.
Suzuki Cultus LXZ-3976	1	562	222	340	406	Negotiation	Mr. Ghulam Ali, Army Officer Mess-B, Sarwar Road, Lahore.
Toyota Corolla LXJ-8592	1	882	606	276	410	Negotiation	Mr. Sahibzada Khan, House # 28, Hussain Block, Ranger H.Q., Lahore.

Book value of other assets disposed of during the year was less than Rupees 50 000.

12.2 ASSETS SUBJECT TO FINANCE LEASE

(RUPEES IN THOUSAND)

DESCRIPTION	BALANCE AS AT 01 JULY 2005			RECONCILIATION		BALANCE AS AT 30 JUNE 2006			DEPRECIATION RATE %	
	Cost	Accumulated Depreciation	Net Book Value	Additions	Deletion Cost/ (Accumulated Depreciation)	Depreciation Charge (Note 25.2)	Cost	Accumulated Depreciation		Net Book Value
Plant and machinery	185 096	25 026	160 070	-	98 000 (27 379)	10 825	87 096	8 472	78 624	10
2006	185 096	25 026	160 070	-	98 000 (27 379)	10 825	87 096	8 472	78 624	
2005	156 619	38 191	118 428	87 098	58 621 (19 107)	5 942	185 096	25 026	160 070	

12.2.1 Deletions represent the assets purchased at the expiry of lease term and transferred to operating fixed assets.

(RUPEES IN THOUSAND)

2006 2005

12.3 CAPITAL WORK-IN-PROGRESS

This comprises of:

Building on freehold land	412 286	266 691
Plant and machinery	1 598 493	667 056
Electric installation	7 091	28 048
Unallocated capital expenditure	78 486	11 475
Letter of credit against machinery	12 339	43 984
Letter of credit against building material	499	33 770
Letter of credit against furniture and office equipment	3 976	-
Advances against vehicles	21 249	13 164
	2 134 419	1 064 188

13. LONG TERM INVESTMENTS

RELATED PARTIES:

ASSOCIATED COMPANIES

QUOTED

D.G. Khan Cement Company Limited

57 901 600 (2005: 57 901 600) fully paid ordinary shares of Rupees 10 each. Equity held 31.40%.

7 481 746 4 099 172

13 159 454 (2005: 13 159 454) fully paid redeemable cumulative preference shares of Rupees 10 each.

Extent of investment held 37.23%. (Note 13.1)

131 594 131 594

Nishat Mills Limited

	(RUPEES IN THOUSAND)	
	2006	2005
UN-QUOTED		
Pakistan Aviators And Aviation (Private) Limited Nil (2005: 4 000) fully paid ordinary shares of Rupees 10 each.	-	14 073
Nishat Shuaiba Paper Products Company Limited 5 500 000 (2005: 5 500 000) fully paid ordinary shares of Rupees 10 each. Equity held 24.87 % Add: Advance for purchase of shares	49 514 61 940	55 000 -
	111 454	55 000
Gulf Nishat Apparel Limited 6 225 000 (2005: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 24.94 % Add: Advance for purchase of shares	62 250 10 364	- 5 000
	72 614	5 000
	7 797 408	4 304 839
OTHERS		
Available for sale		
QUOTED		
MCB Bank Limited 13 815 842 (2005: 8 619 036) fully paid ordinary shares of Rupees 10 each. Equity held 6.28%	659 605	324 867
Adamjee Insurance Company Limited 382 690 (2005: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 0.58 %	43 822	-
UN-QUOTED		
Security General Insurance Company Limited 853 139 (2005: 853 139) fully paid ordinary shares of Rupees 10 each. Equity held 15.02 %	5 250	5 250
	708 677	330 117
Fair Value Surplus	2 286 941	368 221
	2 995 618	698 338
	10 793 026	5 003 177

13.1 The company may at its option convert the preference shares into non-voting ordinary shares, at the expiry of the period of four years after issuance / allotment to be converted at face value of Rupees 10 each, if the same are not redeemed, with the right of refusal to preference shareholders, individually.

Nishat Mills Limited

13.2 Aggregate market value of investment in quoted associated companies was Rupees 5 211 million (2005: Rupees 3 228 million).

