



ANNUAL REPORT 2017



Nishat Chunian Limited

BRIEF PROFILE

2016

Diversification into Retail Business
The Linen Company (TLC)

2015

Diversified into Cinema Business
NC Entertainment Private Limited

2014

46 MW Coal Based Power Plant

2013

Established a subsidiary company in
USA

2013

2 Spinning Mills acquired & a new spinning mill started

2010

IPP 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 Setup

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COMPANY INFORMATION

Board of Directors:

Mrs. Farhat Saleem (*Chairperson*)
Mr. Shahzad Saleem (*Chief Executive*)
Mr. Zain Shahzad
Mr. M. Imran Rafiq (*Nominee NIT*)
Mr. Aftab Ahmad Khan
Mr. Muhammad Ali Zeb
Mr. Kamran Rasool

Audit Committee:

Mr. M. Imran Rafiq (*Chairman*)
Mr. Zain Shahzad (*Member*)
Mr. Muhammad Ali Zeb (*Member*)

HR & Remuneration Committee:

Mrs. Farhat Saleem (*Chairperson*)
Mr. Zain Shahzad (*Member*)
Mr. Kamran Rasool (*Member*)

CFO / Company Secretary:

Mr. Babar Ali Khan

Head of Internal Audit:

Mr. Faqir Syed Ameer Abbas

Mills:

Spinning 1, 4, 5, 7 & 8
49th Kilometre, Multan Road,
Bhai Pheru, Tehsil Chunian,
District Kasur.

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

Spinning 2, 3, 6 & Weaving
49th Kilometre, Multan Road,
Kamogal, Tehsil Pattoki,
District Kasur.

Bankers to the Company:

Allied Bank Limited
Askari Bank Limited
Al Barka Bank (Pakistan) Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
JS Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China (ICBC)
Meezan Bank Limited
National Bank of Pakistan
MCB Bank Limited
Pak Kuwait Investment Company (Private) Limited
Standard Chartered Bank Pakistan 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 : 042-35761730-39
Fax : 042-35878696-97
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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 28TH Annual General Meeting of the Shareholders of Nishat (Chunian) Limited (the "Company") will be held on 23rd October 2017 at 10:45 A.M. at Registered Office, 31-Q, Gulberg – II, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2016.
2. To receive, consider and adopt audited unconsolidated and consolidated financial statements of the Company for the year ended 30 June 2017 together with Directors' and Auditors' reports thereon.
3. To approve a final cash dividend @27.50% (i.e. Rs.2.75 per share) as recommended by the Board of Directors.
4. To appoint auditors for the year ending 30 June 2018 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.

Lahore

Dated: September 22, 2017

By order of the Board
Babar Ali Khan
Company Secretary

NOTES:

1. Closure of Share Transfer Books

For attending of Annual General Meeting:

The Share Transfer Books of the Company will remain closed from 17-10-2017 to 23-10-2017 (both days inclusive) for attending of Annual General Meeting.

For entitlement of 27.50% Final Cash Dividend:

The Share Transfer Books of the Company will remain closed from 13-11-2017 to 19-11-2017 (both days inclusive) for entitlement of 27.50% Final Cash Dividend i.e. Rs.2.75 per share. Transfers Physical / CDS received at the share registrar of the Company M/s Hameed Majeed Associates (Pvt) Ltd., H.M. House, 7-Bank Square, Lahore upto Close of office timings on 10-11-2017 will be treated in time of entitlement of 27.50% Final Cash Dividend.

2. Participation in the Annual General Meeting

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her 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 signature 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 Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

- (iv) The proxy shall produce his / her 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 signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. CNIC / NTN Number on Dividend Warrant (Mandatory)

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 19(1)/2014 dated 10th January 2014 read with Notification S.R.O. 831(1)/2012 dated July 5, 2012 required that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

4. Deduction of Income Tax from Dividend under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

(i) Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, reforms has been made with regards to deduction of income tax. For Cash Dividend, the rates of deduction of income tax, under section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

1. Rate of tax deduction for filer of income tax return 15%
2. Rate of tax deduction for non-filers of income tax return 20%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @20% instead of 15%

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

| Company Name | Folio/CDs Account# | Total Shares | Principal Shareholder | | Joint Shareholder | |
|--------------|--------------------|--------------|-----------------------|---|-------------------|---|
| | | | Name and CNIC# | Shareholding Proportion (No. of Shares) | Name and CNIC# | Shareholding Proportion (No. of Shares) |
| | | | | | | |

The required information must reach our Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

(iii) For any query/problem/information, the investors may contact our share registrar M/s. Hameed Majeed Associates (Pvt) Ltd., H.M. House 7-Bank Square, The Mall, Lahore at phone 042-37235081-2 or email at shares@hmaconsultants.com

(iv) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to our share registrar M/s. Hameed Majeed Associates (Pvt) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

5. Payment of Cash Dividend Electronically

In accordance with the provisions of section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. SECP Vide Circular No. 18 of 2017 dated August 01, 2017, has presently waived this condition till October 31, 2017. Any

dividend payable after this due date shall be paid in the manner prescribed only.

All shareholders are requested to provide the details of their bank mandate specifying:

- (i) Title of Account: _____
- (ii) IBAN number : _____
- (iii) Bank Name : _____
- (iv) Branch Code, Name & Address: _____
- (v) Signature of Shareholder: _____

To the Company's Share Registrar M/s Hameed Majeed Associates (Pvt) Ltd. Shareholders who hold shares with Participants/ Central Depository Company of Pakistan (CDC) are advised to provide the bank mandate details as mentioned above, to the concerned Participant / CDC.

If they so desires the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on Company's website <http://www.nishat.net>.

6. Circulation of Annual reports through Digital Storage

Pursuant to the SECP's notification S.R.O 471(I)/2016 dated 31st May, 2016, the shareholders of Nishat (Chunian) Limited in its 27th AGM of the Company had accorded their consent for transmission of annual reports including audited annual accounts, notices of AGM and other information contained therein of the Company through a CD/ DVD/USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copies of the aforesaid documents may send to the Company Secretary / Share registrar, the standard request form provided in the annual report and is also available on the Company's website and the Company will provide the aforesaid documents to the shareholders on demand, free of cost, within one week of such demand. The shareholders who also intend to receive the annual report including the notice of meetings via email are requested to provide their written consent on the standard request form provided in the annual report and also available on the Company's website.

7. Unclaimed Dividend

Unclaimed dividends of the shareholders, who by any reason, could not claim their dividend, if any, are advised to contact our Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., H.M. House 7-Bank Square, The Mall, Lahore, to collect/enquire about their unclaimed dividend, if any.

In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of Federal Government.

8. Video Conference Facility

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city other than Lahore, and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least 7 days prior to the date of the meeting on the Standard Form provided in the annual report and also available on the company's website.

9. E-Voting

The Company is in the process of setting up the e-voting facility in accordance with the requirements of the Companies (E-Voting) Regulations, 2016 and in this connection, a special resolution for alteration of the Articles of Association to allow e-voting facility was passed by the members. However, the e-voting facility cannot be made available to the members for this meeting as other mandatory conditions prescribed under the aforesaid Regulations including the availability of accredited intermediary could not be satisfied.

10. Change of Address

Members are requested to notify any change in their addresses immediately. Shareholders are requested to provide above mentioned information/documents to (i) respective Central Depository System (CDS) Participants and (ii) in case of physical securities to the Share Registrar of the Company.

11. The Company has placed the audited unconsolidated and consolidated financial statements for the year ended June 30, 2017 along with Auditors and Directors Reports thereon on its website: www.nishat.net

CHAIRPERSONS' REVIEW

It gives me immense pleasure to present the annual report and financial statements for the year ended 30th June 2017 which has shown an increased revenue as well as profitability. This has been made possible through the persistent commitment of the Management which is evident as the textile industry has not witnessed considerable growth or revival in the current year.

The BOD, in its meeting held on September 22nd, 2017 deliberated on the challenges faced by the Company which includes operating in an environment which is faced by stringent Government regulations/taxes, stuck up income and sales tax refunds, higher cost of raw materials, poor quality of cotton and unavailability of power.

I would like to share some of the investments made during the course of financial year 2016-17. In the Spinning division, a total of 53,664 new spindles have been added by replacing 40,608 old spindles thereby increasing the total number of spindles to 222,708. In the Weaving division, 99 new looms have been added by replacing 97 old looms leading to a total number of 363 looms. Also, the value-added segment of the company added a mercerizing range and a stenter in the Dyeing division. The Home Textiles division has also added a digital printing machine which has doubled the existing capacity.

On behalf of the board,

Mrs. Farhat Saleem
Chairperson

Date: September 22, 2017



Growing Ingeniously







DIRECTORS' REPORT

The Company's operations remained profitable with significant increase in sales during the fiscal year despite dwindling profitability in the textile sector against decline in growth as witnessed in the overall industry. Our textile business faced a number of challenges where both the demand and margins fell considerably. The company has cemented its profitable track record by declaring profit after tax of 5.4% of sales as compared to 5.1% last year. The favourable effect on profitability can be attributed to efficient cost management through revamping of old machinery, significant

increase in exports of Home Textile Divisions, efficient tax planning and prudent investment decisions. Financial figures of the company over the last seven years show steady and durable growth. Our net sales rose to Rs. 29.8 billion in 2017 from Rs. 25.8 billion in 2016, while there is a notable increase in total assets as well.

We are pleased to announce the audited results for the year ended June 30, 2017.

YEAR AT A GLANCE

Revenue: Rs. 29.8 Billion (+15.6%)
 Profit from Operations Rs. 2.87 Billion (+8.7%)
 Net Profit for the Year Rs. 1,621 Million (+22%)

| Financial Highlights | For the Year Ended | |
|-----------------------------|--------------------|----------------|
| | 2017 | 2016 |
| Sales (Rs.) | 29,815,994,272 | 25,799,121,553 |
| Gross Profit (Rs.) | 2,899,793,399 | 2,455,517,774 |
| Profit After Taxation (Rs.) | 1,621,331,852 | 1,328,774,693 |
| Gross Profit % | 9.7% | 9.5% |
| Profit After Taxation % | 5.4% | 5.1% |
| Earnings Per Share (Rs.) | 6.75 | 5.59 |

PROFITABILITY

Revenue earned during this year was Rs. 29.8 billion, up by 15.6% from last year. The Spinning division significantly contributed towards this increase by increasing local market share due to better margins available. The gross profits and net profits for this period increased from 9.5% and 5.1% to 9.7% and 5.4% respectively over the last year majorly due to the export package initiative taken by the Government.

A major component of other operating income generated during the year was dividend received from our subsidiary company. We realised at this juncture that our strategic decision to diversify had been a very prudent measure to balance the cyclical and volatile textile industry.

APPROPRIATIONS

The Board of Directors of the Company has proposed to pay Rs. 2.75 per ordinary share cash dividend on its meeting held on September 22, 2017.

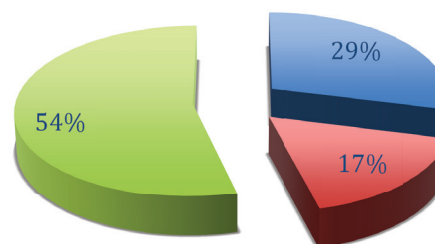
INVESTMENTS

Significant investments were made during the year in all textile segments for capacity enhancement and improvement in operational efficiency. A summarized overview is given below:

| Business Segment | Machinery Added | Capacity Addition (per annum) | Investment (PKR in million) |
|------------------|--|---|-----------------------------|
| Spinning | <ul style="list-style-type: none"> 33 ring frames 11 Cards 2 Blow room lines | 53,664 spindles added out of which 40,608 were replacements | 1,914 |
| Weaving | <ul style="list-style-type: none"> 97 looms replaced 2 looms added | 18,395,131 yards per 50 picks | 500 |
| Home Textiles | <ul style="list-style-type: none"> Digital Printing Stenter Mercerizing Range | 1,560,000 meters 500,000 meters 500,000 meters | 340 |

SEGMENT WISE REVENUE

Spinning still remains the main stream of revenue generating business for NCL. All three areas of the business have shown tremendous growth in terms of revenue. Major drivers being improved margins available in local market for Spinning and in export market for Home Textile & Weaving divisions.

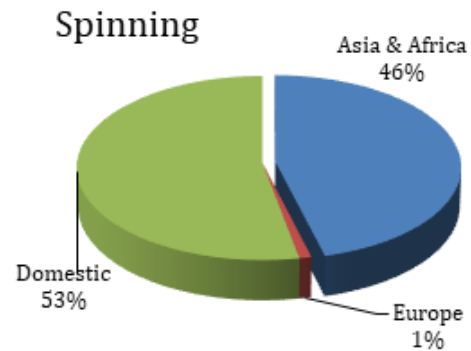


■ Home Textile ■ Weaving ■ Spinning

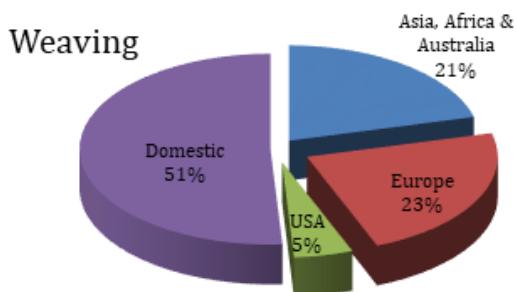


SPINNING

This year the Spinning Division has experienced profitability. Yarn sales have increased by almost 10% in total with around 42% local sales growth over the last year. Raw materials cost increased by almost 20% due to rise in cotton prices, both local and imported. However, the industry was able to pass on this increased cost to the local market leading to its overall profitability. The Company has fully revamped the back process and major machinery in one of the two sick units acquired in 2013.



WEAVING

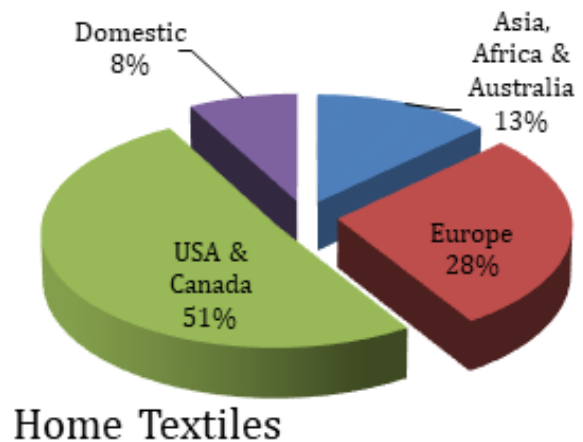


During the year under review, total sales have increased by 14% as compared to last year. The increase in sales, along with the support provided by the Export Package of the government has contributed positively to the company. This heavy investment in state of the art machinery will enable the company to boost its future profitability.

HOME TEXTILES

During the year under review, total sales have increased by 12% as compared to last year. The addition of digital printing provides a more diverse product mix to the existing customer base as well as the ability to serve a new customer segment. The efficient power cost management by the company and support from the export package of the government has proved vital for the value added sector.

The retail venture of the company 'The Linen Company' (TLC) opened its first outlet in the previous year and since then has opened 2 retail outlets; one in Lahore and in Islamabad. The company plans to further expand the number of its retail outlets.



FUTURE OUTLOOK

The company has further diversified its portfolio by establishing a 46 MW coal based power project and opening of two multiplex cinemas comprising of 11 screens under NC Entertainment (Private) Limited (wholly owned subsidiary) thus emerging as a unique conglomerate. This diversification will generate additional revenues for the company, both in shape of cost savings and dividend income.

After capacity enhancement of Weaving and Dyeing units, launch of further retail outlets under the Company's brand name TLC (The Linen Company) are planned across the country. In the Spinning division, up-gradation of the existing machinery is

on the cards to derive further economies of scale. The company is fully committed to automate the conventional processes to reduce dependency on manpower.

The next few years will see NCL fortify and integrate the benefits of the growth it has witnessed in the last few years. On the whole the future of the company looks very encouraging. The Group is well placed to achieve further success and build shareholder value in the years ahead.

CORPORATE SOCIAL RESPONSIBILITY

Social welfare and community service are integral part of our company's vision. We add substantially to the national exchequer through the payment of various taxes, duties and levies and our export earnings contribute considerably in stabilizing the country's foreign exchange position. We are committed to provide our employees with a work environment that is healthy, safe and conducive to continuous learning. We continue to employ people irrespective of ethnicities, cultures or gender. We pride ourselves in being an equal opportunity employer. As part of its philanthropic endeavours, the company donates to a school

which provides quality education for a nominal fee for the underprivileged.

In addition to above, the sponsors of the company along with other philanthropists is in the process of setting up a state-of-the art, not for profit hospital, Saleem Memorial Trust Hospital (SMTH). This 350 bed hospital which is being constructed on 39 kanals of land will provide subsidized medical treatment to the underprivileged. The grey structure will be completed by 2018 and the hospital will be functional by 2019.

RISK MANAGEMENT

The company's overall risk management program focuses on the unpredictability factors of industry and economy in general and of business in specific and seeks to minimize the potential adverse effects on the profitability. The company provides principles for overall risk management, as well as policies covering specific areas. As part

of risk management, the company has designed adequate internal controls and standard operating procedures that are communicated to staff via various policies and procedural guidelines. These controls are also periodically reviewed by management and internal audit function.

INTERNAL FINANCIAL CONTROLS

At Nishat Chunian Limited we have a robust internal control and risk management system. The Risk Management and internal control processes are designed to safeguard the company's assets and to appropriately address and/or mitigate emerging risks being faced by the company. The company has an internal audit department which is outsourced to a reputable audit firm which carries out periodical audits and presents reports to the Management highlighting loopholes and suggesting areas of improvement. It is ensured by

the top management that these suggestions are implemented properly and reviewed periodically. The Board is fully aware of its responsibilities for establishing and managing an efficient and effective internal control system. Thus these controls are properly implemented and reliance can be placed on their functionality.

ENVIRONMENTAL IMPACTS

The company regularly takes initiatives towards the improvement of environment and well-being of society.

Environment Protection

We have a waste water treatment plant to protect the environment from the hazardous effects of our industrial processes. We are constantly reviewing and implementing the proposals made by the government in respect of environmental protection.

The company has installed caustic recovery plant to recover caustic from waste water. We also use ecofriendly dyes & chemicals that have less

pollution load over our waste streams.

Energy Conservation

Apart from making efforts to generate energy from efficient sources, the company is also engaged in exploring ways to conserve energy. Moreover, we have also conducted in-house energy conservation audit to conserve energy resources.

Occupational Safety and Health

We carry out regular health and safety awareness programs. The Company has also provided firefighting equipment and vehicles at all of its manufacturing facilities.

STATEMENT OF COMPLIANCE

The requirements of the Code of Corporate Governance as set out by the Pakistan Stock Exchange in its listing regulations have been

adopted by the Company and have been duly complied with. A statement to this effect is annexed to the report.

STATEMENT OF VALUE ADDITION & DISTRIBUTION

| | Rs. In Millions |
|--|-----------------|
| Wealth Generated | |
| Total Revenue and other income | 30,938 |
| Bought in Material and services | (23,971) |
| | 6,967 |
| Wealth Distribution | |
| To Society | |
| Employee remuneration | 2,378 |
| To Government | |
| Taxes, duties, development surcharge etc. | 157 |
| To providers of Finance | |
| Finance Cost | 1,095 |
| Dividend | 891 |
| Retained for reinvestment and future growth | |
| Depreciation, amortization and retained profit | 2,446 |
| | 6,967 |

CORPORATE GOVERNANCE

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

Board of Directors Meetings:

During the year under review four (4) meetings were held. Attendance by each director is as follows:

| Name of Directors | No. of Meetings |
|--------------------------------------|------------------------|
| Mrs. Farhat Saleem (Chairperson) | 0 |
| Mr. Shahzad Saleem (Chief Executive) | 3 |
| Mr. Zain Shahzad | 0 |
| Mr. Aftab Ahmad Khan | 4 |
| Mr. Kamran Rasool | 3 |
| Mr. Muhammad Ali Zeb | 4 |
| Mr. M. Imran Rafique (Nominee NIT) | 4 |

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. Muhammad Imran Rafique | Chairman |
| Mr. Zain Shahzad | Member |
| Mr. Muhammad Ali Zeb | 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:

| | |
|--------------------|-------------|
| Mrs. Farhat Saleem | Chairperson |
| Mr. Zain Shahzad | Member |
| Mr. Kamran Rasool | Member |

Pattern of Shareholding

Pattern of shareholding as on June 30, 2017 is annexed.

