Brief Profile

2013 — Established a subsidiary company in USA

2013 — 2 spinning mills acquired & a new spinning mill started

2010 — IPP started commercial operations

2006 — Diversified into home textiles

2005 — Acquisition of 2 spinning mills & 5th spinning mill started

2000 — 2nd spinning mill started production

1998 — Diversified into weaving

1991 — 1st spinning mill set up

Contents

Company Information

Board of Directors:	Mr. Shahzad Saleem	Chief Executive/Chairman
	Ms. Farhat Saleem	
	Mr. Yahya Saleem	
	Mr. Manzoor Ahmed	Nominee NIT
	Mr. Aftab Ahmad Khan	
	Mr. Mushtaq Ahmad (Resigned on July 16, 2013)	
	Mr. Manzar Mushtaq (Resigned on July 16, 2013)	
Audit Committee:	Mr. Aftab Ahmad Khan	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Manzar Mushtaq (Resigned on July 16, 2013)	Member
HR&R Committee:	Mr. Mushtaq Ahmad (Resigned on July 16, 2013)	Chairman
	Mr. Shahzad Saleem	Member
	Mr. Manzar Mushtaq (Resigned on July 16, 2013)	Member
Company Secretary:	Mr. Umar Shahzad	
Head of Internal Audit:	Mr. Saqib Riaz	

Bankers to the Company:

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

Auditors:

Riaz Ahmad & Company
Chartered Accountants

Registered & Head Office:

31-Q, Gulberg-II,
Lahore, Pakistan.
Phone : 35761730-39
Fax : 35878696-97
Web : www.nishat.net

Share Registrar:

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

Mills:

Spinning 1, 4 & 5
49th Kilometre, Multan Road,
Bhai Pheru, Tehsil Chunian,
District Kasur.

Spinning 2, 3 & Weaving
49th Kilometre, Multan Road,
Kamogal, Tehsil Pattoki,
District Kasur.

Dyeing & Printing
4th Kilometre, Manga Road,
Raiwind.

Notice of Annual General Meeting

Notice is hereby given that the 24th Annual General meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Registered Office of the Company, 31-Q, Gulberg II, Lahore on 30th October 2013 (Wednesday) at 11.00 a.m. to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on 30th October 2012.

2. To receive and adopt audited accounts of the Company for the year ended 30 June 2013 together with Directors' and Auditors' reports thereon.

3. To approve final cash dividend @20% (i.e.Rs. 2.00 per share) and 10% bonus shares (i.e. 1 bonus share against 10 existing shares) as recommended by the Board of Directors.

4. To appoint auditors for the year ending 30 June 2014 and to fix their remuneration. The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

5. To transact any other business with the permission of the Chair.

By Order of the Board

Umar Shahzad
Company Secretary

Lahore: 09 October 2013

Notes:

1. The Members' Register will remain closed from 22-10-2013 to 29-10-2013 (both days inclusive). Transfers received at Hameed Majeed Associate (Pvt) Limited, H.M. House, 7-Bank Square, Lahore, the Registrar and share transfer office of the Company by the close of business on 21-10-2013 will be considered in time for attending the AGM and for above entitlements.

2. A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.

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

4. CDC account holders will further have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan:

    a. For attending the meeting
        i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
        ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting

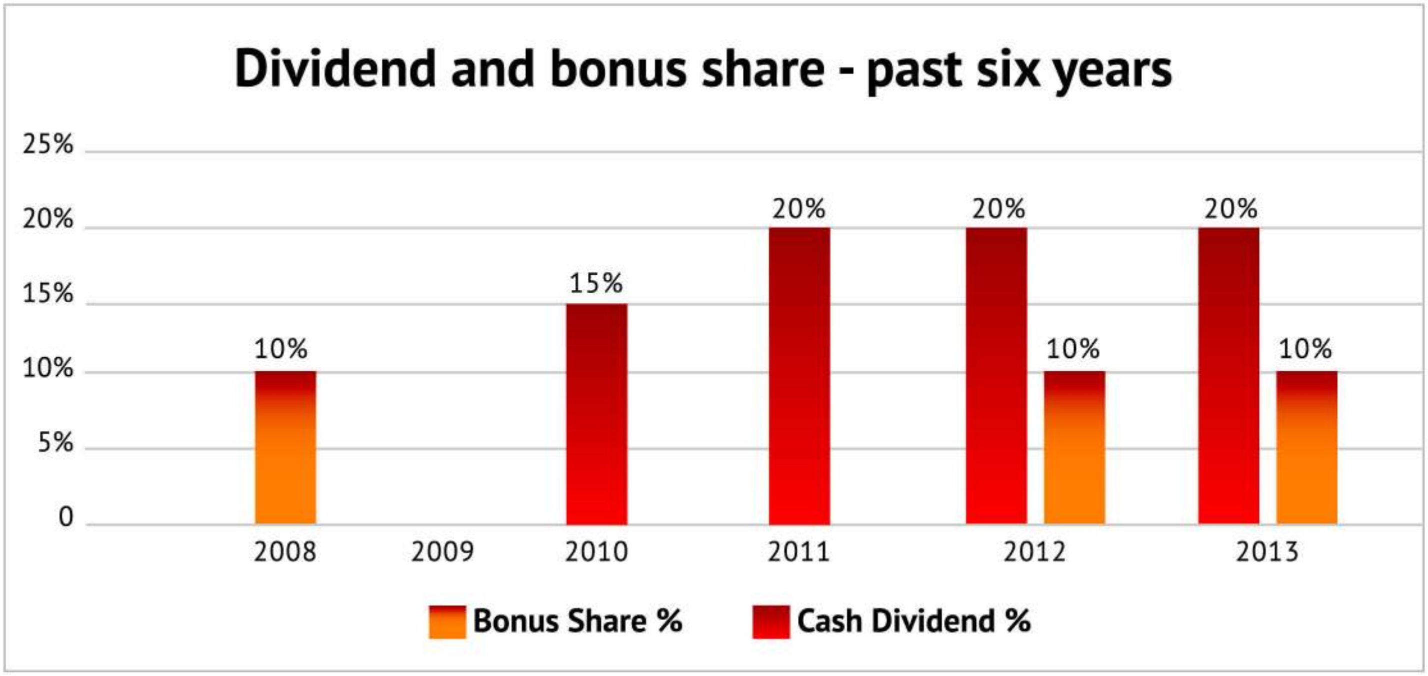
    b. For Appointing Proxies
        i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
        ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
        iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
        iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
        v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Directors' Report

Our year in a glance

Revenue	Profit from Operations	Net Profit for the year	Earnings per share	Dividend per share
Rs. 21.2 billion	Rs. 3.8 billion	Rs. 2.3 billion	Rs. 12.51	Rs. 2.0
+14%	+68%	+225%	+222%	

Spinning	Weaving	Dyeing and Printing	Power
107 Million pounds	200 Million Sq yards	34 Million meters	159,450 MWh
+3%	+1.4%	+35%	-4.4%



Dear Shareholder

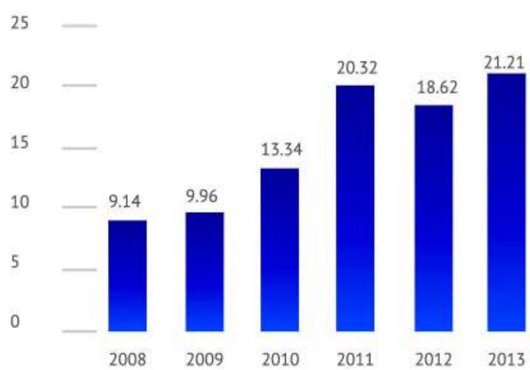
The Board is pleased to present the Annual Report of Nishat Chunain Ltd. for the year ended on June 30, 2013. We have had a successful year during which our company achieved record earnings and turnover.

Profitability

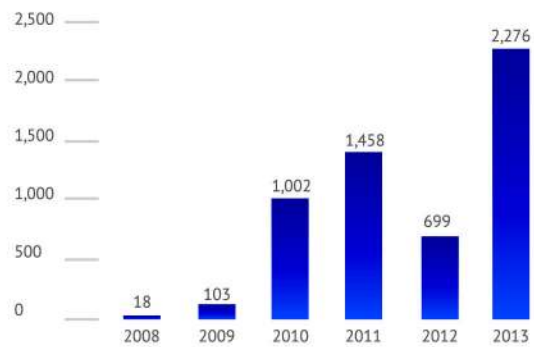
Sales have improved due to an increase sales volume and US dollar appreciation. Timely & cost effective procurement of raw materials enabled us to generate improved outcomes. Consequently we have seen an improvement in our operating margins, with our turnover increasing by 14 % & net profit by 225% from 2012.

Gross profit margins have increased to 16.91% from 11.2% despite the increase in energy costs. However, net profits margins have increased from 3.8% to 10.7%,

Sales (Billion)



Net Profits (Millions)



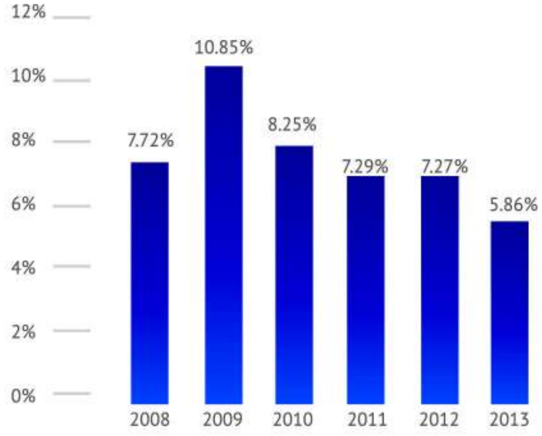
Financial Cost & Capital Structure

The Management has maintained a conservative capital structure by lowering its debt to equity ratio by re-investing the retained profits in the business. Financial charges decreased to Rs. 1.24 billion from Rs. 1.35 billion last year.

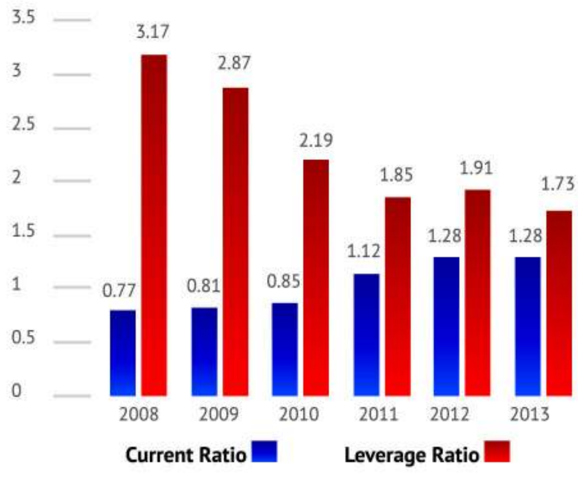
A review of financial cost figures show that as a percentage of sales, finance costs have declined to 5.86% in the current year from 7.27 % in 2012. Furthermore an important fact to highlight is the Company's ability to repay future obligations looks improved as the times interest earned ratio has steadily increased from 1.6 times in 2012 to 3.04 times in the current year.

Leverage ratios have decreased, whereas current ratios have increased over the last two years, reflecting that the management has effectively utilized its resources and is relying on retained profits for growth & expansion.

Finance Cost as percentage of sales



Current and Leverage Ratio



Investments

During the year we made an investment of approximately Rs. 2 billion on expansion of our business.

The company is presently operating with approximately 150,000 spindles, 293 wider width air jet looms, a dyeing, printing and stitching plant, and captive power plants with total capacity of 36 MW. The above referred expansion will further enhance our spinning capacity and will bring the company among leaders of the textile sector. Total capacity of spinning will increase to 210,000 spindles.

Nishat Chunian Power Limited

During the year a dividend of Rs. 750.34 million (2012: Rs. 468.96) million was received from the company's subsidiary, NCPL. Moreover, NCPL has declared an interim dividend of Rs. 2.00/share which will be received by November 2013. NCL's total investment in NCPL (at cost) stands at Rs. 1,876 million (2012: Rs. 1,876 million) and NCL currently holds 51.07% (2012: 51.07%) shares of NCPL.

Challenges

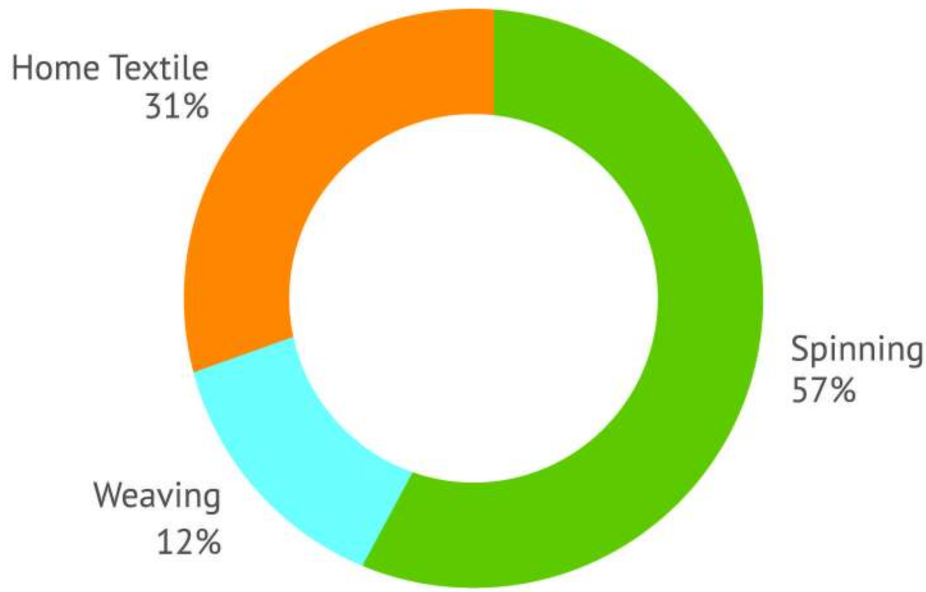
The on-going energy crisis has forced the Company to generate electricity and steam on furnace oil and diesel, which are 2-4 times more expensive. Although, this resulted in increase in cost of production, however, better margins in spinning division were able to absorb those costs which ultimately resulted in greater profits this year.

Appropriation

Board of directors of the company have proposed to pay Rs 2.00 per ordinary share cash dividend and a 10% bonus issue on ordinary shares.

Business Segments Review

Segment wise revenue



Spinning

Nishat Chunian Limited has a ring-spinning capacity of approximately 150,000 spindles producing approximately 50,000 tons of greige yarn per annum. Our state of the art machinery, technical expertise and careful selection of best available raw material result in the finest quality of yarn. NCL has a wide range of brand loyal customers all over the world, which comes as a result of consistency in quality, reliability and diversity of the yarns that we produce. We make yarns for multiple end uses including denim, apparel, shirting and home textiles.

This year the Spinning Division witnessed high profits. Gross Profit increased from 14.4% to 21%. This boost in profits was mainly due to rising trend of US dollar exchange rates and cotton procurement at lower rates. Volume of sales to chinese markets has increased by 29%. Overall sales volume has increased by 10%. Growth in the China yarn market and exchange rate appreciation resulted in higher profits as compared to the previous year.

Local yarn market also recovered from the previous recession despite a drop in volume. The Company invested significantly in the expansion of the spinning division through establishment of a new spinning mill having a capacity of 22,000 spindles and by the acquisition of operating assets of Taj Textile Mills Limited having production capacity of 38,000 spindles. These mills will be operational in the coming year.

Business Segments Review

Weaving

Established in 1998, the Weaving Division consists of 293 air jet looms producing 3 million yard of Greige fabric per month. With a combination of state of the art weaving equipment, technical know-how and managerial expertise, NCL weaving has developed a reputation for quality service and products worldwide. Our in-house spinning helps maintain a better control over quality and facilitates innovative product development, .greater product flexibility and shorter lead times

During the year under review, export sales increased by 14% since last year. Gross profit has increased from 5.9% to 8.35%. The increase in profitability was mainly due to increased volume and the rising exchange rate of US dollar. Share of export sales has increased from 62% to 82%. Major volume has increased in China and European markets.

The average sales price has increased from Rs.118 to Rs.136 per meter in the current year. As margins in export sales are higher, we concentrated more efforts in the export market.

Home Textile

The dyeing and printing plant has a capacity of 3 million yards per month with an equivalent stitching capacity. These plants are equipped with the latest machinery especially designed to cater to high thread count fabric. During the dyeing, printing, finishing and stitching processes several measures are taken to ensure timely delivery of high quality end products.

The year under review posed a great challenge especially in terms of sales volume and increasing energy costs. Despite increased energy costs the company has strived to keep the profitability stable. The impact of energy cost was partially reduced by multi-fuel steam boiler and thermo-oil heater which was set up by the company last year. The gross and net profits remained stable at 8.5% and 5% respectively.

Overall sales increased by 13.3%. In order to boost sales, the company has set up a wholly owned subsidiary in USA to capture the retail market. The management is confident that this endeavour will generate higher revenue in the US.

Corporate Social Responsibility

We understand and are committed to our vision and mission for a sustainable and equitable growth of our society. This we believe is only possible through our contributions for development of the society at large, protection of the environment, empowerment of women and the underprivileged.

The company regularly donates to hospitals and schools though trusts constituted for dealing in philanthropic activities.

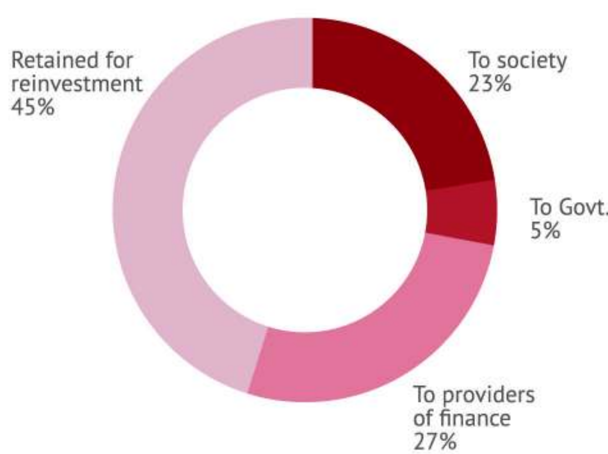
The sponsors of the company; the Saleem family is in the process of setting up a state of the art not for profit hospital. The Hospital will be based on a model of self pay for those who can afford & subsidized medical treatment for the underprivileged

We are committed to providing a healthy, safe and learning work environment to our employees. The Company has been offering employment opportunities to people from various ethnicities and genders without any bias or prejudice. We offer apprenticeship to fresh graduates, post graduates and engineers on a regular basis, to elevate their professional and technical skills.

During the year, we contributed a significant amount to the national exchequer by way of payment of various duties, levies and taxes, and through our export focused strategy has contributed significantly in stabilizing the country's foreign exchange position.

Statement of Value Addition & Distribution	**Rs. In Millions**
Wealth Generated	
Total Revenue and other income	22,213
Bought in Material and services	(16,399)
	5,814
Wealth Distribution	
To Society	
Employee remuneration	1,328
Donations	4
To government	
Taxes, duties, development surcharge etc.	304
To providers of Finance	
Finance Cost	1,243
Dividend	331
Retained for reinvestment and future growth	
Depreciation, amortization and retrained profit	2,604
	5,814

Wealth Distribution



Future Outlook

With the on-going capacity expansions & our various efforts to expand our market share we expect our company to progress in the coming year.

The project of 14MW Grid station is near completion and will reduce reliance on furnace oil for production of electricity thus reducing the overall energy cost.

Nishat Chunian Ltd. is also considering investing in a coal based Power plant to facilitate its own industrial power demand. This investment may require an outlay of PKR 4 – 5 billion.

On the whole, the future of the company looks encouraging. The Group is well placed to achieve further success and build shareholder value in the years ahead.

Corporate Governance

During the year your company remained compliant with the Code of Corporate governance requirements.

Board of Directors Meetings

During the year five (5) meetings were held. Attendance by each director is as follows:

Name of Director Attended	No. of Meetings
Mr. Shahzad Saleem (Chairman/Chief Executive)	4
Mr. Yahya Saleem	4
Mrs. Farhat Saleem	5
Mr. Manzoor Ahmad	4
Mr. Aftab Ahmad Khan	5
Mr. Manzar Mushtaq (Resigned on 16-07-2013)	4
Mr. Mushtaq Ahmed (Resigned on 16-07-2013)	5

Audit Committee

The audit committee is performing its duties in line with its terms of reference as determined by the Board of Directors. Composition of the Audit Committee is as follows:

Mr. Aftab Ahmad Khan	Chairman
Mr. Shahzad Saleem	Member
Mr. Manzar Mushtaq (Resigned on 16-07-2013)	Member

HR & Remuneration Committee

In compliance with the COCG 2012, the Board of Directors of your Company has established a HR&R Committee. Composition of the HR&R committee is as follows:

Mr. Mushtaq Ahmad (Resigned on 16-07-2013)	Chairman
Mr. Shahzad Saleem	Member
Mr. Manzar Mushtaq (Resigned on 16-07-2013)	Member

Pattern of Shareholding

Pattern of shareholding as on June 30, 2013 is annexed.

Statement

under section 218 of the Companies Ordinance 1984

Remuneration of CEO

As the Chief Executive is one of the members of the Board, below statement is required to be disclosed under the captioned section. A salary of 575,000 rupees per month (Tax on salary to be borne by the Company) has been approved to be given to the CEO/Chairman in addition to perquisites and other entitlements applicable under policies and Service rules of the Company w.e.f March 1, 2013.

Directors Statement

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

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Acknowledgment

The Directors of your Company would like to show their appreciation of the support of respected customers, banks, financial institutions, regulators and shareholders for achieving good results and hope that this cooperation and support continues to grow in the future.

The Directors of your Company would also like to express their deep appreciation for the services, loyalty and efforts being continuously rendered by the employees of the Company and hope that they will continue to do so in the future.