13.3 Summarized financial information of Associated Companies:

(RUPEES IN THOUSAND)

Name of associated companies	Audited/ Un-audited	Assets	Liabilities	Net assets	Revenues	Profit
June 2006						
Gulf Nishat Apparel Limited	Un-audited	399 666	139 438	260 228	-	-
March 2006						
D.G.Khan Cement Company Limited	Un-audited	34 229 547	14 139 011	20 090 536	5 580 590	1 697 071
Nishat Shuaiba Paper Products Company Limited	Un-audited	963 535	686 280	277 255	99 601	(22 059)
June 2005						
D.G.Khan Cement Company Limited	Audited	18 016 505	8 698 507	9 317 998	5 279 560	1 682 078
Nishat Shuaiba Paper Products Company Limited	Audited	573 834	334 520	239 314	-	-
Pakistan Aviators and Aviation (Pvt) Limited	Un-audited	18 958	2 466	16 492	3 665	2 683

(RUPEES IN THOUSAND)
2006 2005

14. LONG TERM LOANS

Loans to employees - Considered good (Note 14.1 and 14.2)	11 785	8 572
Less: Current portion	5 408	3 682
	6 377	4 890

14.1 These are unsecured and interest free loans to company's employees which include loan amounting to Rupees 6.626 million (2005: Rupees 4.698 million) given to executives of the company for house building. Loan is recoverable in equal monthly installments. Maximum debit balance due from executives at the end of any month during the year was Rupees 9.435 million (2005: Rupees 5.784 million).

14.2 Reconciliation of loans given to executives is given below:

Balance as at 01 July / October	4 698	622
Add: Disbursements made	5 292	5 845
	9 990	6 467
Less: Repayments received	3 364	1 769
	6 626	4 698

(RUPEES IN THOUSAND)
2006 2005**15. LONG TERM DEPOSITS , PREPAYMENTS
AND DEFERRED COST****Deposits**

Other securities	9 019	8 989
Margin against bank guarantees	-	184

9 019	9 173
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Prepayments

Office and shop rent	2 556	3 100
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Deferred cost (Note 15.1)

TFC Issuance charges	788	1 780
Other expenses	-	73

788	1 853
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12 363	14 126
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Less: Current portion

Office and shop rent	2 233	2 104
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10 130	12 022
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15.1 Reconciliation of deferred cost is given below:

Balance as at 01 July/ October	1 853	3 631
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Less: Amortized during the year/ period (Note 28)	1 065	1 778
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788	1 853
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16. STORES, SPARE PARTS AND LOOSE TOOLS

Stores including in transit Rupees 31.151 million
(2005: Rupees 22.999 million)

340 359	263 456
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Spare parts	130 753	160 170
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Loose tools	408	451
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Discarded machinery held for disposal	-	750
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471 520	424 827
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17. STOCK-IN-TRADE

Raw materials	1 268 886	1 193 467
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Work-in-process	896 854	877 560
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Finished goods (Including in transit Rupees 84.440 million) (Note 17.1)	837 434	826 365
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3 003 174	2 897 392
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17.1 It includes goods valued at NRV amounting to Rupees 55.973 million (2005: Rupees 56.700 million).

Nishat Mills Limited

	(RUPEES IN THOUSAND)	
	2006	2005
18. TRADE DEBTS		
Considered good:		
Unsecured	648 734	499 991
Secured (Against letters of credit)	378 150	377 367
	1 026 884	877 358
19. SHORT TERM INVESTMENTS		
Available for sale		
RELATED PARTIES		
QUOTED		
Nishat (Chunian) Limited		
10 233 329 (2005: 9 786 882) fully paid ordinary shares of Rupees 10 each. Equity held 13.61%	109 931	115 700
MCB Bank Limited		
18 311 304 (2005: 15 259 420) fully paid ordinary shares of Rupees 10 each. Equity held 6.28%	254 780	254 780
Adamjee Insurance Company Limited		
146 227 (2005:132 934) fully paid ordinary shares of Rupees 10 each. Equity held 0.58%	9 345	9 345
UN-QUOTED		
Security General Insurance Company Limited		
964 860 (2005: 964 860) fully paid ordinary shares of Rupees 10 each. Equity held 15.02 %	5 938	5 938
OTHERS-QUOTED		
Pakistan Strategic Allocation Fund		
500 000 (2005: 500 000) fully paid certificates of Rupees 10 each.	5 000	5 000
	384 994	390 763
Fair value surplus	4 322 186	2 099 161
Fair value surplus realized/adjusted	(357 034)	(316 394)
	3 965 152	1 782 767
	4 350 146	2 173 530