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 best practices of corporate governance, as detailed in the listing regulations.

Acknowledgement

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

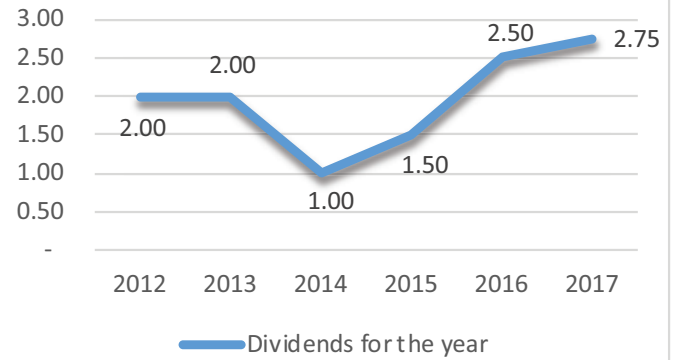
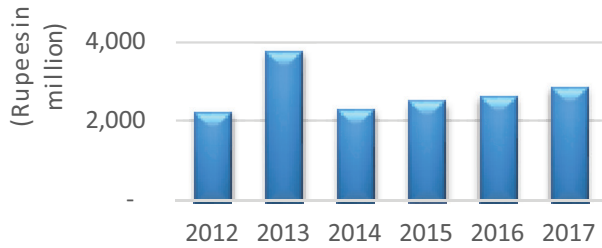
Date: September 22, 2017
Lahore.

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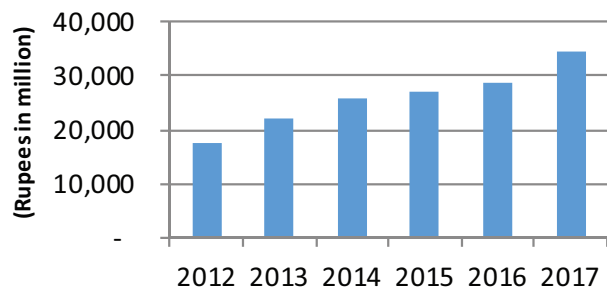
FINANCIAL HIGHLIGHTS

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-----------------------------|-------------|-------------|
| | | | | (Rupees in thousand) | | |
| Net Sales | 18,616,943 | 21,213,244 | 22,799,758 | 23,780,455 | 25,799,122 | 29,815,994 |
| Gross Profit | 2,076,797 | 3,595,567 | 1,380,613 | 1,956,775 | 2,455,518 | 2,899,793 |
| Distribution, Admin and Other Expenses | 685,999 | 821,778 | 892,998 | 940,051 | 1,003,589 | 1,148,822 |
| Operating Profit plus Other Income | 2,247,418 | 3,774,183 | 2,302,894 | 2,497,253 | 2,642,648 | 2,873,374 |
| Finance Cost | 1,353,445 | 1,243,262 | 1,375,292 | 1,353,886 | 1,029,629 | 1,094,723 |
| Net Income | 699,331 | 2,276,161 | 761,297 | 800,420 | 1,328,775 | 1,621,332 |
| Current Assets | 9,724,895 | 12,396,935 | 14,548,838 | 14,794,557 | 15,975,281 | 18,707,295 |
| Total Assets | 17,682,955 | 21,924,849 | 25,940,962 | 26,959,844 | 28,883,996 | 34,622,603 |
| Current Liabilities | 7,622,371 | 9,703,454 | 12,801,084 | 14,084,317 | 15,817,604 | 18,311,946 |
| Total Equity | 6,074,994 | 8,020,271 | 8,417,596 | 9,969,626 | 10,987,197 | 12,007,975 |
| Cash Flows: | | | | | | |
| Net Cash generated from / (used in) Operating Activities | 298,230 | (1,186,723) | (2,457,485) | 319,654 | (479,208) | (649,757) |
| Net Cash generated from / (used in) Investing Activities | (969,208) | (231,730) | (933,413) | 166,018 | (374,500) | (3,865,054) |
| Net Cash generated from / (used in) Financing Activities | 583,952 | 1,629,694 | 3,149,899 | 465,557 | (67,092) | 4,510,693 |
| Earnings Per Share | | | | | | |
| Basic | 3.88 | 11.37 | 3.80 | 4.00 | 5.59 | 6.75 |
| Diluted | 3.88 | 11.37 | 3.80 | 4.00 | 5.59 | 6.75 |
| Dividends for the year | 2.00 | 2.00 | 1.00 | 1.50 | 2.50 | 2.75 |
| Dividend Payout Ratio | 0.47 | 0.16 | 0.26 | 0.38 | 0.45 | 0.41 |
| Financial Measures: | | | | | | |
| ROE | 11.51% | 28.38% | 9.04% | 8.88% | 12.09% | 13.50% |
| ROI | -9% | 255% | -27% | -10% | 3% | 53% |
| Shareholders' Equity Ratio | 34% | 37% | 32% | 37% | 38% | 35% |
| Net Debt Equity Ratio (times) | 0.67 | 0.52 | 0.56 | 0.30 | 0.19 | 0.35 |
| Interest Coverage Ratio (times) | 1.66 | 3.04 | 1.67 | 1.84 | 2.57 | 2.62 |
| P/E ratio (Price per share / EPS) | 4.48 | 5.26 | 11.16 | 9.19 | 6.34 | 7.60 |
| Dividend Yield Ratio (Cash dividend / Net Income) | 0.47 | 0.16 | 0.26 | 0.38 | 0.45 | 0.41 |
| Common Stock | | | | | | |
| Number of shares outstanding at year end | 165,441,844 | 181,986,028 | 200,184,630 | 200,184,630 | 240,221,556 | 240,221,556 |
| Break up value | 36.72 | 44.07 | 42.05 | 49.80 | 45.74 | 49.99 |

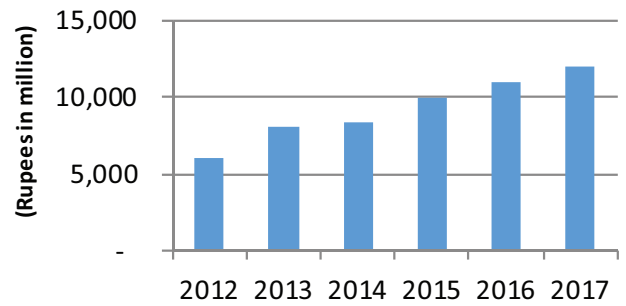
Operating Profit plus Other Income



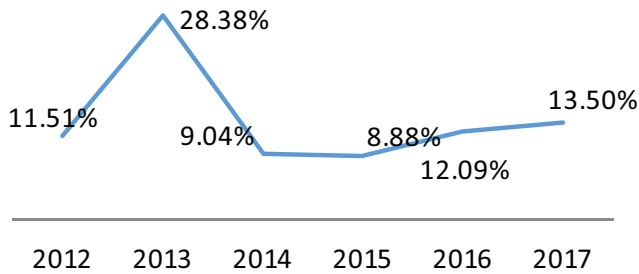
Total Assets



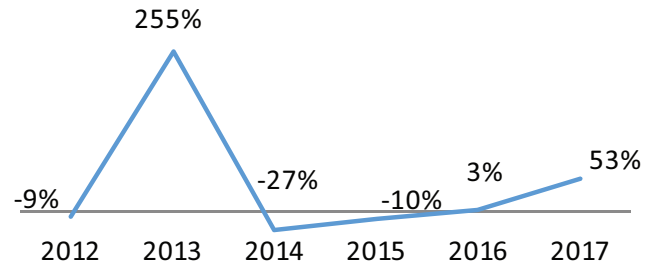
Total Equity



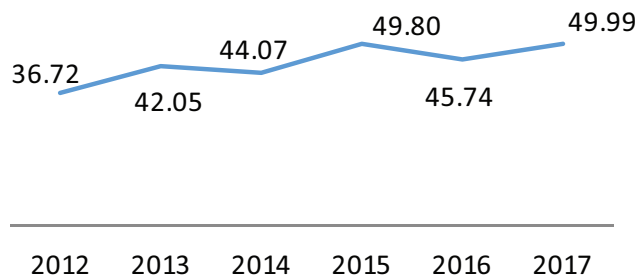
ROE



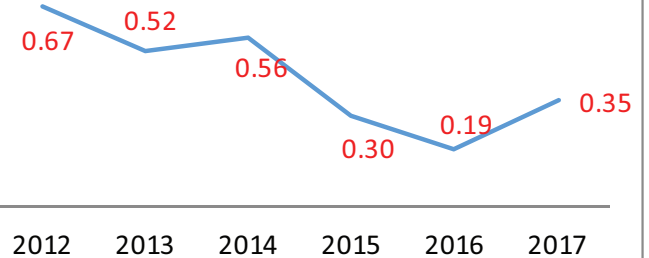
ROI



Break up value



Net Debt Equity Ratio (times)



STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE (CCG)
FOR THE YEAR ENDED 30 JUNE 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of Listing Regulations of Pakistan Stock Exchange 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 CCG 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. Muhammad Imran Rafiq |
| Executive Directors | Mr. Shahzad Saleem |
| Non Executive Directors | Mrs. Farhat Saleem Mr. Zain Shahzad Mr. Kamran Rasool Mr. Aftab Ahmad Khan Mr. Muhammad Ali Zeb |

The independent director meets the criteria of independence as required under clause 5.19.1 (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.

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

4. No casual vacancy occurred on the board during the year.

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.

8. The meetings of the Board were presided over by the Chairperson and, in her 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, save in case of emergencies. The minutes of the meetings were appropriately recorded and circulated.

9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. Three (3) directors of the company are exempt from directors' training program due to 14

years of education and 15 years of experience on the board of a listed company. Three (3) directors have completed directors' training program. Remaining director of the company will complete directors' training program within the time allowed by the Code.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of 3 members, of whom 2 are non-executive directors and 1 is an independent director. The Chairman of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The Terms of Reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of 3 members all of whom are non-executive directors. The chairman of the Committee is a non-executive director.

18. The Board has outsourced the internal audit function to M/s EY Ford Rhodes who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The day to day operations of this function are being performed and supervised by the Head of Internal Audit, who is conversant with the policies and procedures of the Company.

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.

22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange.

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

SHAHZAD SALEEM
Chief Executive

Date: September 22, 2017
Lahore

REVIEW REPORT TO THE MEMBERS

ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of NISHAT (CHUNIAN) LIMITED (“the Company”) for the year ended 30 June 2017 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and reviews of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors’ 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.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Mubashar Mahmood

Date: September 22, 2017
Lahore

AUDITORS' REPORT

TO THE MEMBERS

We have audited the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 30 June 2017 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 repealed 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 repealed 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 repealed 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 repealed 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 2017 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:
Mubashar Mehmood

Date: September 22, 2017
Lahore

BALANCE SHEET

AS AT JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|-----------------------|-----------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | 3 | 3,000,000,000 | 3,000,000,000 |
| Issued, subscribed and paid-up share capital | 4 | 2,402,215,560 | 2,402,215,560 |
| Reserves | 5 | 9,605,759,223 | 8,584,981,261 |
| Total equity | | 12,007,974,783 | 10,987,196,821 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 6 | 4,302,681,600 | 2,079,194,833 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 1,531,941,212 | 1,972,627,238 |
| Accrued mark-up | 8 | 194,237,156 | 142,984,217 |
| Short term borrowings | 9 | 15,236,786,649 | 12,120,082,522 |
| Current portion of non-current liabilities | 10 | 1,348,981,400 | 1,581,910,167 |
| | | 18,311,946,417 | 15,817,604,144 |
| Total liabilities | | 22,614,628,017 | 17,896,798,977 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 11 | | |
| TOTAL EQUITY AND LIABILITIES | | | |
| | | 34,622,602,800 | 28,883,995,798 |

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

CHIEF EXECUTIVE

BALANCE SHEET

AS AT JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-------------------------------------|------|------------------------------|------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 12 | 11,974,956,779 | 9,460,210,901 |
| Investments in subsidiary companies | 13 | 3,902,230,516 | 3,412,793,015 |
| Long term loans to employees | 14 | 15,885,959 | 14,941,891 |
| Long term security deposits | | 22,234,440 | 20,769,440 |
| | | <u>15,915,307,694</u> | <u>12,908,715,247</u> |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 15 | 580,064,718 | 781,084,455 |
| Stock-in-trade | 16 | 8,650,117,999 | 6,857,956,934 |
| Trade debts | 17 | 5,173,332,632 | 5,198,890,821 |
| Loans and advances | 18 | 1,627,217,961 | 1,010,817,219 |
| Short term prepayments | | 8,091,017 | 2,754,970 |
| Other receivables | 19 | 2,597,671,046 | 2,075,108,629 |
| Accrued interest | 20 | 4,483,425 | - |
| Short term investments | 21 | 21,766,947 | - |
| Cash and bank balances | 22 | 44,549,361 | 48,667,523 |
| | | <u>18,707,295,106</u> | <u>15,975,280,551</u> |
| TOTAL ASSETS | | <u><u>34,622,602,800</u></u> | <u><u>28,883,995,798</u></u> |

CHIEF FINANCIAL OFFICER

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|------------------|------------------|
| REVENUE | 23 | 29,815,994,272 | 25,799,121,553 |
| COST OF SALES | 24 | (26,916,200,873) | (23,343,603,779) |
| GROSS PROFIT | | 2,899,793,399 | 2,455,517,774 |
| DISTRIBUTION COST | 25 | (713,514,292) | (738,168,261) |
| ADMINISTRATIVE EXPENSES | 26 | (235,449,218) | (168,988,341) |
| OTHER EXPENSES | 27 | (199,858,212) | (96,432,497) |
| | | (1,148,821,722) | (1,003,589,099) |
| | | 1,750,971,677 | 1,451,928,675 |
| OTHER INCOME | 28 | 1,122,401,854 | 1,190,718,912 |
| PROFIT FROM OPERATIONS | | 2,873,373,531 | 2,642,647,587 |
| FINANCE COST | 29 | (1,094,723,154) | (1,029,629,378) |
| PROFIT BEFORE TAXATION | | 1,778,650,377 | 1,613,018,209 |
| TAXATION | 30 | (157,318,525) | (284,243,516) |
| PROFIT AFTER TAXATION | | 1,621,331,852 | 1,328,774,693 |
| EARNINGS PER SHARE - BASIC AND DILUTED | 31 | 6.75 | 5.59 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 Rupees | 2016 Rupees |
|---|----------------------|----------------------|
| PROFIT AFTER TAXATION | 1,621,331,852 | 1,328,774,693 |
| 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 | 1,621,331,852 | 1,328,774,693 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 32 | 815,626,676 | 1,012,051,252 |
| Net increase in long term security deposits | | (1,465,000) | - |
| Finance cost paid | | (1,043,470,215) | (1,058,587,161) |
| Income tax paid | | (418,776,837) | (423,214,291) |
| Net increase in long term loans to employees | | (1,671,770) | (9,457,413) |
| Net cash used in operating activities | | (649,757,146) | (479,207,613) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure on property, plant and equipment | | (3,568,202,935) | (1,272,711,931) |
| Capital expenditure on intangible asset | | (3,868,748) | (2,491,800) |
| Proceeds from disposal of operating fixed assets | | 105,805,812 | 68,780,909 |
| Loans to subsidiary companies | | (7,384,500,000) | - |
| Repayments of loans from subsidiary companies | | 6,601,007,762 | - |
| Investments in subsidiary companies | | (489,437,501) | (315,667,789) |
| Dividend received from subsidiary company | | 891,032,645 | 1,125,514,920 |
| Short term investments (made) / matured | | (20,660,226) | 20,660,225 |
| Interest received | | 3,769,325 | 1,415,072 |
| Net cash used in investing activities | | (3,865,053,866) | (374,500,394) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term financing | | 3,589,226,500 | 812,980,000 |
| Repayment of long term financing | | (1,598,668,500) | (1,842,906,406) |
| Repayment of redeemable capital | | - | (31,250,000) |
| Share deposit money received | | - | 49,128,425 |
| Short term borrowings - net | | 3,116,704,127 | 1,302,971,555 |
| Dividend paid | | (596,569,277) | (358,015,842) |
| Net cash from / (used in) financing activities | | 4,510,692,850 | (67,092,268) |
| Net decrease in cash and cash equivalents | | (4,118,162) | (920,800,275) |
| Cash and cash equivalents at the beginning of the year | | 48,667,523 | 969,467,798 |
| Cash and cash equivalents at the end of the year | | 44,549,361 | 48,667,523 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

| | SHARE CAPITAL | SHARE DEPOSIT MONEY | CAPITAL RESERVE | REVENUE RESERVES | | TOTAL EQUITY |
|--|---------------|---------------------|-----------------|------------------|-----------------------|---------------|
| | | | | General reserve | Unappropriated profit | |
| | Rupees | | | | | |
| Balance as at 30 June 2015 | 2,001,846,300 | 951,794,725 | - | 1,629,221,278 | 5,386,763,734 | 7,015,985,012 |
| Transactions with owners: | | | | | | |
| Final dividend for the year ended 30 June 2015 @ Rupees 1.5 per ordinary | - | - | - | - | (360,332,334) | (360,332,334) |
| Share deposit money received during the year | - | 49,128,425 | - | - | - | 49,128,425 |
| Issue of right shares during the year | 400,369,260 | (1,000,923,150) | 600,553,890 | - | - | - |
| | 400,369,260 | (951,794,725) | 600,553,890 | - | (360,332,334) | (311,203,909) |
| Profit for the year | - | - | - | - | 1,328,774,693 | 1,328,774,693 |
| Other comprehensive income for the year | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 1,328,774,693 | 1,328,774,693 |
| Balance as at 30 June 2016 | 2,402,215,560 | - | 600,553,890 | 1,629,221,278 | 6,355,206,093 | 7,984,427,371 |
| Transaction with owner: | | | | | | |
| Final dividend for the year ended 30 June 2016 @ Rupees 2.5 per ordinary | - | - | - | - | (600,553,890) | (600,553,890) |
| Profit for the year | - | - | - | - | 1,621,331,852 | 1,621,331,852 |
| Other comprehensive income for the year | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 1,621,331,852 | 1,621,331,852 |
| Balance as at 30 June 2017 | 2,402,215,560 | - | 600,553,890 | 1,629,221,278 | 7,375,984,055 | 9,005,205,333 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. THE COMPANY AND ITS OPERATIONS

Nishat (Chunian) Limited ("the Company") is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

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 accounting standards that are effective in current year and are relevant to the Company

The following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 27 (Amendments) 'Separate Financial Statements' (effective for annual periods beginning on or after 01 January 2016). The amendments have been made to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. However, the Company has not availed this option.

IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 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, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction

involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Company's financial statements.

IAS 40 (Amendments), 'Investment Property' (effective for annual periods beginning on or after 01 January 2018). Amendments have been made to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. The amendment is not likely to have a significant impact on the Company's financial statements.

Amendments to IFRS 10 and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures'. These amendments are effective for annual periods beginning on or after 01 January 2017 and 01 January 2018 respectively. These amendments have no significant impact on the Company's financial statements and have therefore not been analysed in detail.

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

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2017 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 statement of 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 are entitled to 15 days leave per year while factory staff and factory workers are entitled to 14 days leave per year. Unutilized leaves can be accumulated up to 28 days in case of factory staff and factory workers. Any further un-utilized leaves will lapse. Any un-utilized leave balance 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 his-

torical 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 12.1. 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 Ijarah transactions

Ujrah (lease) payments are recognized as expenses in profit and loss account on a straight-line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit even if the payments are not on that basis.

2.6 Investments

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

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

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

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 Financial instruments

Financial instruments carried on the balance sheet include security deposits, trade debts, loans and advances, other receivables, 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.

2.13 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.

2.14 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.

2.15 Trade and other payables

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

2.16 Off setting

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

2.17 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.

2.18 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.

2.19 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 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.

2.20 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.

2.21 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 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.

2.22 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 following reportable business segments. Spinning – Zone 1, 2 and 3 (Producing different quality of yarn using natural and artificial fibres), Weaving – Unit 1 and 2 (Producing different quality of greige fabric using yarn), Dyeing (Producing dyed fabric using different qualities of greige fabric), Home Textile (Manufacturing of home textile articles using processed fabric produced from greige fabric) 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.