On behalf of the Board

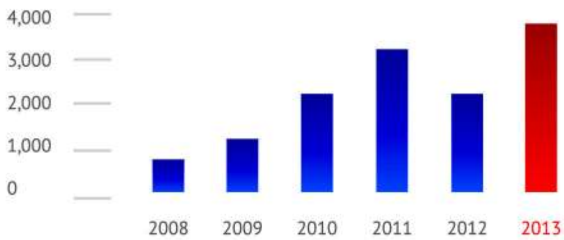
Shahzad Saleem
Chief Executive Officer / Chairman
October 4, 2013

Financial Highlights

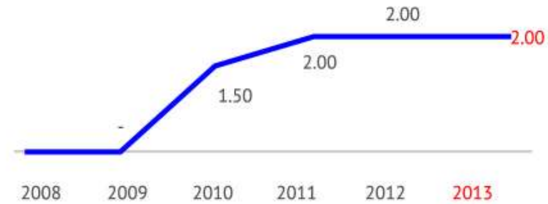
(Rupees in thousand)

	2008	2009	2010	2011	2012	2013
Net Sales	9,138,298	9,964,545	13,343,539	20,322,002	18,616,943	21,213,244
Gross Profit	1,040,880	1,491,183	2,682,206	3,408,524	2,076,797	3,595,567
Distribution, Admin and Other Expenses	315,397	413,923	631,908	866,966	685,999	821,778
Operating Profit plus Other Income	782,001	1,249,880	2,236,669	3,145,188	2,247,418	3,774,183
Finance Cost	705,822	1,081,536	1,101,054	1,482,399	1,353,445	1,243,262
Net Income	18,179	103,344	1,001,832	1,458,580	699,331	2,276,161
Current Assets	4,357,788	4,646,949	6,073,156	8,068,112	9,724,895	12,396,935
Total Assets	10,838,117	12,016,810	14,308,086	16,230,295	17,682,955	21,924,849
Current Liabilities	5,646,893	5,730,881	7,089,429	7,191,922	7,622,371	9,703,454
Total Equity	2,600,194	3,102,471	4,432,511	5,704,441	6,074,994	8,020,271
Cash Flows:						
Net Cash generated from /(used in) Operating Activities	(470,400)	480,373	630,193	(349,434)	298,230	(1,186,723)
Net Cash generated from/(used in) Investing Activities	(552,774)	(1,430,973)	(1,629,190)	138,299	(969,208)	(231,730)
Net Cash generated from /(used in) Financing Activities	413,625	961,800	1,060,325	255,384	583,952	1,629,694
Earnings Per Share						
Basic	0.20	1.08	7.72	8.25	3.88	12.57
Diluted	0.22	0.83	6.13	8.82	3.88	12.57
Dividends for the year	1.00	-	1.50	2.00	2.00	2.00
Dividend Payout Ratio	4.14	-	0.24	0.22	0.47	0.16
Financial Measures:						
ROE	0.70%	3.33%	22.60%	25.57%	11.51%	28.38%
ROI	-39%	-64%	101%	54%	-9%	255%
Shareholders' Equity Ratio	24%	26%	31%	35%	34%	37%
Net Debt Equity Ratio (times)	1.00	1.04	0.61	0.59	0.67	0.52
Interest Coverage Ratio (times)	1.11	1.16	2.03	2.12	1.66	3.04
P/E ratio (Price per share / EPS)	120.05	7.96	2.04	2.70	4.48	4.75
Dividend Yield Ratio (Cash dividend / Net Income)	4.14	-	0.24	0.22	0.47	0.16
Common Stock						
Number of shares outstanding at year end	75,200,838	82,720,922	158,552,667	162,090,349	165,441,844	181,986,028
Break up value	34.58	37.51	27.96	35.19	36.72	44.07

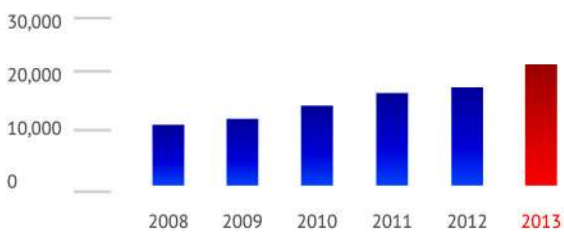
Operating Profit plus other income
Rs. in millions



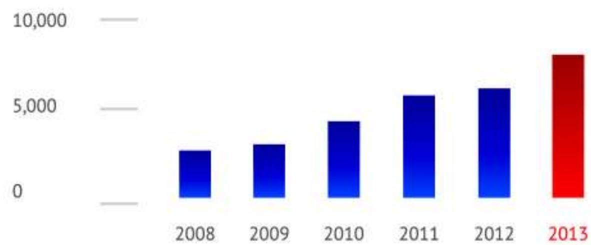
Dividends
Rs. per ordinary share



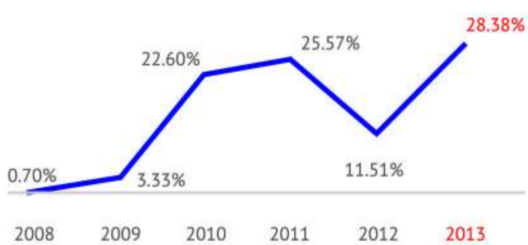
Total Assets
Rs. in millions



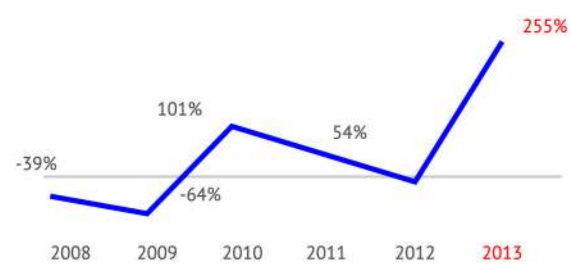
Total Equity
Rs. in millions



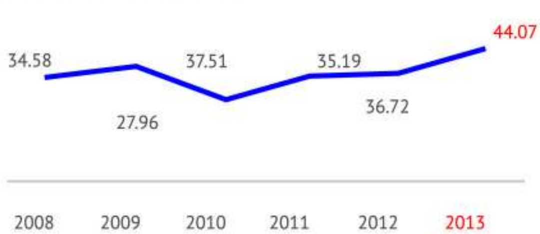
ROE



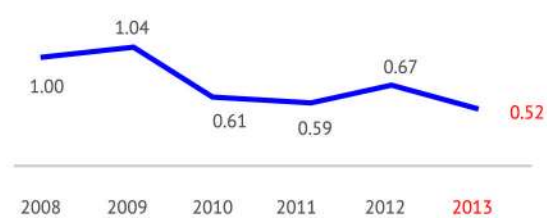
ROI



Break up value
Rs. per ordinary share



Net Debt Equity Ratio (times)



Statement of Compliance

with the Code of Corporate Governance for the year ended 30 June 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange Ltd and Lahore Stock Exchange Ltd 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 COCG 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:

Category	Names
Independent Directors	Mr. Manzoor Ahmed
Executive Directors	Mr. Shahzad Saleem Mr. YahyaSaleem Mrs. FarhatSaleem
Non Executive Directors	Mr. Manzar Mushtaq (Resigned on July 16, 2013 and Mr. Shahid A. Malik has been appointed in his place) Mr. Aftab Ahmad Khan Mr. Mushtaq Ahmed (Resigned on July 16, 2013 and Mr. Kamran Rasool has been appointed in his place)

   The requirement of Executive Directors in composition of Board under COCG 2012will be fulfilled at the time of next election of directors.

   The independent director meets the criteria of independence as required under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

4. There was no casual vacancy on the board during the year ended June 30, 2013.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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, other executive and non-executive directors, have been taken by the board/shareholders.

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

9. The board has approved appointment of Company Secretary including the remuneration and terms and conditions of employment during the year ended 30 June 2013. The CFO had resigned at the end of May 2013 and the Board intends to appoint General Manager Finance & Accounts as CFO for which the Company has initiated the process of applying to SECP to relax the experience requirement as required in clause (xiii) of the Code. No new appointment of Head of Internal Audit has been made by the Board during the year ended 30 June 2013.

10. The directors' report for this year has been prepared in compliance with the requirements of the COCG 2012 and fully describes the salient matters required to be disclosed.

11. The Board considers that some of its directors are exempt from Directors' training program ('DTP') requirementand there is no need for enrollment in DTP until the exemption period lasts.

12. The financial statements of the company were duly endorsed by CEO and General Manager Finance & Accounts before approval of the Board.

Statement of Compliance

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 COCG 2012.

15. The Board has formed an Audit Committee. It comprises of 3 members, of whom 2 are non-executive directors and the chairman of the committee is not an independent director and will be changed on next election dateto bring the composition of audit committee in line with the requirements of COCG 2012.

16. The meetings of the audit committee were held at least once every quarter for the review of interim and final results prior to the approval by the Board of Directors. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of 3 members, of whom 2 are non-executive directors and the chairman of the committee is a Non Executive director.

18. 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 full time basis.

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

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material requirements of the COCG 2012 have been complied with.

Shahzad Saleem
Chief Executive / Chairman

Lahore: 04 October 2013

Statement of Compliance

with the Best Practices on Transfer Pricing

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

Shahzad Saleem
Chief Executive / Chairman

Lahore: 04 October 2013

Review Report

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of NISHAT (CHUNIAN) LIMITED ("the Company") for the year ended 30 June 2013, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

The Board has not made arrangements for directors' training program for one of the non-exempted directors of the Company during the year ended 30 June 2013 as required by clause (xi) of the Code of Corporate Governance.
Based on our review, except for the matter described in the preceding paragraph, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

We draw attention to Note 9 of the Statement of Compliance with the Code of Corporate Governance. The Board has not appointed a chief financial officer (CFO) after resignation of previous CFO. An application under clause (xlii) of the Code of Corporate Governance for exemption from the experience requirement of CFO is being submitted to SECP for consideration. Our report is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 04 October 2013

LAHORE

Auditors' Report to the Members

We have audited the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 04 October 2013

LAHORE

Balance Sheet

as at 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	3	2,500,000,000	1,950,000,000
Issued, subscribed and paid-up share capital	4	1,819,860,280	1,654,418,440
Reserves	5	6,200,411,169	4,420,575,587
Total equity		8,020,271,449	6,074,994,027
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	4,201,123,183	3,985,589,955
CURRENT LIABILITIES			
Trade and other payables	7	1,425,022,011	1,105,047,161
Accrued mark-up	8	164,249,549	144,471,269
Short term borrowings	9	6,493,965,784	5,349,510,524
Current portion of long term financing	6	1,620,216,772	1,023,341,772
		9,703,454,116	7,622,370,726
Total liabilities		13,904,577,299	11,607,960,681
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		21,924,848,748	17,682,954,708

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

CHIEF EXECUTIVE

Balance Sheet

as at 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	11	7,635,608,369	6,076,549,160
Investments in subsidiary companies	12	1,886,681,200	1,875,858,200
Long term loans to employees	13	3,092,629	3,365,003
Long term security deposits		2,531,259	2,286,909
		9,527,913,457	7,958,059,272
CURRENT ASSETS			
Stores, spare parts and loose tools	14	569,177,807	523,273,790
Stock-in-trade	15	5,639,883,723	4,010,713,332
Trade debts	16	3,904,386,724	3,027,856,152
Loans and advances	17	782,917,291	172,732,886
Short term loans to subsidiary company	18	-	1,132,500,000
Short term prepayments		340,213	266,428
Accrued interest	19	-	5,965,255
Other receivables	20	1,158,829,645	771,096,062
Short term investments	21	82,162,359	32,494,520
Cash and bank balances	22	259,237,529	47,997,011
		12,396,935,291	9,724,895,436
TOTAL ASSETS		21,924,848,748	17,682,954,708

DIRECTOR

Profit and Loss Account

for the year ended 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
SALES	23	21,213,244,304	18,616,942,561
COST OF SALES	24	(17,617,677,400)	(16,540,145,218)
GROSS PROFIT		3,595,566,904	2,076,797,343
DISTRIBUTION COST	25	(535,142,990)	(499,834,017)
ADMINISTRATIVE EXPENSES	26	(149,342,527)	(135,995,989)
OTHER EXPENSES	27	(137,292,220)	(50,169,183)
		(821,777,737)	(685,999,189)
		2,773,789,167	1,390,798,154
OTHER INCOME	28	1,000,393,903	856,620,344
PROFIT FROM OPERATIONS		3,774,183,070	2,247,418,498
FINANCE COST	29	(1,243,261,666)	(1,353,445,371)
PROFIT BEFORE TAXATION		2,530,921,404	893,973,127
TAXATION	30	(254,760,294)	(194,642,398)
PROFIT AFTER TAXATION		2,276,161,110	699,330,729
EARNINGS PER SHARE - BASIC AND DILUTED	31	12.51	3.88

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Comprehensive Income

for the year ended 30 June 2013

	2013 Rupees	2012 Rupees
PROFIT AFTER TAXATION	2,276,161,110	699,330,729
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,276,161,110	699,330,729

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

for the year ended 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	332,616,906	1,950,568,174
Net increase in long term security deposits		(244,350)	(1,191,467)
Finance cost paid		(1,223,861,554)	(1,407,121,962)
Income tax paid		(297,884,201)	(242,117,706)
Net decrease / (increase) in long term loans to employees		2,649,818	(1,906,913)
Net cash (used in) / generated from operating activities		(1,186,723,381)	298,230,126
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(2,088,196,451)	(420,047,261)
Proceeds from sale of property, plant and equipment		7,000,981	26,301,460
Proceeds from sale of shares of subsidiary company		-	92,838,536
Investment in subsidiary company		(10,823,000)	-
Short term loans made to subsidiary company		(1,430,000,000)	(3,299,394,249)
Repayment of short term loans by subsidiary company		2,562,500,000	2,166,894,249
Dividend received from subsidiary company		750,343,280	468,964,551
Short term investments made		(49,667,839)	(30,000,000)
Profit on bank deposits received		27,113,410	25,234,597
Net cash used in investing activities		(231,729,619)	(969,208,117)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		2,242,000,000	3,050,000,000
Repayment of long term financing		(1,429,591,772)	(2,874,062,089)
Short term borrowings - net		1,144,455,260	740,894,765
Dividends paid		(327,169,970)	(332,880,958)
Net cash from financing activities		1,629,693,518	583,951,718
Net increase / (decrease) in cash and cash equivalents		211,240,518	(87,026,273)
Cash and cash equivalents at the beginning of the year		47,997,011	135,023,284
Cash and cash equivalents at the end of the year		259,237,529	47,997,011

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity

for the year ended 30 June 2013

	SHARE CAPITAL			REVENUE RESERVES			TOTAL EQUITY
	Ordinary shares	Preference shares	TOTAL	General reserve	Unappropriated profit	TOTAL	
	...... Rupees						
Balance as at 30 June 2011	1,620,903,490	33,514,950	1,654,418,440	1,629,221,278	2,420,801,253	4,050,022,531	5,704,440,971
Transactions with owners:							
Final dividend for the year ended 30 June 2011 @ Rupees 2 per ordinary share	-	-	-	-	(324,180,698)	(324,180,698)	(324,180,698)
Preference shares converted into ordinary shares	33,514,950	(33,514,950)	-	-	-	-	-
Preference dividend for the year ended 30 June 2012	-	-	-	-	(4,596,975)	(4,596,975)	(4,596,975)
	33,514,950	(33,514,950)	-	-	(328,777,673)	(328,777,673)	(328,777,673)
Profit for the year	-	-	-	-	699,330,729	699,330,729	699,330,729
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	699,330,729	699,330,729	699,330,729
Balance as at 30 June 2012	1,654,418,440	-	1,654,418,440	1,629,221,278	2,791,354,309	4,420,575,587	6,074,994,027
Transactions with owners:							
Final dividend for the year ended 30 June 2012 @ Rupees 2 per ordinary share	-	-	-	-	(330,883,688)	(330,883,688)	(330,883,688)
Issue of bonus shares during the year	165,441,840	-	165,441,840	-	(165,441,840)	(165,441,840)	-
	165,441,840	-	165,441,840	-	(496,325,528)	(496,325,528)	(330,883,688)
Profit for the year	-	-	-	-	2,276,161,110	2,276,161,110	2,276,161,110
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,276,161,110	2,276,161,110	2,276,161,110
Balance as at 30 June 2013	1,819,860,280	-	1,819,860,280	1,629,221,278	4,571,189,891	6,200,411,169	8,020,271,449

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements

for the year ended 30 June 2013

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairment

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

Inventories

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

Accumulating compensated absences

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

Taxation

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

Provisions for doubtful debts

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

Impairment of investments in subsidiary companies

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

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

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income

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

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

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

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 - 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

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

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Taxation

Current

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

Deferred

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

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

2.3 Employee benefits

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

Provident fund

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

Accumulating compensated absences

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

2.4 Fixed assets

Property, plant, equipment and depreciation

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

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

Depreciation

Depreciation on all operating fixed assets is charged to income on the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 11.1. Depreciation on additions is charged from the month in which the assets are available for use upto the month prior to disposal. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

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

Intangible asset

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

2.5 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Investments in subsidiary companies

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

d) Available-for-sale

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

Quoted

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

Unquoted

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

2.6 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

Cost of raw materials is measured using the weighted average cost formula.

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

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

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

2.7 Foreign currencies

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

2.8 Borrowing cost

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

2.9 Revenue recognition

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

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

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

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

2.10 Share capital

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

2.11 Financial instruments

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

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

2.12 Trade debts and other receivables

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

2.13 Borrowings

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

2.14 Trade and other payables

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

2.15 Off setting

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

2.16 Cash and cash equivalents

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

2.17 Non-current assets held for sale

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

2.18 Derivative financial instruments

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

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

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

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

2.19 Provisions

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

2.20 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

2.21 Segment reporting

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

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

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

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

2.22 Dividend to ordinary shareholders and other appropriations

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

3. AUTHORIZED SHARE CAPITAL

2013 (Number of shares)	2012 (Number of shares)		2013 Rupees	2012 Rupees
230,000,000	175,000,000	Ordinary shares of Rupees 10 each	2,300,000,000	1,750,000,000
20,000,000	20,000,000	Preference shares of Rupees 10 each	200,000,000	200,000,000
250,000,000	195,000,000		2,500,000,000	1,950,000,000

3.1 During the year ended 30 June 2013, the Company by way of special resolution passed in Annual General Meeting of the shareholders of the Company held on 30 October 2012 has increased its authorized share capital by Rupees 550 million divided into 55 million ordinary shares of Rupees 10 each. The new shares shall rank pari passu with the existing shares.

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013 (Number of shares)	2012 (Number of shares)		2013 Rupees	2012 Rupees
94,720,922	94,720,922	Ordinary shares of Rupees 10 each fully paid in cash	947,209,220	947,209,220
86,040,841	69,496,657	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	860,408,410	694,966,570
1,224,265	1,224,265	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of Arrangement as approved by the Honourable Lahore High Court, Lahore	12,242,650	12,242,650
181,986,028	165,441,844		1,819,860,280	1,654,418,440

	2013 (Number of shares)	2012 (Number of shares)
4.1 Ordinary shares of the Company held by related parties:		
Nishat Mills Limited	24,764,652	22,513,321
D.G. Khan Cement Company Limited	5,511,064	5,010,059
	30,275,716	27,523,380

4.2 Movement during the year

2013 (Number of shares)	2012 (Number of shares)		2013 Rupees	2012 Rupees
165,441,844	162,090,349	At 01 July	1,654,418,440	1,620,903,490
-	3,351,495	Preference shares converted into ordinary shares of Rupees 10 each at par	-	33,514,950
16,544,184	-	Issue of fully paid bonus shares of Rupees 10 each at par	165,441,840	-
181,986,028	165,441,844	At 30 June	1,819,860,280	1,654,418,440

4.3 16,544,184 ordinary shares of Rupees 10 each were issued as fully paid bonus shares during the year ended 30 June 2013 in pursuance of 10% bonus issue approved in Annual General Meeting of the shareholders of the Company held on 30 October 2012.

	2013 Rupees	2012 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	4,571,189,891	2,791,354,309
	6,200,411,169	4,420,575,587

	2013 Rupees	2012 Rupees
6. LONG TERM FINANCING		
From banking companies / financial institutions - secured		
Long term loans (Note 6.1)	4,875,089,955	4,160,181,727
Long term musharaka (Note 6.2)	665,000,000	442,500,000
Privately placed term finance certificates - secured (Note 6.3)	281,250,000	406,250,000
	5,821,339,955	5,008,931,727
Less: Current portion shown under current liabilities		
Long term loans	1,300,216,772	720,841,772
Long term musharaka	195,000,000	177,500,000
Privately placed term finance certificates	125,000,000	125,000,000
	1,620,216,772	1,023,341,772
	4,201,123,183	3,985,589,955

6.1 Long Term Loans

Lender	2013 Rupees	2012 Rupees	Rate of mark up per annum	Number of instalments	Mark up repricing	Mark up payable
Standard Chartered Bank (Pakistan) Limited	-	400,000,000	1-month KIBOR + 1.40%	Six equal half yearly instalments commencing on 12 July 2013 and ending on 12 January 2016. However, the Company made pre-payment of loan in full during the current year.	Monthly	Monthly
United Bank Limited-1	-	50,000,000	6-month KIBOR + 0.95%	Ten equal half yearly instalments commenced on 24 June 2008 and ended on 24 December 2012.	Half Yearly	Half Yearly
United Bank Limited-2	10,725,000	17,875,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014.	-	Quarterly
United Bank Limited-3	14,400,000	24,000,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 08 June 2011 and ending on 08 December 2014.	-	Quarterly
United Bank Limited-4	4,400,000	6,600,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 28 July 2011 and ending on 28 January 2015.	-	Quarterly
United Bank Limited-5	44,300,000	66,450,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 18 July 2011 and ending on 18 January 2015.	-	Quarterly
United Bank Limited-6	13,250,000	19,875,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 26 January 2015.	-	Quarterly
United Bank Limited-7	468,750,000	500,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 31 May 2013 and ending on 28 February 2017.	Quarterly	Quarterly
Allied Bank Limited-1	500,000,000	500,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 06 September 2013 and ending on 06 June 2017.	Quarterly	Quarterly
Allied Bank Limited-2	1,050,000,000	1,200,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 28 February 2013 and ending on 29 November 2016.	Quarterly	Quarterly
Allied Bank Limited-3	342,000,000	-	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 01 August 2014 and ending on 01 February 2019.	Quarterly	Quarterly
Pak Kuwait Investment Company (Private) Limited	138,888,896	194,444,448	6-month KIBOR + 2%	Eighteen equal quarterly instalments commenced on 21 September 2011 and ending on 21 December 2015.	Half Yearly	Quarterly
Summit Bank Limited	-	30,000,000	6-month KIBOR + 1.05%	Twenty equal quarterly instalments commenced on 01 January 2008 and ended on 01 October 2012.	Half Yearly	Quarterly
The Bank of Punjab-1	168,750,000	236,250,000	SBP rate for LTFF + 2.5%	Sixteen equal quarterly instalments commenced on 15 January 2012 and ending on 15 October 2015.	-	Quarterly
The Bank of Punjab-2	104,166,669	187,500,001	6-month KIBOR + 1.25%	Twelve equal quarterly instalments commenced on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly
The Bank of Punjab-3	450,000,000	-	3-month KIBOR + 0.75%	Ten equal half yearly instalments commenced on 17 June 2013 and ending on 17 December 2017.	Quarterly	Quarterly
The Bank of Punjab-4	1,000,000,000	-	3-month KIBOR + 0.75%	Ten equal half yearly instalments commencing on 10 December 2013 and ending on 10 June 2018.	Quarterly	Quarterly
SAMBA Bank Limited	62,500,000	187,500,000	3-month KIBOR + 1.50%	Eight equal quarterly instalments commenced on 31 January 2012 and ending on 31 October 2013.	Quarterly	Quarterly
Saudi Pak Industrial and Agricultural Investment Company Limited	68,584,390	89,687,278	SBP rate for LTFF+ 3%	Eighteen equal quarterly instalments commenced on 31 May 2012 and ending on 31 August 2016.	-	Quarterly
Soneri Bank Limited	234,375,000	250,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 30 April 2013 and ending on 31 January 2017.	Quarterly	Quarterly
Pak Brunei Investment Company Limited	200,000,000	200,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 02 July 2013 and ending on 02 April 2017.	Quarterly	Quarterly
	4,875,089,955	4,160,181,727				

6.2 Long term musharaka

Lender	2013 Rupees	2012 Rupees	Rate of profit per annum	Number of instalments	Profit repricing	Profit payable
Burj Bank Limited -1	-	62,500,000	6-month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 September 2009 and ended on 30 June 2013.	Half Yearly	Quarterly
Burj Bank Limited -2	105,000,000	140,000,000	6-month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Dubai Islamic Bank (Pakistan) Limited-1	160,000,000	240,000,000	6-month KIBOR + 1.15%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
Dubai Islamic Bank (Pakistan) Limited-2	400,000,000	-	6-month KIBOR + 0.75%	Ten equal half yearly instalments commencing on 29 September 2013 and ending on 29 March 2018.	Half Yearly	Half Yearly
	665,000,000	442,500,000				

6.3 Privately placedterm finance certificates

	281,250,000	406,250,000	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commenced on 30 December 2011 and ending on 30 September 2015.	Quarterly	Quarterly
	281,250,000	406,250,000				

6.4 Long term loans and privately placed term finance certificates are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 6,150.242 million (2012: Rupees 7,640 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 3,333.334 million (2012: Rupees 1,267 million).