	(RUPEES IN THOUSAND)	
	2006	2005
20. LOANS AND ADVANCES		
Considered good:		
Employees – Interest free	7 458	6 407
Suppliers	57 927	64 553
Letters of credit	2 623	2 479
Employees' provident fund trust	1 239	6 610
Income tax	328 140	332 675
Other advances	21 407	11 809
	418 794	424 533
Considered doubtful:		
Others	108	108
Less: Provision for doubtful	108	108
	-	-
	418 794	424 533
	418 794	424 533
21. SHORT TERM DEPOSITS AND PREPAYMENTS		
Deposits		
Securities against leased assets (Note 6.1)	-	4 900
Other securities	772	776
Central excise duty	22 856	22 498
	23 628	28 174
Short term prepayments	6 897	11 006
	30 525	39 180
22. OTHER RECEIVABLES		
These are made up as under:		
Considered good		
Export rebates and claims	98 289	84 374
Sales tax receivable	301 397	297 264
Profit receivable on bank deposits	133	45
Un-realized gain on derivative financial instrument (Note 22.1)	949	-
Miscellaneous receivables	6 379	6 915
	407 147	388 598
	407 147	388 598

	(RUPEES IN THOUSAND)	
	2006	2005
22.1 Un-realized gain on derivative financial instrument		
Markup gain on interest rate swap	2 042	-
Loss on foreign currency fluctuation	(1 093)	-
	949	-

The Company has entered into a Pak Rupees to US Dollars cross currency swap to counter its under lying Pak Rupees floating rate liability into a US Dollars floating rate liability with Standard Chartered Bank for a notional amount of US Dollars 7.286 million commenced from 10 May 2006. Under the arrangement, the company would receive/pay the difference of 6 months KIBOR and 6 month LIBOR plus one percent semi annually and the difference of US Dollar / Pak Rupee spot rate prevailing at commencement date and installment repayment date.

23. CASH AND BANK BALANCES

Cash with banks in:

Current accounts	43 197	365 108
Fixed deposit accounts	117	150 031
	43 314	515 139
Cash in hand	6 936	5 860
	50 250	520 999

24. SALES

Export	13 939 793	9 478 636
Local (Note 24.1)	2 693 472	2 070 259
Processing income	26 342	23 273
	16 659 607	11 572 168
Less: Commission to selling agents	242 249	197 538
	16 417 358	11 374 630

24.1 LOCAL SALES

Sales	2 695 299	2 348 349
Less: Sales tax	1 827	278 090
	2 693 472	2 070 259

24.2 Exchange gain due to currency rate fluctuation relating to export sale amounting to Rupees 9.448 million (2005: 2.933 million) has been included in export sales.

Nishat Mills Limited

	(RUPEES IN THOUSAND)	
	2006	2005
25. COST OF SALES		
Raw materials consumed (Note 25.1)	4 412 712	3 128 727
Cloth and yarn purchased/used	4 290 138	2 787 906
Processing charges	255 377	37 238
Salaries, wages and other benefits	988 656	660 012
Staff retirement benefits	28 881	19 990
Stores, spare parts and loose tools	1 208 117	811 738
Packing materials	343 676	207 506
Repair and maintenance	165 591	84 171
Fuel and power	1 091 203	693 458
Insurance	21 297	15 824
Other factory overheads	162 694	104 216
Depreciation (Note 25.2)	763 647	575 580
	13 731 989	9 126 366
Work-in-process		
Opening stock	877 560	862 971
Closing stock	(896 854)	(877 560)
	(19 294)	(14 589)
Cost of goods manufactured	13 712 695	9 111 777
Finished goods		
Opening stock	826 365	954 319
Closing stock	(837 434)	(826 365)
	(11 069)	127 954
	13 701 626	9 239 731
25.1 RAW MATERIALS CONSUMED		
Opening stock	1 193 467	1 082 518
Add: Purchases	4 488 131	3 239 676
	5 681 598	4 322 194
Less: Closing stock	1 268 886	1 193 467
	4 412 712	3 128 727
25.2 DEPRECIATION		
Owned assets (Note 12.1.1)	752 822	569 638
Leased assets (Note 12.2)	10 825	5 942
	763 647	575 580