2.23 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

2.24 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

| 2017 (Number of shares) | | 2016 (Number of shares) | | 2017 Rupees | 2016 Rupees |
|----------------------------|--------------------|-----------------------------------|--|----------------------|----------------------|
| 280,000,000 | 280,000,000 | Ordinary shares of Rupees 10 each | | 2,800,000,000 | 2,800,000,000 |
| 20,000,000 | 20,000,000 | Preference shares of Rupees 10 | | 200,000,000 | 200,000,000 |
| <u>300,000,000</u> | <u>300,000,000</u> | | | <u>3,000,000,000</u> | <u>3,000,000,000</u> |

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2017 (Number of shares) | | 2016 (Number of shares) | | 2017 Rupees | 2016 Rupees |
|----------------------------|--------------------|--|--|----------------------|----------------------|
| 134,757,848 | 134,757,848 | Ordinary shares of Rupees 10 each fully paid in cash | | 1,347,578,480 | 1,347,578,480 |
| 104,239,443 | 104,239,443 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | | 1,042,394,430 | 1,042,394,430 |
| 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 | | 12,242,650 | 12,242,650 |
| <u>240,221,556</u> | <u>240,221,556</u> | | | <u>2,402,215,560</u> | <u>2,402,215,560</u> |

4.1 Ordinary shares of the Company held by companies that are related parties:

| | 2017 (Number of shares) | 2016 (Number of shares) |
|--|----------------------------|----------------------------|
| Nishat Mills Limited | 32,689,338 | 32,689,338 |
| D.G. Khan Cement Company Limited | 7,274,602 | 7,274,602 |
| Adamjee Life Assurance Company Limited | 1,300,000 | - |
| | <u>41,263,940</u> | <u>39,963,940</u> |

4.2 Movement during the year

| 2017 (Number of shares) | 2016 | | 2017 Rupees | 2016 Rupees |
|----------------------------|--------------------|--|----------------------|----------------------|
| 240,221,556 | 200,184,630 | At 01 July | 2,402,215,560 | 2,001,846,300 |
| - | 40,036,926 | Issue of right shares of Rupees 10 each at premium | - | 400,369,260 |
| <u>240,221,556</u> | <u>240,221,556</u> | At 30 June | <u>2,402,215,560</u> | <u>2,402,215,560</u> |

5. RESERVES

Composition of reserves is as follows:

Capital reserve

Share premium

600,553,890 600,553,890

Revenue reserves

General reserve

1,629,221,278 1,629,221,278

Unappropriated profit

7,375,984,055 6,355,206,093

9,005,205,333 7,984,427,371

9,605,759,223 8,584,981,261

6. LONG TERM FINANCING

From banking companies / financial institutions - secured

Long term loans (Note 6.1)

5,071,663,000 3,501,105,000

Long term musharaka (Note 6.2)

580,000,000 160,000,000

5,651,663,000 3,661,105,000

Less: Current portion shown under current liabilities (Note 10)

Long term loans

1,243,981,400 1,501,910,167

Long term musharaka

105,000,000 80,000,000

1,348,981,400 1,581,910,167

4,302,681,600 2,079,194,833

6.1 Long term loans

| LENDER | 2017 | 2016 | RATE OF MARK-UP PER ANNUM | NUMBER OF INSTALLMENTS | MARK-UP REPRICING | MARK-UP PAYABLE |
|--|-------------|-------------|---------------------------|---|-------------------|-----------------|
| | Rupees | Rupees | | | | |
| Standard Chartered Bank (Pakistan) Limited | 437,500,000 | 687,500,000 | 3-month KIBOR + 0.75% | Sixteen equal quarterly instalments commenced on 04 May 2015 and ending on 04 February 2019. | Quarterly | Quarterly |
| United Bank Limited | - | 93,750,000 | 3-month KIBOR + 1.25% | Sixteen equal quarterly instalments commenced on 09 June 2013 and ended on 09 March 2017. | Quarterly | Quarterly |
| Allied Bank Limited | - | 150,000,000 | 3-month KIBOR + 1.25% | Sixteen equal quarterly instalments commenced on 28 February 2013 and ended on 29 November 2016. | Quarterly | Quarterly |
| Allied Bank Limited | - | 125,000,000 | 3-month KIBOR + 1.25% | Sixteen equal quarterly instalments commenced on 06 September 2013 and ended on 06 June 2017. | Quarterly | Quarterly |
| Allied Bank Limited | 25,083,500 | 30,872,000 | SBP rate for LTFF + 1.00% | Sixteen equal quarterly instalments commenced on 22 October 2016 and ending on 22 July 2020. | - | Quarterly |
| Allied Bank Limited | 126,000,000 | 144,000,000 | SBP rate for LTFF + 1.00% | Sixteen equal quarterly instalments commenced on 07 January 2017 and ending on 30 September 2020. | - | Quarterly |
| Allied Bank Limited | 135,625,000 | 155,000,000 | SBP rate for LTFF + 1.00% | Sixteen equal quarterly instalments commenced on 20 January 2017 and ending on 30 September 2020. | - | Quarterly |
| Allied Bank Limited | 65,745,000 | 70,128,000 | SBP rate for LTFF + 1.00% | Sixteen equal quarterly instalments commenced on 11 May 2017 and ending on 11 February 2021. | - | Quarterly |
| Allied Bank Limited | 235,000,000 | - | SBP rate for LTFF + 1.00% | Thirty two equal quarterly instalments commencing on 24 February 2019 and ending on 24 November 2026. | - | Quarterly |
| Allied Bank Limited | 131,700,000 | - | SBP rate for LTFF + 1.00% | Thirty two equal quarterly instalments commencing on 18 April 2019 and ending on 18 January 2027. | - | Quarterly |
| Allied Bank Limited | 391,000,000 | - | SBP rate for LTFF + 1.00% | Thirty two equal quarterly instalments commencing on 19 April 2019 and ending on 19 January 2027. | - | Quarterly |
| Allied Bank Limited | 116,512,500 | - | SBP rate for LTFF + 1.00% | Forty equal quarterly instalments commenced on 21 May 2017 and ending on 21 February 2027. | - | Quarterly |
| Allied Bank Limited | 117,800,000 | - | SBP rate for LTFF + 1.00% | Thirty two equal quarterly instalments commencing on 03 July 2019 and ending on 03 April 2027. | - | Quarterly |
| Askari Bank Limited | 227,500,000 | 297,500,000 | 3-month KIBOR + 0.70% | Twenty equal quarterly instalments commenced on 08 December 2015 and ending on 08 September 2020. | Quarterly | Quarterly |
| Askari Bank Limited | 157,700,000 | - | SBP rate for LTFF + 1.00% | Forty equal quarterly instalments commenced on 02 February 2017 and ending on 02 November 2026. | - | Quarterly |
| Askari Bank Limited | 19,000,000 | - | SBP rate for LTFF + 1.00% | Forty equal quarterly instalments commenced on 04 February 2017 and ending on 04 November 2026. | - | Quarterly |
| Askari Bank Limited | 142,500,000 | - | SBP rate for LTFF + 1.00% | Forty equal quarterly instalments commenced on 08 March 2017 and ending on 08 December 2026. | - | Quarterly |
| Askari Bank Limited | 130,260,000 | - | SBP rate for LTFF + 1.00% | Forty equal quarterly instalments commenced on 22 June 2017 and ending on 22 March 2027. | - | Quarterly |
| Askari Bank Limited | 6,200,000 | - | 3-month KIBOR + 1.00% | Forty equal quarterly instalments commencing on 12 September 2017 and ending on 12 June 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 20,000,000 | - | 3-month KIBOR + 1.00% | Forty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 117,800,000 | - | 3-month KIBOR + 1.00% | Forty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 5,754,000 | - | 3-month KIBOR + 1.00% | Forty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 236,000,000 | - | 3-month KIBOR + 1.00% | Forty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |

| | | | | | | |
|---|----------------------|-----------------------|---------------------------------|--|-------------------------|-----------------------|
| NIB Bank Limited | 160,000,000 | - | SBP rate for LTFF + 1.00% | Sixteen equal half yearly instalments commencing on 25 July 2019 and ending on 25 January 2027. | - | Quarterly |
| NIB Bank Limited | 80,500,000 | - | 6-month KIBOR + 0.90% | Ten equal half yearly instalments commencing on 07 September 2019 and ending on 07 March 2024. | Quarterly | Quarterly |
| Pak Kuwait Investment Company (Private) Limited | 52,483,000 | 62,980,000 | SBP rate for LTFF + 0.75% | Eighteen equal quarterly instalments commenced on 22 November 2016 and ending on 22 February 2021. | - | Quarterly |
| The Bank of Punjab | 50,000,000 | 150,000,000 | 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 | 200,000,000 | 400,000,000 | 3-month KIBOR + 0.75% | Ten equal half yearly instalments commenced on 10 December 2013 and ending on 10 June 2018. | Quarterly | Quarterly |
| The Bank of Punjab | 500,000,000 | - | 3-month KIBOR + 0.75% | Ten equal half yearly instalments commencing on 30 September 2017 and ending on 30 March 2022. | Quarterly | Quarterly |
| Samba Bank Limited | 62,500,000 | 187,500,000 | 3-month KIBOR + 0.75% | Sixteen equal quarterly instalments commenced on 28 February 2014 and ending on 31 October 2017. | Quarterly | Quarterly |
| Soneri Bank Limited | - | 46,875,000 | 3-month KIBOR + 1% | Sixteen equal quarterly instalments commenced on 30 April 2013 and ended on 31 January 2017. | Quarterly | Quarterly |
| Soneri Bank Limited | 299,500,000 | - | SBP rate for LTFF + 1.00% | Thirty two equal quarterly instalments commencing on 14 June 2019 and ending on 14 March 2027. | - | Quarterly |
| Soneri Bank Limited | 222,000,000 | - | SBP rate for LTFF + 1.00% | Thirty two equal quarterly instalments commencing on 06 July 2019 and ending on 06 April 2027. | - | Quarterly |
| Syndicated term finance | | | | | | |
| Allied Bank Limited | 440,000,000 | 660,000,000 | 3-month KIBOR + 1% | Ten equal half yearly instalments commenced on 27 December 2014 and ending on 27 June 2019. | Quarterly | Quarterly |
| Habib Bank Limited | 120,000,000 | 180,000,000 | 3-month KIBOR + 1% | Ten equal half yearly instalments commenced on 27 December 2014 and ending on 27 June 2019. | Quarterly | Quarterly |
| Habib Metropolitan Bank Limited | 40,000,000 | 60,000,000 | 3-month KIBOR + 1% | Ten equal half yearly instalments commenced on 27 December 2014 and ending on 27 June 2019. | Quarterly | Quarterly |
| | 600,000,000 | 900,000,000 | | | | |
| | 5,071,663,000 | 3,501,105,000 | | | | |
| 6.2 Long term musharaka | | | | | | |
| LENDER | 2017 | 2016 | RATE OF PROFIT PER ANNUM | NUMBER OF INSTALLMENTS | PROFIT REPRICING | PROFIT PAYABLE |
| Dubai Islamic Bank (Pakistan) Limited | Rupees 80,000,000 | Rupees 160,000,000 | 6-month KIBOR + 0.75% | Ten equal half yearly instalments commenced on 29 September 2013 and ending on 29 March 2018. | Half Yearly | Half Yearly |
| Faysal Bank Limited | 500,000,000 | - | 3-month KIBOR + 0.70% | Twenty equal quarterly instalments commencing on 21 May 2018 and ending on 21 February 2023. | Quarterly | Quarterly |
| | 580,000,000 | 160,000,000 | | | | |

6.2 Long term musharaka

| LENDER | 2017 | 2016 | RATE OF PROFIT PER ANNUM | NUMBER OF INSTALLMENTS | PROFIT REPRICING | PROFIT PAYABLE |
|---------------------------------------|----------------------|-----------------------|--------------------------|---|------------------|----------------|
| Dubai Islamic Bank (Pakistan) Limited | Rupees 80,000,000 | Rupees 160,000,000 | 6-month KIBOR + 0.75% | Ten equal half yearly instalments commenced on 29 September 2013 and ending on 29 March 2018. | Half Yearly | Half Yearly |
| Faysal Bank Limited | 500,000,000 | - | 3-month KIBOR + 0.70% | Twenty equal quarterly instalments commencing on 21 May 2018 and ending on 21 February 2023. | Quarterly | Quarterly |
| | 580,000,000 | 160,000,000 | | | | |

6.3 Long term loans 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 8,174.81 million (2016: Rupees 8,874.53 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 3,238.67 million (2016: Rupees 2,333.343 million).

6.4 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 213.334 million (2016: Rupees 756.667 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 666.67 million (2016: Rupees Nil).

| | 2017 Rupees | 2016 Rupees |
|--|---|-----------------------|
| 7. TRADE AND OTHER PAYABLES | | |
| Creditors (Note 7.1) | 518,174,162 | 976,714,355 |
| Accrued liabilities | 757,223,956 | 738,541,501 |
| Advances from customers | 81,790,429 | 69,011,424 |
| Securities from contractors - interest free and repayable on completion of contracts | 3,484,800 | 3,960,588 |
| Retention money | 8,650,318 | 6,170,126 |
| Income tax deducted at source | 19,432,439 | 21,545,102 |
| Unclaimed dividend | 30,710,405 | 26,725,791 |
| Fair value of forward exchange contracts | 17,060,202 | - |
| Workers' profit participation fund (Note 7.2) | 72,494,888 | 85,243,208 |
| Workers' welfare fund | - | 21,681,803 |
| Others | 22,919,613 | 23,033,340 |
| | <u>1,531,941,212</u> | <u>1,972,627,238</u> |
| 7.1 | It includes Rupees 34.392 million (2016: Rupees 3.025 million) due to related parties. | |
| 7.2 Workers' profit participation fund | | |
| Balance as at 01 July | 85,243,208 | 60,344,322 |
| Add: Interest for the year (Note 29) | 12,217,220 | 6,602,743 |
| Add: Allocation for the year (Note 27) | 72,494,888 | 85,243,208 |
| | <u>169,955,316</u> | <u>152,190,273</u> |
| Less : Payments during the year | 97,460,428 | 66,947,065 |
| Balance as at 30 June | <u>72,494,888</u> | <u>85,243,208</u> |
| 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. | |
| 8. ACCRUED MARK-UP | | |
| Long term financing | 51,058,779 | 35,558,410 |
| Short term borrowings | 143,178,377 | 107,425,807 |
| | <u>194,237,156</u> | <u>142,984,217</u> |
| 9. SHORT TERM BORROWINGS | | |
| From banking companies - secured | | |
| Short term running finances (Notes 9.1 and 9.2) | 2,143,226,773 | 2,127,918,129 |
| Export finances - Preshipment / SBP refinance (Notes 9.1 and 9.3) | 4,360,059,876 | 5,222,164,393 |
| Other short term finances (Notes 9.1 and 9.4) | 8,733,500,000 | 4,770,000,000 |
| | <u>15,236,786,649</u> | <u>12,120,082,522</u> |

- 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 25,462 million (2016: Rupees 25,462 million) and ranking charge on all present and future current assets of the Company to the extent of Rupees 5,667 million (2016: Rupees 534 million). These form part of total credit facilities of Rupees 22,265 million (2016: Rupees 19,065 million).
- 9.2 The rates of mark-up range from 6.24% to 7.12% (2016: 6.60% to 8.74%) per annum on the balance
- 9.3 The rates of mark-up on Pak Rupee finances and US Dollar finances range from 2.40% to 6.43% (2016: 2.95% to 6.46%) per annum and 1.30% to 2% (2016: 1.15% to 1.45%) per annum respectively on the balance outstanding.
- 9.4 The rates of mark-up range from 6.15% to 6.43% (2016: 6.27% to 6.61%) per annum on the balance

| | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|
| 10. CURRENT PORTION OF NON-CURRENT LIABILITIES | | |
| Current portion of long term financing (Note 6) | 1,348,981,400 | 1,581,910,167 |

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1 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 66.650 million (2016: Rupees 54.941 million) is payable on this account but the management of the Company is confident that payment of electricity duty will not be required.
- 11.1.2 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 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 filed appeal before Appellate Tribunal Inland Revenue (ATIR), Karachi Bench which was decided against the Company. The Company also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Customs 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. The Company has now filed appeal before the Honourable High Court of Sindh against the order of ATIR, where the case is pending.
- 11.1.3 The Company 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. After dismissal of writ petition by the Honourable Lahore High Court, Lahore, the tax department has completed the audit of tax year 2009 of income tax affairs of the Company and Deputy Commissioner Inland Revenue (DCIR) has passed an order under sections 122(1)/122(5) of the Income Tax Ordinance, 2001 creating a tax demand of Rupees 6.773 million. The Company has filed appeal before Commissioner Inland Revenue (Appeals) [CIR(A)] against the decision of DCIR which is pending adjudication. No provision against this demand has been made in these financial statements as the Company is hopeful of a favourable outcome of appeal based on the opinion of the tax advisor.

- 11.1.4** As a result of withholding tax audit for the tax year 2006, 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 Commissioner Inland Revenue (Appeals) [CIR(A)] was unsuccessful. The Company expects a favourable outcome of the appeal based on advice of the tax counsel. The Company 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 Honourable Lahore High Court, Lahore directed the Tax Department to issue notice for reconciliation and in case default is established only then action under section 205 of the Income Tax Ordinance, 2001 can be taken. The Company also filed intra court appeals to the Honourable Lahore High Court, Lahore, which were dismissed. Against this dismissal, appeal has been filed before the Supreme Court of Pakistan which is pending adjudication. 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. In respect of tax year 2012, the case has been decided at departmental level as stated in Note 11.1.7, hence appeal filed before the Supreme Court of Pakistan in respect of tax year 2012 shall be withdrawn shortly.
- 11.1.5** The Company is in appeal before ATIR as its appeal before CIR(A) against the order of Additional Commissioner Inland Revenue (ACIR) was unsuccessful. 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 tax advisor.
- 11.1.6** 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 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
- 11.1.7** The ACIR through an order under section 161/205 of the Income Tax Ordinance, 2001 created a demand of Rupees 147.745 million for tax year 2012 on account of alleged non-deduction of income tax on payments against the heads commission to selling agents on exports and export marketing expenses. Being aggrieved, the Company filed an appeal before CIR(A), who vide order dated 09 June 2016 accepted the stance of the Company and deleted the demand related to commission to selling agents on exports, whereas, with respect to export marketing expenses, CIR(A) remanded back the case to ACIR. However, the Company has filed appeal before ATIR which is pending for fixation. Based on grounds and facts, the appeal is likely to be decided in favour of the Company. The demand created under section 161/205 of the Income Tax Ordinance, 2001 of tax year 2012 amounting to Rupees 147.745 million by ACIR was subsequently reduced to Rupees 165,593 through appeal effect order issued by ACIR. While giving appeal effect, ACIR did not give adjustment of the refunds already adjusted against the demand raised in the proceedings. Therefore, application for rectification of order has been filed, however, rectified order has not yet been issued by the learned ACIR.
- 11.1.8** The Company filed appeal before CIR(A) against the order of ACIR. ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2012 whereby a demand of Rupees 125.162 million has been raised. CIR(A) vide order dated 29 June 2016 has deleted some of the additions made by ACIR. Being aggrieved by the order of CIR(A), the Company as well as the tax department have preferred appeals before the ATIR which are pending adjudication. No provision against this demand has been made in these financial statements as the Company is hopeful for a favourable outcome of appeal based on the opinion of the tax advisor.