6.5 Long term musharaka are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 610.833 million (2012: Rupees 801.667 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 480 million (2012: Rupees Nil).

	2013 Rupees	2012 Rupees
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	845,135,593	596,705,241
Accrued liabilities	284,274,252	243,695,897
Advances from customers	73,010,759	106,464,326
Securities from contractors		
- interest free and repayable on completion of contracts	2,893,232	2,935,959
Retention money	18,918,528	5,844,343
Income tax deducted at source	12,459,832	5,970,928
Unclaimed dividend	20,678,020	16,964,302
Workers' profit participation fund (Note 7.2)	133,588,242	45,795,817
Workers' welfare fund	21,681,803	21,681,803
Fair value of forward exchange contracts	3,934,388	47,606,647
Others (Note 7.3)	8,447,362	11,381,898
	1,425,022,011	1,105,047,161

7.1 It includes Rupees Nil (2012: Rupees 3.649 million) due to related parties.

7.2 Workers' profit participation fund

	2013 Rupees	2012 Rupees
Balance as at 01 July	45,795,817	82,364,547
Add: Interest for the year (Note 29)	7,255,187	2,075,907
Add: Provision for the year (Note 27)	133,588,242	45,795,817
	186,639,246	130,236,271
Less : Payments during the year	53,051,004	84,440,454
Balance as at 30 June	133,588,242	45,795,817

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

7.3 It includes Rupees Nil (2012: Rupees 0.904 million) due to Nishat Chunian Power Limited - subsidiary company, which is in the ordinary course of business and is interest free.

	2013 Rupees	2012 Rupees
8. ACCRUED MARK-UP		
Long term financing	72,609,023	70,616,125
Short term borrowings	91,640,526	73,855,144
	164,249,549	144,471,269

	2013 Rupees	2012 Rupees
9. SHORT TERM BORROWINGS		
From banking companies - secured		
Short term running finances (Notes 9.1 and 9.2)	587,198,422	1,027,745,981
Export finances - Preshipment / SBP refinance (Notes 9.1 and 9.3)	1,662,615,362	2,378,764,543
Other short term finances (Notes 9.1 and 9.4)	4,244,152,000	1,943,000,000
	6,493,965,784	5,349,510,524

9.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Company and lien on export bills to the extent of Rupees 16,493 million (2012: Rupees 15,941 million). These form part of total credit facility of Rupees 12,225 million (2012: Rupees 10,480 million).

9.2 The rates of mark-up range from 10.02% to 14.60% (2012: 13.04% to 14.54%) per annum on the balance outstanding.

9.3 The rates of mark-up on Pak Rupee finances and US Dollar finances range from 8.70% to 12.83% (2012: 10.5% to 12.77%) per annum and 1.45% to 2.39% (2012: 2.39% to 3.52%) per annum respectively on the balance outstanding.

9.4 The rates of mark-up range from 9.42% to 12.84% (2012: 12.52% to 12.84%) per annum on the balance outstanding.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

i) Guarantees of Rupees 221.299 million (2012: Rupees 200.639 million) have been issued by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Shell Pakistan Limited against purchase of furnace oil.

ii) Guarantees of Rupees 86 million (2012: Rupees 58 million) have been issued by the banks of the Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

iii) The Company preferred appeal against the Government of Punjab in the Honourable Lahore High Court, Lahore against imposition of electricity duty on internal generation and the writ petition has been accepted. However, Government of Punjab has moved to the Honourable Supreme Court of Pakistan against the order of Honourable Lahore High Court, Lahore. The Company has fully provided its liability in respect of electricity duty on internal generation. As at the reporting date, an amount of Rupees 28.246 million (2012: Rupees 18.792 million) is payable on this account but the management of the Company is confident that payment of electricity duty will not be required.

iv) The Company has not recognized fuel adjustment charges amounting to Rupees 15.557 million (2012: Rupees 20.867 million) notified by National Electric Power Regulatory Authority (NEPRA) for the period from December 2012 to June 2013, as the Company is contesting the levy of these charges before the Honorable Supreme Court of Pakistan, Islamabad. The management based on advice of the legal counsel, believes that it has strong grounds of appeal and payment / accrual of such charges will not be required.

v) The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2012: Rupees 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Company has not submitted Appendix-1 as per Rule 297-A of the above referred scheme. The Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal Inland Revenue (ATIR) Karachi Bench which is still pending. The Company also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Company and forwarded the case to FBR. However, FBR has not accepted the recommendations of ADRC.

vi) Order was issued by the Assistant Commissioner Inland Revenue (ACIR) under section 122(1) of the Income Tax Ordinance, 2001 for tax year 2008 as a result of audit of the Company under section 177 of the Income Tax Ordinance, 2001 whereby a demand has been raised against the Company on various grounds. The Company's appeal against the order of ACIR was disposed off by the Commissioner Inland Revenue (Appeals) [CIR(A)] through order dated 23

April 2011. Through such order, a significant relief was extended to the Company, however, the Company has further assailed the matter before ATIR so as the issues decided by CIR(A) against the Company are further contested. The Company's appeal has not yet been taken up for hearing by ATIR. The Company considers that its stance is based on reasonable grounds and appeal is likely to succeed. Hence, no provision for taxation amounting to Rupees 26.613 million (2012: Rupees 26.613 million) has been recognized in these financial statements based on advice of the tax counsel. Further, the Company has also impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.

vii) While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) which was decided in Company's favour against which the department preferred an appeal to Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances and addition has been made in the financial statements as the management is confident that the matter would be settled in the Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million (2012: Rupees 17.157 million) would be required.

viii) As a result of withholding tax audit for the tax year 2006, the Deputy Commissioner Inland Revenue (DCIR) has raised a demand of Rupees 32.156 million under sections 161 and 205 of the Income Tax Ordinance, 2001. The Company is in appeal before ATIR as its appeal before CIR(A) was unsuccessful. The Company expects a favourable outcome of the appeal based on advice of the tax counsel. The Company has also challenged the initiation of proceedings, under section 161 and 205 of the Income Tax Ordinance, 2001 pertaining to tax years 2007, 2008, 2009, 2010, 2011 and 2012 in the Honourable Lahore High Court, Lahore through a writ petition. The Department has been restrained from passing any adverse order till the date of next hearing. The management of the Company believes that the expected favourable outcome of its appeal before ATIR, in respect of tax year 2006 on same issues, will dispose of the initiation of these proceedings.

ix) The Company has filed an appeal before CIR(A) against the order of Additional Commissioner Inland Revenue (ACIR). ACIR has passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2011 whereby a demand of Rupees 6.822 million has been raised. No provision against the demand has been made in these financial statements as the Company is hopeful of a favourable outcome of appeal based on opinion of the legal advisor.

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

xi) Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 154.347 million (2012: Rupees 58.709 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheque issued as security shall be encashable.

10.2 Commitments

i) Contracts for capital expenditure amounting to Rupees 913.661 million (2012: Rupees 282.462 million).

ii) Letters of credit other than for capital expenditure amounting to Rupees 197.348 million (2012: Rupees 29.113 million).

iii) Outstanding foreign currency forward contracts of Rupees 3,350.847 million (2012: Rupees 2,892.672 million).

	2013 Rupees	2012 Rupees
11. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 11.1)	5,986,747,224	5,972,783,496
Capital work-in-progress (Note 11.2)	1,648,294,714	101,499,938
	7,635,041,938	6,074,283,434
Intangible asset:		
Computer software (Note 11.1)	566,431	2,265,726
	7,635,608,369	6,076,549,160

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

Description	Operating fixed assets										Intangible asset
	Freehold land	Buildings on freehold land	Plant and machinery	Standby equipment	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total	Computer software
	...........Rupees...........										
At 30 June 2011											
Cost	188,776,332	1,696,591,384	8,604,024,330	30,352,951	181,741,104	138,494,474	56,049,272	47,245,491	111,343,820	11,054,619,158	6,983,316
Accumulated depreciation / amortization	-	(736,794,498)	(3,883,772,048)	(15,303,317)	(104,085,897)	(72,979,807)	(26,631,262)	(16,922,284)	(45,982,020)	(4,902,471,133)	(3,018,295)
Net book value	188,776,332	959,796,886	4,720,252,282	15,049,634	77,655,207	65,514,667	29,418,010	30,323,207	65,361,800	6,152,148,025	3,965,021
Year ended 30 June 2012											
Opening net book value	188,776,332	959,796,886	4,720,252,282	15,049,634	77,655,207	65,514,667	29,418,010	30,323,207	65,361,800	6,152,148,025	3,965,021
Additions	20,833,541	35,857,024	252,310,076	-	21,556,542	20,343,941	2,731,495	5,470,590	25,095,223	384,198,432	-
Disposals:											
Cost	-	-	(22,796,425)	-	-	-	-	(359,122)	(14,130,173)	(37,285,720)	(1,319,000)
Accumulated depreciation	-	-	15,392,925	-	-	-	-	126,584	7,261,891	22,781,400	1,319,000
	-	-	(7,403,500)	-	-	-	-	(232,538)	(6,868,282)	(14,504,320)	-
Depreciation / amortization charge	-	(48,639,855)	(462,136,483)	(1,462,610)	(8,930,885)	(7,366,797)	(3,057,931)	(3,319,123)	(14,144,957)	(549,058,641)	(1,699,295)
Closing net book value	209,609,873	947,014,055	4,503,022,375	13,587,024	90,280,864	78,491,811	29,091,574	32,242,136	69,443,784	5,972,783,496	2,265,726
At 30 June 2012											
Cost	209,609,873	1,732,448,408	8,833,537,981	30,352,951	203,297,646	158,838,415	58,780,767	52,356,959	122,308,870	11,401,531,870	5,664,316
Accumulated depreciation / amortization	-	(785,434,353)	(4,330,515,606)	(16,765,927)	(113,016,782)	(80,346,604)	(29,689,193)	(20,114,823)	(52,865,086)	(5,428,748,374)	(3,398,590)
Net book value	209,609,873	947,014,055	4,503,022,375	13,587,024	90,280,864	78,491,811	29,091,574	32,242,136	69,443,784	5,972,783,496	2,265,726
Year ended 30 June 2013											
Opening net book value	209,609,873	947,014,055	4,503,022,375	13,587,024	90,280,864	78,491,811	29,091,574	32,242,136	69,443,784	5,972,783,496	2,265,726
Additions	370,043,524	24,931,067	110,871,634	-	10,632,596	1,615,546	1,906,888	7,659,019	14,119,569	541,779,843	-
Disposals:											
Cost	-	-	-	-	-	-	(123,900)	(1,017,480)	(9,529,506)	(10,670,886)	-
Accumulated depreciation	-	-	-	-	-	-	7,141	345,347	5,487,701	5,840,189	-
	-	-	-	-	-	-	(116,759)	(672,133)	(4,041,805)	(4,830,697)	-
Depreciation / amortization charge	-	(47,677,178)	(436,263,695)	(1,316,350)	(9,508,787)	(7,919,299)	(2,978,575)	(3,554,193)	(13,767,341)	(522,985,418)	(1,699,295)
Closing net book value	579,653,397	924,267,944	4,177,630,314	12,270,674	91,404,673	72,188,058	27,903,128	35,674,829	65,754,207	5,986,747,224	566,431
At 30 June 2013											
Cost	579,653,397	1,757,379,475	8,944,409,615	30,352,951	213,930,242	160,453,961	60,563,755	58,998,498	126,898,933	11,932,640,827	5,664,316
Accumulated depreciation / amortization	-	(833,111,531)	(4,766,779,301)	(18,082,277)	(122,525,569)	(88,265,903)	(32,660,627)	(23,323,669)	(61,144,726)	(5,945,893,603)	(5,097,885)
Net book value	579,653,397	924,267,944	4,177,630,314	12,270,674	91,404,673	72,188,058	27,903,128	35,674,829	65,754,207	5,986,747,224	566,431
Annual rate of depreciation / amortization (%)		5	10	10	10	10	10	10	20		30

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

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
			....................Rupees....................					
Office equipment								
Dell Laptop	1	79,793	(15,649)	64,144	24,000	(40,144)	Negotiation	Mr.Usman Mustafa (Ex-Employee), Lahore
Dell Laptop	1	73,575	(12,314)	61,261	27,000	(34,261)	Negotiation	Mr.Ahmad Subhani (Ex-Employee) , Lahore
Switches	1	291,029	(146,293)	144,736	68,000	(76,736)	Insurance Claim	Adamjee Insurance Company Limited , Lahore
Apple IPhone 4S	1	67,275	(3,868)	63,407	38,000	(25,407)	Negotiation	Hafeez Centre, Lahore
Apple IPhone 4S	1	85,808	(7,699)	78,109	43,000	(35,109)	Negotiation	Hafeez Centre, Lahore
Mobile-Samsung Galaxy	1	53,500	(892)	52,608	46,000	(6,608)	Negotiation	Hafeez Centre, Lahore
Dell Laptop	1	76,100	(12,709)	63,391	40,000	(23,391)	Negotiation	Mr. Umer Minhas (Ex-Employee), Lahore
Motor vehicles								
Suzuki Cultus LEC-08-5721	1	765,000	(170,786)	594,214	765,000	170,786	Company Policy	Mr. Saqib Riaz (Employee), Faisalabad
Honda Civic LEE-07-4262	1	1,402,160	(939,214)	462,946	616,833	153,887	Company Policy	Ms. Nadia Bilal (Employee), Lahore
Toyota Corolla LEA-10-5458	1	1,724,897	(708,772)	1,016,125	1,550,000	533,875	Negotiation	Mr. Najaf Ali Qureshi, Lahore
Suzuki Alto LEC-6902	1	578,100	(244,209)	333,891	351,485	17,594	Company Policy	Mr. Noman Yousf on behalf of Mr. Asghar Raheem (Ex-Employee), Lahore
Suzuki Cultus LEB-07-8095	1	615,120	(414,581)	200,539	500,000	299,461	Negotiation	Mr. Muhammad Anser Khan, Lahore
Suzuki Mehran LEC-07- 6987	1	398,770	(266,799)	131,971	130,669	(1,302)	Company Policy	Mr. Nadeem Ahmed Khan (Employee), Faisalabad
Toyota Corolla LED-07-3370	1	1,316,200	(926,677)	389,523	830,000	440,477	Negotiation	Mr. Muhammad Mohsin Mumtaz, Lahore
Suzuki Cultus LED-08-2091	1	683,579	(440,151)	243,428	280,094	36,666	Company Policy	Mr. Muhammad Asghar (Employee), Lahore
Toyota Corolla LEJ-07-5116	1	1,367,660	(937,392)	430,268	860,000	429,732	Negotiation	Mr. Muhammad Mohsin Mumtaz, Lahore
Suzuki Cultus LEC-07-3803	1	615,120	(414,581)	200,539	500,000	299,461	Negotiation	Mr. Muhammad Anser Khan, Lahore
Furniture, fixture and equipment								
Double Bed With Mattress	1	64,000	(3,689)	60,311	60,311	-	Negotiation	Mr.Idrees Ahmad (Employee), Lahore
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000	12	413,200	(173,914)	239,286	270,589	31,303		
		10,670,886	(5,840,189)	4,830,697	7,000,981	2,170,284		

	2013 Rupees	2012 Rupees
11.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 24)	512,146,606	537,248,634
Administrative expenses (Note 26)	10,838,812	11,810,007
	522,985,418	549,058,641

11.1.3 Amortization on intangible asset amounting to Rupees 1.699 million (2012: Rupees 1.699 million) has been allocated to administrative expenses.

	2013 Rupees	2012 Rupees
11.2 CAPITAL WORK-IN-PROGRESS		
Civil works on freehold land	396,616,392	17,946,371
Mobilization advances	41,355,035	634,823
Letters of credit	771,403,466	40,226
Advances for capital expenditure	438,919,821	82,878,518
	1,648,294,714	101,499,938

11.3 Borrowing cost capitalized amounted to Rupees 0.378 million (2012: Rupees 6.734 million) using the capitalization rate of 10.09% (2012: 13.52% to 15.82%) per annum.

	2013 Rupees	2012 Rupees
12. INVESTMENTS IN SUBSIDIARY COMPANIES - AT COST		
Nishat Chunian Power Limited - quoted (Note 12.1) 187,585,820 (2012: 187,585,820) fully paid ordinary shares of Rupees 10 each. Equity held 51.07% (2012: 51.07%)	1,875,858,200	1,875,858,200
Nishat Chunian USA Inc. - unquoted 200 (2012: Nil) fully paid shares with no par value per share Equity held 100% (2012: Nil)	10,823,000	-
	1,886,681,200	1,875,858,200

12.1 The Company has to maintain at least 51% holding in the share capital of Nishat Chunian Power Limited (NCPL) during the period of first six years from the date of commercial operations of NCPL which is 21 July 2010. Moreover, the Company has pledged 187,346,939 (2012: 187,346,939) ordinary shares to lenders of NCPL for the purpose of securing finance.

	2013 Rupees	2012 Rupees
13. LONG TERM LOANS TO EMPLOYEES		
Considered good:		
Executives (Notes 13.1 and 13.2)	2,773,119	4,693,327
Other employees (Note 13.2)	948,886	1,678,496
	3,722,005	6,371,823
Less: Current portion shown under current assets (Note 17)		
Executives	506,298	2,435,202
Other employees	123,078	571,618
	629,376	3,006,820
	3,092,629	3,365,003
13.1 Reconciliation of carrying amount of loans to executives:		
Balance as at 01 July	4,693,327	1,907,898
Disbursements	1,759,000	8,215,314
Less: Repayments	3,679,208	5,429,885
Balance as at 30 June	2,773,119	4,693,327

13.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 4.486 million (2012: Rupees 5.157 million).

13.2 These represent motor vehicle loans and personal loans to executives and employees, payable in 48 to 60 and 12 to 23 monthly instalments respectively. Interest on long term loans ranged from 10.49% to 14.50% per annum (2012: 13% to 14.50% per annum) while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of the Company, whereas personal loan is secured against balance standing to the credit of employee in the provident fund trust account.

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

	2013 Rupees	2012 Rupees

14. STORES, SPARE PARTS AND LOOSE TOOLS

	2013 Rupees	2012 Rupees
Stores	375,742,240	356,017,902
Spare parts	171,230,560	152,426,004
Loose tools	22,205,007	14,829,884
	569,177,807	523,273,790

15. STOCK-IN-TRADE

	2013 Rupees	2012 Rupees
Raw materials	4,730,548,430	3,184,718,270
Work-in-process	376,405,750	380,749,192
Finished goods	478,795,009	412,367,556
Waste	54,134,534	32,878,314
	5,639,883,723	4,010,713,332

15.1 Stock-in-trade of Rupees 98.997 million (2012: Rupees 65.524 million) is being carried at net realizable value.

16. TRADE DEBTS

	2013 Rupees	2012 Rupees
Considered good:		
Secured:		
- Others	3,217,867,421	1,820,671,886
Unsecured:		
- Nishat Chunian USA Inc. - subsidiary company	337,974,868	-
- Nishat Mills Limited - related party	102,181	63,000
- Others	348,442,254	1,207,121,266
	686,519,303	1,207,184,266
	3,904,386,724	3,027,856,152

16.1 As at 30 June 2013, trade debts due from other than related parties of Rupees 1.808 million (2012: Rupees 4.402 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2013 Rupees	2012 Rupees
1 to 6 months	127,226	1,583,912
More than 6 months	1,680,622	2,817,978
	1,807,848	4,401,890

16.2 Trade debts due from related parties were neither past due nor impaired.

	2013 Rupees	2012 Rupees
17. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
- Executives	5,037,525	1,409,858
- Other employees	864,925	2,048,623
	5,902,450	3,458,481
Current portion of long term loans to employees (Note 13)	629,376	3,006,820
Advances to suppliers (Note 17.1)	380,387,981	136,150,010
Advances to contractors	337,112	851,263
Letters of credit	395,660,372	29,266,312
	782,917,291	172,732,886

17.1 It includes advances amounting to Rupees 0.181 million (2012: Rupees Nil) from D.G. Khan Cement Company Limited - related party.

18. SHORT TERM LOANS TO SUBSIDIARY COMPANY

These represented short term loans made to Nishat Chunian Power Limited - subsidiary company during the year ended 30 June 2012. These loans were unsecured, repayable on demand and carried mark-up at the rate of 3-month KIBOR + 2% per annum. Mark-up on short term loans ranged from 11.53% to 13.99% (2012: 13.91% to 15.54%) per annum. The subsidiary company repaid all short term loans to the Company during the year.

19. ACCRUED INTEREST

This includes accrued interest of Rupees Nil (2012: Rupees 5.921 million) on short term loans made to Nishat Chunian Power Limited - subsidiary company.

	2013 Rupees	2012 Rupees
20. OTHER RECEIVABLES		
Considered good:		
Sales tax recoverable	839,653,479	482,104,019
Advance income tax - net	216,971,175	173,847,268
Export rebate and claims	89,716,885	94,300,179
Mark-up rate support receivable from financial institutions	-	4,497,759
Receivable from employees' provident fund trust	2,684,361	8,092,179
Miscellaneous (Note 20.1)	9,803,745	8,254,658
	1,158,829,645	771,096,062

20.1 It includes Rupees 1.507 million (2012: Rupees Nil) due from Nishat Chunian Power Limited - subsidiary company, which is in the ordinary course of business and is interest free.