(RUPEES IN THOUSAND)

2006 2005

26. DISTRIBUTION AND SELLING COST

Salaries, wages and other benefits	51 027	32 346
Staff retirement benefits	1 072	720
Outward freight and distribution	532 033	402 075
Rent, rates and taxes	2 616	1 864
Insurance	974	521
Traveling and conveyance	36 168	29 078
Vehicles' running	296	60
Entertainment	551	332
Advertisement	4 207	5 116
Postage, telephone and telegram	28 861	34 697
Electricity and sui gas	393	233
Printing and stationery	675	441
Repair and maintenance	2 256	329
Fee and subscription	-	2
Depreciation- owned assets (Note 12.1.1)	2 542	2 432
	663 671	510 246

27. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and other benefits	143 778	93 687
Staff retirement benefits	6 059	4 794
Rent, rates and taxes	2 085	1 148
Legal and professional	6 261	6 609
Insurance	2 601	1 671
Traveling and conveyance	9 011	7 592
Vehicles' running	15 412	8 050
Entertainment	4 653	2 943

Auditors' remuneration:

Audit fee	1 162	1 056
Half yearly review	315	325
Reimbursable expenses	14	14

	1 491	1 395
Advertisement	753	96
Postage, telephone and telegram	6 223	2 465
Electricity and sui gas	9 740	4 654
Printing and stationery	9 261	7 085
Repair and maintenance	5 717	2 623
Fee and subscription	1 691	1 667
Miscellaneous	8 379	6 321
Depreciation –owned assets (Note 12.1.1)	31 692	22 240
	264 807	175 040

	(RUPEES IN THOUSAND)	
	2006	2005
28. OTHER OPERATING EXPENSES		
Worker's participation fund (Note 7.2)	67 006	65 675
Amortization of deferred cost (Note 15.1)	1 065	1 778
Donation (Note 28.1)	10 618	3 525
	78 689	70 978
28.1 There is no interest of any director or his spouse in donees' fund.		
29. OTHER OPERATING INCOME		
Income from financial assets		
Dividend income (Note 29.1)	165 724	97 151
Gain on sale of investment	48 824	425 630
Profit on deposit with banks	1 123	2 540
	215 671	525 321
Income from non-financial assets		
Gain on disposal of operating fixed assets	9 458	59 506
Sale of scrap, empties and sundry receipts	52 494	36 630
Rental income	338	112
	62 290	96 248
	277 961	621 569
29.1 Dividend Income		
From related parties		
D.G. Khan Cement Company Limited	13 159	13 159
MCB Bank Limited	128 569	73 362
Nishat (Chunian) Limited	18 689	8 477
Adamjee Insurance Company Limited	921	
Security General Insurance Company Limited	3 636	1 653
	164 974	96 651
Others		
Pakistan Strategic Allocation Fund	750	500
	165 724	97 151

	(RUPEES IN THOUSAND)	
	2006	2005
30. FINANCE COST		
Interest on:		
Employees' provident fund trust	650	429
Workers' participation fund (Note 7.2)	3 620	2 000
Mark-up on:		
Long term finances	318 414	172 764
Short term finances	318 968	175 951
Finance charges on lease liabilities	9 127	1 684
Bank charges and commission	104 275	54 868
	755 054	407 696
31. PROVISION FOR TAXATION		
Current - for the year/period (Note 31.1)	201 215	166 000
Prior year adjustment	(75 215)	-
	126 000	166 000

31.1 The company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Provision on dividend income is made under section 5 of the Income Tax Ordinance, 2001. However, provision is made on other income (excluding dividend income)@ 35 percent under normal law as the company has no carry forwardable tax losses. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

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

32. EARNINGS PER SHARE -BASIC

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

	2006	2005
Profit attributable to ordinary shareholders (Rupees in thousand)	1 632 866	1,867,354
Number of ordinary shares (Numbers)	145 259 743	145 259 743
Earnings per share – Basic (Rupees)	11.24	12.86

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amount due to related parties is disclosed in Note 7.1 and remuneration of the key management personnel is disclosed in Note 34.