- 11.1.9** The Company filed appeal before CIR(A) against the order of ACIR. ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2010 whereby a demand of Rupees 142.956 million has been raised. CIR(A) vide order dated 28 October 2016 has deleted some of the additions made by ACIR. Being aggrieved by the order of CIR(A), the Company as well as the tax department have preferred appeals before the ATIR which are pending adjudication. No provision against this demand has been made in these financial statements as the Company is hopeful for a favourable outcome of appeal based on the opinion of the tax advisor.
- 11.1.10** The Deputy Commissioner Inland Revenue passed an order under sections 161/205 of the Income Tax Ordinance, 2001 creating a demand of Rupees 19.073 million for the tax year 2014. The Company preferred an appeal against this order before CIR (A). The CIR (A) adjudicated that impugned order is unsustainable and remanded back the matter to taxation officer for consideration of legal grounds and merits of the case. The Company has also filed an appeal before ATIR against the order of CIR (A). The proceedings before both forums are pending for adjudication. No provision against this demand has been made in these financial statements as the Company is confident of favorable outcome of its appeal.
- 11.1.11** Through show cause notice, the Collector of Customs, Karachi raised demand of Rupees 23.585 million on the grounds that the Company was not entitled for exemption of sales tax and facility of reduced rate of income tax on 13 consignments of cotton imported during the period from April 2013 to April 2014. The vires of show cause notice were challenged in Honorable Sindh High Court at Karachi from where stay was granted with the direction to the Collector that he will not pass final order pursuant to the impugned show cause notice particularly in respect of advance income tax till next date of hearing. In spite of the categorical orders of the Honorable High Court, the Collector passed order, creating the demand of the aforesaid amount. Appeal against the said order has been filed in ATIR, Karachi but has not been decided. There is sufficient case law on the subject and there is every likelihood that case will be decided in favour of the Company.
- 11.1.12** The Company is contesting sales tax demands / rejections of sales tax by taxation authorities amounting to Rupees 89.605 million at various forums. These demands have been raised on account of various issues, like refund of sales tax on purchases of furnace oil and diesel, non-provision of documents against certain refund processing system objections and supplies made to certain parties. No provision against the aforesaid demands has been made in these financial statements as the management is confident of favourable outcome of its appeals based on advice of the legal counsel. The name of the Company was selected by the FBR through balloting for audit of its sales tax record of tax year 2014. Writ petition against the selection was filed and in pursuance of Court's order, the record was submitted to the assessing officer. Based on the audit, Deputy Commissioner has issued a show cause notice on account of alleged discrepancies/observations noted during audit to the tune of Rupees 7.480 million. The Company is in the process of replying to the show cause notice and expects favourable outcome of the matter, hence no provision has been recognized in these financial statements.
- 11.1.13** Being aggrieved, the Company is in appeal before ATIR against the order of CIR(A). The ACIR has passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2013 whereby a demand of Rupees 27.845 million has been raised. The appeal before CIR(A) has been decided and some matters have been decided in favour of the Company. No provision against this demand has been made in these financial statements as the Company is hopeful for a favourable outcome of appeal based on the opinion of the tax advisor.

- 11.1.14** The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company. Consequently, the Company has claimed input sales tax amounting to Rupees 80.269 million (2016: Rupees Nil) paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.
- 11.1.15** Guarantees of Rupees 329.388 million (2016: Rupees 347.051 million) have been issued by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and Lahore Electric Supply Company Limited against electricity connection.
- 11.1.16** Guarantees of Rupees 196 million (2016: Rupees 156 million) have been issued by the banks of the Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.
- 11.1.17** Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 2,328.471 million (2016: Rupees 1,893.971 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.
- 11.1.18** The Company has issued cross corporate guarantees of Rupees 14.12 billion (2016: Rupees 13.7 billion) on behalf of NC Electric Company Limited - wholly-owned subsidiary company to secure the obligations of subsidiary company towards its lenders.

11.2 Commitments

- 11.2.1** Contracts for capital expenditure amounting to Rupees 49.228 million (2016: Rupees 1,097.026 million).
- 11.2.2** Letters of credit other than for capital expenditure amounting to Rupees 1,318.171 million (2016: Rupees 764.750 million).
- 11.2.3** Outstanding foreign currency forward contracts of Rupees 4,940.270 million (2016: Rupees 4,109.245 million).

12. FIXED ASSETS

Property, plant and equipment:

Operating fixed assets (Note 12.1)
Capital work-in-progress (Note 12.2)

Intangible asset:

Computer software (Note 12.1)

| | 2017 Rupees | 2016 Rupees |
|--------------------------------------|------------------------|------------------------|
| Operating fixed assets (Note 12.1) | 11,719,057,304 | 9,417,927,801 |
| Capital work-in-progress (Note 12.2) | 253,210,935 | 37,263,352 |
| | <u>11,972,268,239</u> | <u>9,455,191,153</u> |
| Intangible asset: | | |
| Computer software (Note 12.1) | 2,688,540 | 5,019,748 |
| | <u>11,974,956,779</u> | <u>9,460,210,901</u> |

12.1 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 2015 | | | | | | | | | | | | |
| Cost | 634,362,063 | 2,918,011,744 | 11,550,249,781 | 33,198,206 | 566,252,231 | 240,428,977 | 83,539,326 | 72,014,371 | 126,797,458 | 16,224,854,157 | 15,249,614 | |
| Accumulated depreciation / amortization | - | (982,713,906) | (5,859,903,086) | (20,868,426) | (179,183,633) | (110,658,010) | (40,121,035) | (28,943,598) | (62,663,776) | (7,285,055,470) | (9,019,169) | |
| Net book value | 634,362,063 | 1,935,297,838 | 5,690,346,695 | 12,329,780 | 387,068,598 | 129,770,967 | 43,418,291 | 43,070,773 | 64,133,682 | 8,939,798,687 | 6,230,445 | |
| Year ended 30 June 2016 | | | | | | | | | | | | |
| Opening net book value | 634,362,063 | 1,935,297,838 | 5,690,346,695 | 12,329,780 | 387,068,598 | 129,770,967 | 43,418,291 | 43,070,773 | 64,133,682 | 8,939,798,687 | 6,230,445 | |
| Additions | - | 150,063,147 | 1,118,806,627 | - | 28,212,147 | 2,235,208 | 3,196,573 | 7,275,394 | 21,347,370 | 1,331,126,466 | 2,491,800 | |
| Disposals: | | | | | | | | | | | | |
| Cost | - | - | (129,359,223) | - | - | - | - | (803,021) | (28,304,365) | (158,466,609) | - | |
| Accumulated depreciation | - | - | 83,155,212 | - | - | - | - | 425,633 | 19,741,645 | 103,322,490 | - | |
| Depreciation / amortization charge | - | (101,907,517) | (46,204,011) | (1,187,780) | (39,640,246) | (13,111,891) | (4,478,654) | (377,388) | (8,562,720) | (65,144,119) | - | |
| Impairment loss | - | - | (9,725,736) | - | - | - | - | (4,615,682) | (13,060,000) | (788,127,497) | (3,702,497) | |
| Closing net book value | 634,362,063 | 1,983,443,468 | 6,143,097,848 | 11,142,000 | 375,640,499 | 118,894,284 | 42,136,210 | 45,353,097 | 63,858,332 | 9,417,927,801 | 5,019,748 | |
| At 30 June 2016 | | | | | | | | | | | | |
| Cost | 634,362,063 | 3,088,064,891 | 12,539,697,185 | 33,198,206 | 594,464,378 | 242,664,185 | 86,735,899 | 78,486,744 | 119,840,463 | 17,397,514,014 | 17,741,414 | |
| Accumulated depreciation / amortization | - | (1,084,621,423) | (6,386,873,601) | (22,056,206) | (218,823,879) | (123,769,901) | (44,599,689) | (33,133,647) | (55,982,131) | (7,969,860,477) | (12,721,666) | |
| Accumulated impairment loss | - | - | (9,725,736) | - | - | - | - | - | - | (9,725,736) | - | |
| Net book value | 634,362,063 | 1,983,443,468 | 6,143,097,848 | 11,142,000 | 375,640,499 | 118,894,284 | 42,136,210 | 45,353,097 | 63,858,332 | 9,417,927,801 | 5,019,748 | |
| Year ended 30 June 2017 | | | | | | | | | | | | |
| Opening net book value | 634,362,063 | 1,983,443,468 | 6,143,097,848 | 11,142,000 | 375,640,499 | 118,894,284 | 42,136,210 | 45,353,097 | 63,858,332 | 9,417,927,801 | 5,019,748 | |
| Additions | 81,893,956 | 129,112,396 | 3,017,136,527 | - | 43,933,009 | 16,913,161 | 23,537,322 | 10,926,853 | 28,802,128 | 3,352,255,352 | 3,868,748 | |
| Disposals: | | | | | | | | | | | | |
| Cost | - | (12,237,028) | (590,180,000) | - | - | (270,000) | (6,000) | (2,041,104) | (19,268,774) | (624,002,906) | - | |
| Accumulated impairment loss | - | - | 9,725,736 | - | - | - | - | - | - | 9,725,736 | - | |
| Accumulated depreciation | - | 152,963 | 368,174,877 | - | - | 47,098 | 2,448 | 453,721 | 12,635,154 | 381,466,261 | - | |
| Depreciation / amortization charge | - | (12,084,065) | (212,279,387) | (1,187,780) | (39,698,801) | (222,902) | (3,552) | (1,587,383) | (6,633,620) | (232,810,909) | - | |
| Closing net book value | 716,256,019 | 1,999,147,957 | 8,310,932,096 | 9,954,220 | 379,874,707 | 122,745,805 | 59,834,641 | 49,645,500 | 70,666,359 | 11,719,057,304 | 2,688,540 | |
| At 30 June 2017 | | | | | | | | | | | | |
| Cost | 716,256,019 | 3,184,940,259 | 14,966,653,712 | 33,198,206 | 638,397,387 | 259,307,346 | 110,267,221 | 87,372,493 | 129,373,817 | 20,125,766,460 | 21,610,162 | |
| Accumulated depreciation / amortization | - | (1,185,792,302) | (6,655,721,616) | (23,243,986) | (258,522,680) | (136,561,541) | (50,432,580) | (37,726,993) | (58,707,458) | (8,406,709,156) | (18,921,622) | |
| Net book value | 716,256,019 | 1,999,147,957 | 8,310,932,096 | 9,954,220 | 379,874,707 | 122,745,805 | 59,834,641 | 49,645,500 | 70,666,359 | 11,719,057,304 | 2,688,540 | |
| Annual rate of depreciation / amortization (%) | | 5 | 10 | 10 | 10 | 10 | 10 | 10 | 20 | 30 | | |

12.1.1 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 | Accumulated impairment loss | Net book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of purchasers |
|-------------------------------------|-----|------------|--------------------------|-----------------------------|----------------|---------------|---------------|------------------|--|
| ----- Rupees ----- | | | | | | | | | |
| Building | | | | | | | | | |
| Building on 31-C Gulberg II, Lahore | 1 | 12,237,028 | (152,963) | - | 12,084,065 | 1,350,000 | (10,734,065) | Negotiation | Mr. Sahib Zada Khan, Lahore |
| Plant and machinery | | | | | | | | | |
| Rice Husk Boiler | 1 | 82,278,117 | (35,048,325) | - | 47,229,792 | 39,000,000 | (8,229,792) | Insurance Claim | Adamjee Insurance Company Limited - associated company |
| Auto Cone Machine | 2 | 4,706,597 | (910,940) | - | 3,795,657 | 800,000 | (2,995,657) | Negotiation | Sarhad Textile Mills Limited, Peshawar |
| Carding Machine | 10 | 8,882,650 | (1,572,451) | - | 7,310,199 | 1,111,110 | (6,199,089) | Negotiation | Fanz Spinning Mills (Private) Limited, Lahore |
| Ring Frame | 12 | 9,952,877 | (2,173,636) | - | 7,779,241 | 820,889 | (6,958,352) | Negotiation | Ishaq Textile Mills Limited, Faisalabad |
| Carding Machine | 13 | 11,547,444 | (2,044,186) | - | 9,503,258 | 363,640 | (9,139,618) | Negotiation | Mehabi Spinning Mills, Shiekhupura |
| Picanol Air Jet 280 cm | 7 | 25,270,013 | (17,372,960) | - | 7,897,053 | 5,075,000 | (2,822,053) | Negotiation | Yousaf Weaving Mills Limited, Lahore |
| Toyola Jet-710 280 cm | 1 | 3,226,800 | (2,455,732) | - | 771,068 | 315,000 | (456,068) | Negotiation | Decent Embroidery, Karachi |
| Auto Cone Machine | 1 | 2,353,299 | (455,471) | - | 1,897,828 | 475,000 | (1,422,828) | Negotiation | Service Industries Limited, Lahore |
| Toyola Jet-710 280 cm | 6 | 19,360,800 | (14,734,392) | - | 4,626,408 | 1,890,000 | (2,736,408) | Negotiation | Mr. Gulnar Hanif, Karachi |
| Ring Frame | 10 | 8,294,064 | (1,811,364) | - | 6,482,700 | 621,734 | (5,860,966) | Negotiation | Yasin Cone Dying, Faisalabad |
| Auto Cone Machine | 1 | 2,353,299 | (455,470) | - | 1,897,829 | 200,000 | (1,697,829) | Negotiation | Chenab Limited, Faisalabad |
| Auto Cone Machine | 3 | 7,059,896 | (1,366,410) | - | 5,693,486 | 1,200,000 | (4,493,486) | Negotiation | Yasin Cone Dying, Faisalabad |
| Toyola Jet-710 340 cm | 2 | 6,453,600 | (4,674,978) | - | 1,778,622 | 630,000 | (1,148,622) | Negotiation | Mr. Gulnar Hanif, Karachi |
| Toyola Jet-710 340 cm | 12 | 38,721,600 | (28,049,871) | - | 10,671,729 | 3,780,000 | (6,891,729) | Negotiation | Decent Embroidery, Karachi |
| Carding Machine | 19 | 14,407,523 | (2,437,816) | (9,725,736) | 2,243,971 | 2,272,750 | 28,779 | Negotiation | Waqas Rafique International, Kasur |
| Toyola Jet-710 280 cm | 9 | 29,041,200 | (21,817,171) | - | 7,224,029 | 2,835,000 | (4,389,029) | Negotiation | Valitex (Private) Limited, Karachi |
| Toyola Jet-710 280 cm | 3 | 9,680,400 | (7,272,391) | - | 2,408,009 | 945,000 | (1,463,009) | Negotiation | Decent Embroidery, Karachi |
| Picanol Air Jet 380 cm | 12 | 44,780,296 | (32,340,541) | - | 12,439,755 | 3,780,000 | (8,659,755) | Negotiation | Valitex (Private) Limited, Karachi |
| Ring Frame | 1 | 829,406 | (181,136) | - | 648,270 | 68,393 | (579,877) | Negotiation | Dynamic Spinning Mills (Private) Limited, Lahore |
| Picanol Air Jet 340 cm | 3 | 10,841,537 | (7,898,947) | - | 2,942,590 | 945,000 | (1,997,590) | Negotiation | Yousaf Weaving Mills Limited, Lahore |
| Auto Cone Machine | 1 | 2,353,299 | (455,470) | - | 1,897,829 | 485,000 | (1,412,829) | Negotiation | Dawood Spinning Mills (Private) Limited, Lahore |
| Picanol Air Jet 340 cm | 16 | 58,844,656 | (42,826,984) | - | 16,217,672 | 5,040,000 | (11,177,672) | Negotiation | Panama International, Karachi |
| Picanol Air Jet 340 cm | 2 | 7,355,582 | (5,328,373) | - | 2,027,209 | 630,000 | (1,397,209) | Negotiation | Jamal Fabrics (Private) Limited, Karachi |
| Ring Frame | 10 | 8,294,064 | (1,811,364) | - | 6,482,700 | 652,822 | (5,829,878) | Negotiation | Waqas Rafique International, Kasur |
| Toyola Jet-710 340 cm | 8 | 25,814,400 | (18,699,814) | - | 7,114,586 | 2,520,000 | (4,594,586) | Negotiation | Mr. Gulnar Hanif, Karachi |
| Picanol Air Jet 340 cm | 2 | 7,355,582 | (5,328,373) | - | 2,027,209 | 630,000 | (1,397,209) | Negotiation | Panama International, Karachi |
| Picanol Air Jet 340 cm | 13 | 46,475,283 | (33,676,693) | - | 12,798,590 | 4,095,000 | (8,703,590) | Negotiation | Jamal Fabrics (Private) Limited, Karachi |
| Drawing Machine | 3 | 2,739,880 | (530,911) | - | 2,208,969 | 204,546 | (2,004,423) | Negotiation | Ghulam Rasool Textile Mills, Faisalabad |
| Ring Frame | 42 | 46,790,888 | (42,034,743) | - | 4,756,145 | 3,589,745 | (1,166,400) | Negotiation | Mr. Imran Munawar, Lahore |
| Wrapping Machine | 1 | 13,005,541 | (11,137,530) | - | 1,868,011 | 1,350,000 | (518,011) | Negotiation | Valitex (Private) Limited, Karachi |
| Silver Can | 120 | 1,290,037 | (72,473) | - | 1,217,564 | 163,620 | (1,053,944) | Negotiation | Waqas Rafique International, Kasur |
| Drawing Machine | 6 | 2,920,229 | (644,996) | - | 2,275,233 | 102,564 | (2,172,669) | Negotiation | T useef Brothers, Faisalabad |
| Automatic Bale Plucker | 1 | 1,200,000 | (212,430) | - | 987,570 | 551,765 | (435,805) | Negotiation | Fanz Spinning Mills (Private) Limited, Lahore |
| Ring Frame | 7 | 23,321,392 | (19,651,170) | - | 3,670,222 | 1,330,000 | (2,340,222) | Negotiation | Ishaq Textile Mills Limited, Faisalabad |
| Drawing Frame | 1 | 656,500 | (67,344) | - | 589,156 | 72,727 | (516,429) | Negotiation | Sarhad Textile Mills Limited, Peshawar |
| Blow Room Line | 2 | 600,000 | (97,485) | - | 502,515 | 1,522,728 | 1,020,213 | Negotiation | Ali Nawaz Textile (Private) Limited, Lahore |
| Drawing Frame | 1 | 371,250 | (75,309) | - | 295,941 | 371,250 | 75,309 | Negotiation | Mr. Liaqat Ali, Faisalabad |
| Lifter | 1 | 750,000 | (649,129) | - | 100,871 | 650,000 | 549,129 | Negotiation | Mr. Muhammad Akhlaq, Lahore |

| | | | | | | | | | |
|---|----------------------------|-------------|---------------|-------------|-------------|-------------|---------------|------------------|--|
| Office equipment | | | | | | | | | |
| 1 | iPhone 6s | 113,400 | (13,750) | - | 99,650 | 33,500 | (66,150) | Company's policy | Mr. Muhammad Asim (Ex-employee), Lahore |
| 1 | HP Probook Laptop | 75,000 | (2,500) | - | 72,500 | 52,500 | (20,000) | Insurance Claim | Adamjee Insurance Company Limited - associated company |
| 1 | HP Laptop | 86,729 | (20,544) | - | 66,185 | 27,000 | (39,185) | Company's policy | Mr. Waseem Jamal (Ex-employee), Lahore |
| 1 | Apple Iphone | 85,000 | (23,948) | - | 61,052 | 20,000 | (41,052) | Company's policy | Ms. Nadia Bilal (employee), Lahore |
| 1 | HP Laptop | 77,000 | (21,231) | - | 55,769 | 18,500 | (37,269) | Company's policy | Mr. Ali Iftikhar (employee), Lahore |
| 1 | HP Pavilion Laptop | 67,369 | (14,131) | - | 53,238 | 17,000 | (36,238) | Company's policy | Mr. Zeeshan Akram (Ex-employee), Lahore |
| Factory equipment | | | | | | | | | |
| 50 | Silver Can | 270,000 | (47,098) | - | 222,902 | 68,175 | (154,727) | Negotiation | J.A.Textile Mills Limited, Faisalabad |
| Motor vehicles | | | | | | | | | |
| 1 | Honda City LEF-15-8501 | 1,715,685 | (520,663) | - | 1,195,022 | 1,715,685 | 520,663 | Company's policy | Mr. Mir Asim (Ex-employee), Lahore |
| 1 | Toyota Corolla LED-11-9874 | 1,927,980 | (1,268,086) | - | 659,894 | 660,000 | 106 | Company's policy | Ms. Nadia Bilal (employee), Lahore |
| 1 | Honda Civic LED-11-9827 | 1,912,995 | (1,300,618) | - | 612,377 | 1,300,000 | 687,623 | Negotiation | Mr. Hafiz Asim Hassan, Lahore |
| 1 | Honda Civic LEC-11-9972 | 1,859,685 | (1,252,884) | - | 606,801 | 606,802 | 1 | Company's policy | Ms. Faiza Jabeen (employee), Lahore |
| 1 | Suzuki APV LED-10-3528 | 1,859,695 | (1,323,518) | - | 536,177 | 1,302,000 | 765,823 | Negotiation | Mr. Ghulam Mustafa, Lahore |
| 1 | Toyota Hilux LES-11-8232 | 1,606,074 | (1,092,468) | - | 513,606 | 1,365,000 | 851,394 | Negotiation | Mr. Zeshan Pasha Khan, Rawalpindi |
| 1 | Toyota Corolla LEC-10-2566 | 1,839,002 | (1,379,269) | - | 459,733 | 1,200,000 | 740,267 | Negotiation | Mr. Jawaid Haider, Lahore |
| 1 | Suzuki Cultus LEC-12-2571 | 968,000 | (592,422) | - | 375,578 | 665,000 | 289,422 | Negotiation | Mr. Ashad Farooq, Bahawalnagar |
| 1 | Suzuki Cultus LEA-11-9892 | 934,135 | (615,780) | - | 318,355 | 680,000 | 361,645 | Negotiation | Mr. Umar Farooq, Lahore |
| 1 | Suzuki Cultus LED-10-7429 | 911,560 | (615,323) | - | 296,237 | 636,600 | 340,363 | Negotiation | Mr. Muhammad Shahbaz, Lahore |
| 1 | Suzuki Cultus LED-10-2433 | 906,226 | (629,119) | - | 277,107 | 610,000 | 332,893 | Negotiation | Mr. Jawaid Haider, Lahore |
| 1 | Suzukin Mehran LEC-12-7628 | 637,320 | (368,310) | - | 269,010 | 285,931 | 16,921 | Company's policy | Mr. Nadeem Khan (employee), Lahore |
| 1 | Suzuki Cultus LEC-10-7433 | 880,314 | (635,093) | - | 245,221 | 530,000 | 284,779 | Negotiation | Mr. Jawaid Haider, Lahore |
| 1 | Suzuki Mehran LEC-10-7616 | 544,330 | (401,889) | - | 142,441 | 231,264 | 88,823 | Company's policy | Mr. Zahid Maqsood (employee), Lahore |
| 1 | Hyundai Shezore LZR 8925 | 667,773 | (584,243) | - | 83,530 | 960,000 | 876,470 | Negotiation | Mr. Hafeez-Ullah, Sargodha |
| Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000 | | | | | | | | | |
| | | 1,640,605 | (415,632) | - | 1,224,973 | 380,772 | (844,201) | | |
| | | 624,002,906 | (381,466,261) | (9,725,736) | 232,810,909 | 105,805,812 | (127,005,097) | | |