	2013 Rupees	2012 Rupees
21. SHORT TERM INVESTMENTS		
Held-to-maturity		
Term deposit receipts (Note 21.1)	78,660,226	30,000,000
Add: Accrued interest	3,502,133	2,494,520
	82,162,359	32,494,520

21.1 These represent deposits under lien with the banks of the Company against bank guarantees of the same amount issued by the banks to the Director, Excise and Taxation against disputed amount of infrastructure cess. Interest on term deposit receipts ranges from 8.64% to 9.59% (2012: 9.52% to 11.10%) per annum. The maturity period of these term deposit receipts is one year.

	2013 Rupees	2012 Rupees
22. CASH AND BANK BALANCES		
Cash with banks:		
On saving accounts (Note 22.1)		
Including US$ 48,008 (2012: US$ 12,592)	6,338,277	6,124,430
Term deposit receipt (Note 22.2)	2,000,000	2,000,000
On current accounts (Note 22.3)		
Including US$ 30,601 (2012: US$ 82,381)	249,376,329	33,064,089
	257,714,606	41,188,519
Cash in hand	1,522,923	6,808,492
	259,237,529	47,997,011

22.1 Rate of profit on saving accounts is 6% (2012: 5% to 6%) per annum.

22.2 It represents deposit under lien with the bank of the Company against bank guarantee of the same amount issued by the bank to the Director, Excise and Taxation against disputed amount of infrastructure cess. Interest on term deposit receipt is 6% (2012: 6 %) per annum. The maturity period of this term deposit receipt is one month.

22.3 Included in cash with banks on current accounts are Rupees 14.953 million (2012: Rupees 10.128 million) with MCB Bank Limited - associated company.

	2013 Rupees	2012 Rupees
23. SALES		
Export	15,536,609,195	12,946,558,366
Local (Notes 23.1 and 23.2)	5,630,598,321	5,645,638,269
Export rebate and duty draw back	46,036,788	24,745,926
	21,213,244,304	18,616,942,561

	2013 Rupees	2012 Rupees
23.1 Local sales		
Sales	5,288,476,276	5,467,936,875
Processing income	381,911,799	177,701,394
	5,670,388,075	5,645,638,269
Less: Sales tax	(39,789,754)	-
	5,630,598,321	5,645,638,269

23.2 Local sales includes waste sales of Rupees 489.837 million (2012: Rupees 514.563 million).

	2013 Rupees	2012 Rupees
24. COST OF SALES		
Raw materials consumed (Note 24.1)	11,699,927,834	11,022,559,424
Packing materials consumed	619,687,238	483,404,439
Stores, spare parts and loose tools consumed	963,866,913	809,859,441
Salaries, wages and other benefits (Note 24.2)	1,235,272,015	972,184,557
Fuel and power	2,515,711,503	1,955,653,102
Insurance	34,395,849	30,762,704
Postage and telephone	437,580	506,319
Travelling and conveyance	14,828,304	13,632,285
Vehicles' running and maintenance	22,047,753	19,483,126
Entertainment	4,451,654	3,284,961
Depreciation on operating fixed assets (Note 11.1.2)	512,146,606	537,248,634
Repair and maintenance	18,580,245	37,572,339
Other factory overheads	59,664,137	39,551,371
	17,701,017,631	15,925,702,702
Work-in-process		
Opening stock	380,749,192	629,297,302
Closing stock	(376,405,750)	(380,749,192)
	4,343,442	248,548,110
fuan sdby fo tsC	17,705,361,073	16,174,250,812
Finished goods and waste - opening stocks		
Finished goods	412,367,556	770,989,076
Waste	32,878,314	40,151,200
	445,245,870	811,140,276
	18,150,606,943	16,985,391,088
Finished goods and waste - closing stocks		
Finished goods	(478,795,009)	(412,367,556)
Waste	(54,134,534)	(32,878,314)
	(532,929,543)	(445,245,870)
	17,617,677,400	16,540,145,218

	2013 Rupees	2012 Rupees
24.1 Raw materials consumed		
Opening stock	3,184,718,270	3,072,621,338
Add: Purchased during the year	13,245,757,994	11,134,656,356
	16,430,476,264	14,207,277,694
Less: Closing stock	4,730,548,430	3,184,718,270
	11,699,927,834	11,022,559,424

24.2 Salaries, wages and other benefits include Rupees 10.435 million (2012: Rupees 11.142 million) and Rupees 23.255 million (2012: Rupees 22.258 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2013 Rupees	2012 Rupees
25. DISTRIBUTION COST		
Salaries and other benefits (Note 25.1)	34,255,191	31,137,775
Ocean freight	128,842,607	97,900,920
Freight and octroi	82,688,934	72,998,662
Forwarding and other expenses	40,029,361	19,400,516
Export marketing expenses	108,979,946	105,062,884
Commission to selling agents	140,346,951	173,333,260
	535,142,990	499,834,017

25.1 Salaries and other benefits include Rupees 0.513 million (2012: Rupees 0.676 million) and Rupees 1.682 million (2012: Rupees 1.519 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2013 Rupees	2012 Rupees
26. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 26.1)	58,951,543	54,871,184
Printing and stationery	4,284,781	3,228,720
Vehicles' running and maintenance	4,398,630	5,760,782
Travelling and conveyance	30,314,207	21,952,213
Postage and telephone	3,355,901	3,740,516
Fee and subscription	5,951,290	4,611,395
Legal and professional	4,758,000	2,487,204
Electricity and sui gas	7,995,075	8,242,668
Insurance	3,185,956	4,083,626
Repair and maintenance	5,195,255	7,731,558
Entertainment	3,917,714	3,068,054
Auditors' remuneration (Note 26.2)	1,371,750	1,357,750
Depreciation on operating fixed assets (Note 11.1.2)	10,838,812	11,810,007
Amortization on intangible asset (Note 11.1.3)	1,699,295	1,699,295
Miscellaneous	3,124,318	1,351,017
	149,342,527	135,995,989

26.1 Salaries and other benefits include Rupees 3.893 million (2012: Rupees 3.996 million) and Rupees 2.224 million (2012: Rupees 1.954 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2013 Rupees	2012 Rupees
26.2 Auditors' remuneration		
Audit fee	1,000,000	1,000,000
Half yearly review	197,750	197,750
Certification fees	50,000	50,000
Reimbursable expenses	124,000	110,000
	1,371,750	1,357,750
27. OTHER EXPENSES		
Workers' profit participation fund (Note 7.2)	133,588,242	45,795,817
Donations (Note 27.1)	3,703,978	3,975,000
Expenses on sale of shares of subsidiary company	-	398,366
	137,292,220	50,169,183

27.1 Donations

This represents donations made to Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore in which Mr. Shahzad Saleem, Chairman and Chief Executive, Mr. Aftab Ahmad Khan, Director, Mrs. Farhat Saleem, Director and Mr. Yahya Saleem, Director are trustees.

	2013 Rupees	2012 Rupees
28. OTHER INCOME		
Income from financial assets		
Return on bank deposits	5,201,545	2,812,136
Net exchange gain	183,982,497	278,025,908
Income from investment in and loans to subsidiary company		
Interest income on loans to subsidiary company	15,946,610	28,907,058
Dividend income	750,343,280	468,964,551
Gain on sale of shares of subsidiary company	-	25,928,516
Income from non-financial assets		
Gain on sale of property, plant and equipment (Note 11.1.1)	2,170,284	11,797,140
Sale of scrap	42,125,780	38,578,517
Miscellaneous	623,907	1,606,518
	1,000,393,903	856,620,344
29. FINANCE COST		
Mark-up on:		
- long term loans	460,022,803	479,073,644
- privately placed term finance certificates	45,469,512	71,565,929
- long term musharaka	54,259,832	69,583,062
- short term running finances	78,407,849	126,677,573
- export finances - Preshipment / SBP refinances (Note 29.1)	248,317,271	320,394,825
- short term finances	284,772,973	229,002,975
Interest on workers' profit participation fund (Note 7.2)	7,255,187	2,075,907
Bank charges and commission	64,756,239	55,071,456
	1,243,261,666	1,353,445,371

29.1 These are net of mark-up rate support against export finance amounting to Rupees 8.891 million (2012: Rupees 6.039 million).

		2013 Rupees	2012 Rupees
30.	TAXATION		
	Current (Note 30.1)	254,760,294	194,642,398

30.1 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.

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

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

		2013	Restated 2012
31.	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit after taxation (Rupees)	2,276,161,110	699,330,729
	Less: Preference dividend (Rupees)	-	4,596,975
	Profit after taxation attributable to ordinary shareholders (Rupees)	2,276,161,110	694,733,754
	Weighted average number of ordinary shares outstanding during the year (Number)	181,986,028	178,928,928
	Basic earnings per share (Rupees)	12.51	3.88

31.1 There is no dilutive effect on basic earnings per share for the year ended 30 June 2013 and 30 June 2012 as the Company has no potential ordinary shares as on 30 June 2013 and 30 June 2012.

31.2 Basic earnings per share has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue.

		2013 Rupees	2012 Rupees
32.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	2,530,921,404	893,973,127
	Adjustments for non - cash charges and other items:		
	Depreciation on operating fixed assets	522,985,418	549,058,641
	Amortization on intangible asset	1,699,295	1,699,295
	Gain on sale of property, plant and equipment	(2,170,284)	(11,797,140)
	Gain on sale of shares of subsidiary company	-	(25,928,516)
	Dividend income	(750,343,280)	(468,964,551)
	Finance cost	1,243,261,666	1,353,445,371
	Interest income on loans to subsidiary company	(15,946,610)	(28,907,058)
	Return on bank deposits	(5,201,545)	(2,812,136)
	Working capital changes (Note 32.1)	(3,192,589,158)	(309,198,859)
		332,616,906	1,950,568,174

	2013 Rupees	2012 Rupees
32.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(45,904,017)	(74,760,687)
Stock-in-trade	(1,629,170,391)	502,345,584
Trade debts	(876,530,572)	(883,212,139)
Loans and advances	(612,561,849)	38,725,753
Short term prepayments	(73,785)	112,760
Other receivables	(344,609,676)	(108,729,449)
	(3,508,850,290)	(525,518,178)
Increase in current liabilities:		
Trade and other payables	316,261,132	216,319,319
	(3,192,589,158)	(309,198,859)

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	........Rupees........					
Managerial remuneration	1,533,333	-	2,733,267	2,379,341	37,514,000	41,547,522
Contribution to provident fund	-	-	-	-	3,124,916	3,342,330
House rent	613,333	-	1,093,307	951,451	15,005,600	16,614,023
Utilities	153,333	-	273,327	238,041	3,751,400	4,156,622
Others	482,668	-	855,976	559,692	4,090,716	4,841,074
	2,782,667	-	4,955,877	4,128,525	63,486,632	70,501,571
Number of persons	1	-	2	3	33	39

33.1 The Company provides to chief executive, directors and certain executives with free use of Company maintained cars and residential telephones.

33.2 Aggregate amount charged in these financial statements for meeting fee to one director was Rupees 80,000 (2012: Rupees 30,000).

33.3 No remuneration was paid to non-executive directors of the Company.

34. TRANSACTIONS WITH RELATED PARTIES

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

	2013 Rupees	2012 Rupees
Subsidiary companies		
Short term loans made during the year	1,430,000,000	3,299,394,249
Repayment of short term loans by the subsidiary company	2,562,500,000	2,166,894,249
Common facilities cost charged	9,900,000	1,800,000
Ordinary dividend received	750,343,280	-
Sale of goods	353,015,470	-
Investment made	10,823,000	-
Associated company		
Insurance premium paid	64,488,754	53,091,755
Insurance claims received	11,306,029	17,493,303
Other related parties		
Purchase of goods	64,447,186	24,295,732
Sales of goods	91,383,063	17,204,091
Ordinary dividend paid	55,046,760	55,046,760
Company's contribution to employees' provident fund	27,160,918	25,731,106

35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on audited financial statements of the provident fund for the years ended 30 June 2013 and 30 June 2012:

	2013 Rupees	2012 Rupees
Size of the fund - Total assets	215,300,085	184,765,111
Cost of investments	194,652,856	174,496,273
Fair value of investments	197,948,210	173,308,098
Percentage of investments made	91.94%	93.80%

35.1 The break-up of fair value of investments is as follows:

	2013 Percentage	2012 Percentage	2013 Rupees	2012 Rupees
Deposits with banks	0.60%	29.12%	1,196,019	50,470,737
Treasury bills	93.58%	66.59%	185,230,165	115,405,360
Mutual funds - open end	1.02%	0.61%	2,018,993	1,061,977
Listed securities	4.80%	3.68%	9,503,033	6,370,024
	100%	100%	197,948,210	173,308,098

35.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013	2012
36. NUMBER OF EMPLOYEES		
Number of employees as on June 30	6,228	5,565
Average number of employees during the year	5,897	5,791

37. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Power Generation		Elimination of inter-segment transactions		Total - Company	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	------Rupees------											
Sales												
- External	12,128,372,453	10,007,815,423	2,580,146,348	2,869,313,903	6,504,725,503	5,739,813,235	-	-	-	-	21,213,244,304	18,616,942,561
- Inter-segment	2,136,001,160	2,428,743,165	3,751,916,929	3,099,186,165	-	-	1,466,508,442	1,082,814,180	(7,354,426,531)	(6,610,743,510)	-	-
	14,264,373,613	12,436,558,588	6,332,063,277	5,968,500,068	6,504,725,503	5,739,813,235	1,466,508,442	1,082,814,180	(7,354,426,531)	(6,610,743,510)	21,213,244,304	18,616,942,561
Cost of sales	(11,261,774,591)	(10,640,855,488)	(5,802,782,828)	(5,615,508,415)	(5,950,484,917)	(5,258,156,726)	(1,957,061,595)	(1,636,368,099)	7,354,426,531	6,610,743,510	(17,617,677,400)	(16,540,145,218)
Gross profit / (loss)	3,002,599,022	1,795,703,100	529,280,449	352,991,653	554,240,586	481,656,509	(490,553,153)	(553,553,919)	-	-	3,595,566,904	2,076,797,343
Distribution cost	(286,656,350)	(243,657,174)	(85,778,723)	(93,597,601)	(162,707,917)	(162,579,242)	-	-	-	-	(535,142,990)	(499,834,017)
Administrative expenses	(58,779,071)	(61,321,261)	(29,374,674)	(33,168,156)	(56,870,758)	(35,272,240)	(4,318,024)	(6,234,332)	-	-	(149,342,527)	(135,995,989)
	(345,435,421)	(304,978,435)	(115,153,397)	(126,765,757)	(219,578,675)	(197,851,482)	(4,318,024)	(6,234,332)	-	-	(684,485,517)	(635,830,006)
Profit / (loss) before taxation and unallocated income and expenses	2,657,163,601	1,490,724,665	414,127,052	226,225,896	334,661,911	283,805,027	(494,871,177)	(559,788,251)	-	-	2,911,081,387	1,440,967,337
Unallocated income and expenses												
Other expenses											(137,292,220)	(50,169,183)
Other income											1,000,393,903	856,620,344
Finance cost											(1,243,261,666)	(1,353,445,371)
Taxation											(254,760,294)	(194,642,398)
Profit after taxation											2,276,161,110	699,330,729

37.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Power Generation		Total - Company	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	------Rupees------									
Total assets for reportable segments	9,076,070,829	6,714,562,194	2,654,255,116	2,090,539,826	4,054,524,679	3,804,791,067	1,483,285,882	1,177,194,299	17,268,136,506	13,787,087,386
Unallocated assets:										
Investments in subsidiary companies									1,886,681,200	1,875,858,200
Short term loans to subsidiary company									-	1,132,500,000
Other receivables									1,158,829,645	771,096,062
Short term investments									82,162,359	32,494,520
Cash and bank balances									259,237,529	47,997,011
Other corporate assets									1,269,801,509	35,921,529
Total assets as per balance sheet									21,924,848,748	17,682,954,708
Total liabilities for reportable segments	670,185,995	202,563,722	73,443,571	83,605,072	270,905,156	255,693,426	42,896,113	19,744,836	1,057,430,835	561,607,056
Unallocated liabilities:										
Long term financing									5,821,339,955	5,008,931,727
Accrued mark-up									164,249,549	144,471,269
Short term borrowings									6,493,965,784	5,349,510,524
Other corporate liabilities									367,591,176	543,440,105
Total liabilities as per balance sheet									13,904,577,299	11,607,960,681

37.2 Geographical information

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

	2013 Rupees	2012 Rupees
Europe	2,395,591,369	1,139,462,161
Asia, Africa and Australia	8,368,451,782	5,832,868,986
United States of America and Canada	4,772,566,044	5,974,227,219
Pakistan	5,676,635,109	5,670,384,195
	21,213,244,304	18,616,942,561

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

37.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers. However, revenue from transactions with a single external customer of the Processing and Home Textile business segment of the Company amounted to Rupees 2,920.343 million (2012: Rupees 2,772.315 million).

	2013	2012
38. PLANT CAPACITY AND ACTUAL PRODUCTION		
Spinning		
Number of spindles installed	149,948	149,948
Number of spindles worked	141,752	141,257
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	49,384,297	48,018,514
Actual production of yarn after conversion into 20/1 count (Kgs.)	48,702,945	47,314,060

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

	2013	2012
Weaving		
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	200,349,994	197,629,114

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

	2013	2012
Power plant		
Number of engines installed	10	10
Number of engines worked	10	10
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	317,698,920
Actual generation (KWh)	159,450,860	166,738,810

Under utilization of available capacity was due to normal maintenance.

	2013	2012
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	3	3
Number of shifts per day	3	3
Capacity in meters	30,800,000	30,800,000
Actual processing of fabrics - meters	27,873,206	22,725,754

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

	2013	2012
Printing		
Number of stenter machine	1	1
Number of shifts per day	2	2
Capacity in meters	6,200,000	6,200,000
Actual processing of fabrics - meters	6,335,081	2,534,590

Over utilization of available capacity was due to occasional extra shift.

Stitching

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

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

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

	2013	2012
Cash at banks - USD	78,609	95,333
Trade debts - USD	36,212,258	28,661,429
Trade debts - EURO	785,994	-
Trade and other payables - USD	(546,564)	(598,131)
Trade and other payables - EURO	(8,422)	-
Short term borrowings as FE 25 import / export loans - USD	(2,658,050)	(1,757,564)
Accrued mark-up on FE 25 import / export loans - USD	(4,396)	(11,603)
Net exposure - USD	33,081,857	26,389,464
Net exposure - EURO	777,572	-
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	96.80	89.54
Reporting date rate	98.70	94.10
Rupees per EURO		
Average rate	126.66	119.01
Reporting date rate	128.79	117.58

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and EURO with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 158.02 million (2012: Rupees 116.606 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

At the reporting date the interest rate profile of the Company’s interest bearing financial instruments was:

	2013 Rupees	2012 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	324,409,390	460,737,278
Short term borrowings	700,000,000	1,613,202,000
Financial assets		
Short term investments	22,000,000	22,034,510
Floating rate instruments		
Financial assets		
Short term loans to subsidiary company	-	1,132,500,000
Bank balances - saving accounts	6,338,277	6,124,430
Short term investments	58,660,226	12,460,010
Financial liabilities		
Long term financing	5,496,930,565	4,548,194,449
Short term borrowings	5,793,965,784	3,736,308,524

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 106.373 million (2012: Rupees 67.702 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

	2013 Rupees	2012 Rupees
Long term security deposits	2,531,259	2,286,909
Trade debts	3,904,386,724	3,027,856,152
Loans and advances	9,624,455	9,830,304
Short term loans to subsidiary company	-	1,132,500,000
Accrued interest	-	5,965,255
Other receivables	9,803,745	8,254,658
Short term investments	82,162,359	32,494,520
Bank balances	257,714,606	41,188,519
	4,266,223,148	4,260,376,317

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

	Rating			2013 Rupees	2012 Rupees
	Short Term	Long term	Agency		
Banks					
Askari Bank Limited	A1+	AA	PACRA	4,619,172	2,065,015
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	29	29
Bank Alfalah Limited	A1+	AA	PACRA	1,135,030	984,935
Bank Al-Habib Limited	A1+	AA+	PACRA	6,499,073	-
Bank Islami Pakistan Limited	A1	A	PACRA	203,057,984	2,849,143
Barclays Bank Plc	P-1	A-2	Moody's	-	895,184
Burj Bank Limited	A-1	A	JCR-VIS	6,501	-
Citibank N.A.	P-2	A3	Moody's	2,630	2,502
Deutsche Bank AG	P-1	Aa3	Moody's	107,196	75,584
Dubai Islamic Bank (Pakistan) Limited	A-1	A	JCR-VIS	268,024	503,221
Faysal Bank Limited	A1+	AA	PACRA	3,080,502	5,939,904
Habib Bank Limited	A-1+	AA+	JCR-VIS	3,608,173	232,581
HSBC Bank Middle East Limited	P-1	A1	Moody's	795,974	757,303
MCB Bank Limited	A1+	AA+	PACRA	14,952,578	10,127,683
Meezan Bank Limited	A-1+	AA	JCR-VIS	14,036,912	209,130
NIB Bank Limited	A1+	AA -	PACRA	153,034	5,896,966
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	540,197	8,992,419
Summit Bank Limited	A-2	A-	JCR-VIS	463	6,942
The Bank of Punjab	A1+	AA -	PACRA	3,351,593	1,107,303
United Bank Limited	A-1+	AA+	JCR-VIS	1,499,541	542,675
				257,714,606	41,188,519
Short term investments					
Askari Bank Limited	A1+	AA	PACRA	22,074,426	22,034,510
Bank Islami Pakistan Limited	A1	A	PACRA	60,087,933	10,460,010
				82,162,359	32,494,520
				339,876,965	73,683,039

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

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2013, the Company had Rupees 5,731 million (2012: Rupees 5,130 million) available borrowing limits from financial institutions and Rupees 259.237 million (2012: Rupees 47.997 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2013:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
	....	....	Rupees	....	....	
Non-derivative financial liabilities:						
Long term financing	5,821,339,955	7,089,605,329	1,084,379,008	1,034,597,651	1,943,872,167	3,026,756,503
Short term borrowings	6,493,965,784	6,774,557,025	5,991,278,122	783,278,903	-	-
Trade and other payables	1,184,281,375	1,184,281,375	1,184,281,375	-	-	-
Accrued mark-up	164,249,549	164,249,549	164,249,549	-	-	-
	13,663,836,663	15,212,693,278	8,424,188,054	1,817,876,554	1,943,872,167	3,026,756,503

Contractual maturities of financial liabilities as at 30 June 2012:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
	..........Rupees..........					
Non-derivative financial liabilities:						
Long term financing	5,008,931,727	6,382,256,209	725,110,763	974,365,588	1,938,326,954	2,744,452,904
Short term borrowings	5,349,510,524	5,575,226,372	4,467,533,507	1,107,692,865	-	-
Trade and other payables	925,134,287	925,134,287	925,134,287	-	-	-
Accrued mark-up	144,471,269	144,471,269	144,471,269	-	-	-
	11,428,047,807	13,027,088,137	6,262,249,826	2,082,058,453	1,938,326,954	2,744,452,904

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 6 and note 9 to these financial statements.