	(RUPEES IN THOUSAND)	
	2006	2005
Purchase of goods and services	120 283	86 813
Sale of goods and services	55 400	359 799
Sale of operating fixed assets	1 480	-
Dividend income	251 826	175 608
Dividend paid	47 735	25 570
Company's contribution to provident fund trust	38 415	25 823

	(FIGURES IN THOUSAND)	
	2006	2005

37. PLANT CAPACITY AND ACTUAL PRODUCTION**Spinning**

100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2005: 819 shifts) (Kgs.)	58 157	43 194
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Actual production converted to 20s count based on 3 shifts per day for 1 095 shifts (2005: 819 shifts) (Kgs.)	53 279	39 365
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Weaving

100 % plant capacity at 50 picks based on 3 shifts per day for 1 095 shifts (2005: 819 shifts) (Sq.Mt.)	193 596	138 572
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Actual production converted to 50 picks based on 3 shifts per day for 1 095 shifts (2005: 819 shifts) (Sq.Mt.)	183 308	131 219
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Dyeing and Finishing

Production capacity for 3 shifts per day for 1 095 shifts (2005: 819 shifts) (Mt.)	34 100	25 500
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Actual production on 3 shifts per day for 1 095 shifts (2005: 819 shifts) (Mt.)	33 811	23 015
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Power Plant

Generation capacity (KWH)	351 515	251 003
Actual generation (KWH)	288 340	205 928

37.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is due mainly to normal maintenance. For power plant, the capacity utilization is low because of some old engines which could not be run at rated capacity.

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**38.1 INTEREST/MARK-UP RATE RISK**

Interest/mark-up rate risk and sensitivity of the company's financial liabilities and financial assets as at 30 June 2006 can be evaluated from the following:

(RUPEES IN THOUSAND)

2 0 0 6					
TOTAL	EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK		EXPOSED TO INTEREST/MARK-UP RATE CASH FLOW RISK		NOT EXPOSED TO INTEREST/MARK-UP RATE RISK
	Within One Year	More than One Year and Upto Five Years	Within One Year	More than One Year and Upto Five Years	

LIABILITIES

Long term finances	4 296 512	-	-	1 314 159	2 982 353	-
Liabilities against leased assets	61 643	28 612	33 031	-	-	-
Short term running finances	4 315 708	4 315 708	-	-	-	-
Trade and other payables	860 939	-	-	-	-	860 939
Accrued markup	151 236	-	-	-	-	151 236
	9 686 038	4 344 320	33 031	1 314 159	2 982 353	1 012 175

ASSETS

Long term investment	2 995 618	-	-	-	-	2 995 618
Long term deposits	9 019	-	-	-	-	9 019
Short term investments	4 350 146	-	-	-	-	4 350 146
Trade debts	1 026 884	-	-	-	-	1 026 884
Short term deposits	772	-	-	-	-	772
Other receivables	105 750	133	-	-	-	105 617
Cash and bank balances	50 250	117	-	-	-	50 133
	8 538 439	250	-	-	-	8 538 189

Total interest/mark-up rate sensitivity gap	(1 147 599)	(4 344 070)	(33 031)	(1 314 159)	(2 982 353)	7 526 014
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Unrecognized financial instruments

Contract for capital expenditure	77 967	-	-	-	-	77 967
Letter of credit other than for capital expenditure	384 814	-	-	-	-	384 814

38.2 EFFECTIVE INTEREST / MARK-UP RATES (2006)**Financial liabilities**

Long term finances	6.35 to 13 percent per annum
Liabilities against leased assets	8.50 to 11.75 percent per annum
Short term running finances	3.07 to 9.66 percent per annum
Export refinances	7.90 to 8 percent per annum