| | 2017 Rupees | 2016 Rupees |
|---|----------------------|----------------------|
| 12.1.2 The depreciation charge for the year has been allocated as follows: | | |
| Cost of sales (Note 24) | 811,924,755 | 782,331,926 |
| Administrative expenses (Note 26) | 6,390,185 | 5,795,571 |
| | <u>818,314,940</u> | <u>788,127,497</u> |
| 12.1.3 Amortization on intangible asset amounting to Rupees 6.199 million (2016: Rupees 3.702 million) has been allocated to administrative expenses. | | |
| 12.2 Capital work-in-progress | | |
| Civil works on freehold land | 74,926,573 | 2,542,345 |
| Mobilization advances | 987,035 | 12,287,452 |
| Letters of credit | 30,070,002 | 11,932,043 |
| Advances for capital expenditures | 147,227,325 | 10,501,512 |
| | <u>253,210,935</u> | <u>37,263,352</u> |
| 13. INVESTMENTS IN SUBSIDIARY COMPANIES - AT COST | | |
| Nishat Chunian Power Limited - quoted (Note 13.1) 187,585,820 (2016: 187,585,820) fully paid ordinary shares of Rupees 10 each. Equity held 51.07% (2016: 51.07%) | 1,875,858,200 | 1,875,858,200 |
| Nishat Chunian USA Inc. - unquoted 10 (2016: 10) fully paid shares with no par value per share Equity held 100% (2016: 100%) | 10,823,000 | 10,823,000 |
| NC Electric Company Limited - unquoted (Note 13.2) 50,000 (2016: 50,000) fully paid ordinary shares of Rupees 10 each Equity held 100% (2016: 100%) | 500,000 | 500,000 |
| Advance for purchase of shares | 1,461,809,323 | 1,173,371,822 |
| | 1,462,309,323 | 1,173,871,822 |
| NC Entertainment (Private) Limited - unquoted (Note 13.2) 400 (2016: 400) fully paid ordinary shares of Rupees 10 each Equity held 100% (2016: 100%) | 4,000 | 4,000 |
| Advance for purchase of shares | 553,235,993 | 352,235,993 |
| | 553,239,993 | 352,239,993 |
| | <u>3,902,230,516</u> | <u>3,412,793,015</u> |
| 13.1 The Company has pledged 187,346,939 (2016: 187,346,939) ordinary shares to lenders of Nishat Chunian Power Limited for the purpose of securing finance. | | |
| 13.2 3 ordinary shares of NC Electric Company Limited and 2 ordinary shares of NC Entertainment (Private) Limited are in the name of directors of respective companies nominated by the Company. | | |
| 14. LONG TERM LOANS TO EMPLOYEES | | |
| Considered good: | | |
| Executives (Notes 14.1 and 14.2) | 18,692,306 | 16,702,768 |
| Other employees (Note 14.2) | - | 317,768 |
| | 18,692,306 | 17,020,536 |
| Less: Current portion shown under current assets (Note 18) | | |
| Executives | 2,806,347 | 1,760,877 |
| Other employees | - | 317,768 |
| | 2,806,347 | 2,078,645 |
| | <u>15,885,959</u> | <u>14,941,891</u> |

| | 2017 Rupees | 2016 Rupees |
|---|------------------------------|------------------------------|
| 14.1 Reconciliation of carrying amount of loans to executives: | | |
| Balance as at 01 July | 16,702,768 | 7,212,691 |
| Add: Disbursements | 4,333,420 | 13,678,175 |
| Less: Repayments | 2,343,882 | 4,188,098 |
| Balance as at 30 June | <u>18,692,306</u> | <u>16,702,768</u> |

14.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 18.692 million (2016: Rupees 16.702 million).

14.2 These represent motor vehicle loans and house building loans to executives, payable in 36 to 48 and 96 monthly instalments respectively. Interest on long term loans ranged from 4.63% to 8.12% (2016: 4.63% to 8.12%) per annum while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of the Company, whereas house building loans are secured against balance standing to the credit of employee in the provident fund trust account.

14.3 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.

| | 2017 Rupees | 2016 Rupees |
|--|------------------------------|------------------------------|
| 15. STORES, SPARE PARTS AND LOOSE TOOLS | | |
| Stores | 325,819,342 | 432,566,483 |
| Spare parts | 211,203,117 | 295,566,465 |
| Loose tools | 43,042,259 | 52,951,507 |
| | <u>580,064,718</u> | <u>781,084,455</u> |
| 16. STOCK-IN-TRADE | | |
| Raw materials | 6,831,007,143 | 5,566,727,586 |
| Work-in-process | 681,950,465 | 664,745,190 |
| Finished goods | 1,058,655,750 | 581,318,344 |
| Waste | 78,504,641 | 45,165,814 |
| | <u>8,650,117,999</u> | <u>6,857,956,934</u> |

16.1 Stock-in-trade of Rupees 161.563 million (2016: Rupees 95.321 million) is being carried at net realizable

16.2 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 6.501 million (2016: Rupees Nil).

16.3 This includes stock of Rupees 28.426 million (2016: Rupees 7.135 million) sent to outside parties for processing.

17. TRADE DEBTS

Considered good:

Secured:

- Others

| | |
|---------------|---------------|
| 4,356,277,736 | 4,544,021,449 |
|---------------|---------------|

Unsecured:

- Nishat Chunian USA Inc. - subsidiary company

| | |
|-------------|-------------|
| 507,035,834 | 571,079,631 |
|-------------|-------------|

- Nishat Mills Limited - related party

| | |
|------------|------------|
| 69,615,588 | 55,842,848 |
|------------|------------|

- Others

| | |
|-------------|------------|
| 240,403,474 | 27,946,893 |
|-------------|------------|

| | |
|-------------|-------------|
| 817,054,896 | 654,869,372 |
|-------------|-------------|

| | |
|----------------------|----------------------|
| <u>5,173,332,632</u> | <u>5,198,890,821</u> |
|----------------------|----------------------|

- 17.1 As at 30 June 2017, trade debts due from other than related parties of Rupees 24.118 million (2016: Rupees 18.471 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:

| | 2017 Rupees | 2016 Rupees |
|--------------------|-------------------|-------------------|
| Upto 1 month | 3,364,584 | 15,046,498 |
| 1 to 6 months | 3,115,607 | 1,228,398 |
| More than 6 months | 17,637,926 | 2,195,729 |
| | <u>24,118,117</u> | <u>18,470,625</u> |

- 17.2 As at 30 June 2017, trade debts due from related parties amounting to Rupees 37.425 million (2016: Rupees 32.726 million) were past due but not impaired. The age analysis of these trade debts is as follows:

| | | |
|--------------------|-------------------|-------------------|
| Upto 1 month | 37,425,050 | 32,666,239 |
| 1 to 6 months | - | 3,348 |
| More than 6 months | - | 56,544 |
| | <u>37,425,050</u> | <u>32,726,131</u> |

18. LOANS AND ADVANCES

Considered good:

Employees - interest free:

| | | |
|---|----------------------|----------------------|
| - Executives | 14,445,336 | 8,991,204 |
| - Other employees | 8,650,520 | 4,766,389 |
| | <u>23,095,856</u> | <u>13,757,593</u> |
| Current portion of long term loans to employees (Note 14) | 2,806,347 | 2,078,645 |
| Advances to suppliers (Note 18.1) | 589,447,921 | 426,690,329 |
| Short term loans to subsidiary companies (Note 18.2) | 783,492,238 | - |
| Advances to contractors | 972,313 | 719,295 |
| Letters of credit | 227,403,286 | 567,571,357 |
| | <u>1,627,217,961</u> | <u>1,010,817,219</u> |

- 18.1 It includes advances amounting to Rupees 0.486 million (2016: Rupees 1.140 million) to D.G. Khan Cement Company Limited - related party and Rupees 0.743 million (2016: Rupees Nil) to Adamjee Insurance Company Limited - associated company.

- 18.2 These represent amounts due from following subsidiary companies:

| | 2017 Rupees | 2016 Rupees |
|--|--------------------|----------------|
| Nishat Chunian Power Limited (Note 18.2.1) | 350,000,000 | - |
| NC Electric Company Limited (Note 18.2.1) | 423,492,238 | - |
| NC Entertainment (Private) Limited (Note 18.2.1) | 10,000,000 | - |
| | <u>783,492,238</u> | <u>-</u> |

- 18.2.1 Return on these loans is 3 months KIBOR + 2% or weighted average borrowing cost of the Company, whichever is higher and these loans are repayable within one year from the date of disbursement.

| | 2017 Rupees | 2016 Rupees |
|---|----------------------|----------------------|
| 19. OTHER RECEIVABLES | | |
| Considered good: | | |
| Sales tax recoverable | 1,080,894,415 | 1,024,221,789 |
| Advance income tax - net | 1,043,288,570 | 781,830,258 |
| Export rebate and claims | 77,572,321 | 110,106,713 |
| Duty drawback receivable | 341,479,236 | - |
| Fair value of forward exchange contracts | - | 45,758,252 |
| Receivable from employees' provident fund trust | 32,479,681 | 17,287,545 |
| Due from subsidiary companies (Note 19.1) | - | 35,635,254 |
| Miscellaneous (Note 19.2) | 21,956,823 | 60,268,818 |
| | <u>2,597,671,046</u> | <u>2,075,108,629</u> |

19.1 It includes Rupees Nil (2016: Rupees 35.483 million) and Rupees Nil (2016: Rupees 0.152 million) due from NC Electric Company Limited - subsidiary company and NC Entertainment (Private) Limited - subsidiary company respectively, in the ordinary course of business and are interest free.

19.2 It includes Rupees 0.699 million (2016: Rupees 3.753 million) receivable from Adamjee Insurance Company Limited - associated company.

20. ACCRUED INTEREST

On short term loans to:

| | | |
|---|------------------|----------|
| Nishat Chunian Power Limited - subsidiary company | 78,054 | - |
| NC Electric Company Limited - subsidiary company | 4,237,905 | - |
| NC Entertainment (Private) Limited - subsidiary company | 167,466 | - |
| | <u>4,483,425</u> | <u>-</u> |

21. SHORT TERM INVESTMENTS

Held-to-maturity

| | | |
|-----------------------------------|-------------------|----------|
| Term deposit receipts (Note 21.1) | 20,660,226 | - |
| Add: Accrued interest | 1,106,721 | - |
| | <u>21,766,947</u> | <u>-</u> |

21.1 These represent deposits under lien with the bank of the Company against bank guarantees of the same amount issued by the bank to Sui Northern Gas Pipelines Limited against gas connections. Interest on term deposit receipts ranges from 5.34% to 5.94% (2016: 5.85% to 6.87%) per annum. The maturity period of these term deposit receipts is one year.

22. CASH AND BANK BALANCES

Cash with banks:

| | | |
|---|-------------------|-------------------|
| On saving accounts (Note 22.1) | | |
| Including US\$ 14,444 (2016: US\$ 14,424) | 1,521,722 | 7,182,797 |
| On current accounts (Note 22.2) | | |
| Including US\$ 44,338 (2016: US\$ 22,240) | 41,508,643 | 35,945,218 |
| | <u>43,030,365</u> | <u>43,128,015</u> |
| Cash in hand | 1,518,996 | 5,539,508 |
| | <u>44,549,361</u> | <u>48,667,523</u> |

22.1 Rate of profit on saving accounts ranges from 3.11% to 4.75% (2016: 3.75% to 6.88%) per annum.

22.2 Included in cash with banks on current accounts are Rupees 12.379 million (2016: Rupees 3.924 million) with MCB Bank Limited - associated company.

| | 2017 Rupees | 2016 Rupees |
|--|------------------------------|------------------------------|
| 23. REVENUE | | |
| Export sales | 17,523,174,149 | 17,581,068,059 |
| Local sales (Note 23.1) | 11,660,194,920 | 7,784,887,896 |
| Processing income | 240,842,283 | 383,742,300 |
| Export rebate | 39,529,905 | 49,423,298 |
| Duty drawback | 352,253,015 | - |
| | <u>29,815,994,272</u> | <u>25,799,121,553</u> |
| 23.1 Local sales | | |
| Sales (Note 23.1.1) | 11,663,888,889 | 8,008,844,257 |
| Less: Sales tax | 3,693,969 | 223,956,361 |
| | <u>11,660,194,920</u> | <u>7,784,887,896</u> |
| 23.1.1 Local sales includes waste sales of Rupees 726.961 million (2016: Rupees 510.209 million). | | |
| 24. COST OF SALES | | |
| Raw materials consumed (Note 24.1) | 19,522,701,235 | 16,087,598,110 |
| Packing materials consumed | 845,732,666 | 803,855,260 |
| Stores, spare parts and loose tools consumed | 916,548,416 | 896,968,213 |
| Processing charges | 103,057,986 | 125,739,895 |
| Salaries, wages and other benefits (Note 24.2) | 2,202,361,610 | 2,027,084,461 |
| Fuel and power | 2,541,860,467 | 2,173,684,091 |
| Insurance | 41,212,846 | 41,802,008 |
| Postage and telephone | 838,002 | 784,855 |
| Travelling and conveyance | 18,971,324 | 17,533,603 |
| Vehicles' running and maintenance | 21,230,302 | 21,414,111 |
| Entertainment | 7,285,903 | 5,757,878 |
| Depreciation on operating fixed assets (Note 12.1.2) | 811,924,755 | 782,331,926 |
| Repair and maintenance | 336,060,035 | 312,261,182 |
| Other factory overheads | 74,296,834 | 67,239,816 |
| | <u>27,444,082,381</u> | <u>23,364,055,409</u> |
| Work-in-process | | |
| Opening stock | 664,745,190 | 440,237,780 |
| Closing stock | (681,950,465) | (664,745,190) |
| | <u>(17,205,275)</u> | <u>(224,507,410)</u> |
| Cost of goods manufactured | 27,426,877,106 | 23,139,547,999 |
| Finished goods and waste - opening stocks | | |
| Finished goods | 581,318,344 | 796,579,213 |
| Waste | 45,165,814 | 33,960,725 |
| | <u>626,484,158</u> | <u>830,539,938</u> |
| | <u>28,053,361,264</u> | <u>23,970,087,937</u> |
| Finished goods and waste - closing stocks | | |
| Finished goods | (1,058,655,750) | (581,318,344) |
| Waste | (78,504,641) | (45,165,814) |
| | <u>(1,137,160,391)</u> | <u>(626,484,158)</u> |
| | <u>26,916,200,873</u> | <u>23,343,603,779</u> |

| | 2017 Rupees | 2016 Rupees |
|------------------------------------|------------------------------|------------------------------|
| 24.1 Raw materials consumed | | |
| Opening stock | 5,566,727,586 | 4,748,044,323 |
| Add: Purchased during the year | 20,786,980,792 | 16,906,281,373 |
| | <u>26,353,708,378</u> | <u>21,654,325,696</u> |
| Less: Closing stock | (6,831,007,143) | 5,566,727,586 |
| | <u>19,522,701,235</u> | <u>16,087,598,110</u> |

24.2 Salaries, wages and other benefits include Rupees 16.952 million (2016: Rupees 14.311 million) and Rupees 39.561 million (2016: Rupees 36.400 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

25. DISTRIBUTION COST

| | | |
|---|--------------------|--------------------|
| Salaries and other benefits (Note 25.1) | 82,684,060 | 70,672,742 |
| Ocean freight | 96,664,451 | 105,133,614 |
| Freight and octroi | 90,459,446 | 96,447,113 |
| Forwarding and other expenses | 160,347,738 | 197,003,139 |
| Export marketing expenses | 149,997,190 | 134,252,675 |
| Commission to selling agents | 133,361,407 | 134,658,978 |
| | <u>713,514,292</u> | <u>738,168,261</u> |

25.1 Salaries and other benefits include Rupees 3.882 million (2016: Rupees 3.374 million) and Rupees 3.854 million (2016: 3.390 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

| | 2017 Rupees | 2016 Rupees |
|--|------------------------------|------------------------------|
| 26. ADMINISTRATIVE EXPENSES | | |
| Salaries and other benefits (Note 26.1) | 94,120,115 | 79,696,606 |
| Printing and stationery | 3,491,940 | 2,508,396 |
| Vehicles' running and maintenance - net | 2,145,527 | 1,409,925 |
| Travelling and conveyance | 39,954,667 | 40,641,429 |
| Postage and telephone - net | 4,022,785 | 4,885,553 |
| Fee and subscription | 5,312,814 | 7,538,674 |
| Legal and professional (Note 26.2) | 12,830,815 | 10,016,753 |
| Electricity and sui gas - net | 1,581,927 | 494,710 |
| Insurance | 3,216,017 | 2,993,735 |
| Repair and maintenance - net | 5,152,194 | 681,851 |
| Entertainment | 5,215,031 | 5,645,236 |
| Depreciation on operating fixed assets (Note 12.1.2) | 6,390,185 | 5,795,571 |
| Amortization on intangible asset (Note 12.1.3) | 6,199,956 | 3,702,497 |
| Miscellaneous - net | 45,815,245 | 2,977,405 |
| | <u>235,449,218</u> | <u>168,988,341</u> |

26.1 Salaries and other benefits include Rupees 3.002 million (2016: Rupees 2.666 million) and Rupees 3.411 million (2016: Rupees 2.559 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

| | 2017 Rupees | 2016 Rupees |
|--|--------------------|-------------------|
| 26.2 | | |
| Legal and professional charges include the following in respect of auditors' remuneration for: | | |
| Audit fee | 1,591,150 | 1,446,500 |
| Half yearly review | 450,000 | 364,000 |
| Certification fees | 125,000 | 100,000 |
| Reimbursable expenses | 177,000 | 167,200 |
| | <u>2,343,150</u> | <u>2,077,700</u> |
| 27. OTHER EXPENSES | | |
| Workers' profit participation fund (Note 7.2) | 72,494,888 | 85,243,208 |
| Donations (Note 27.1) | 358,227 | 115,577 |
| Net exchange loss | - | 1,347,976 |
| Loss on disposal of operating fixed assets (Note 12.1.1) | 127,005,097 | - |
| Impairment loss on operating fixed assets (Note 12.1) | - | 9,725,736 |
| | <u>199,858,212</u> | <u>96,432,497</u> |