39.2 Fair values of financial assets and liabilities

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

39.3 Financial instruments by categories

Assets as per balance sheet

	2013			2012		
	Loans and receivables	At amortized cost	Total	Loans and receivables	At amortized cost	Total
	Rupees					
Long term security deposits	2,531,259	-	2,531,259	2,286,909	-	2,286,909
Trade debts	3,904,386,724	-	3,904,386,724	3,027,856,152	-	3,027,856,152
Loans and advances	9,624,455	-	9,624,455	9,830,304	-	9,830,304
Short term loans to subsidiary company	-	-	-	1,132,500,000	-	1,132,500,000
Accrued interest	-	-	-	5,965,255	-	5,965,255
Other receivables	9,803,745	-	9,803,745	8,254,658	-	8,254,658
Short term investments	-	82,162,359	82,162,359	-	32,494,520	32,494,520
Cash and bank balances	259,237,529	-	259,237,529	47,997,011	-	47,997,011
	4,185,583,712	82,162,359	4,267,746,071	4,234,690,289	32,494,520	4,267,184,809

	2013 Rupees	2012 Rupees
Liabilities as per balance sheet		
Long term financing	5,821,339,955	5,008,931,727
Accrued mark-up	164,249,549	144,471,269
Short term borrowings	6,493,965,784	5,349,510,524
Trade and other payables	1,184,281,375	925,134,287
	13,663,836,663	11,428,047,807

40. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 6 and note 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's strategy was to maintain a gearing ratio of 65% debt and 35% equity (2012: 65% debt and 35% equity).

		2013 Rupees	2012 Rupees
Borrowings	Rupees	12,315,305,739	10,358,442,251
Total equity	Rupees	8,020,271,449	6,074,994,027
Total capital employed	Rupees	20,335,577,188	16,433,436,278
Gearing ratio	Percentage	60.56	63.03

The decrease in gearing ratio resulted primarily from increase in profit for the year.

41. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 12,225 million (2012: Rupees 10,480 million) out of which Rupees 5,731 million (2012: Rupees 5,130 million) remained unutilized at the end of the year.

42. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on October 4, 2013 has proposed 10% (2012: 10%) bonus issue and cash dividend of Rupees 2 per ordinary share (2012: Rupees 2 per ordinary share) in respect of the year ended 30 June 2013. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 4, 2013 by the Board of Directors of the Company.

44. CORRESPONDING FIGURES

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

45. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

DIRECTOR

Categories of Shareholders

as on June 30, 2013

	Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
A)	Associated Companies, Undertakings and related parties			
	Nishat Mills Limited	1	24,764,652	13.61
	D.G.Khan Cement Company Limited	1	5,511,064	3.03
	TOTAL: -	2	30,275,716	16.64
B)	Mutual Funds	32	37,212,398	20.45
C)	Directors/Chief Executive Officer and their spouse and minor Children			
	Mr. Shahzad Saleem - Chief Executive / Chairman	1	18,968,210	10.42
	Mrs. Farhat Saleem - Director	1	8,310,815	4.57
	Mr. Yahya Saleem - Director	1	18,968,210	10.42
	Spouse:			
	Mrs. Ayesha Shahzad w/o Mr. Shahzad Saleem	1	180,643	0.10
	TOTAL: -	4	46,427,878	25.51
D)	Executives			
	N/A	-	-	-
E)	Public Sectors Companies & Corporations	-	-	-
F)	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	37	18,999,359	10.44
G)	*Shareholding 5% or more	*4	*71,810,072	*39.46
H)	Joint Stock Companies	84	2,033,996	1.12
I)	Investment Companies	-	-	-
J)	Others	41	1,216,591	0.67
K)	General Public	6,390	45,820,090	25.18
	TOTAL: -	6,590	181,986,028	100.00

* Shareholders having 5% or above shares exist in other categories therefore not included in total.
Shareholding Detail of 5% or more

Name of Shareholder	Shares held	%
NIHSAT MILLS LIMITED	24,764,652	13.61
MR. SHAHZAD SALEEM	18,968,210	10.42
MR. YAHYA SALEEM	18,968,210	10.42
CDC - TRUSTEE PICIC GROWTH FUND	9,109,000	5.01
TOTAL :-	71,810,072	39.46

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

	Sale	Purchanse
All trade in the Company's shares, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor childern during the year July 01, 2012 to June 30, 2013	-	-

Pattern of Shareholding

as on June 30, 2013

Number of Shareholders	Shareholding From	To	Total Shares Held	% of Capital
2555	1	100	57,326	0.03
1194	101	500	336,038	0.18
874	501	1000	659,083	0.36
1264	1001	5000	3,291,609	1.81
283	5001	10000	2,096,920	1.15
101	10001	15000	1,246,325	0.68
46	15001	20000	847,966	0.47
54	20001	25000	1,279,339	0.70
23	25001	30000	645,751	0.35
23	30001	35000	776,771	0.43
8	35001	40000	303,720	0.17
6	40001	45000	255,202	0.14
14	45001	50000	682,436	0.37
8	50001	55000	432,238	0.24
4	55001	60000	235,332	0.13
7	60001	65000	434,159	0.24
9	65001	70000	604,481	0.33
5	70001	75000	365,972	0.20
2	75001	80000	157,000	0.09
8	80001	85000	660,093	0.36
3	85001	90000	264,093	0.15
6	90001	95000	551,143	0.30
8	95001	100000	796,800	0.44
3	100001	105000	310,500	0.17
3	105001	110000	322,159	0.18
2	120001	125000	248,736	0.14
1	130001	135000	134,667	0.07
2	135001	140000	278,956	0.15
3	140001	145000	429,000	0.24
3	145001	150000	442,500	0.24
1	150001	155000	151,500	0.08
2	155001	160000	312,090	0.17
1	160001	165000	165,000	0.09
1	175001	180000	180,000	0.10
4	195001	200000	798,311	0.44
1	205001	210000	210,000	0.12
1	215001	220000	217,000	0.12
1	225001	230000	227,421	0.12
1	250001	255000	252,077	0.14
1	255001	260000	260,000	0.14
1	265001	270000	270,000	0.15
1	270001	275000	271,500	0.15
1	290001	295000	294,918	0.16
3	295001	300000	897,000	0.49
1	320001	325000	321,500	0.18
1	330001	335000	330,500	0.18
1	340001	345000	341,250	0.19
1	400001	405000	400,500	0.22
1	430001	435000	431,000	0.24
1	530001	535000	532,000	0.29
1	535001	540000	538,000	0.30
1	555001	560000	556,549	0.31
1	580001	585000	582,367	0.32
1	620001	625000	620,500	0.34
1	670001	675000	675,000	0.37
1	680001	685000	684,500	0.38
2	695001	700000	1,400,000	0.77
1	945001	950000	950,000	0.52
1	975001	980000	977,715	0.54
1	995001	1000000	1,000,000	0.55
1	1000001	1005000	1,003,150	0.55
1	1145001	1150000	1,150,000	0.63
1	1195001	1200000	1,200,000	0.66
1	1230001	1235000	1,234,549	0.68
1	1330001	1335000	1,330,500	0.73
1	1370001	1375000	1,375,000	0.76
1	1470001	1475000	1,472,495	0.81
1	1745001	1750000	1,746,624	0.96
1	1860001	1865000	1,862,132	1.02
1	1880001	1885000	1,883,590	1.04
1	1990001	1995000	1,990,164	1.09
1	1995001	2000000	2,000,000	1.10
1	2590001	2595000	2,592,405	1.42
1	2640001	2645000	2,642,500	1.45
1	2665001	2670000	2,670,000	1.47
1	2840001	2845000	2,842,000	1.56
1	3280001	3285000	3,282,000	1.80
1	3500001	3505000	3,500,103	1.92
1	3650001	3655000	3,653,000	2.01
1	3690001	3695000	3,691,332	2.03
1	4275001	4280000	4,276,515	2.35
1	4295001	4300000	4,295,500	2.36
1	6015001	6020000	6,017,848	3.31
1	6130001	6135000	6,131,433	3.37
1	7390001	7395000	7,390,397	4.06
1	8225001	8230000	8,229,094	4.52
1	9105001	9110000	9,109,000	5.01
1	10745001	10750000	10,747,784	5.91
1	14015001	14020000	14,016,868	7.70
1	16665001	16670000	16,665,037	9.16
1	17990001	17995000	17,990,495	9.89
6,590			181,986,028	100.00

Nishat (Chunian) Limited and its Subsidiary Companies

Consolidated Financial Statements with Accompanying Information

30 June 2013

Directos' Report

The Board of Directors is pleased to present their report together with the consolidated audited results of Nishat (Chunian) Limited and its subsidiaries for the year ended June 30, 2013. The Directors' Report, giving a commentary on the performance of Nishat (Chunian) Limited for the year ended June 30, 2013 has been presented separately.The group results comprise of financial statements of Nishat (Chunian) Limited ("the Holding Company"), Nishat Chunian Power Limited (NCPL) and Nishat Chunian USA Inc.

Financial Highlights	2013	2012
	Rupeen in million	
Turnover	46,104	40,202
Gross Profit	8,648	7,266
Profit before taxation	4,474	2,435
Taxation	230	206
Profit after taxation	4,243	2,230
Earnings per share (basic & diluted) - Rupees	15.98	6.93

Nishat Chunian Power Limited, incorporated under the Companies Ordinance, 1984 on 23 February, 2007, is established with the objective of setting up power generation project having gross capacity of 200MW under a 25 year 'take or pay' agreement with National Transmission & Dispatch Company Limited (NTDCL). NCPL started its operations on July 21, 2010. The Company has been listed on Karachi and Lahore Stock Exchanges. Nishat (Chunian) Limited currently owns and controls 51.07% shares of Nishat Chunian Power Limited. The Directors' Report giving a commentary on the performance of NCPL for the year ended 30 June 2013 has been presented separately.

Nishat Chunian USA Inc. is a foreign subsidiary incorporated under the Business Corporation Laws of the State of New York. It is a wholly owned subsidiary incorporated with a principle objective to liaison Holding Company's marketing department providing access, information and other services relating to USA Market and to import home textile products and distribute to local retailers in USA.

Clarification to Qualification in Auditors' Report

In their report to Members, Auditors have stated that consolidate financial statements include un-audited figures pertaining to a subsidiary company, Nishat Chunian USA Inc. ("the Subsidiary Company"). The Subsidiary Company is incorporated under the Business Corporation Law of The State of New York. The governing law does not require audit of financial statements of the Subsidiary Company. Hence, we have used un-audited financial statements of the Subsidiary Company to prepare Consolidated Financial Statements.

On behalf of the Board

Shahzad Saleem
Chairman / Chief Executive

Date: 04 October 2013

LAHORE

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Nishat (Chunian) Limited (the Holding Company) and its Subsidiary Companies (together referred to as Group) as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Nishat (Chunian) Limited. The financial statements of the Subsidiary Company, Nishat Chunian Power Limited were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements of Nishat Chunian USA Inc. (Subsidiary Company) for the period ended 30 June 2013 were un-audited. Hence, total assets and total liabilities of Rupees 370,882,993 and Rupees 358,854,322 respectively as at 30 June 2013 and net profit of Rupees 1,149,117 for the period ended 30 June 2013 pertaining to such Subsidiary Company have been incorporated in these consolidated financial statements by the management using the un-audited financial statements.

In our opinion, except for any adjustments that may have been required due to the un-audited figures in respect of Nishat Chunian USA Inc. (Subsidiary Company) as referred to in above paragraph of the report, the consolidated financial statements present fairly the financial position of Nishat (Chunian) Limited and its Subsidiary Companies as at 30 June 2013 and the results of their operations for the year then ended.

The auditors of Nishat Chunian Power Limited (Subsidiary Company) have drawn attention to Note 15.3 to the consolidated financial statements, which describe the matter regarding recoverability of certain trade debts. Their opinion is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 04 October 2013

LAHORE

Consolidated Balance Sheet

as at 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	3	2,500,000,000	1,950,000,000
Issued, subscribed and paid-up share capital	4	1,819,860,280	1,654,418,440
Reserves	5	8,013,542,833	5,601,064,258
Equity attributable to equity holders of the Holding Company		9,833,403,113	7,255,482,698
Non-controlling interest		3,552,270,788	2,936,659,488
Total equity		13,385,673,901	10,192,142,186
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	16,038,118,234	16,883,650,748
CURRENT LIABILITIES			
Trade and other payables	7	3,382,808,041	2,128,109,025
Accrued mark-up	8	683,900,614	880,447,496
Short term borrowings	9	6,498,176,644	11,179,263,338
Derivative financial instruments		-	35,090,368
Current portion of long term financing	6	2,681,282,514	1,936,563,768
		13,246,167,813	16,159,473,995
Total liabilities		29,284,286,047	33,043,124,743
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		42,669,959,948	43,235,266,929

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

CHIEF EXECUTIVE

Consolidated Balance Sheet

as at 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	11	22,391,029,019	21,885,703,745
Long term loans to employees	12	3,474,134	4,220,799
Long term security deposits		2,636,259	2,391,909
		22,397,139,412	21,892,316,453
CURRENT ASSETS			
Stores, spare parts and loose tools	13	1,244,305,405	941,317,825
Stock-in-trade	14	6,331,973,069	4,387,426,935
Trade debts	15	9,452,690,417	14,738,386,180
Loans and advances	16	994,644,550	176,328,163
Short term deposits and prepayments		2,932,499	1,361,373
Accrued interest		161,854	70,511
Other receivables	17	1,620,867,710	977,770,869
Derivative financial instruments	18	2,362,939	-
Short term investments	19	82,162,359	32,494,520
Cash and bank balances	20	540,719,734	87,794,100
		20,272,820,536	21,342,950,476
TOTAL ASSETS		42,669,959,948	43,235,266,929

DIRECTOR

Consolidated Profit and Loss Account

for the year ended 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
SALES	21	46,104,381,356	40,202,334,544
COST OF SALES	22	(37,456,819,915)	(32,936,664,905)
GROSS PROFIT		8,647,561,441	7,265,669,639
DISTRIBUTION COST	23	(537,730,402)	(499,834,017)
ADMINISTRATIVE EXPENSES	24	(226,234,391)	(193,314,268)
OTHER EXPENSES	25	(148,345,872)	(98,261,076)
		(912,310,665)	(791,409,361)
		7,735,250,776	6,474,260,278
OTHER INCOME	26	390,090,594	366,442,790
PROFIT FROM OPERATIONS		8,125,341,370	6,840,703,068
FINANCE COST	27	(3,651,551,470)	(4,405,316,849)
PROFIT BEFORE TAXATION		4,473,789,900	2,435,386,219
TAXATION	28	(230,386,577)	(205,849,914)
PROFIT AFTER TAXATION		4,243,403,323	2,229,536,305
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE HOLDING COMPANY		2,908,747,548	1,245,129,919
NON-CONTROLLING INTEREST		1,334,655,775	984,406,386
		4,243,403,323	2,229,536,305
EARNINGS PER SHARE - BASIC AND DILUTED	29	15.98	6.93

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

	2013 Rupees	2012 Rupees
PROFIT AFTER TAXATION	4,243,403,323	2,229,536,305
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	56,555	-
Other comprehensive income for the year	56,555	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,243,459,878	2,229,536,305
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE HOLDING COMPANY	2,908,804,103	1,245,129,919
NON-CONTROLLING INTEREST	1,334,655,775	984,406,386
	4,243,459,878	2,229,536,305

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Cash Flow Statement

for the year ended 30 June 2013

	NOTE	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	12,597,442,869	3,713,572,481
Net increase in long term security deposits		(244,350)	(1,191,467)
Finance cost paid		(3,848,476,520)	(4,485,312,738)
Income tax paid		(298,577,493)	(249,398,363)
Net decrease / (increase) in long term loans to employees		3,446,069	(690,697)
Net cash generated from / (used in) operating activities		8,453,590,575	(1,023,020,784)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(2,137,802,602)	(437,387,050)
Proceeds from sale of property, plant and equipment		7,649,981	27,655,460
Short term investments made		(48,660,226)	(30,000,000)
Profit on bank deposits received		4,349,282	2,968,060
Net cash used in investing activities		(2,174,463,565)	(436,763,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		2,242,000,000	3,050,000,000
Repayment of long term financing		(2,342,813,768)	(3,908,784,148)
Short term borrowings - net		(4,681,086,694)	2,959,347,591
Dividend paid to non-controlling interest		(717,187,499)	(449,402,797)
Proceeds from disposal of interest to non-controlling interest		-	92,838,536
Dividends paid		(327,169,970)	(370,745,579)
Net cash (used in) / from financing activities		(5,826,257,931)	1,373,253,603
Net increase / (decrease) in cash and cash equivalents		452,869,079	(86,530,711)
Impact of exchange translation		56,555	-
Cash and cash equivalents at the beginning of the year		87,794,100	174,324,811
Cash and cash equivalents at the end of the year		540,719,734	87,794,100

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY										
	SHARE CAPITAL			CAPITAL RESERVE	REVENUE RESERVES			Total Reserves	Shareholders' Equity	Non-Controlling Interest	Total Equity
	Ordinary shares	Preference shares	Total	Exchange translation reserve	General reserve	Unappropriated profit	Total				
	.... Rupees										
Balance as at 30 June 2011	1,620,903,490	33,514,950	1,654,418,440	-	1,629,221,278	3,058,376,065	4,687,597,343	4,687,597,343	6,342,015,783	2,305,932,032	8,647,947,815
Transactions with owners:											
Final dividend for the year ended 30 June 2011 @ Rupees 2 per ordinary share	-	-	-	-	-	(324,180,698)	(324,180,698)	(324,180,698)	(324,180,698)	-	(324,180,698)
Preference shares converted into ordinary shares	33,514,950	(33,514,950)	-	-	-	-	-	-	-	-	-
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	(449,402,797)	(449,402,797)
Preference dividend for the year ended 30 June 2012	-	-	-	-	-	(4,596,975)	(4,596,975)	(4,596,975)	(4,596,975)	-	(4,596,975)
Disposal of interest to non-controlling interest	-	-	-	-	-	(2,885,331)	(2,885,331)	(2,885,331)	(2,885,331)	95,723,867	92,838,536
	33,514,950	(33,514,950)	-	-	-	(331,663,004)	(331,663,004)	(331,663,004)	(331,663,004)	(353,678,930)	(685,341,934)
Profit for the year	-	-	-	-	-	1,245,129,919	1,245,129,919	1,245,129,919	1,245,129,919	984,406,386	2,229,536,305
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	1,245,129,919	1,245,129,919	1,245,129,919	1,245,129,919	984,406,386	2,229,536,305
Balance as at 30 June 2012	1,654,418,440	-	1,654,418,440	-	1,629,221,278	3,971,842,980	5,601,064,258	5,601,064,258	7,255,482,698	2,936,659,488	10,192,142,186
Transactions with owners:											
Final dividend for the year ended 30 June 2012 @ Rupees 2 per ordinary share	-	-	-	-	-	(330,883,688)	(330,883,688)	(330,883,688)	(330,883,688)	-	(330,883,688)
Bonus shares issued during the year	165,441,840	-	165,441,840	-	-	(165,441,840)	(165,441,840)	(165,441,840)	-	-	-
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	(719,044,475)	(719,044,475)
	165,441,840	-	165,441,840	-	-	(496,325,528)	(496,325,528)	(496,325,528)	(330,883,688)	(719,044,475)	(1,049,928,163)
Profit for the year	-	-	-	-	-	2,908,747,548	2,908,747,548	2,908,747,548	2,908,747,548	1,334,655,775	4,243,403,323
Other comprehensive income for the year	-	-	-	56,555	-	-	-	56,555	56,555	-	56,555
Total comprehensive income for the year	-	-	-	56,555	-	2,908,747,548	2,908,747,548	2,908,804,103	2,908,804,103	1,334,655,775	4,243,459,878
Balance as at 30 June 2013	1,819,860,280	-	1,819,860,280	56,555	1,629,221,278	6,384,265,000	8,013,486,278	8,013,542,833	9,833,403,113	3,552,270,788	13,385,673,901

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

CHIEF EXECUTIVE

DIRECTOR

1. THE GROUP AND ITS OPERATIONS

The Group consists of

Holding Company	- Nishat (Chunian) Limited
Subsidiary Companies	- Nishat Chunian Power Limited
	- Nishat Chunian USA Inc.

Nishat (Chunian) Limited

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

Nishat Chunian Power Limited

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

Nishat Chunian USA Inc.

Nishat Chunian USA Inc. is a foreign subsidiary incorporated under the Business Corporation Laws of the State of New York. The registered office of Nishat Chunian USA Inc. is situated at Suite No. 639, 7 West, 34th Street New York, NY 10001, USA. The principal business of the Subsidiary Company is to import home textile products and distribute to local retailer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Accumulating compensated absences

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

Taxation

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

Provisions for doubtful debts

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

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

The following amendments to published approved standards are mandatory for the Group's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on consolidated profit or loss, consolidated other comprehensive income and consolidated total comprehensive income.

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

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

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

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Group's consolidated financial statements.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Group's consolidated financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Group's consolidated financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 - 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation', that are considered relevant to the Group's consolidated financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

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

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

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

Securities and Exchange Commission of Pakistan (SECP) has exempted the application of International Financial Reporting Interpretations Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with International Accounting Standard (IAS) 17 'Leases'.

Consequently, Nishat Chunian Power Limited - Subsidiary Company is not required to account for a portion of its PPA with NTDCL as a lease under IAS 17. If the Subsidiary Company were to follow IFRIC 4 and IAS 17, the effect on the consolidated financial statements would be as follows:

	2013 Rupees	2012 Rupees
De-recognition of property, plant and equipment	(14,737,223,714)	(15,790,973,077)
Recognition of lease debtor	16,029,526,248	16,816,544,994
Increase in un-appropriated profit at the beginning of the year	1,025,571,917	732,542,131
Increase in profit for the year	266,730,617	293,029,786
Increase in un-appropriated profit at the end of the year	1,292,302,534	1,025,571,917

2.2 Consolidation

Subsidiaries

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

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

Intra group balances and transactions have been eliminated.

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

Translation of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in preparing the Group's consolidated financial statements are translated in functional currency of the Group. Balance sheet items are translated at the exchange rate at the balance sheet date and profit and loss account items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange translation reserve in consolidated reserves.

2.3 Taxation

Current

Holding Company

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

Subsidiary Companies

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

Provision for income tax on the income of foreign subsidiary - Nishat Chunian USA Inc. is computed in accordance with the tax legislation in force in the country where the income is taxable.