Financial assets

Cash with banks on fixed deposits	0.1 to 12.50 percent per annum
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38.3 INTEREST/MARK-UP RATE RISK

Interest/mark-up rate risk and sensitivity of the company's financial liabilities and financial assets as at 30 June 2005 can be evaluated from the following:

(RUPEES IN THOUSAND)

TOTAL	2 0 0 5				NOT EXPOSED TO INTEREST/MARK-UP RATE RISK
	EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK		EXPOSED TO INTEREST/MARK-UP RATE CASH FLOW RISK		
	Within One Year	More than One Year and Upto Five Years	Within One Year	More than One Year and Upto Five Years	

LIABILITIES

Long term finances	3 466 155	-	-	669 643	2 796 512	-
Liabilities against leased assets	103 164	41 521	61 643	-	-	-
Short term running finances	4 284 815	4 284 815	-	-	-	-
Trade and other payables	723 374	-	-	-	-	723 374
Accrued markup	88 449	-	-	-	-	88 449
	8 665 957	4 326 336	61 643	669 643	2 796 512	811 823

ASSETS

Long term investment	698 338	-	-	-	-	698 338
Long term deposits	9 173	-	-	-	-	9 173
Short term investments	2 173 530	-	-	-	-	2 173 530
Trade debts	877 358	-	-	-	-	877 358
Short term deposits	776	-	-	-	-	776
Other receivables	91 334	45	-	-	-	91 289
Cash and bank balances	520 999	150 031	-	-	-	370 968
	4 371 508	150 076	-	-	-	4 221 432
Total interest/mark-up rate sensitivity gap	(4 294 449)	(4 176 260)	(61 643)	(669 643)	(2 796 512)	3 409 609

Unrecognized financial instruments

Contract for capital expenditure	664 662	-	-	-	-	664 662
Letter of credit other than for capital expenditure	77 875	-	-	-	-	77 875

38.4 EFFECTIVE INTEREST / MARK-UP RATES (2005)**Financial liabilities**

Long term finances	3.74 to 13 percent per annum
Liabilities against leased assets	8.50 to 11.75 percent per annum
Short term running finances	2.50 to 9.50 percent per annum
Export refinances	1.90 to 8 percent per annum

Financial assets

Cash with banks on fixed deposits	0.1 to 11 percent per annum
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38.5 CREDIT RISK

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

38.6 FOREIGN EXCHANGE RISK

Foreign currency risk on financial instruments receivable and payable in foreign currency is not material.

38.7 LIQUIDITY RISK

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

38.8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of financial assets and financial liabilities approximate their fair values.

39. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved and authorized by the board of directors for issue on 18 September 2006.

40. FIGURES

- Comparative figures of balance sheet, profit and loss account, cash flow statement and statement of changes in equity have been re-arranged, wherever necessary for the purpose of comparison. However, no significant reclassification has been made except detailed below:
 - Inclusion of Workers' Participation Fund in other operating expenses instead of disclosing separately on the face of profit and loss account.
 - Inclusion of amortization of deferred cost and donation in other operating expenses instead of distribution and selling cost and administrative and general expenses.
 - Inclusion of advance for purchase of shares in long term investments instead of loans and advances.
- The comparative figures of profit and loss account, cash flow statement, statement of changes in equity and related notes to the financial statements were for the period of nine months ending on 30 June 2005 due to change in accounting year as per legislature. Therefore, the said comparative figures are not comparable to the current year.
- Figures have been rounded off to the nearest thousand Rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR

FORM OF PROXY

I/We _____

of _____

being a member of Nishat Mills Limited, hereby appoint _____

of _____

or failing him/her _____

of _____

member(s) of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, 31 October, 2006 at 11.00 a.m. at Nishat House, 53-A, Lawrence Road, Lahore.

as witness may hand this _____ day of _____ 2006

Signed by the said member _____

in presence of _____

Please
affix
revenue
stamp
Rs. 5

Signature of witness

Signature(s) of Member(s)

Please quote:

Folio No.	Shares held	CDC A/C. NO

IMPORTANT: This instrument appointing a proxy, duly completed, must be received at the Registered Office of the Company at 53-A, Lawrence Road, Lahore not later than 48 hours before the time of holding the annual general meeting.