27.1 Donations

This includes donations amounting to Rupees 0.251 million (2016: Rupees 0.052 million) to Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore in which Mr. Shahzad Saleem, Chief Executive, Mr. Aftab Ahmad Khan, Director and Mrs. Farhat Saleem, Director are trustees and Rupees 0.023 million (2016: Rupees 0.003 million) to Saleem Memorial Trust Hospital, 31-Q, Gulberg II, Lahore in which Mr. Shahzad Saleem, Chief Executive and Mrs. Farhat Saleem, Director are directors.

| | 2017 Rupees | 2016 Rupees |
|---|----------------------|----------------------|
| 28. OTHER INCOME | | |
| Income from financial assets | | |
| Return on bank deposits | 1,186,625 | 183,813 |
| Credit balances written back | 15,029 | - |
| Net exchange gain | 153,873,433 | - |
| Income from investment in subsidiary company | | |
| Dividend income from Nishat Chunian Power Limited | 891,032,645 | 1,125,514,920 |
| Income from loans to subsidiary companies | | |
| Interest income on short term loans (Note 18) | 8,172,846 | - |
| Income from non-financial assets | | |
| Gain on disposal of operating fixed assets (Note 12.1.1) | - | 13,636,790 |
| Sale of scrap | 45,736,683 | 42,941,064 |
| Reversal of provision for workers' welfare fund (Note 28.1) | 21,681,803 | - |
| Miscellaneous | 702,790 | 8,442,325 |
| | <u>1,122,401,854</u> | <u>1,190,718,912</u> |

- 28.1 Provisions for workers' welfare fund recognized in prior years have been reversed during the year in view of judgement of Honourable Supreme Court of Pakistan announced on 10 November 2016 declaring amendments made in Worker Welfare Ordinance, 1971 through Finance Acts 2006 and 2008 to be unlawful and ultra vires the Constitution of the Islamic Republic of Pakistan, 1973.

| | 2017 Rupees | 2016 Rupees |
|---|----------------------|----------------------|
| 29. FINANCE COST | | |
| Mark-up on: | | |
| - long term loans | 229,269,366 | 314,227,287 |
| - long term musharaka | 20,389,096 | 20,396,273 |
| - redeemable capital | - | 921,458 |
| - short term running finances | 163,788,338 | 175,448,159 |
| - export finances - Preshipment / SBP refinances | 150,688,544 | 198,496,615 |
| - short term finances - others | 429,983,510 | 215,010,630 |
| Interest on workers' profit participation fund (Note 7.2) | 12,217,220 | 6,602,743 |
| Bank charges and commission | 88,387,080 | 98,526,213 |
| | <u>1,094,723,154</u> | <u>1,029,629,378</u> |
| 30. TAXATION | | |
| Current (Note 30.1) | <u>157,318,525</u> | <u>284,243,516</u> |

- 30.1 Provision for current taxation represents minimum tax on local sales, final tax on export sales, super tax and tax on income from other sources at applicable rates. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate has not been presented, being impracticable.

| | 2017 Rupees | 2016 Rupees |
|---|--------------------|--------------------|
| 30.2 Deferred income tax asset | | |
| The asset for deferred income tax originated due to timing differences relating to: | | |
| Taxable temporary difference | | |
| Accelerated tax depreciation | (344,873,494) | (157,961,488) |
| Deductible temporary differences | | |
| Available tax losses | 922,792,379 | 786,425,685 |
| Amortization on intangible asset | 352,047 | 115,848 |
| | <u>923,144,426</u> | <u>786,541,533</u> |
| Deferred income tax asset | 578,270,932 | 628,580,045 |
| Deferred income tax asset not recognized in these financial | (578,270,932) | (628,580,045) |
| Deferred income tax asset recognized in these financial statements | <u>-</u> | <u>-</u> |

- 30.2.1 Deferred income tax asset of Rupees 578.271 million (2016: Rupees 628.580 million) has not been recognized in these financial statements as the Company's management believes that sufficient taxable profits will not be probably available in foreseeable future, hence, the temporary differences may not reverse.

30.3 The Company has carry forwardable tax losses of Rupees 3,076 million (2016: Rupees 2,621 million).

| | 2017 | 2016 |
|---|----------------------|----------------------|
| 31. EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit after taxation attributable to ordinary shareholders (Rupees) | <u>1,621,331,852</u> | <u>1,328,774,693</u> |
| Weighted average number of ordinary shares outstanding during the year (Number) | <u>240,221,556</u> | <u>237,862,307</u> |
| Basic earnings per share (Rupees) | <u>6.75</u> | <u>5.59</u> |

31.1 There is no dilutive effect on basic earnings per share for the year ended 30 June 2017 and 30 June 2016 as the Company has no potential ordinary shares as on 30 June 2017 and 30 June 2016.

| | 2017 Rupees | 2016 Rupees |
|---|------------------------|------------------------|
| 32. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 1,778,650,377 | 1,613,018,209 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation on operating fixed assets | 818,314,940 | 788,127,497 |
| Amortization on intangible asset | 6,199,956 | 3,702,497 |
| Impairment loss on operating fixed assets | - | 9,725,736 |
| Loss/(gain) on disposal of operating fixed assets | 127,005,097 | (13,636,790) |
| Dividend income | (891,032,645) | (1,125,514,920) |
| Finance cost | 1,094,723,154 | 1,029,629,378 |
| Return on bank deposits | (1,186,625) | (183,813) |
| Interest income on short term loans to subsidiary companies | (8,172,846) | - |
| Credit balances written back | (15,029) | - |
| Reversal of provision for workers' welfare fund (Note 28) | (21,681,803) | - |
| Working capital changes (Note 32.1) | <u>(2,087,177,900)</u> | <u>(1,292,816,542)</u> |
| | <u>815,626,676</u> | <u>1,012,051,252</u> |

32.1 Working capital changes

(Increase) / decrease in current assets:

| | | |
|-------------------------------------|------------------------|------------------------|
| Stores, spare parts and loose tools | 201,019,737 | (132,720,544) |
| Stock-in-trade | (1,792,161,065) | (839,134,893) |
| Trade debts | 25,558,189 | (440,727,298) |
| Loans and advances | 167,819,198 | (165,525,285) |
| Short term prepayments | (5,336,047) | (670,454) |
| Other receivables | <u>(261,104,105)</u> | <u>(405,465,419)</u> |
| | <u>(1,664,204,093)</u> | <u>(1,984,243,893)</u> |

(Decrease) / increase in trade and other payables

| | | |
|--|------------------------|------------------------|
| | (422,973,807) | 691,427,351 |
| | <u>(2,087,177,900)</u> | <u>(1,292,816,542)</u> |

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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 | |
|--------------------------------|--------------------|------------------|-----------|----------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | ----- Rupees ----- | | | | | |
| Managerial remuneration | 4,600,000 | 4,600,000 | - | - | 99,433,677 | 75,443,416 |
| Contribution to provident fund | - | - | - | - | 8,282,825 | 6,277,773 |
| House rent | 1,840,000 | 1,840,000 | - | - | 39,773,471 | 30,177,366 |
| Utilities | 460,000 | 460,000 | - | - | 9,943,368 | 7,544,342 |
| Others | 1,183,430 | 1,992,864 | - | - | 12,795,742 | 15,122,357 |
| | 8,083,430 | 8,892,864 | - | - | 170,229,083 | 134,565,254 |
| Number of persons | 1 | 1 | - | - | 95 | 75 |

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 five (2016: seven) directors was Rupees 360,000 (2016: Rupees 320,000).

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

34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiary companies, associated undertakings, 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:

| | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|
| Subsidiary companies | | |
| Common facilities cost charged | 19,200,000 | 19,200,000 |
| Dividend income | 891,032,645 | 1,125,514,920 |
| Purchase of fixed assets | 91,000,000 | - |
| Sale of goods | 1,373,699,115 | 1,877,334,000 |
| Purchase of electricity and steam | 805,389,330 | - |
| Investments made | 489,437,501 | 315,667,789 |
| Interest income | 8,172,846 | - |
| Short term loans made | 7,384,500,000 | - |
| Repayment / adjustment of short term loans made | 6,601,007,762 | - |
| | - | - |
| Associated undertakings | | |
| Insurance premium paid | 78,161,911 | 77,786,126 |
| Insurance claims received | 15,435,865 | 22,405,636 |
| Other related parties | | |
| Purchase of goods | 62,256,073 | 35,762,623 |
| Sale of goods | 1,459,639,336 | 810,721,648 |
| Dividend paid | 99,909,850 | 59,945,910 |
| Company's contribution to employees' provident fund trust | 46,826,164 | 42,348,654 |

35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on audited financial statements of the provident fund for the years ended 30 June 2017 and 30 June 2016:

| | 2017 Rupees | 2016 Rupees |
|---------------------------------|----------------|----------------|
| Size of the fund - Total assets | 430,885,554 | 362,073,888 |
| Cost of investments | 382,052,828 | 326,332,489 |
| Fair value of investments | 393,810,353 | 343,275,220 |
| Percentage of investments made | 91.40% | 94.81% |

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

| | 2017 Percentage | 2016 | 2017 Rupees | 2016 Rupees |
|-------------------------|--------------------|-------------|--------------------|--------------------|
| Deposits with banks | 0.03% | 0.79% | 106,329 | 2,713,939 |
| Treasury bills | 77.64% | 89.45% | 305,758,380 | 307,050,071 |
| Term deposit receipts | 4.86% | - | 19,147,968 | - |
| Mutual funds - open end | 15.54% | 7.52% | 61,183,701 | 25,829,302 |
| Listed securities | 1.93% | 2.24% | 7,613,975 | 7,681,908 |
| | <u>100%</u> | <u>100%</u> | <u>393,810,353</u> | <u>343,275,220</u> |

35.2 As at the reporting date, the Nishat (Chunian) Limited - Employees Provident Fund is in the process of regularizing its investment in accordance with section 218 of the Companies Act, 2017 and the rules formulated for this purpose in terms of SRO 770(1)/2016 issued by Securities and Exchange Commission of Pakistan on 17 August 2016 which allows transition period of two years for bringing the Employees Provident Fund in conformity with the requirements of rules.

36. NUMBER OF EMPLOYEES

| | 2017 | 2016 |
|---|-------|-------|
| Number of employees as on 30 June | 6,437 | 6,085 |
| Average number of employees during the year | 6,249 | 6,228 |

37. SEGMENT INFORMATION

| | Spinning | | Wearing | | Dyeing | | Home Textile | | Power Generation | | Elimination of Inter-segment transactions | | Total - Company | |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|---|-----------------|-----------------|-----------------|
| | Zone-2 (62.8)* | | Zone-3 (23.6) | | Unit-2 (18.4) | | Unit-1 (1.2) | | Unit-2 (18.4) | | Unit-1 (1.2) | | Unit-2 (18.4) | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Scale | | | | | | | | | | | | | | |
| Export | | | | | | | | | | | | | | |
| - Local | | | | | | | | | | | | | | |
| Inter-segment | | | | | | | | | | | | | | |
| Cost of sales | 4,122,159,476 | 4,482,763,269 | 8,40,484,056 | 889,765,934 | 2,289,060,971 | 2,671,154,114 | 2,720,959,176 | 2,720,959,176 | 2,720,959,176 | 2,720,959,176 | 2,720,959,176 | 2,720,959,176 | 2,720,959,176 | 2,720,959,176 |
| Gross profit / (loss) | 824,699,786 | 929,380,275 | 3,613,752,624 | 1,960,274,952 | 4,113,418,020 | 3,149,777,827 | 3,149,777,827 | 3,149,777,827 | 3,149,777,827 | 3,149,777,827 | 3,149,777,827 | 3,149,777,827 | 3,149,777,827 | 3,149,777,827 |
| Distribution cost | 4,946,259,282 | 5,412,844,394 | 4,442,236,680 | 6,402,479,980 | 6,402,479,980 | 5,771,331,941 | 2,720,959,176 | 1,421,607,098 | 1,421,607,098 | 1,421,607,098 | 1,421,607,098 | 1,421,607,098 | 1,421,607,098 | 1,421,607,098 |
| Administrative expenses | 3,774,882,295 | 4,178,193,265 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 | 3,578,393,928 |
| Profit / (loss) before taxation and unallocated income and expenses | (6,672,20,413) | (6,270,642,313) | (4,469,136,344) | (2,988,782,275) | (7,312,216,931) | (4,232,919,721) | (4,232,919,721) | (4,232,919,721) | (4,232,919,721) | (4,232,919,721) | (4,232,919,721) | (4,232,919,721) | (4,232,919,721) | (4,232,919,721) |
| Other income | 4,062,518,216 | 259,507,555 | 386,446,259 | 147,206,175 | 635,216,567 | 345,024,029 | 345,024,029 | 345,024,029 | 345,024,029 | 345,024,029 | 345,024,029 | 345,024,029 | 345,024,029 | 345,024,029 |
| Taxation | (69,072,664) | (1,005,263,249) | (65,708,379) | (57,044,827) | (1,08,007,717) | (133,702,622) | (17,244,037) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) |
| Profit after taxation | (69,072,664) | (1,005,263,249) | (65,708,379) | (57,044,827) | (1,08,007,717) | (133,702,622) | (17,244,037) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) | (6,623,112) |
| Unallocated income and expenses | (89,929,502) | (110,168,624) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) | (89,929,502) |
| Total | 317,258,915 | 149,338,931 | 301,728,727 | 84,712,806 | 496,059,142 | 198,551,138 | 231,926,834 | 218,064,254 | 123,896,155 | 142,716,464 | 214,564,626 | 164,527,289 | 471,349,538 | (29,076,681) |

* This relates to 2017 only.

37.1 Reconciliation of reportable segment assets and liabilities

| | Spinning | | Wearing | | Dyeing | | Home Textile | | Power Generation | | Total - Company | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|-----------------|----------------|----------------|----------------|
| | Zone-2 | | Zone-3 | | Unit-2 | | Unit-1 | | Unit-2 | | Unit-1 | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | | |
| Total assets for reportable segments | 4,306,885,814 | 3,653,779,951 | 5,263,971,306 | 4,465,731,051 | 6,380,571,280 | 5,413,007,334 | 2,125,864,646 | 1,640,560,744 | 1,188,752,569 | 1,099,254,036 | 3,440,839,576 | 2,949,613,336 | 2,327,226,365 | 1,956,408,892 |
| Unallocated assets: | | | | | | | | | | | | | | |
| Investments in subsidiary companies | | | | | | | | | | | | | | |
| Other receivables | | | | | | | | | | | | | | |
| Short term investments | | | | | | | | | | | | | | |
| Cash and bank balances | | | | | | | | | | | | | | |
| Other corporate assets | | | | | | | | | | | | | | |
| Total assets as per balance sheet | 82,032,627 | 134,133,151 | 100,262,100 | 163,940,518 | 121,629,818 | 198,715,780 | 65,073,792 | 177,552,567 | 36,388,317 | 118,968,699 | 363,708,728 | 359,016,307 | 256,805,818 | 239,344,205 |
| Unallocated liabilities: | | | | | | | | | | | | | | |
| Long term financing | | | | | | | | | | | | | | |
| Accrued mark-up | | | | | | | | | | | | | | |
| Short term borrowings | | | | | | | | | | | | | | |
| Other corporate liabilities | | | | | | | | | | | | | | |
| Total liabilities as per balance sheet | 26,665,026,469 | 3,902,230,516 | 2,597,671,046 | 2,075,108,629 | 21,766,947 | 48,667,523 | 1,309,358,441 | 34,672,802,800 | 1,360,572,669 | 1,682,368,486 | 5,651,663,000 | 194,237,166 | 142,864,217 | 15,236,786,649 |
| Geographical information | | | | | | | | | | | | | | |
| The Company's revenue from external customers by geographical location is detailed below: | | | | | | | | | | | | | | |
| Europe | | | | | | | | | | | | | | |
| Asia, Africa and Australia | | | | | | | | | | | | | | |
| United States of America, Canada and South America | | | | | | | | | | | | | | |
| Pakistan | | | | | | | | | | | | | | |
| Total | 22,614,628,017 | 17,866,198,977 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 | 22,725,243,596 |

37.2 Revenue from major customers

| | 2017 | | 2016 | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | Rupees | 2016 Rupees | Rupees | 2016 Rupees |
| Investments in subsidiary companies | 3,885,225,500 | 3,462,893,461 | 9,361,046,070 | 9,941,641,081 |
| Other receivables | 4,276,580,206 | 4,156,433,517 | 12,283,128,496 | 8,218,063,494 |
| Short term investments | 25,796,121,553 | | | |
| Cash and bank balances | | | | |
| Other corporate assets | | | | |
| Total | 22,614,628,017 | 17,866,198,977 | 22,725,243,596 | 22,725,243,596 |

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

Revenue from major customers

The Company's revenue is earned from a large mix of customers.

38. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

| | 2017 | 2016 |
|---|------------|------------|
| Number of spindles installed | 222,708 | 209,652 |
| Number of spindles worked | 212,164 | 183,917 |
| Number of shifts per day | 3 | 3 |
| Capacity after conversion into 20/1 count (Kgs.) | 66,097,519 | 66,165,532 |
| Actual production of yarn after conversion into 20/1 count (Kgs.) | 65,120,709 | 65,187,716 |

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 | 363 | 361 |
| Number of looms worked | 363 | 361 |
| Number of shifts per day | 3 | 3 |
| Capacity after conversion into 50 picks - square yards | 249,955,829 | 231,560,698 |
| Actual production after conversion into 50 picks - square yards | 217,086,638 | 203,167,378 |

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

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

Power plant

| | | |
|-----------------------------|-------------|-------------|
| Number of engines installed | 22 | 22 |
| Number of engines worked | 22 | 22 |
| Number of shifts per day | 3 | 3 |
| Generation capacity (KWh) | 358,110,720 | 358,110,720 |
| Actual generation (KWh) | 170,935,553 | 144,646,322 |

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

Dyeing

| | | |
|---------------------------------------|------------|------------|
| Number of thermosol dyeing machines | 1 | 1 |
| Number of stenters machines | 4 | 3 |
| Number of shifts per day | 3 | 3 |
| Capacity in meters | 31,800,000 | 30,800,000 |
| Actual processing of fabrics - meters | 29,104,022 | 27,480,338 |

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

Printing

| | | |
|---------------------------------------|-----------|-----------|
| Number of printing machines | 1 | 1 |
| Number of shifts per day | 3 | 2 |
| Capacity in meters | 7,825,000 | 6,200,000 |
| Actual processing of fabrics - meters | 7,966,418 | 6,279,602 |

Actual processing was in excess of rated capacity due to processing of less complex designs.