Deferred

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

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

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

2.4 Employee benefits

The main features of the schemes operated are as follows:

Provident fund

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

Accumulating compensated absences

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

2.5 Fixed assets

Property, plant, equipment and depreciation

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

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

Depreciation

Depreciation on all operating fixed assets is charged to income on the reducing balance method, except in case of Nishat Chunian Power Limited - Subsidiary Company, where this accounting estimate is based on straight line method, so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 11.1. Depreciation on additions is charged from the month in which the assets are available for use upto the month prior to disposal. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

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

Intangible asset

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

2.6 Goodwill

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

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

2.7 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Available-for-sale

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

Quoted

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

Unquoted

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

2.8 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

Cost of raw materials is measured using the weighted average cost formula.

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

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

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

2.9 Foreign currencies

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies (except the results of foreign operation which are translated to Pak Rupees at the average rate of exchange for the year) during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the consolidated profit and loss account.

2.10 Borrowing cost

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

2.11 Revenue recognition

Revenue from different sources is recognized as under:

* Revenue from sales is recognized on dispatch of goods to customers.
* Return on bank deposits is accrued on a time proportionate basis by reference to the principal outstanding and the applicable rate of return.
* Revenue on account of energy is recognized on transmission of electricity to National Transmission and Despatch Company Limited, whereas on account of capacity is recognized when due.

2.12 Share capital

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

2.13 Financial instruments

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

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

2.14 Trade debts and other receivables

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

2.15 Borrowings

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

2.16 Trade and other payables

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

2.17 Offsetting of financial assets and financial liabilities

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

2.18 Cash and cash equivalents

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

2.19 Derivative financial instruments

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

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

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

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

2.20 Provisions

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

2.21 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

2.22 Segment reporting

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

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

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

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

2.23 Dividend to ordinary shareholders and other appropriations

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

3. AUTHORIZED SHARE CAPITAL

2013	2012		2013	2012
(Number of shares)			Rupees	Rupees
230,000,000	175,000,000	Ordinary shares of Rupees 10 each	2,300,000,000	1,750,000,000
20,000,000	20,000,000	Preference shares of Rupees 10 each	200,000,000	200,000,000
250,000,000	195,000,000		2,500,000,000	1,950,000,000

3.1 During the year ended 30 June 2013, the Holding Company by way of special resolution passed in Annual General Meeting of the shareholders of the Holding Company held on 30 October 2012 has increased its authorized share capital by Rupees 550 million divided in 55 million ordinary shares of Rupees 10 each. The new shares shall rank pari passu with the existing shares.

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013	2012		2013	2012
(Number of shares)			Rupees	Rupees
94,720,922	94,720,922	Ordinary shares of Rupees 10 each fully paid in cash	947,209,220	947,209,220
86,040,841	69,496,657	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	860,408,410	694,966,570
1,224,265	1,224,265	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of Arrangement as approved by the Honourable Lahore High Court, Lahore	12,242,650	12,242,650
181,986,028	165,441,844		1,819,860,280	1,654,418,440

	2013	2012
	(Number of shares)	
4.1 Ordinary shares of the Holding Company held by related parties:		
Nishat Mills Limited	24,764,652	22,513,321
D.G. Khan Cement Company Limited	5,511,064	5,010,059
	30,275,716	27,523,380

4.2 Movement during the year

2013	2012		2013	2012
(Number of shares)			Rupees	Rupees
165,441,844	162,090,349	At 01 July	1,654,418,440	1,620,903,490
-	3,351,495	Preference shares converted into ordinary shares of Rupees 10 each at par	-	33,514,950
16,544,184	-	Issue of fully paid bonus shares of Rupees 10 each at par	165,441,840	-
181,986,028	165,441,844	At 30 June	1,819,860,280	1,654,418,440

4.3 16,544,184 ordinary shares of Rupees 10 each were issued as fully paid bonus shares during the year ended 30 June 2013 in pursuance of 10% bonus issue approved in Annual General Meeting of the shareholders of the Holding Company held on 30 October 2012.

	2013 Rupees	2012 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Capital reserve		
Exchange translation reserve	56,555	-
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	6,384,265,000	3,971,842,980
	8,013,486,278	5,601,064,258
	8,013,542,833	5,601,064,258
6. LONG TERM FINANCING		
From banking companies / financial institutions - secured		
Long term loans (Note 6.1)	17,773,150,748	17,971,464,516
Long term musharaka (Note 6.2)	665,000,000	442,500,000
Privately placed term finance certificates - secured (Note 6.3)	281,250,000	406,250,000
	18,719,400,748	18,820,214,516
Less: Current portion shown under current liabilities		
Long term loans	2,361,282,514	1,634,063,768
Long term musharaka	195,000,000	177,500,000
Privately placed term finance certificates	125,000,000	125,000,000
	2,681,282,514	1,936,563,768
	16,038,118,234	16,883,650,748

6.1 Long term loans

Lender	2013 Rupees	2012 Rupees	Rate of mark up per annum	Number of instalments	Mark up repricing	Mark up payable
Nishat (Chunian) Limited - Holding Company						
Standard Chartered Bank (Pakistan) Limited	-	400,000,000	1-month KIBOR + 1.40%	Six equal half yearly instalments commencing on 12 July 2013 and ending on 12 January 2016. However, the Company made pre-payment of loan in full during the current year.	Monthly	Monthly
United Bank Limited-1	-	50,000,000	6-month KIBOR + 0.95%	Ten equal half yearly instalments commenced on 24 June 2008 and ended on 24 December 2012.	Half Yearly	Half Yearly
United Bank Limited-2	10,725,000	17,875,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014.	-	Quarterly
United Bank Limited-3	14,400,000	24,000,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 08 June 2011 and ending on 08 December 2014.	-	Quarterly
United Bank Limited-4	4,400,000	6,600,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 28 July 2011 and ending on 28 January 2015.	-	Quarterly
United Bank Limited-5	44,300,000	66,450,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 18 July 2011 and ending on 18 January 2015.	-	Quarterly
United Bank Limited-6	13,250,000	19,875,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 26 January 2015.	-	Quarterly
United Bank Limited-7	468,750,000	500,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 31 May 2013 and ending on 28 February 2017.	Quarterly	Quarterly
Allied Bank Limited-1	500,000,000	500,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 06 September 2013 and ending on 06 June 2017.	Quarterly	Quarterly
Allied Bank Limited-2	1,050,000,000	1,200,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 28 February 2013 and ending on 29 November 2016.	Quarterly	Quarterly
Allied Bank Limited-3	342,000,000	-	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 01 August 2014 and ending on 01 February 2019.	Quarterly	Quarterly
Pak Kuwait Investment Company (Private) Limited	138,888,896	194,444,448	6-month KIBOR + 2%	Eighteen equal quarterly instalments commenced on 21 September 2011 and ending on 21 December 2015.	Half Yearly	Quarterly
Summit Bank Limited	-	30,000,000	6-month KIBOR + 1.05%	Twenty equal quarterly instalments commenced on 01 January 2008 and ended on 01 October 2012.	Half Yearly	Quarterly
The Bank of Punjab-1	168,750,000	236,250,000	SBP rate for LTFF + 2.5%	Sixteen equal quarterly instalments commenced on 15 January 2012 and ending on 15 October 2015.	-	Quarterly
The Bank of Punjab-2	104,166,669	187,500,001	6-month KIBOR + 1.25%	Twelve equal quarterly instalments commenced on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly
The Bank of Punjab-3	450,000,000	-	3-month KIBOR + 0.75%	Ten equal half yearly instalments commenced on 17 June 2013 and ending on 17 December 2017.	Quarterly	Quarterly
The Bank of Punjab-4	1,000,000,000	-	3-month KIBOR + 0.75%	Ten equal half yearly instalments commencing on 10 December 2013 and ending on 10 June 2018.	Quarterly	Quarterly
SAMBA Bank Limited	62,500,000	187,500,000	3-month KIBOR + 1.50%	Eight equal quarterly instalments commenced on 31 January 2012 and ending on 31 October 2013.	Quarterly	Quarterly
Saudi Pak Industrial and Agricultural Investment Company Limited	68,584,390	89,687,278	SBP rate for LTFF + 3%	Eighteen equal quarterly instalments commenced on 31 May 2012 and ending on 31 August 2016.	-	Quarterly
Soneri Bank Limited	234,375,000	250,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 30 April 2013 and ending on 31 January 2017.	Quarterly	Quarterly
Pak Brunei Investment Company Limited	200,000,000	200,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 02 July 2013 and ending on 02 April 2017.	Quarterly	Quarterly
	4,875,089,955	4,160,181,727				
Nishat Chunian Power Limited - Subsidiary Company						
Senior facility (Note 6.6)	10,398,126,373	11,134,874,752	3-month KIBOR + 3%	Twenty nine quarterly instalments ending on 01 July 2020.	Quarterly	Quarterly
Term finance facility (Note 6.6)	2,499,934,420	2,676,408,037	3-month KIBOR + 3%	Twenty nine quarterly instalments ending on 01 July 2020.	Quarterly	Quarterly
	12,898,060,793	13,811,282,789				
	17,773,150,748	17,971,464,516				

6.2 Long term musharaka

Lender	2013 Rupees	2012 Rupees	Rate of profit per annum	Number of instalments	Profit repricing	Profit payable
Nishat (Chunian)Limited - Holding Company						
Burj Bank Limited -1	-	62,500,000	6-month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 September 2009 and ended on 30 June 2013.	Half Yearly	Quarterly
Burj Bank Limited -2	105,000,000	140,000,000	6-month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Dubai Islamic Bank (Pakistan) Limited-1	160,000,000	240,000,000	6-month KIBOR + 1.15%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
Dubai Islamic Bank (Pakistan) Limited-2	400,000,000	-	6-month KIBOR + 0.75%	Ten equal half yearly instalments commencing on 29 September 2013 and ending on 29 March 2018.	Half Yearly	Half Yearly
	665,000,000	442,500,000				
6.3 Privately placed term finance certificates	281,250,000	406,250,000	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commenced on 30 December 2011 and ending on 30 September 2015.	Quarterly	Quarterly

6.4 Long term loans and privately placed term finance certificates of the Holding Company are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 6,150.242 million (2012: Rupees 7,640 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 3,333.334 million (2012: Rupees 1,267 million).

6.5 Long term musharaka of the Holding Company are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 610.833 million (2012: Rupees 801.667 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 480.000 million (2012: Rupees Nil).

6.6 This represents long term financing obtained from a consortium of banks led by United Bank Limited (Agent Bank). The portion of long term financing from Faysal Bank Limited is on murabaha basis. The overall financing is secured against registered first joint pari passu charge on immovable property, mortgage of project receivables (excluding energy payment receivables), hypothecation of all present and future assets and all properties of the Subsidiary Company (excluding working capital hypothecated property), lien over project bank accounts and pledge of shares held by the Holding Company in Nishat Chunian Power Limited. The effective mark-up rate charged during the year on the outstanding balance ranged from 12.31% to 14.99% (2012: 14.91% to 16.53%) per annum. As of 30 June 2013, the finance is repayable in twenty nine quarterly instalments ending on 01 July 2020.

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

	2013 Rupees	2012 Rupees
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	2,575,703,502	1,506,641,973
Accrued liabilities	369,585,590	252,267,831
Advances from customers	73,010,759	106,464,326
Securities from contractors - interest free and repayable on completion of contracts	3,993,232	3,935,959
Retention money	19,817,167	6,742,982
Income tax deducted at source	12,459,832	6,337,600
Unclaimed dividend	23,736,090	18,165,396
Workers' profit participation fund (Note 7.2)	269,224,793	147,611,125
Workers' welfare fund	21,681,803	21,681,803
Fair value of forward exchange contracts	3,934,388	47,606,647
Others	9,660,885	10,653,383
	3,382,808,041	2,128,109,025

7.1 It includes Rupees Nil (2012: Rupees 3.649 million) due to related parties.

7.2 Workers' profit participation fund

	2013 Rupees	2012 Rupees
Balance as at 01 July	147,611,125	163,665,204
Add: Interest for the year (Note 27)	7,386,641	2,261,411
Add: Provision for the year	269,224,793	147,611,125
	424,222,559	313,537,740
Less: Payments during the year	154,997,766	165,926,615
Balance as at 30 June	269,224,793	147,611,125

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

	2013 Rupees	2012 Rupees

8. ACCRUED MARK-UP

	2013 Rupees	2012 Rupees
Long term financing	478,109,068	591,517,678
Short term borrowings	205,791,546	288,929,818
	683,900,614	880,447,496

9. SHORT TERM BORROWINGS

	2013 Rupees	2012 Rupees
From banking companies - secured		
Nishat (Chunian) Limited - Holding Company		
Short term running finances (Notes 9.1 and 9.2)	587,198,422	1,027,745,981
Export finances - Preshipment / SBP refinance (Notes 9.1 and 9.3)	1,662,615,362	2,378,764,543
Other short term finances (Notes 9.1 and 9.4)	4,244,152,000	1,943,000,000
Nishat Chunian Power Limited - Subsidiary Company		
Short term running finances (Note 9.5)	4,210,860	4,391,237,614
Short term finances (Note 9.6)	-	1,438,515,200
	6,498,176,644	11,179,263,338

9.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Holding Company and lien on export bills to the extent of Rupees 16,493 million (2012: Rupees 15,941 million). These form part of total credit facility of Rupees 12,225 million (2012: Rupees 10,480 million).

9.2 The rates of mark-up range from 10.02% to 14.60% (2012: 13.04% to 14.54%) per annum on the balance outstanding.

9.3 The rates of mark-up on Pak Rupees finances and US Dollar finances range from 8.70% to 12.83% (2012: 10.5% to 12.77%) per annum and 1.45% to 2.39% (2012: 2.39% to 3.52%) per annum respectively on the balance outstanding.

9.4 The rates of mark-up range from 9.42% to 12.84% (2012: 12.52% to 12.84%) per annum on the balance outstanding.

9.5 Running finance facilities available from various commercial banks under mark-up arrangements amount to Rupees 4,526.06 million (2012: Rupees 4,526.06 million) at mark-up rate of three months KIBOR plus 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against first parri passu assignment of the present and future energy payment price of the tariff, first parri passu hypothecation charge on the fuel stock and inventory, ranking charge over all present and future project assets (including moveable/immoveable assets) of the Subsidiary Company. The effective mark-up rate charged during the year on the outstanding balance ranged from 11.31% to 13.90% (2012: 13.91% to 15.53%) per annum.

9.6 This represents murabaha finance facilities aggregating to Rupees 1,800 million (2012: Rupees 1,500 million) under mark-up arrangements from commercial banks at mark-up rates ranging from three to nine months KIBOR plus 1.5% to 2% per annum, to finance the procurement of multiple oils from the fuel suppliers. Mark-up is payable at the maturity of the respective murabaha transaction/term finance facility. The aggregate facilities are secured against first pari passu charge on current assets comprising of fuel stocks, inventories and assignment of energy payment receivables from NTDCL. The effective mark-up rate charged during the year on the outstanding balance ranged from 11.04% to 14.32% (2012: 13.58% to 16.14%) per annum.

9.7 Of the aggregate facilities of Rupees 1,000 million (2012: Rupees 800 million) for opening letters of credit and guarantees, the amount utilised at 30 June 2013 was Rupees 202.410 million (2012: Rupees 110.528 million). The aggregate facilities for opening letters of credit and guarantees are secured by ranking charge on current assets comprising of fuel stocks and inventories of the Nishat Chunian Power Limited - Subsidiary Company and lien over import documents.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

i) Guarantees of Rupees 221.299 million (2012: Rupees 200.639 million) have been issued by the banks of the Holding

Company to Sui Northern Gas Pipelines Limited against gas connections and Shell Pakistan Limited against purchase of furnace oil.

ii) Guarantees of Rupees 86 million (2012: Rupees 58 million) are given by banks of the Holding Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

iii) The Holding Company preferred appeal against the Government of Punjab in the Honourable Lahore High Court, Lahore against imposition of electricity duty on internal generation and the writ petition has been accepted. However, Government of Punjab has moved to the Honourable Supreme Court of Pakistan against the order of Honourable Lahore High Court, Lahore. The Holding Company has fully provided its liability in respect of electricity duty on internal generation. As at the reporting date, an amount of Rupees 28.246 million (2012: Rupees 18.792 million) is payable on this account but the management of the Holding Company is confident that payment of electricity duty will not be required.

iv) The Holding Company has not recognized fuel adjustment charges amounting to Rupees 15.557 million (2012: Rupees 20.867 million) notified by National Electric Power Regulatory Authority (NEPRA) for the period from December 2012 to June 2013, as the Holding Company is contesting the levy of these charges before the Honorable Supreme Court of Pakistan, Islamabad. The management based on advice of the legal counsel, believes that it has strong grounds of appeal and payment / accrual of such charges will not be required.

v) The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2012: Rupees 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Holding Company has not submitted Appendix-1 as per Rule 297-A of the above referred scheme. The Holding Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal Inland Revenue (ATIR) Karachi Bench which is still pending. The Holding Company also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Holding Company and forwarded the case to FBR. However, FBR has not accepted the recommendations of ADRC.

vi) Order was issued by the Assistant Commissioner Inland Revenue (ACIR) under section 122(1) of the Income Tax Ordinance, 2001 for tax year 2008 as a result of audit of the Holding Company under section 177 of the Income Tax Ordinance, 2001 whereby a demand has been raised against the Holding Company on various grounds. The Holding Company's appeal against the order of ACIR was disposed off by the Commissioner Inland Revenue (Appeals) [CIR(A)] through order dated 23 April 2011. Through such order, a significant relief was extended to the Holding Company, however, the Holding Company has further assailed the matter before ATIR so as the issues decided by CIR(A) against the Holding Company are further contested. The Holding Company's appeal has not yet been taken up for hearing by ATIR. The Holding Company considers that its stance is based on reasonable grounds and appeal is likely to succeed. Hence, no provision for taxation amounting to Rupees 26.613 million (2012: Rupees 26.613 million) has been recognized in these consolidated financial statements based on advice of the tax counsel. Further, the Holding Company has also impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.

vii) While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Holding Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) which was decided in the Holding Company's favour against which the department preferred an appeal to Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Holding Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances and addition has been made in these consolidated financial statements as the management is confident that the matter would be settled in the Holding Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million (2012: Rupees 17.157 million) would be required.

viii) As a result of withholding tax audit for the tax year 2006, the Deputy Commissioner Inland Revenue (DCIR) has raised a demand of Rupees 32.156 million under sections 161 and 205 of the Income Tax Ordinance, 2001. The Holding Company is in appeal before ATIR as its appeal before CIR(A) was unsuccessful. The Holding Company expects a favourable outcome of the appeal based on advice of the tax counsel. The Holding Company has also challenged the initiation of proceedings, under section 161 and 205 of the Income Tax Ordinance, 2001 pertaining to tax years 2007, 2008, 2009, 2010, 2011 and 2012, in the Honourable Lahore High Court, Lahore through a writ petition. The Department has been restrained from passing any adverse order till the date of next hearing. The management of the Holding Company believes that the expected favourable outcome of its appeal before ATIR, in respect of tax year 2006 on same issues, will dispose of the initiation of these proceedings.

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

x) Post dated cheques have been issued by the Holding Company to custom authorities in respect of duties amounting to Rupees 154.347 million (2012: Rupees 58.709 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheque issued as security shall be encashable.

xi) The Holding Company has filed an appeal before CIR(A) against the order of Additional Commissioner Inland Revenue (ACIR). ACIR has passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2011 whereby a demand of Rupees 6.822 million has been raised. No provision against the demand has been made in these consolidated financial statements as the Holding Company is hopeful of a favourable outcome of appeal based on opinion of the legal advisor.

xii) National Electric Power Regulatory Authority (NEPRA) issued an order dated 8 February 2013 through which it has raised a demand of Rupees 243.702 million payable by the Nishat Chunian Power Limited - Subsidiary Company to NTDCL for the period upto 30 June 2011 in respect of Calorific Value ('CV') adjustment on fuel consumed for power generation as per the terms of the PPA and various CV adjustment mechanisms prescribed by NEPRA. The first such CV adjustment mechanism was announced by NEPRA in March 2009 and as per this mechanism, the Subsidiary Company has already made a provision of Rupees 81.211 million in its financial statements for the above CV adjustment. In July 2011, NEPRA revised its CV adjustment mechanism and directed all Independent Power Producers (IPPs) to maintain consignment-wise CV record of the fuel received and consumed for power generation. Consequently, the Subsidiary Company started maintaining such CV record after such direction was received from NEPRA.

NEPRA directed the Subsidiary Company to submit consignment-wise record of CV for the period upto 30 June 2011. The Subsidiary Company disputed such direction as it was not required to maintain consignment-wise record prior to July 2011. However, NEPRA computed retrospectively and determined Rupees 243.702 million payable by the Subsidiary Company to NTDCL for the period upto 30 June 2011 in respect of CV adjustment on the basis of the mechanism directed by it in July 2011. The Subsidiary Company filed a Motion for Leave for Review before NEPRA requesting it to reconsider its decision, which was decided against the Subsidiary Company. Consequently, the Subsidiary Company filed a writ petition before the Islamabad High Court against NEPRA's decision on the grounds that change in CV adjustment mechanism in July 2011 cannot be applied retrospectively and credible information is also not available from any source upon which CV adjustment computations can be made. The case is pending adjudication before Islamabad High Court.

Based on the advice of the Subsidiary Company's legal counsel, management feels that there are meritorious grounds to support the Subsidiary Company's stance and the aforesaid NEPRA's decision is likely to be revoked. Under these circumstances, no provision of the balance amount of Rupees 162.491 million has been made in these consolidated financial statements.

xiii) The following have been issued by the banks on behalf of the Nishat Chunian Power Limited - Subsidiary Company:

(a) Irrevocable standby letter of credit in favour of Wartsila Pakistan (Private) Limited for Rupees 45 million (2012: Rupees 45 million) as required under the terms of the Operations and Maintenance Agreement.

(b) Letter of guarantee of Rupees 2.032 million (2012: Rupees 1.032 million) in favour of Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

10.2 Commitments

i) Contracts for capital expenditure amounting to Rupees 913.661 million (2012: Rupees 282.462 million).

ii) Letters of credit other than for capital expenditure amounting to Rupees 399.759 million (2012: Rupees 58.798 million).

iii) Outstanding foreign currency forward contracts of Rupees 3,350.847 million (2012: Rupees 2,892.672 million).