Digital printing

| | | |
|---------------------------------------|-----------|-----------|
| Number of printing machines | 2 | 1 |
| Capacity in meters | 1,820,000 | 1,560,000 |
| Actual processing of fabrics - meters | 76,419 | 400,911 |

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) and Euro. 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:

| | 2017 | 2016 |
|---------------------------------|-------------|-------------|
| Cash at banks - USD | 58,782 | 36,664 |
| Trade debts - USD | 33,347,608 | 44,855,643 |
| Trade debts - EURO | 585,194 | 247,558 |
| Trade and other payables - USD | (270,937) | (1,718,908) |
| Trade and other payables - EURO | (23,649) | (40,496) |
| Short term borrowings - USD | (8,410,094) | (8,043,596) |
| Accrued mark-up - USD | (54,186) | (42,195) |
| Net exposure - USD | 24,671,173 | 35,087,608 |
| Net exposure - EURO | 561,545 | 207,062 |

The following significant exchange rates were applied during the year:

Rupees per US Dollar

| | | |
|---------------------|--------|--------|
| Average rate | 104.55 | 104.30 |
| Reporting date rate | 104.80 | 104.50 |

Rupees per EURO

| | | |
|---------------------|--------|--------|
| Average rate | 114.17 | 115.47 |
| Reporting date rate | 119.91 | 116.08 |

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 124.229 million (2016: Rupees 172.950 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

(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 mainly 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:

| | 2017 Rupees | 2016 Rupees |
|----------------------------------|-------------------------|-------------------------|
| Fixed rate instruments | | |
| Financial liabilities | | |
| Long term financing | 2,527,909,000 | 462,980,000 |
| Short term borrowings | 3,810,059,876 | 3,482,164,394 |
| | <u>6,337,968,876</u> | <u>3,945,144,394</u> |
| Financial assets | | |
| Long term loans to employees | 12,342,730 | 14,285,790 |
| Net exposure | <u>(6,325,626,146)</u> | <u>(3,930,858,604)</u> |
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances - saving accounts | 1,521,722 | 7,182,797 |
| Short term investments | 20,660,226 | - |
| | <u>22,181,948</u> | <u>7,182,797</u> |
| Financial liabilities | | |
| Long term financing | 3,123,754,000 | 3,198,125,000 |
| Short term borrowings | 11,426,726,773 | 8,637,918,128 |
| | <u>14,550,480,773</u> | <u>11,836,043,128</u> |
| Net exposure | <u>(14,528,298,825)</u> | <u>(11,828,860,331)</u> |

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 138.019 million (2016: Rupees 112.374 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:

| | 2017 Rupees | 2016 Rupees |
|-----------------------------|----------------------|----------------------|
| Long term security deposits | 22,234,440 | 20,769,440 |
| Trade debts | 5,173,332,632 | 5,198,890,821 |
| Loans and advances | 825,280,400 | 30,778,129 |
| Other receivables | 21,956,823 | 141,662,324 |
| Short term investments | 21,766,947 | - |
| Bank balances | 43,030,365 | 43,128,015 |
| | <u>6,107,601,607</u> | <u>5,435,228,729</u> |

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 | | | 2017 | 2016 |
|---|------------|-----------|---------|------------|------------|
| | Short Term | Long term | Agency | Rupees | Rupees |
| Banks | | | | | |
| Al-Baraka Bank (Pakistan) Limited | A1 | A | PACRA | - | 196,546 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | 1,228,920 | 1,223,754 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | 365,187 | 2,001,817 |
| BankIslami Pakistan Limited | A1 | A+ | PACRA | - | 22,016,322 |
| Burj Bank Limited | A-2 | A- | JCR-VIS | 184 | 183 |
| Dubai Islamic Bank (Pakistan) Limited | A-1 | AA- | JCR-VIS | 260,413 | 397,904 |
| Faysal Bank Limited | A1+ | AA | PACRA | 3,805,115 | 6,495,238 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 2,067,476 | 2,245,786 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 17,172,220 | - |
| Industrial and Commercial Bank of China Limited | P-1 | A1 | Moody's | 2,785 | 705 |
| MCB Bank Limited | A1+ | AAA | PACRA | 12,379,180 | 3,923,932 |
| Meezan Bank Limited | A-1+ | AA | JCR-VIS | 2,515,829 | 199,404 |
| National Bank of Pakistan | A-1+ | AAA | PACRA | 144,704 | 172,901 |
| NIB Bank Limited | A1+ | AA - | PACRA | 162,404 | 161,940 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 154,189 | 153,748 |
| The Bank of Punjab | A1+ | AA - | PACRA | 957,538 | 2,128,806 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 1,814,221 | 1,809,029 |
| | | | | 43,030,365 | 43,128,015 |
| Short term investments | | | | | |
| BankIslami Pakistan Limited | A1 | A+ | PACRA | 21,766,947 | - |
| | | | | 64,797,312 | 43,128,015 |

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 17.

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

(c) **Liquidity risk**

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2017, the Company had Rupees 7,028 million (2016: Rupees 6,945 million) available borrowing limits from financial institutions and Rupees 44,549 million (2016: Rupees 48,668 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 2017:

| Carrying Amount | Contractual cash flows | 6 month or less | 6-12 month | 1-2 Year | More than 2 Years |
|-----------------|------------------------|-----------------|------------|----------|-------------------|
|-----------------|------------------------|-----------------|------------|----------|-------------------|

----- R u p e e s -----

Non-derivative financial liabilities:

| | | | | | | |
|--------------------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Long term financing | 5,651,663,000 | 6,503,129,073 | 925,395,850 | 745,481,195 | 1,172,738,226 | 3,659,513,802 |
| Short term borrowings | 15,236,786,649 | 15,467,234,688 | 13,253,890,306 | 2,213,344,382 | - | - |
| Trade and other payables | 1,358,223,456 | 1,358,223,456 | 1,358,223,456 | - | - | - |
| Accrued mark-up | 194,237,156 | 194,237,156 | 194,237,156 | - | - | - |
| | 22,440,910,261 | 23,522,824,373 | 15,731,746,768 | 2,958,825,577 | 1,172,738,226 | 3,659,513,802 |

Contractual maturities of financial liabilities as at 30 June 2016:

| | Carrying Amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 Year | More than 2 Years |
|--|-----------------------|------------------------|-----------------------|----------------------|----------------------|--------------------|
| ----- R u p e e s ----- | | | | | | |
| Non-derivative financial liabilities: | | | | | | |
| Long term financing | 3,661,105,000 | 4,011,814,296 | 992,357,588 | 795,831,081 | 1,227,710,985 | 995,914,642 |
| Short term borrowings | 12,120,082,522 | 12,332,711,248 | 10,133,172,079 | 2,199,539,169 | - | - |
| Trade and other payables | 1,775,145,701 | 1,775,145,701 | 1,775,145,701 | - | - | - |
| Accrued mark-up | 142,984,217 | 142,984,217 | 142,984,217 | - | - | - |
| | <u>17,699,317,440</u> | <u>18,262,655,462</u> | <u>13,043,659,585</u> | <u>2,995,370,250</u> | <u>1,227,710,985</u> | <u>995,914,642</u> |

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 reporting date. The rates of interest / mark up have been disclosed in note 6 and note 9 to these financial statements.

39.2 Financial instruments by categories

Assets as per balance sheet

| | 2017 | | 2016 | |
|-----------------------------|-----------------------|--------------------------------------|-----------------------|--------------------------------------|
| | Loans and receivables | At fair value through profit or loss | Loans and receivables | At fair value through profit or loss |
| | Rupees | Rupees | Rupees | Rupees |
| Long term security deposits | 22,234,440 | - | 20,769,440 | - |
| Trade debts | 5,173,332,632 | - | 5,198,890,821 | - |
| Loans and advances | 825,280,400 | - | 30,778,129 | - |
| Other receivables | 21,956,823 | - | 95,904,072 | 45,758,252 |
| Short term investments | 21,766,947 | - | - | - |
| Cash and bank balances | 44,549,361 | - | 48,667,523 | - |
| | <u>6,109,120,603</u> | <u>-</u> | <u>5,395,009,985</u> | <u>45,758,252</u> |

Liabilities as per balance sheet

| | 2017 | | 2016 |
|--------------------------|-----------------------|--------------------------------------|-----------------------|
| | At amortized cost | At fair value through profit or loss | At amortized cost |
| | Rupees | Rupees | Rupees |
| Long term financing | 5,651,663,000 | - | 3,661,105,000 |
| Accrued mark-up | 194,237,156 | - | 142,984,217 |
| Short term borrowings | 15,236,786,649 | - | 12,120,082,522 |
| Trade and other payables | 1,341,163,254 | 17,060,202 | 1,775,145,701 |
| | <u>22,423,850,059</u> | <u>17,060,202</u> | <u>17,699,317,440</u> |

39.3 Offsetting financial assets and financial liabilities

As on balance sheet date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

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 (2016: 65% debt and 35% equity).

| | | 2017 | 2016 |
|------------------------|------------|-----------------------|-----------------------|
| Borrowings | Rupees | 20,888,449,649 | 15,781,187,522 |
| Total equity | Rupees | 12,007,974,783 | 10,987,196,821 |
| Total capital employed | Rupees | <u>32,896,424,432</u> | <u>26,768,384,343</u> |
| Gearing ratio | Percentage | 63.50 | 58.95 |

The increase in gearing ratio resulted primarily from increase in borrowings of the Company.

41. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

| Recurring fair value measurements At 30 June 2017 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
|--|---------|---------|---------|-------|

----- Rupees -----

Financial liabilities

| | | | | |
|------------------------------------|----------|-------------------|----------|-------------------|
| Derivative financial liabilities | - | 17,060,202 | - | 17,060,202 |
| Total financial liabilities | - | 17,060,202 | - | 17,060,202 |

| Recurring fair value measurements At 30 June 2016 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
|--|---------|---------|---------|-------|

----- Rupees -----

Financial assets

| | | | | |
|-------------------------------|----------|-------------------|----------|-------------------|
| Derivative financial assets | - | 45,758,252 | - | 45,758,252 |
| Total financial assets | - | 45,758,252 | - | 45,758,252 |

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments.

42. INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

42.1

| Description | Note | 2017 | | 2016 | |
|---|-----------|--------------------------|----------------------|--------------------------|-----------------------|
| | | Carried under | | Carried under | |
| | | Non-Shariah arrangements | Shariah arrangements | Non-Shariah arrangements | Shariah arrangements |
| -----Rupees----- | | | | | |
| Assets | | | | | |
| Loans and advances | | | | | |
| Loans to employees | 14 and 18 | 15,149,077 | 26,639,085 | 14,603,566 | 16,174,563 |
| Advances to suppliers | 18 | - | 589,447,921 | - | 426,690,329 |
| Advances to contractors | 18 | - | 972,313 | - | 719,295 |
| Deposits | | | | | |
| Long term security deposits | | - | 22,234,440 | - | 20,769,440 |
| Bank balances | 22 | 1,521,722 | 41,508,643 | 7,182,797 | 35,945,218 |
| Liabilities | | | | | |
| Loan and advances | | | | | |
| Long term financing | 6 | 5,071,663,000 | 580,000,000 | 3,501,105,000 | 160,000,000 |
| Short term borrowings | 9 | 12,641,786,649 | 2,595,000,000 | 11,448,862,550 | 671,219,972 |
| Advances from customers | 7 | - | 81,790,429 | - | 69,011,424 |
| Income | | | | | |
| Return on bank deposits | 28 | 79,904 | 1,106,721 | 92,176 | 91,637 |
| | | | | 2017 | 2016 |
| | | | | Rupees | Rupees |
| 42.2 Dividend income earned from | 28 | | | | |
| Dividend income from Nishat Chunian Power Limited | | | | 891,032,645 | 1,125,514,920 |
| 42.3 Sources of other income | 28 | | | | |
| Return on bank deposits | | | | 1,186,625 | 183,813 |
| Credit balances written back | | | | 15,029 | - |
| Dividend income from Nishat Chunian Power Limited | | | | 891,032,645 | 1,125,514,920 |
| Interest income on loans and advances to subsidiary companies | | | | 8,172,846 | - |
| Net exchange gain | | | | 153,873,433 | - |
| Gain on disposal of operating fixed assets | | | | - | 13,636,790 |
| Sale of scrap | | | | 45,736,683 | 42,941,064 |
| Reversal of provision for workers' welfare fund | | | | 21,681,803 | - |
| Miscellaneous - fines and deductions | | | | 702,790 | 8,442,325 |
| | | | | 1,122,401,854 | 1,190,718,912 |
| 42.4 Exchange gain/(loss) | | | | | |
| Earned from actual currency | | | | 153,873,433 | (1,347,976) |
| 42.5 Revenue (external) from different business segments | 37 | | | | |
| Spinning | | | | 15,802,974,922 | 14,013,687,124 |
| Weaving | | | | 5,662,714,924 | 4,362,790,019 |
| Dyeing | | | | 1,258,321,397 | 1,183,183,185 |
| Home textile | | | | 7,091,983,029 | 6,239,461,225 |
| | | | | 29,815,994,272 | 25,799,121,553 |

42.6 Relationship with banks

| Name | Relationship | |
|---|-------------------------------|---------------------------------|
| | Non Islamic window operations | With Islamic windows operations |
| Al-Baraka Bank (Pakistan) Limited | — | ✓ |
| Askari Bank Limited | ✓ | — |
| Allied Bank Limited | ✓ | — |
| Bank Alfalah Limited | ✓ | — |
| Bank Al-Habib Limited | ✓ | — |
| BankIslami Pakistan Limited | — | ✓ |
| Burj Bank Limited | — | ✓ |
| Citibank N.A. | ✓ | — |
| Dubai Islamic Bank (Pakistan) Limited | — | ✓ |
| Faysal Bank Limited | ✓ | — |
| Habib Metropolitan Bank Limited | ✓ | — |
| Habib Bank Limited | ✓ | — |
| JS Bank Limited | ✓ | — |
| MCB Bank Limited | ✓ | — |
| Meezan Bank Limited | — | ✓ |
| National Bank of Pakistan | ✓ | — |
| NIB Bank Limited | ✓ | — |
| Samba Bank Limited | ✓ | — |
| Standard Chartered Bank (Pakistan) Limited | ✓ | — |
| Soneri Bank Limited | ✓ | — |
| Summit Bank Limited | ✓ | — |
| The Bank of Punjab | ✓ | — |
| United Bank Limited | ✓ | — |
| Industrial and Commercial Bank of China Limited | ✓ | — |

43. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 22,265 million (2016: Rupees 19,065 million) out of which Rupees 7,028 million (2016: Rupees 6,945 million) remained unutilized at the end of the year.

44. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on September 22, 2017 has proposed cash dividend of Rupees 2.75 per ordinary share (2016: Rupees 2.50 per ordinary share) in respect of the year ended 30 June 2017. However, this event has been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 7.5% of accounting profit before tax of the Company if it does not distribute at least 40% of its after tax profit for the year within six months of the end of the year ended 30 June 2017 through cash or bonus shares. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on September 22, 2017 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2017 by the Board of Directors of the Company.

46. 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

47. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2017

| Number of ShareHolders | Shareholding | | Total Number of Shares Held | Percentage of Total Capital |
|------------------------|--------------|--------|-----------------------------|-----------------------------|
| | From | To | | |
| 2,512 | 1 | 100 | 54,288 | 0.02 |
| 1,178 | 101 | 500 | 355,196 | 0.15 |
| 882 | 501 | 1000 | 718,454 | 0.30 |
| 1,284 | 1001 | 5000 | 3,540,795 | 1.47 |
| 339 | 5001 | 10000 | 2,585,524 | 1.08 |
| 111 | 10001 | 15000 | 1,421,775 | 0.59 |
| 55 | 15001 | 20000 | 977,481 | 0.41 |
| 51 | 20001 | 25000 | 1,193,009 | 0.50 |
| 30 | 25001 | 30000 | 840,175 | 0.35 |
| 18 | 30001 | 35000 | 597,188 | 0.25 |
| 16 | 35001 | 40000 | 611,638 | 0.25 |
| 17 | 40001 | 45000 | 727,519 | 0.30 |
| 19 | 45001 | 50000 | 926,470 | 0.39 |
| 9 | 50001 | 55000 | 468,225 | 0.19 |
| 8 | 55001 | 60000 | 468,282 | 0.19 |
| 3 | 60001 | 65000 | 185,881 | 0.08 |
| 9 | 65001 | 70000 | 612,522 | 0.25 |
| 10 | 70001 | 75000 | 732,683 | 0.31 |
| 1 | 75001 | 80000 | 76,907 | 0.03 |
| 3 | 80001 | 85000 | 248,340 | 0.10 |
| 5 | 85001 | 90000 | 438,955 | 0.18 |
| 6 | 90001 | 95000 | 557,936 | 0.23 |
| 14 | 95001 | 100000 | 1,392,723 | 0.58 |
| 3 | 100001 | 105000 | 305,500 | 0.13 |
| 4 | 105001 | 110000 | 427,781 | 0.18 |
| 3 | 115001 | 120000 | 357,448 | 0.15 |
| 2 | 120001 | 125000 | 250,000 | 0.10 |
| 2 | 125001 | 130000 | 256,000 | 0.11 |
| 3 | 130001 | 135000 | 398,896 | 0.17 |
| 2 | 135001 | 140000 | 272,200 | 0.11 |
| 2 | 145001 | 150000 | 298,133 | 0.12 |
| 1 | 150001 | 155000 | 152,002 | 0.06 |
| 1 | 155001 | 160000 | 157,500 | 0.07 |
| 1 | 170001 | 175000 | 171,000 | 0.07 |
| 1 | 175001 | 180000 | 180,000 | 0.07 |
| 3 | 180001 | 185000 | 549,856 | 0.23 |
| 1 | 190001 | 195000 | 193,500 | 0.08 |
| 4 | 195001 | 200000 | 800,000 | 0.33 |
| 2 | 200001 | 205000 | 404,368 | 0.17 |
| 1 | 205001 | 210000 | 209,500 | 0.09 |
| 1 | 210001 | 215000 | 214,500 | 0.09 |
| 1 | 215001 | 220000 | 219,500 | 0.09 |
| 1 | 220001 | 225000 | 221,000 | 0.09 |
| 2 | 230001 | 235000 | 469,500 | 0.20 |
| 1 | 240001 | 245000 | 240,622 | 0.10 |
| 1 | 245001 | 250000 | 247,200 | 0.10 |
| 1 | 260001 | 265000 | 261,770 | 0.11 |
| 1 | 265001 | 270000 | 270,000 | 0.11 |
| 1 | 270001 | 275000 | 273,000 | 0.11 |
| 1 | 280001 | 285000 | 282,500 | 0.12 |
| 1 | 290001 | 295000 | 295,000 | 0.12 |
| 2 | 295001 | 300000 | 600,000 | 0.25 |
| 1 | 310001 | 315000 | 313,000 | 0.13 |
| 2 | 315001 | 320000 | 634,150 | 0.26 |
| 2 | 320001 | 325000 | 647,000 | 0.27 |

| | | | | |
|--------------|--------------------------------|----------|--------------------|---------------|
| 1 | 335001 | 340000 | 336,500 | 0.14 |
| 2 | 345001 | 350000 | 699,000 | 0.29 |
| 1 | 350001 | 355000 | 350,716 | 0.15 |
| 1 | 360001 | 365000 | 364,000 | 0.15 |
| 1 | 370001 | 375000 | 374,000 | 0.16 |
| 1 | 385001 | 390000 | 385,500 | 0.16 |
| 2 | 400001 | 405000 | 803,000 | 0.33 |
| 1 | 450001 | 455000 | 450,500 | 0.19 |
| 2 | 495001 | 500000 | 1,000,000 | 0.42 |
| 1 | 540001 | 545000 | 540,945 | 0.23 |
| 1 | 555001 | 560000 | 556,500 | 0.23 |
| 2 | 575001 | 580000 | 1,152,586 | 0.48 |
| 1 | 585001 | 590000 | 590,000 | 0.25 |
| 1 | 595001 | 600000 | 600,000 | 0.25 |
| 1 | 615001 | 620000 | 619,000 | 0.26 |
| 1 | 640001 | 645000 | 640,603 | 0.27 |
| 1 | 685001 | 690000 | 690,000 | 0.29 |
| 1 | 895001 | 900000 | 900,000 | 0.37 |
| 1 | 985001 | 990000 | 985,450 | 0.41 |
| 2 | 995001 | 1000000 | 2,000,000 | 0.83 |
| 1 | 1015001 | 1020000 | 1,018,000 | 0.42 |
| 1 | 1040001 | 1045000 | 1,042,000 | 0.43 |
| 1 | 1290001 | 1295000 | 1,290,583 | 0.54 |
| 1 | 1295001 | 1300000 | 1,300,000 | 0.54 |
| 1 | 1380001 | 1385000 | 1,381,292 | 0.58 |
| 1 | 1435001 | 1440000 | 1,439,258 | 0.60 |
| 1 | 1625001 | 1630000 | 1,629,603 | 0.68 |
| 1 | 1745001 | 1750000 | 1,750,000 | 0.73 |
| 1 | 1805001 | 1810000 | 1,809,700 | 0.75 |
| 1 | 1895001 | 1900000 | 1,900,000 | 0.79 |
| 1 | 1975001 | 1980000 | 1,979,950 | 0.82 |
| 1 | 2075001 | 2080000 | 2,076,500 | 0.86 |
| 1 | 2455001 | 2460000 | 2,458,014 | 1.02 |
| 1 | 2495001 | 2500000 | 2,500,000 | 1.04 |
| 1 | 2535001 | 2540000 | 2,535,016 | 1.06 |
| 1 | 2995001 | 3000000 | 3,000,000 | 1.25 |
| 1 | 3355001 | 3360000 | 3,356,000 | 1.40 |
| 1 | 3420001 | 3425000 | 3,421,974 | 1.42 |
| 1 | 3895001 | 3900000 | 3,900,000 | 1.62 |
| 1 | 4025001 | 4030000 | 4,027,340 | 1.68 |
| 1 | 4085001 | 4090000 | 4,089,500 | 1.70 |
| 1 | 4500001 | 4505000 | 4,502,300 | 1.87 |
| 1 | 4775001 | 4780000 | 4,777,000 | 1.99 |
| 1 | 5135001 | 5140000 | 5,139,064 | 2.14 |
| 1 | 5140001 | 5145000 | 5,140,500 | 2.14 |
| 1 | 5640001 | 5645000 | 5,644,999 | 2.35 |
| 1 | 5805001 | 5810000 | 5,807,791 | 2.42 |
| 1 | 5980001 | 5985000 | 5,982,868 | 2.49 |
| 1 | 7215001 | 7220000 | 7,215,416 | 3.00 |
| 1 | 8180001 | 8185000 | 8,180,719 | 3.41 |
| 1 | 8340001 | 8345000 | 8,343,914 | 3.47 |
| 1 | 10870001 | 10875000 | 10,870,685 | 4.53 |
| 1 | 11820001 | 11825000 | 11,822,562 | 4.92 |
| 1 | 12665001 | 12670000 | 12,669,719 | 5.27 |
| 1 | 13960001 | 13965000 | 13,960,352 | 5.81 |
| 1 | 17045001 | 17050000 | 17,049,469 | 7.10 |
| 1 | 20865001 | 20870000 | 20,866,776 | 8.69 |
| 6,697 | <-----Total-----> | | 240,221,556 | 100.00 |