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

	2013 Rupees	2012 Rupees
11. FIXED ASSETS		
Property, plant and equipment:		
Operating fixed assets (Note 11.1)	20,738,713,874	21,780,507,081
Capital work-in-progress (Note 11.2)	1,650,794,714	101,499,938
	22,389,508,588	21,882,007,019
Intangible assets:		
Computer software (Note 11.1)	1,520,431	3,696,726
	22,391,029,019	21,885,703,745

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

Description	Operating fixed assets										Intangible asset
	Freehold land	Buildings on freehold land	Plant and machinery	Standby equipment	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total	Computer software
	..................Rupees..................										
At 30 June 2011											
Cost	259,793,047	1,865,767,760	26,346,453,142	30,352,951	184,276,643	138,494,474	56,647,024	52,856,368	122,756,658	29,057,398,067	9,368,316
Accumulated depreciation / amortization	-	(743,589,473)	(5,128,348,225)	(15,303,317)	(104,340,493)	(72,979,807)	(26,696,095)	(18,064,639)	(49,768,713)	(6,159,090,762)	(3,495,295)
Net book value	259,793,047	1,122,178,287	21,218,104,917	15,049,634	79,936,150	65,514,667	29,950,929	34,791,729	72,987,945	22,898,307,305	5,873,021
Year ended 30 June 2012											
Opening net book value	259,793,047	1,122,178,287	21,218,104,917	15,049,634	79,936,150	65,514,667	29,950,929	34,791,729	72,987,945	22,898,307,305	5,873,021
Additions	20,833,541	37,126,644	252,310,076	-	21,556,542	20,343,941	3,078,320	13,377,186	32,911,971	401,538,221	-
Disposals:											
Cost	-	-	(22,796,425)	-	-	-	-	(599,516)	(15,419,879)	(38,815,820)	(1,319,000)
Accumulated depreciation	-	-	15,392,925	-	-	-	-	244,343	7,573,918	23,211,186	1,319,000
	-	-	(7,403,500)	-	-	-	-	(355,173)	(7,845,961)	(15,604,634)	-
Depreciation / amortization charge	-	(55,440,807)	(1,405,023,325)	(1,462,610)	(9,184,439)	(7,366,797)	(3,131,254)	(4,667,922)	(17,456,657)	(1,503,733,811)	(2,176,295)
Closing net book value	280,626,588	1,103,864,124	20,057,988,168	13,587,024	92,308,253	78,491,811	29,897,995	43,145,820	80,597,298	21,780,507,081	3,696,726
At 30 June 2012											
Cost	280,626,588	1,902,894,404	26,575,966,793	30,352,951	205,833,185	158,838,415	59,725,344	65,634,038	140,248,750	29,420,120,468	8,049,316
Accumulated depreciation / amortization	-	(799,030,280)	(6,517,978,625)	(16,765,927)	(113,524,932)	(80,346,604)	(29,827,349)	(22,488,218)	(59,651,452)	(7,639,613,387)	(4,352,590)
Net book value	280,626,588	1,103,864,124	20,057,988,168	13,587,024	92,308,253	78,491,811	29,897,995	43,145,820	80,597,298	21,780,507,081	3,696,726
Year ended 30 June 2013											
Opening net book value	280,626,588	1,103,864,124	20,057,988,168	13,587,024	92,308,253	78,491,811	29,897,995	43,145,820	80,597,298	21,780,507,081	3,696,726
Additions	370,043,524	26,057,273	151,117,434	-	10,711,096	1,615,546	1,971,388	9,004,144	18,365,589	588,885,994	-
Disposals:											
Cost	-	-	(45,187,669)	-	-	-	(123,900)	(1,092,401)	(10,196,926)	(56,600,896)	-
Accumulated depreciation	-	-	45,187,669	-	-	-	7,141	349,093	6,099,899	51,643,802	-
	-	-	-	-	-	-	(116,759)	(743,308)	(4,097,027)	(4,957,094)	-
Depreciation / amortization charge	-	(54,519,383)	(1,524,918,187)	(1,316,350)	(9,770,191)	(7,919,299)	(3,079,104)	(6,807,387)	(17,392,206)	(1,625,722,107)	(2,176,295)
Closing net book value	650,670,112	1,075,402,014	18,684,187,415	12,270,674	93,249,158	72,188,058	28,673,520	44,599,269	77,473,654	20,738,713,874	1,520,431
At 30 June 2013											
Cost	650,670,112	1,928,951,677	26,681,896,558	30,352,951	216,544,281	160,453,961	61,572,832	73,545,781	148,417,413	29,952,405,566	8,049,316
Accumulated depreciation / amortization	-	(853,549,663)	(7,997,709,143)	(18,082,277)	(123,295,123)	(88,265,903)	(32,899,312)	(28,946,512)	(70,943,759)	(9,213,691,692)	(6,528,885)
Net book value	650,670,112	1,075,402,014	18,684,187,415	12,270,674	93,249,158	72,188,058	28,673,520	44,599,269	77,473,654	20,738,713,874	1,520,431
Annual rate of depreciation / amortization (%)		4 - 5	4 - 29.28	10	10	10	10	10	20		20 - 30

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

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
			....................Rupees....................					
Plant and machinery								
Major Spare Parts of Engines	2,266	45,187,669	(45,187,669)	-	-	-	-	Written off
Office equipment								
Mobile - iPhone 5	1	74,921	(3,746)	71,175	40,000	(31,175)	Bid	Mr. Usman Pervaiz
Dell Laptop	1	79,793	(15,649)	64,144	24,000	(40,144)	Negotiation	Mr. Usman Mustafa (Ex-Employee), Lahore
Dell Laptop	1	73,575	(12,314)	61,261	27,000	(34,261)	Negotiation	Mr. Ahmad Subhani (Ex-Employee), Lahore
Switches	1	291,029	(146,293)	144,736	68,000	(76,736)	Insurance Claim	Adamjee Insurance Company Limited, Lahore
Apple IPhone 4S	1	67,275	(3,868)	63,407	38,000	(25,407)	Negotiation	Hafeez Centre, Lahore
Apple IPhone 4S	1	85,808	(7,699)	78,109	43,000	(35,109)	Negotiation	Hafeez Centre, Lahore
Mobile-Samsung Galaxy	1	53,500	(892)	52,608	46,000	(6,608)	Negotiation	Hafeez Centre, Lahore
Dell Laptop	1	76,100	(12,709)	63,391	40,000	(23,391)	Negotiation	Mr. Umer Minhas (Ex-Employee), Lahore
Motor vehicles								
Suzuki Cultus LED-08-7973	1	667,420	(612,198)	55,222	609,000	553,778	Insurance claim	Adamjee Insurance Company Limited
Suzuki Cultus LEC-08-5721	1	765,000	(170,786)	594,214	765,000	170,786	Company Policy	Mr. Saqib Riaz (Employee), Faisalabad
Honda Civic LEE-07-4262	1	1,402,160	(939,214)	462,946	616,833	153,887	Company Policy	Mrs. Nadia Bilal (Employee), Lahore
Toyota Corolla LEA-10-5458	1	1,724,897	(708,772)	1,016,125	1,550,000	533,875	Negotiation	Mr. Najaf Ali Qureshi, Lahore
Suzuki Alto LEC-6902	1	578,100	(244,209)	333,891	351,485	17,594	Company Policy	Mr. Noman Yousf on behalf of Mr. Asghar Raheem (Ex-Employee), Lahore
Suzuki Cultus LEB-07-8095	1	615,120	(414,581)	200,539	500,000	299,461	Negotiation	Mr. Muhammad Anser Khan, Lahore
Suzuki Mehran LEC-07- 6987	1	398,770	(266,799)	131,971	130,669	(1,302)	Company Policy	Mr. Nadeem Ahmed Khan (Employee), Faisalabad
Toyota Corolla LED-07-3370	1	1,316,200	(926,677)	389,523	830,000	440,477	Negotiation	Mr. Muhammad Mohsin Mumtaz, Lahore
Suzuki Cultus LED-08-2091	1	683,579	(440,151)	243,428	280,094	36,666	Company Policy	Mr. Muhammad Asghar (Employee), Lahore
Toyota Corolla LEJ-07-5116	1	1,367,660	(937,392)	430,268	860,000	429,732	Negotiation	Mr. Muhammad Mohsin Mumtaz, Lahore
Suzuki Cultus LEC-07-3803	1	615,120	(414,581)	200,539	500,000	299,461	Negotiation	Mr. Muhammad Anser Khan, Lahore
Furniture, fixture and equipment								
Double Bed With Mattress	1	64,000	(3,689)	60,311	60,311	-	Negotiation	Mr. Idrees Ahmad (Employee), Lahore
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000	12	413,200	(173,914)	239,286	270,589	31,303		
		56,600,896	(51,643,802)	4,957,094	7,649,981	2,692,887		

	2013 Rupees	2012 Rupees
11.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 22)	1,612,065,906	1,489,429,806
Administrative expenses (Note 24)	13,656,201	14,304,005
	1,625,722,107	1,503,733,811

11.1.3 Amortization on intangible assets amounting to Rupees 2.176 million (2012: Rupees 2.176 million) has been allocated to administrative expenses.

	2013 Rupees	2012 Rupees
11.2 CAPITAL WORK-IN-PROGRESS		
Civil works on freehold land	396,616,392	17,946,371
Mobilization advance	41,355,035	634,823
Letters of credit	771,403,466	40,226
Advances for capital expenditure	441,419,821	82,878,518
	1,650,794,714	101,499,938

11.3 The Holding Company has capitalized borrowing cost amounting to Rupees 0.378 million (2012: Rupees 6.734 million) using the capitalization rate of 10.09% (2012: from 13.52% to 15.28%) per annum.

	2013 Rupees	2012 Rupees
12. LONG TERM LOANS TO EMPLOYEES		
Considered good:		
Executives (Notes 12.1 and 12.2)	3,432,664	6,149,123
Other employees (Note 12.2)	948,886	1,678,496
	4,381,550	7,827,619
Less: Current portion shown under current assets (Note 16)		
Executives	784,338	3,035,202
Other employees	123,078	571,618
	907,416	3,606,820
	3,474,134	4,220,799
12.1 Reconciliation of carrying amount of loans to executives:		
Balance as at 01 July	6,149,123	4,579,910
Disbursements	2,566,812	8,478,876
Less: Repayments	5,283,271	6,909,663
Balance as at 30 June	3,432,664	6,149,123

12.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 6.044 million (2012: Rupees 7.832 million).

12.2 These represent motor vehicle, house construction and personal loans to executives and employees, payable in 48 to 60, 33 and 12 to 23 monthly instalments respectively. Interest on long term loans ranged from 10.49% to 14.50% per annum (2012: 13% to 14.50% per annum) while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of the respective Group Company, whereas house construction and personal loans are secured against balance standing to the credit of employee in the provident fund trust account.

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

	2013 Rupees	2012 Rupees
13. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores (Note 13.1)	1,050,869,838	774,061,937
Spare parts	171,230,560	152,426,004
Loose tools	22,205,007	14,829,884
	1,244,305,405	941,317,825

13.1 Most of the items of stores and spares of Nishat Chunian Power Limited - Subsidiary Company are of interchangeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practicable to distinguish stores from spares until their actual usage. Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	2013 Rupees	2012 Rupees
14. STOCK-IN-TRADE		
Raw materials	5,148,374,900	3,561,431,873
Work-in-process	376,405,750	380,749,192
Finished goods	753,057,885	412,367,556
Waste	54,134,534	32,878,314
	6,331,973,069	4,387,426,935

14.1 Stock-in-trade of Rupees 98.997 million (2012: Rupees 65.524 million) is being carried at net realizable value.

	2013 Rupees	2012 Rupees
15. TRADE DEBTS		
Considered good:		
Secured (Notes 15.2 and 15.3)		
- Others	9,030,433,751	13,531,201,914
Unsecured		
- Nishat Mills Limited - related party	102,181	63,000
- Others	422,154,485	1,207,121,266
	422,256,666	1,207,184,266
	9,452,690,417	14,738,386,180

15.1 As at 30 June 2013, trade debts of Rupees 1,234.624 million (2012: Rupees 8,255.158 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2013 Rupees	2012 Rupees
Upto 1 month	500,609,344	2,531,970,177
1 to 6 months	127,226	4,311,548,380
More than 6 months	733,887,198	1,411,639,660
	1,234,623,768	8,255,158,217

15.2 This includes trade receivables from NTDCL. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 4.5% per annum is charged in case the amounts are not paid within due dates. The effective rate of delayed payment mark-up charged during the year on outstanding amounts ranged from 13.72% to 16.47% (2012: from 16.25% to 18.04%) per annum.

15.3 Included in trade debts is an amount of Rupees 957.876 million relating to capacity purchase price not acknowledged by NTDCL as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDCL. Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDCL, therefore, management believes that Nishat Chunian Power Limited - Subsidiary Company cannot be penalized in the form of payment deductions due to NTDCL's default of making timely payments under the PPA. Hence, the Subsidiary Company had taken up this issue at appropriate forums. On 28 June 2013, the Subsidiary Company entered into a Memorandum of Understanding (MoU) for cooperation on extension of credit terms with NTDCL whereby it was agreed that the constitutional petition filed by the Subsidiary Company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, subsequent to year end, the Subsidiary Company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan, and initiated the process of appointment of Expert for dispute resolution under the PPA. Based on the advice of the Subsidiary Company's legal counsel, management feels that there are meritorious grounds to support the Subsidiary Company's stance and such amounts are likely to be recovered. Consequently, no provision for the above mentioned amount has been made in these consolidated financial statements.

	2013 Rupees	2012 Rupees
16. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
- Executives	5,037,525	1,409,858
- Other employees	864,925	2,074,224
	5,902,450	3,484,082
Current portion of long term loans to employees (Note 12)	907,416	3,606,820
Advances to suppliers	591,837,200	139,119,686
Advances to contractors	337,112	851,263
Letters of credit	395,660,372	29,266,312
	994,644,550	176,328,163
17. OTHER RECEIVABLES		
Considered good:		
Sales tax recoverable	904,470,145	517,588,040
Advance income tax - net	230,101,414	161,910,498
Export rebate and claims	89,716,885	94,300,179
Mark-up rate support receivable from financial institutions	-	4,497,759
Receivable from employees' provident fund trust	2,684,361	8,092,179
Rebate receivable on early retirement of short term finances	56,355,393	-
Claim recoverable from NTDCL for pass through item - Workers' Profit Participation Fund (Note 17.1)	237,451,859	183,115,965
Insurance claim receivable (Note 17.2)	91,790,908	-
Miscellaneous	8,296,745	8,266,249
	1,620,867,710	977,770,869

	2013 Rupees	2012 Rupees
17.1 Workers' profit participation fund		
Balance as at 01 July	183,115,965	81,300,657
Add: Provision for the year	135,636,551	101,815,308
	318,752,516	183,115,965
Less: Amount received during the year	81,300,657	-
Balance as at 30 June	237,451,859	183,115,965

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

17.2 In December 2012, the compressor rotor of the Steam Turbine Generator of Nishat Chunian Power Limited - Subsidiary Company's power plant was damaged. The Subsidiary Company filed an insurance claim in respect of the loss due to this damage which comprises Property Damage (PD) and Business Interruption Loss (BIL) as per the terms of the insurance policy. Subsequent to year end, the insurance company has approved the claim at Rupees 159.378 million which includes BIL of Rupees 69.829 million. For the period up to 30 June 2013, the PD claim receivable works out at Rupees 39.156 million based on the restoration/repair costs incurred upto that date for the above rotor while the BIL claim receivable comes to Rupees 52.634 million. The Subsidiary Company has incurred restoration/repair costs of Rupees 80.071 million up to 30 June 2013. The resultant net loss on PD of Rupees 40.915 million has been charged to the consolidated profit and loss account for the year. Similarly, BIL claim of Rupees 52.634 million has been recognised for this period as referred to in note 26. The balance of Rupees 50.746 million for PD claim will be recognised in the subsequent year as its related restoration/repair costs are incurred subsequently and balance BIL claim of Rupees 17.229 million will be recognised in the subsequent year as it relates to the period subsequent to the year end.

18. DERIVATIVE FINANCIAL INSTRUMENTS

This represents the derivative cross currency swap of Nishat Chunian Power Limited - Subsidiary Company entered into with a commercial bank. Under the terms of the cross currency swap arrangement, the Subsidiary Company pays London Inter-Bank Offered Rate (LIBOR) plus bank spread to the arranging bank on the notional USD amount for the purposes of the cross currency swap and receives fixed interest at the rate of 11.65% from the arranging bank on the Rupee amount. There has been no transfer of liability under the arrangement, only the nature of the interest payment has changed. The derivative cross currency swap outstanding as at 30 June 2013 has been marked to market and the resulting gain has been recognized in the consolidated profit and loss account.

	2013 Rupees	2012 Rupees
19. SHORT TERM INVESTMENTS		
Held-to-maturity		
Term deposit receipts (Note 19.1)	78,660,226	30,000,000
Add: Accrued interest	3,502,133	2,494,520
	82,162,359	32,494,520

19.1 These represent deposits under lien with the banks of the Holding Company against bank guarantees of the same amount issued by the banks to the Director, Excise and Taxation against disputed amount of infrastructure cess. Interest on term deposit receipts ranges from 8.64% to 9.59% (2012: from 9.52% to 11.10%) per annum. The maturity period of these term deposit receipts is one year.

	2013 Rupees	2012 Rupees
20. CASH AND BANK BALANCES		
Cash with banks:		
On saving accounts (Note 20.1)		
Including US$ 48,008 (2012: US$ 12,952)	7,016,452	6,150,283
Term deposit receipt (Note 20.2)	2,000,000	2,000,000
On current accounts (Note 20.3)		
Including US$ 146,547 (2012: US$ 82,381)	530,180,359	72,835,325
	539,196,811	80,985,608
Cash in hand	1,522,923	6,808,492
	540,719,734	87,794,100

20.1 Rate of profit on saving accounts ranges from 6% to 6.5% (2012: 5% to 6%) per annum.

20.2 It represents deposit under lien with the bank of the Holding Company against bank guarantee of the same amount issued by the bank to the Director, Excise and Taxation against disputed amount of infrastructure cess. Interest on term deposit receipt is 6% (2012: 6%) per annum. The maturity period of this term deposit receipt is one month.

20.3 Included in cash with banks on current accounts are Rupees 15.046 million (2012: Rupees 10.241 million) with MCB Bank Limited - associated company.

	2013 Rupees	2012 Rupees
21. SALES		
Export	15,536,609,195	12,946,558,366
Local (Note 21.1)	30,521,735,373	27,231,030,252
Export rebate and duty draw back	46,036,788	24,745,926
	46,104,381,356	40,202,334,544
21.1 Local sales		
Sales	33,419,814,871	29,630,810,096
Processing income	381,911,799	177,701,394
	33,801,726,670	29,808,511,490
Less: Sales tax	3,271,193,876	2,577,481,238
Less: Discount	8,797,421	-
	30,521,735,373	27,231,030,252

21.2 Local sales includes waste sales of Rupees 489.837 million (2012: Rupees 514.563 million).

	2013 Rupees	2012 Rupees
22. COST OF SALES		
Raw materials consumed	29,969,226,145	25,617,786,033
Packing materials consumed	619,687,238	483,404,439
Operations and maintenance	325,609,443	290,907,302
Stores, spare parts and loose tools consumed	1,145,162,276	1,178,127,934
Salaries, wages and other benefits (Note 22.1)	1,253,420,235	985,183,676
Fuel and power	2,516,037,172	1,959,895,577
Fee and subscription	7,342,725	7,271,933
Insurance	194,434,036	178,678,330
Postage and telephone	2,478,129	2,311,270
Travelling and conveyance	16,476,446	17,246,307
Vehicles' running and maintenance	22,047,753	19,483,126
Entertainment	4,999,231	3,664,675
Depreciation on operating fixed assets (Note 11.1.2)	1,612,065,906	1,489,429,806
Repair and maintenance	60,739,953	40,068,973
Other factory overheads	64,696,334	48,763,008
	37,814,423,022	32,322,222,389
Work-in-process		
Opening stock	380,749,192	629,297,302
Closing stock	(376,405,750)	(380,749,192)
	4,343,442	248,548,110
Cost of goods manufactured	37,818,766,464	32,570,770,499
Finished goods and waste - opening stocks		
Finished goods	412,367,556	770,989,076
Waste	32,878,314	40,151,200
	445,245,870	811,140,276
	38,264,012,334	33,381,910,775
Finished goods and waste - closing stocks		
Finished goods	(753,057,885)	(412,367,556)
Waste	(54,134,534)	(32,878,314)
	(807,192,419)	(445,245,870)
	37,456,819,915	32,936,664,905

22.1 Salaries, wages and other benefits include Rupees 10.435 million (2012: Rupees 11.142 million) and Rupees 23.991 million (2012: Rupees 22.766 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

	2013 Rupees	2012 Rupees
23. DISTRIBUTION COST		
Salaries and other benefits (Note 23.1)	34,255,191	31,137,775
Ocean freight	128,842,607	97,900,920
Freight and octroi	82,688,934	72,998,662
Forwarding and other expenses	42,616,773	19,400,516
Export marketing expenses	108,979,946	105,062,884
Commission to selling agents	140,346,951	173,333,260
	537,730,402	499,834,017

23.1 Salaries and other benefits include Rupees 0.513 million (2012: Rupees 0.676 million) and Rupees 1.682 million (2012: Rupees 1.519 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

	2013 Rupees	2012 Rupees
24. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 24.1)	94,549,122	84,043,254
Printing and stationery	4,820,871	3,682,580
Vehicles' running and maintenance	5,936,432	6,849,539
Travelling and conveyance	39,503,298	29,194,630
Postage and telephone	3,844,547	4,203,373
Fee and subscription	9,592,608	8,148,586
Legal and professional	13,054,291	9,071,101
Electricity and sui gas	7,995,075	8,242,668
Insurance	4,108,932	4,289,321
Repair and maintenance	5,295,060	7,829,884
Entertainment	4,207,996	3,819,492
Auditors' remuneration (Note 24.2)	3,514,329	3,436,229
Depreciation on operating fixed assets (Note 11.1.2)	13,656,201	14,304,005
Amortization on intangible assets (Note 11.1.3)	2,176,295	2,176,295
Miscellaneous	13,979,334	4,023,311
	226,234,391	193,314,268

24.1 Salaries and other benefits include Rupees 3.893 million (2012: Rupees 3.996 million) and Rupees 3.374 million (2012: Rupees 2.891 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

	2013 Rupees	2012 Rupees
24.2 Auditors' remuneration		
Riaz Ahmad & Company		
Audit fee	1,000,000	1,000,000
Half yearly review	197,750	197,750
Certification fees	50,000	50,000
Reimbursable expenses	124,000	110,000
	1,371,750	1,357,750
A. F. Ferguson & Co.		
Audit fee	1,100,000	1,100,000
Half yearly review	650,000	600,000
Tax services	129,700	115,000
Other assurance services	92,200	195,000
Reimbursable expenses	170,679	68,479
	2,142,579	2,078,479
	3,514,329	3,436,229

25. OTHER EXPENSES

	2013 Rupees	2012 Rupees
Workers' profit participation fund	133,588,242	45,795,817
Sales tax refundable written off	-	4,955,600
Donations (Note 25.1)	7,398,956	4,425,000
Loss on derivative financial instruments:		
Realized	-	4,534,529
Un-realized	-	38,151,764
	-	42,686,293
Interest on delayed payment	7,358,674	-
Expenses on sale of shares of subsidiary company	-	398,366
	148,345,872	98,261,076

25.1 Donations

This represents donations made to Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore in which Mr. Shahzad Saleem, Chairman and Chief Executive, Mr. Aftab Ahmad Khan, Director, Mrs. Farhat Saleem, Director and Mr. Yahya Saleem, Director are trustees.

	2013 Rupees	2012 Rupees
26. OTHER INCOME		
Income from financial assets		
Return on bank deposits	5,448,238	2,872,293
Net exchange gain	183,982,497	278,020,496
Mark up on loans to executives	107,812	263,562
Gain on derivative financial instruments:		
Realized	27,433,806	-
Un-realized	28,469,093	-
	55,902,899	-
Income from non-financial assets		
Business interruption loss receivable from insurer (Note 17.2)	52,634,436	-
Liabilities written back	75,745	1,606,509
Gain on sale of property, plant and equipment (Note 11.1.1)	2,692,887	12,050,826
Sale of scrap	86,991,280	70,022,586
Miscellaneous	2,254,800	1,606,518
	390,090,594	366,442,790
27. FINANCE COST		
Mark-up on:		
- long term loans	2,229,104,826	2,725,382,241
- privately placed term finance certificates	45,469,512	71,565,929
- long term musharaka	54,259,832	69,583,062
- short term running finances	714,582,279	126,677,573
- export finances - Preshipment / SBP refinances (Note 27.1)	248,317,271	320,394,825
- short term finances	284,772,973	1,022,505,033
Interest on workers' profit participation fund (Note 7.2)	7,386,641	2,261,411
Bank charges and commission	67,658,136	66,946,775
	3,651,551,470	4,405,316,849

27.1 These are net of mark-up rate support against export finance amounting to Rupees 8.891 million (2012: Rupees 6.039 million).

	2013 Rupees	2012 Rupees
28. TAXATION		
Current (Notes 28.1 and 28.2)	255,147,494	205,849,914
Prior year adjustment	(24,760,917)	-
	230,386,577	205,849,914

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

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

	2013	2012 (Restated)
29. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation (Rupees)	2,908,747,548	1,245,129,919
Less: Preference dividend (Rupees)	-	4,596,975
Profit after taxation attributable to ordinary shareholders (Rupees)	2,908,747,548	1,240,532,944
Weighted average number of ordinary shares outstanding during the year (Number)	181,986,028	178,928,928
Basic earnings per share (Rupees)	15.98	6.93

29.1 There is no dilutive effect on basic earnings per share for the year ended 30 June 2013 and 30 June 2012 as no potential ordinary shares were in issue as on 30 June 2013 and 30 June 2012.

29.2 Basic earnings per share has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue.

	2013 Rupees	2012 Rupees
30. CASH GENERATED FROM OPERATIONS		
Profit before taxation	4,473,789,900	2,435,386,219
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	1,625,722,107	1,503,733,811
Amortization on intangible asset	2,176,295	2,176,295
Gain on sale of property, plant and equipment	(2,692,887)	(12,050,826)
Finance cost	3,651,551,470	4,405,316,849
Return on bank deposits	(5,448,238)	(2,872,293)
Unrealized (gain) / loss on derivative financial instruments	(37,453,307)	38,151,764
Liabilities written back	(75,745)	(1,606,509)
Sales tax refundable written off	-	4,955,600
Working capital changes (Note 30.1)	2,889,873,274	(4,659,618,429)
	12,597,442,869	3,713,572,481
30.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(302,987,580)	(246,374,465)
Stock-in-trade	(1,944,546,134)	791,002,588
Trade debts	5,285,695,763	(5,684,600,977)
Loans and advances	(821,015,791)	110,331,189
Short term deposits and prepayments	(1,571,126)	6,538,266
Other receivables	(574,905,925)	(245,027,071)
	1,640,669,207	(5,268,130,470)
Increase in current liabilities:		
Trade and other payables	1,249,204,067	608,512,041
	2,889,873,274	(4,659,618,429)

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	..........................Rupees..........................					
Managerial remuneration	1,533,333	-	2,733,267	2,379,341	37,514,000	41,547,522
Contribution to provident fund	-	-	-	-	3,124,916	3,342,330
House rent	613,333	-	1,093,307	951,451	15,005,600	16,614,023
Utilities	153,333	-	273,327	238,041	3,751,400	4,156,622
Others	482,668	-	855,976	559,692	4,090,716	4,841,074
	2,782,667	-	4,955,877	4,128,525	63,486,632	70,501,571
Number of persons	1	-	2	3	33	39

31.1 The Holding Company provides to chief executive, directors and certain executives with free use of Holding Company maintained cars and residential telephones.

31.2 Aggregate amount charged in these consolidated financial statements for meeting fee to one director of the Holding Company was Rupees 80,000 (2012: Rupees 30,000).

31.3 No remuneration was paid to non-executive directors of the Holding Company.

32. TRANSACTIONS WITH RELATED PARTIES

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

	2013 Rupees	2012 Rupees
Associated companies		
Insurance premium paid	64,488,754	53,091,755
Insurance claims received	11,306,029	17,493,303
Reimbursement of common lab expenses	3,023,159	-
Other related parties		
Purchase of goods	64,447,186	24,295,732
Sales of goods	91,383,063	17,204,091
Ordinary dividend paid	55,046,760	55,046,760
Contribution to employees' provident fund	29,047,089	25,875,957

33. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on audited financial statements of the provident fund of the Holding Company for the years ended 30 June 2013 and 30 June 2012 and un-audited financial statements of the provident fund of Nishat Chunian Power Limited - Subsidiary Company for the year ended 30 June 2013 and audited financial statements for the year ended 30 June 2012:

	Nishat (Chunian) Limited		Nishat Chunian Power Limited	
	2013	2012	2013	2012
	.... Rupees			
Size of the fund - Total assets	215,300,085	184,765,111	15,222,662	11,186,548
Cost of investments	194,652,856	174,496,273	12,044,697	9,487,874
Fair value of investments	197,948,210	173,308,098	12,923,725	9,875,246
Percentage of investments made	91.94%	93.80%	79.12%	84.82%

33.1 The break-up of fair value of investments is as follows:

	Nishat (Chunian) Limited		Nishat Chunian Power Limited	
	2013	2012	2013	2012
	.... Rupees			
Deposits with banks	1,196,019	50,470,737	329,852	218,296
Treasury bills	185,230,165	115,405,360	11,770,987	9,158,233
Mutual funds - open end	2,018,993	1,061,977	822,886	498,717
Listed securities	9,503,033	6,370,024	-	-
	197,948,210	173,308,098	12,923,725	9,875,246
Deposits with banks	0.60%	29.12%	2.55%	2.21%
Treasury bills	93.58%	66.59%	91.08%	92.74%
Mutual funds - open end	1.02%	0.61%	6.37%	5.05%
Listed securities	4.80%	3.68%	0.00%	0.00%
	100%	100%	100%	100%

33.2 Investments out of provident funds have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013	2012
34. NUMBER OF EMPLOYEES		
Number of employees as on June 30	6,311	5,637
Average number of employees during the year	5,974	5,858

35. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Power Generation		Elimination of inter-segment transactions		Total - Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	----------------Rupees----------------											
Sales												
- External	12,128,372,453	10,007,815,423	2,580,146,348	2,869,313,903	6,230,324,291	5,739,813,235	25,165,538,264	21,585,391,983	-	-	46,104,381,356	40,202,334,544
- Inter-segment	2,136,001,160	2,428,743,165	3,751,916,929	3,099,186,165	349,388,758	-	1,466,508,442	1,082,814,180	(7,703,815,289)	(6,610,743,510)	-	-
	14,264,373,613	12,436,558,588	6,332,063,277	5,968,500,068	6,579,713,049	5,739,813,235	26,632,046,706	22,668,206,163	(7,703,815,289)	(6,610,743,510)	46,104,381,356	40,202,334,544
Cost of sales	(11,261,774,591)	(10,640,855,489)	(5,802,782,828)	(5,615,508,417)	(6,031,101,576)	(5,258,156,726)	(22,064,976,209)	(18,032,887,783)	7,703,815,289	6,610,743,510	(37,456,819,915)	(32,936,664,905)
Gross profit	3,002,599,022	1,795,703,099	529,280,449	352,991,651	548,611,473	481,656,509	4,567,070,497	4,635,318,380	-	-	8,647,561,441	7,265,669,639
Distribution cost	(286,656,350)	(243,657,174)	(85,778,723)	(93,597,601)	(165,295,329)	(162,579,242)	-	-	-	-	(537,730,402)	(499,834,017)
Administrative expenses	(58,779,071)	(61,321,201)	(29,374,674)	(33,168,156)	(57,967,325)	(35,272,240)	(80,113,321)	(63,552,671)	-	-	(226,234,391)	(193,314,268)
	(345,435,421)	(304,978,375)	(115,153,397)	(126,765,757)	(223,262,654)	(197,851,482)	(80,113,321)	(63,552,671)	-	-	(763,964,793)	(693,148,285)
Profit before taxation and unallocated income and expenses	2,657,163,601	1,490,724,724	414,127,052	226,225,894	325,348,819	283,805,027	4,486,957,176	4,571,765,709	-	-	7,883,596,648	6,572,521,354
Unallocated income and expenses												
Other expenses											(148,345,872)	(98,261,076)
Other income											390,090,594	366,442,790
Finance cost											(3,651,551,470)	(4,405,316,849)
Taxation											(230,386,577)	(205,849,914)
Profit after taxation											4,243,403,323	2,229,536,305

35.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Power Generation		Total - Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	---Rupees---									
Total assets for reportable segments	9,076,070,829	6,714,562,194	2,654,255,116	2,090,539,826	4,414,437,167	3,804,791,067	24,113,793,481	29,764,766,930	40,258,556,593	42,374,660,017
Unallocated assets:										
Other receivables									1,158,829,645	771,096,062
Short term investments									82,162,359	32,494,520
Cash and bank balances									259,237,529	47,997,011
Other corporate assets									911,173,822	9,019,319
Total assets as per consolidated balance sheet									42,669,959,948	43,235,266,929
Total liabilities for reportable segments	670,185,995	202,563,722	73,443,571	83,605,072	291,784,610	255,693,426	15,403,652,230	21,455,812,449	16,439,066,406	21,997,674,669
Unallocated liabilities:										
Long term financing									5,821,339,955	5,008,931,727
Accrued mark-up									164,249,549	144,471,269
Short term borrowings									6,493,965,784	5,349,510,524
Other corporate liabilities									365,664,353	542,536,554
Total liabilities as per consolidated balance sheet									29,284,286,047	33,043,124,743

35.2 Geographical information

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

	2013 Rupees	2012 Rupees
Europe	2,395,591,369	1,139,462,161
Asia, Africa and Australia	8,368,451,782	5,832,868,986
United States of America and Canada	4,847,553,590	5,974,227,219
Pakistan	30,492,784,615	27,255,776,178
	46,104,381,356	40,202,334,544

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

35.4 Revenue from major customers

Nishat Chunian Power Limited - Subsidiary Company sells electricity only to NTDCL. However, revenue from transactions with a single external customer of the Processing and Home Textile business segment of the Group amounted to Rupees 2,920.343 million (2012: Rupees 2,772.315 million).

	2013	2012
36. PLANT CAPACITY AND ACTUAL PRODUCTION		
Nishat (Chunian) Limited - Holding Company		
Spinning		
Number of spindles installed	149,948	149,948
Number of spindles worked	141,752	141,257
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	49,384,297	48,018,514
Actual production of yarn after conversion into 20/1 count (Kgs.)	48,702,945	47,314,060
Under utilization of available capacity was due to normal maintenance and time lost in shifting of coarser counts to finer counts and vice versa.		
Weaving		
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	200,349,994	197,629,114

	2013	2012
Under utilization of available capacity was due to the following reasons:		
- change of articles required		
- higher count and cover factor		
- normal maintenance		
Power plant		
Number of engines installed	10	10
Number of engines worked	10	10
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	317,698,920
Actual generation (KWh)	159,450,860	166,738,810
Under utilization of available capacity was due to normal maintenance.		
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	3	3
Number of shifts per day	3	3
Capacity in meters	30,800,000	30,800,000
Actual processing of fabrics - meters	27,873,206	22,725,754
Under utilization of available capacity was due to normal maintenance and power outages.		
Printing		
Number of stenter machine	1	1
Number of shifts per day	2	2
Capacity in meters	6,200,000	6,200,000
Actual processing of fabrics - meters	6,335,081	2,534,590
Over utilization of available capacity was due to extra shift.		
Stitching		
The plant capacity of this division is indeterminable due to multi product plant involving varying run length of order lots.		
Nishat Chunian Power Limited - Subsidiary Company		
Installed capacity [based on 8,760 (2012: 8,784) hours] - MWH	1,714,525	1,719,222
Actual energy delivered - MWH	1,283,004	1,072,855

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

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

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

Risk management is carried out by the finance departments of the Group Companies under policies approved by the respective Board of Directors. The finance departments evaluate and hedges financial risks. The Board of each Group Company provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

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

	2013	2012
Cash at banks - USD	194,555	95,333
Trade debts - USD	36,959,089	28,661,429
Trade debts - EURO	785,994	-
Trade and other payables - USD	(548,981)	(598,131)
Trade and other payables - EURO	(8,422)	-
Short term borrowings as FE 25 import / export loans - USD	(2,658,050)	(1,757,564)
Accrued mark-up on FE 25 import / export loans - USD	(4,396)	(11,603)
Net exposure - USD	33,942,217	26,389,464
Net exposure - EURO	777,572	-

The following significant exchange rates were applied during the year:

	2013	2012
Rupees per US Dollar		
Average rate	96.80	89.54
Reporting date rate	98.70	94.10
Rupees per EURO		
Average rate	126.66	119.01
Reporting date rate	128.79	117.58

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 161.781 million (2012: Rupees 116.606 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

The Group has no significant interest-bearing assets except long term loans to employees, overdue trade debts of Nishat Chunian Power Limited - Subsidiary Company and bank balances in saving and deposit accounts. The Group's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

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

	2013 Rupees	2012 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	324,409,390	460,737,278
Short term borrowings	700,000,000	1,613,202,000
Financial assets		
Term deposit receipts	22,000,000	22,034,510
Floating rate instruments		
Financial assets		
Trade debts - over due	500,609,344	6,961,012,548
Derivative financial instruments	2,362,939	-
Bank balances - saving accounts	7,016,452	6,150,283
Term deposit receipts	58,660,226	12,460,010
Financial liabilities		
Long term financing	18,394,991,358	18,359,477,238
Short term borrowings	5,798,176,644	9,566,061,338
Derivative financial instruments	-	34,874,135

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 224.420 million (2012: Rupees 198.126 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

	2013 Rupees	2012 Rupees
Deposits	4,668,247	3,423,897
Trade debts	9,452,690,417	14,738,386,180
Loans and advances	10,284,000	11,311,701
Short term investments	82,162,359	32,494,520
Other receivables	393,894,905	191,382,214
Derivative financial instruments	2,362,939	-
Accrued interest	161,854	70,511
Bank balances	539,196,811	80,985,608
	10,485,421,532	15,058,054,631

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

	Rating			2013	2012
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
Askari Bank Limited	A1+	AA	PACRA	180,924,732	2,069,660
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	8,522	5,997
Allied Bank Limited	A1+	AA+	PACRA	-	-
Bank Alfalah Limited	A1+	AA	PACRA	1,831,451	39,589,301
Bank Al-Habib Limited	A1+	AA+	PACRA	6,499,073	-
BankIslami Pakistan Limited	A1	A	PACRA	203,057,984	2,849,143
Barclays Bank Plc	P-1	A-2	Moody's	54,094	1,921,331
Burj Bank Limited	A-1	A	JCR-VIS	13,800	-
Citibank N.A.	A-1	A	JCR-VIS	6,501	2,502
Deutsche Bank AG	P-2	A3	Moody's	2,630	75,584
Dubai Islamic Bank (Pakistan) Limited	P-1	Aa3	Moody's	107,196	503,221
Faysal Bank Limited	A-1	A	JCR-VIS	270,002	5,941,744
Habib Bank Limited	A1+	AA	PACRA	3,082,773	244,440
Habib Metropolitan Bank Limited	A-1+	AA+	JCR-VIS	3,608,173	-
HSBC Bank Middle East Limited	A1+	AA+	PACRA	795,974	757,303
MCB Bank Limited	P-1	A1	Moody's	15,045,845	10,241,084
Meezan Bank Limited	A1+	AA+	PACRA	14,038,221	213,463
National Bank of Pakistan	A-1+	AA	JCR-VIS	92,844,050	2,372
NIB Bank Limited	A1+	AA -	PACRA	153,034	5,896,966
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	540,197	8,992,419
Summit Bank Limited	A-2	A-	JCR-VIS	463	6,942
The Bank of Punjab	A1+	AA -	PACRA	3,351,593	1,107,303
United Bank Limited	A-1+	AA+	JCR-VIS	1,516,621	564,833
JPMorgan Chase Bank, N.A	P-1	Aa3	Moody's	11,443,882	-
				539,196,811	80,985,608
Short term investments					
Askari Bank Limited	A1+	AA	PACRA	22,074,426	22,034,510
BankIslami Pakistan Limited	A1	A	PACRA	60,087,933	10,460,010
				82,162,359	32,494,520
Trade debts - NTDCL		Not Available		4,580,816,043	3,459,773,701
				5,202,175,213	3,573,253,829

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

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

(c) Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2013, the Group had Rupees 12,053 million available borrowing limits from financial institutions and Rupees 540.720 million cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2013:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
	.....................................Rupees.....................................					
Non-derivative financial liabilities:						
Long term financing	18,719,400,748	27,398,778,998	2,482,599,845	2,339,113,235	4,562,514,400	18,014,551,518
Short term borrowings	6,498,176,644	6,779,232,343	5,991,512,260	787,720,083	-	-
Trade and other payables	3,006,430,854	3,006,430,854	3,006,430,854	-	-	-
Accrued mark-up	683,900,614	683,900,614	683,900,614	-	-	-
	28,907,908,860	37,868,342,809	12,164,443,573	3,126,833,318	4,562,514,400	18,014,551,518

Contractual maturities of financial liabilities as at 30 June 2012:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
	.....................................Rupees.....................................					
Non-derivative financial liabilities:						
Long term financing	18,820,214,516	45,454,158,765	3,174,655,880	3,382,104,077	6,660,621,636	32,236,777,172
Short term borrowings	11,179,263,338	11,404,979,186	10,297,286,321	1,107,692,865	-	-
Trade and other payables	1,846,014,171	1,846,014,171	1,846,014,171	-	-	-
Accrued mark-up	880,447,496	880,447,496	880,447,496	-	-	-
	32,725,939,521	59,585,599,618	16,198,403,868	4,489,796,942	6,660,621,636	32,236,777,172

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 6 and note 9 to these consolidated financial statements.

37.2 Fair values of financial assets and liabilities

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

37.3 Financial instruments by categories

Assets as per balance sheet

	2013			
	At fair value through profit or loss	Loans and receivables	At amortized cost	Total
	------------------------------------ Rupees ------------------------------------			
Deposits	-	4,668,247	-	4,668,247
Trade debts	-	9,452,690,417	-	9,452,690,417
Loans and advances	-	10,284,000	-	10,284,000
Short term investments	-	-	82,162,359	82,162,359
Other receivables	-	393,894,905	-	393,894,905
Accrued interest	-	161,854	-	161,854
Derivative financial instruments	2,362,939	-	-	2,362,939
Cash and bank balances	-	540,719,734	-	540,719,734
	2,362,939	10,402,419,157	82,162,359	10,486,944,455

	2012		
	Loans and receivables	At amortized cost	Total
	------------------------- Rupees -------------------------		
Deposits	3,423,897	-	3,423,897
Trade debts	14,738,386,180	-	14,738,386,180
Loans and advances	11,311,701	-	11,311,701
Short term investments	-	32,494,520	32,494,520
Other receivables	191,382,214	-	191,382,214
Accrued interest	70,511	-	70,511
Derivative financial instruments	87,794,100	-	87,794,100
Cash and bank balances	15,032,368,603	32,494,520	15,064,863,123

Liabilities as per balance sheet

	2013		2012		
	At amortized cost	Total	At fair value through profit or loss	At amortized cost	Total
	------------------------- Rupees -------------------------				
Long term financing	18,719,400,748	18,719,400,748	-	18,820,214,516	18,820,214,516
Accrued mark-up	683,900,614	683,900,614	-	880,447,496	880,447,496
Short term borrowings	6,498,176,644	6,498,176,644	-	11,179,263,338	11,179,263,338
Derivative financial instruments	-	-	35,090,368	-	35,090,368
Trade and other payables	3,006,430,854	3,006,430,854	-	1,846,014,171	1,846,014,171
	28,907,908,860	28,907,908,860	35,090,368	32,725,939,521	32,761,029,889

38. CAPITAL RISK MANAGEMENT

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

		2013	2012
Borrowings	Rupees	25,217,577,392	29,999,477,854
Total equity	Rupees	13,385,673,901	10,192,142,186
Total capital employed	Rupees	38,603,251,293	40,191,620,040
Gearing ratio	Percentage	65.33	74.64

39. UNUTILIZED CREDIT FACILITIES

The Group has total credit facilities amounting to Rupees 18,551.06 million (2012: Rupees 16,506 million) out of which Rupees 12,053 million (2012: Rupees 5,327 million) remained unutilized at the end of the year.

40. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company at their meeting held on October 4, 2013 has proposed 10% (2012: 10%) bonus issue and cash dividend of Rupees 2 per ordinary share (2012: Rupees 2 per ordinary share) in respect of the year ended 30 June 2013. The Board of Directors of Nishat Chunian Power Limited ("the Subsidiary compnany") at their meeting held on August 30, 2013 had declared interim dividend of Rupees 2 per ordinary share (2012: Nil). The Board of the Subsidiary compnany in their meeting held on October 4, 2013 also proposed a final cash dividend of Rupees 2 per ordinary share (2012: Rupees 2 per ordinary share) in respect of the year ended 30 June 2013. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these consolidated financial statements.

41. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on October 4, 2013 by the Board of Directors of the Holding Company.

42. CORRESPONDING FIGURES

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

43. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

DIRECTOR

Proxy Form

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

I / We ________________________ Of ______________________________ being a member(s) of Nishat (Chunian) Limited, and a holder of _____________ Ordinary shares as per Share Register Folio No. _____________ (in case of Central Depository System Account Holder A/c No. _________ Participant I.D. No. ______) hereby appoint _______________________ of _____________________ another member of the Company as per Register Folio No. _______________ or (failing him / her ______________________________ of _________________________ another member of the Company) as my / our Proxy to attend and vote for me / us and on my / our behalf at 24th Annual General Meeting of the Company, will be held on October 30, 2013 (Wednesday) at 11:00 a.m at the Head Office of the Company 31-Q, Gulberg II, Lahore and at any adjournment thereof.

As witness my hand this ____________ day of _______________ 2013 signed by the said ____ in presence of ____

Witness

Signature

Signature

Affix Rs. 5/-
Revenue
Stamp

Notes:

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

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