CATAGORIES OF SHAREHOLDERS

AS AT JUNE 30, 2017

| CATEGORIES OF SHAREHOLDERS | NO. OF SHAREHOLDERS | TOTAL SHARES HELD | PERCENTAGE |
|--|---------------------|--------------------|---------------|
| A) Directors/Chief Executive Officer and their spouse and minor Children | | | |
| Mr. Shahzad Saleem | 2 | 27,920,154 | 11.62 |
| Mrs. Farhat Saleem | 2 | 5,915,662 | 2.46 |
| Mr. Zain Shahzad | 1 | 500 | 0.00 |
| <u>Spouse:</u> | | | |
| Mrs. Ayesha Shahzad w/o Mr. Shahzad Saleem | 2 | 238,448 | 0.10 |
| TOTAL: - | 7 | 34,074,764 | 14.18 |
| B) Executives | | | |
| N/A | - | - | 0.00 |
| C) Associated Companies, Undertakings and related parties | 4 | 39,963,940 | 16.64 |
| D) Public Sectors Companies & Corporations | - | - | |
| E) NIT and IDBP (ICP UNIT) | 4 | 5,617 | 0.00 |
| F) Banks, Development Financial Institutions & Non-Banking | 33 | 31,800,785 | 13.24 |
| H) Insurance Companies | 12 | 9,986,714 | 4.16 |
| I) Modarabas & Mutual Funds | 34 | 23,193,680 | 9.66 |
| J) *Shareholding 5% or more | *4 | 88,530,146 | *36.85 |
| K) Joint Stock Companies | 95 | 7,143,678 | 2.97 |
| L) Others | 41 | 5,730,497 | 2.39 |
| M) General Public | 6,467 | 88,321,881 | 36.77 |
| TOTAL: - | 6,697 | 240,221,556 | 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 | % |
|----------------------|-------------|-------|
| MR. YAHYA SALEEM | 13,960,302 | 5.81 |
| MR. SHAHMIR YAHYA | 13,960,352 | 5.81 |
| MR. SHAHZAD SALEEM | 27,920,154 | 11.62 |
| NISHAT MILLS LIMITED | 32,689,338 | 13.61 |
| TOTAL :- | 88,530,146 | 36.85 |

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

All the trade in the company's shares carried by its Directors, CEO, CFO, Company Secretary and their spouse and monor childern during the year July 1, 2016 to June 30, 2017:

| Sale | Purchase |
|------|----------|
| - | - |

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NISHAT (CHUNIAN) LIMITED
AND ITS SUBSIDIARY COMPANIES



CONSOLIDATED FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

30 JUNE 2017



DIRECTORS' REPORT

The Board of Directors is pleased to present their report in conjunction with the consolidated audited results of Nishat (Chunian) Limited and its subsidiaries for the year ended June 30, 2017. The Directors' Report, giving a commentary on the performance of Nishat (Chunian) Limited for the year ended June 30, 2017 has been presented separately. The group results comprise of financial statements of Nishat (Chunian) Limited ("the Holding Company"), Nishat Chunian Power Limited (NCPL), Nishat Chunian USA Inc., NC Electric Company Limited and NC Entertainment (Private) Limited.

| Financial Highlights | 2017 | 2016 |
|---|---------------------|--------|
| | (Rupees in million) | |
| Turnover | 46,491 | 39,744 |
| Gross Profit | 7,725 | 6,878 |
| Profit before taxation | 4,107 | 3,266 |
| Taxation | 189 | 287 |
| Profit after taxation | 3,919 | 2,979 |
| Earnings per share (basic & diluted) – Rupees | 10.21 | 6.85 |

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, Islamabad 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 2017 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.

NC Electric Company Limited, incorporated under the Companies Ordinance, 1984 on 18th April, 2014, is established with the objective of setting up coal based power plant of gross capacity of 46 MW. The plant has successfully started its commercial operations by the end of this fiscal year which will help Nishat (Chunian) Limited (holding company) to reduce their fuel and electricity cost.

NC Entertainment (Private) Limited is registered under the Companies Ordinance, 1984 as a company limited by shares on 31st January 2014. This company was acquired in fiscal year 2014-15 in pursuance of our diversification strategy. Through this acquisition group has entered in cinema business.

On behalf of the Board,

SHAHZAD SALEEM
Chief Executive

Date: September 22, 2017

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 2017 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 opinions on the financial statements of Nishat (Chunian) Limited and NC Electric Company Limited. The financial statements of the Subsidiary Companies, Nishat Chunian Power Limited, NC Entertainment (Private) Limited and Nishat Chunian USA Inc. were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management.

Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Nishat (Chunian) Limited and its Subsidiary Companies as at 30 June 2017 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 17.3 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:
Mubashar Mehmood

Date: September 22, 2017

LAHORE

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|-----------------------|-----------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | 3 | 3,000,000,000 | 3,000,000,000 |
| Issued, subscribed and paid-up share capital | 4 | 2,402,215,560 | 2,402,215,560 |
| Reserves | 5 | 12,541,748,839 | 10,689,601,317 |
| Equity attributable to equity holders of the Holding Company | | 14,943,964,399 | 13,091,816,877 |
| Non-controlling interest | | 4,489,481,958 | 3,562,941,251 |
| Total equity | | 19,433,446,357 | 16,654,758,128 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 6 | 13,518,998,245 | 13,377,738,486 |
| Deferred income tax liability | 7 | 29,687,845 | - |
| | | 13,548,686,090 | 13,377,738,486 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | 2,190,189,285 | 2,593,380,872 |
| Accrued mark-up | 9 | 506,797,544 | 458,805,704 |
| Short term borrowings | 10 | 21,474,756,918 | 16,460,565,575 |
| Derivative financial instruments | | - | 1,713,049 |
| Current portion of non-current liabilities | 11 | 4,174,666,224 | 3,321,242,615 |
| | | 28,346,409,971 | 22,835,707,815 |
| Total liabilities | | 41,895,096,061 | 36,213,446,301 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | | |
| TOTAL EQUITY AND LIABILITIES | | 61,328,542,418 | 52,868,204,429 |

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

CHIEF EXECUTIVE

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-------------------------------------|------|------------------------------|------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 13 | 29,850,096,142 | 27,424,478,642 |
| Long term loans to employees | 14 | 20,847,814 | 24,213,002 |
| Long term security deposits | | 22,339,440 | 20,874,440 |
| | | <u>29,893,283,396</u> | <u>27,469,566,084</u> |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 15 | 1,222,827,106 | 1,470,107,563 |
| Stock-in-trade | 16 | 10,083,409,106 | 8,001,720,738 |
| Trade debts | 17 | 13,916,760,930 | 11,221,170,113 |
| Loans and advances | 18 | 1,320,638,807 | 1,300,670,193 |
| Short term deposits and prepayments | 19 | 32,099,574 | 17,060,032 |
| Other receivables | 20 | 4,580,174,905 | 3,301,274,890 |
| Short term investments | 21 | 32,294,160 | 10,520,822 |
| Cash and bank balances | 22 | 247,054,434 | 76,113,994 |
| | | <u>31,435,259,022.00</u> | <u>25,398,638,345</u> |
| TOTAL ASSETS | | <u><u>61,328,542,418</u></u> | <u><u>52,868,204,429</u></u> |

CHIEF FINANCIAL OFFICER

DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|------------------|------------------|
| REVENUE | 23 | 46,491,076,370 | 39,744,450,083 |
| COST OF SALES | 24 | (38,765,841,557) | (32,866,371,715) |
| GROSS PROFIT | | 7,725,234,813 | 6,878,078,368 |
| DISTRIBUTION COST | 25 | (895,297,451) | (925,584,306) |
| ADMINISTRATIVE EXPENSES | 26 | (447,957,227) | (332,581,672) |
| OTHER EXPENSES | 27 | (284,671,147) | (188,771,303) |
| | | (1,627,925,825) | (1,446,937,281) |
| | | 6,097,308,988 | 5,431,141,087 |
| OTHER INCOME | 28 | 255,442,049 | 95,968,060 |
| PROFIT FROM OPERATIONS | | 6,352,751,037 | 5,527,109,147 |
| FINANCE COST | 29 | (2,245,621,672) | (2,261,534,490) |
| PROFIT BEFORE TAXATION | | 4,107,129,365 | 3,265,574,657 |
| TAXATION | 30 | (188,551,657) | (286,506,930) |
| PROFIT AFTER TAXATION | | 3,918,577,708 | 2,979,067,727 |
| PROFIT ATTRIBUTABLE TO: | | | |
| EQUITY HOLDERS OF THE HOLDING COMPANY | | 2,452,753,644 | 1,630,301,367 |
| NON-CONTROLLING INTEREST | | 1,465,824,064 | 1,348,766,360 |
| | | 3,918,577,708 | 2,979,067,727 |
| EARNINGS PER SHARE - BASIC AND DILUTED | 31 | 10.21 | 6.85 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 Rupees | 2016 Rupees |
|--|----------------------|----------------------|
| PROFIT AFTER TAXATION | 3,918,577,708 | 2,979,067,727 |
| OTHER COMPREHENSIVE LOSS | | |
| 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 | (52,232) | (162,832) |
| Other comprehensive loss for the year | (52,232) | (162,832) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>3,918,525,476</u> | <u>2,978,904,895</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
| EQUITY HOLDERS OF THE HOLDING COMPANY | 2,452,701,412 | 1,630,138,535 |
| NON-CONTROLLING INTEREST | <u>1,465,824,064</u> | <u>1,348,766,360</u> |
| | <u>3,918,525,476</u> | <u>2,978,904,895</u> |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 32 | 2,856,190,481 | 7,609,768,082 |
| Net increase in long term security deposits | | (1,465,000) | - |
| Finance cost paid | | (2,197,629,832) | (2,328,502,719) |
| Income tax paid | | (431,903,361) | (454,802,181) |
| Net decrease / (increase) in long term loans to employees | | 2,607,230 | (8,320,856) |
| Net cash generated from operating activities | | 227,799,518 | 4,818,142,326 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure on property, plant and equipment | | (4,681,996,061) | (5,080,718,915) |
| Capital expenditure on intangible asset | | (25,562,390) | (5,991,800) |
| Proceeds from sale of operating fixed assets | | 110,224,812 | 72,653,608 |
| Loss on derivative financial instruments | | (1,713,000) | - |
| Short term investments - net | | (20,660,226) | 10,160,225 |
| Profit on bank deposits received | | 2,947,727 | 4,705,938 |
| Net cash used in investing activities | | (4,616,759,138) | (4,999,190,944) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term financing | | 4,447,684,104 | 3,780,045,868 |
| Repayment of long term financing | | (3,453,000,500) | (3,275,338,878) |
| Share deposit money received | | - | 49,128,425 |
| Repayment of redeemable capital | | - | (31,250,000) |
| Short term borrowings - net | | 5,014,191,343 | 159,153,472 |
| Dividend paid to non-controlling interest | | (853,865,314) | (1,078,566,714) |
| Dividends paid | | (595,057,341) | (360,372,189) |
| Net cash from / (used in) financing activities | | 4,559,952,292 | (757,200,016) |
| Net increase / (decrease) in cash and cash equivalents | | 170,992,672 | (938,248,634) |
| Impact of exchange translation | | (52,232) | (162,832) |
| Cash and cash equivalents at the beginning of the year | | 76,113,994 | 1,014,525,460 |
| Cash and cash equivalents at the end of the year | | 247,054,434 | 76,113,994 |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY | | | | | | | | | | NON-CONTROLLING INTEREST | TOTAL EQUITY |
|--|---|---------------------|------------------------------|---------------|------------------|-----------------------|-----------------|----------------|----------------------|-----------------|--------------------------|--------------|
| | SHARE CAPITAL | SHARE DEPOSIT MONEY | CAPITAL RESERVES | | REVENUE RESERVES | | | TOTAL RESERVES | SHAREHOLDERS' EQUITY | | | |
| | | | Exchange translation reserve | Share premium | General reserve | Unappropriated profit | Total | | | | | |
| Balance as at 30 June 2015 | 2,001,846,300 | 951,794,725 | (820,940) | - | 1,629,221,278 | 7,190,840,888 | 8,820,062,166 | 8,819,241,226 | 11,772,882,251 | 3,607,323,562 | 15,380,205,813 | |
| Transactions with owners: | | | | | | | | | | | | |
| Final dividend for the year ended 30 June 2015 @ Rupee 1.5 per ordinary share | - | - | - | - | - | (360,332,334) | (360,332,334) | (360,332,334) | (360,332,334) | - | (360,332,334) | |
| Share deposit money received during the year | - | 49,128,425 | - | - | - | - | - | - | 49,128,425 | - | 49,128,425 | |
| Issue of right shares during the year | 400,369,260 | (1,000,923,150) | - | 600,553,890 | - | - | - | 600,553,890 | - | (1,393,148,671) | (1,393,148,671) | |
| Dividend to non-controlling interest | 400,369,260 | (951,794,725) | - | 600,553,890 | - | (360,332,334) | (360,332,334) | 240,221,556 | (311,203,909) | (1,393,148,671) | (1,704,352,580) | |
| Profit for the year | - | - | - | - | - | 1,630,301,367 | 1,630,301,367 | 1,630,301,367 | 1,630,301,367 | 1,348,766,360 | 2,979,067,727 | |
| Other comprehensive loss for the year | - | - | (162,832) | - | - | (162,832) | (162,832) | (162,832) | (162,832) | - | (162,832) | |
| Total comprehensive income for the year | - | - | (162,832) | - | - | 1,630,301,367 | 1,630,301,367 | 1,630,138,535 | 1,630,138,535 | 1,348,766,360 | 2,978,504,895 | |
| Balance as at 30 June 2016 | 2,402,215,560 | - | (983,772) | 600,553,890 | 1,629,221,278 | 8,460,809,921 | -10,090,031,199 | 10,689,601,317 | 13,091,816,877 | 3,562,941,251 | 16,654,758,128 | |
| Transactions with owners: | | | | | | | | | | | | |
| Final dividend for the year ended 30 June 2016 @ Rupees 2.5 per ordinary share | - | - | - | - | - | - | - | - | (600,553,890) | - | (600,553,890) | |
| Dividend to non-controlling interest | - | - | - | - | - | - | - | - | - | (539,283,357) | (539,283,357) | |
| Profit for the year | - | - | - | - | - | 600,553,890 | 600,553,890 | 600,553,890 | 600,553,890 | (539,283,357) | (1,139,837,247) | |
| Other comprehensive loss for the year | - | - | (52,232) | - | - | 2,452,753,644 | 2,452,753,644 | 2,452,753,644 | 2,452,753,644 | 1,465,824,064 | 3,918,577,708 | |
| Total comprehensive income for the year | - | - | (52,232) | - | - | 2,452,753,644 | 2,452,753,644 | 2,452,701,412 | 2,452,701,412 | 1,465,824,064 | 3,918,525,476 | |
| Balance as at 30 June 2017 | 2,402,215,560 | - | (1,036,004) | 600,553,890 | 1,629,221,278 | 10,313,009,675 | -11,942,230,953 | 12,541,748,839 | 14,943,964,399 | 4,489,481,958 | 19,433,446,357 | |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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.
- NC Electric Company Limited
- NC Entertainment (Private) Limited

Nishat (Chunian) Limited

Nishat (Chunian) Limited (“the Holding Company”) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. 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 repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on the Pakistan Stock Exchange Limited. The principal activity of Nishat Chunian Power Limited 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. Nishat Chunian Power Limited 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. Ownership interest held by non-controlling interests in Nishat Chunian Power Limited is 48.93% (2016: 48.93%).

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 Nishat Chunian USA Inc. is to import home textile products and distribute to local retailers.

NC Electric Company Limited

NC Electric Company Limited is a public limited company incorporated in Pakistan on 18 April 2014 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). NC Electric Company Limited is a wholly owned subsidiary of Nishat (Chunian) Limited. Its registered office is situated at 31-Q, Gulberg II, Lahore. The principal objects of NC Electric Company Limited are to develop, own and operate a 46 MW and 8 TPH process steam coal fired electric power generation project at 49 KM, Multan Road, near Bhai Phero, District Kasur. NC Electric Company Limited commenced commercial operations from 01 May 2017.

NC Entertainment (Private) Limited

NC Entertainment (Private) Limited is registered under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) as a company limited by shares on 31 January 2014. The registered office of NC Entertainment (Private) Limited is situated at 31-Q, Gulberg II, Lahore. The main objective of NC Entertainment (Private) Limited is to construct and/or operate cinemas, theatres and studios. NC Entertainment (Private) Limited is a wholly owned subsidiary of Nishat (Chunian) Limited.

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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed 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 accounting standards that are effective in current year and are relevant to the Group

The following amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 July 2016:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 27 (Amendments) 'Separate Financial Statements' (effective for annual periods beginning on or after 01 January 2016). The amendments have been made to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. However, the Holding Company has not availed this option.

IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

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

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Group's consolidated financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after

01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Group's consolidated financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Group's consolidated financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Group's consolidated financial statements.

IAS 40 (Amendments), 'Investment Property' (effective for annual periods beginning on or after 01 January 2018). Amendments have been made to state that that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. The amendment is not likely to have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Group is in the process of evaluating the impacts of the aforesaid amendments on the Group's consolidated financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures'. These amendments are effective for annual periods beginning on or after 01 January 2017 and 01 January 2018 respectively. These amendments have no significant impact on the Group's consolidated financial statements and have therefore not been analysed in detail.

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

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

h) Exemption from applicability of certain interpretations to standards

Securities and Exchange Commission of Pakistan (SECP) through SRO 24(I)/2012 dated 16 January 2012, 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 NTDCCL as a lease under IAS 17. If the aforesaid Subsidiary Company were to follow IFRIC 4 and IAS 17, the effect on the consolidated financial statements would be as follows:

| | 2017 Rupees | 2016 Rupees |
|---|------------------------|------------------------|
| De-recognition of property, plant and equipment | (11,903,840,000) | (12,466,155,032) |
| Recognition of lease debtor | 10,874,924,000 | 12,487,141,283 |
| Increase in un-appropriated profit at the beginning of the year | 20,986,000 | 621,421,382 |
| Decrease in profit for the year | (1,049,902,000) | (600,435,131) |
| Increase in un-appropriated profit at the end of the year | (1,028,916,000) | 20,986,251 |

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from 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

Provision for current tax relating to the Holding Company and NC Entertainment (Private) Limited – Subsidiary Company 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.

The profits and gains of Nishat Chunian Power Limited – Subsidiary Company and NC Electric Company Limited – Subsidiary Company 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 aforesaid Subsidiary Companies are also exempt from minimum tax on turnover (sale of electricity) under clause (11A), Part IV

of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the consolidated 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 statement of comprehensive income or directly in equity, respectively.

Nishat Chunian Power Limited - Subsidiary Company and NC Electric Company Limited – Subsidiary Company have not made provision for deferred tax as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains 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 Holding Company, Nishat Chunian Power Limited – Subsidiary Company, NC Electric Company Limited – Subsidiary Company and NC Entertainment (Private) Limited – Subsidiary Company operate funded provident fund schemes covering all permanent employees. Equal monthly contributions are made both by the employees and the employers' to funds in accordance with the funds' rules. The employers' 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 are entitled to 15 days leave per year while factory staff and factory workers are entitled to 14 days leave per year respectively. Unutilized leaves can be accumulated up to 28 days in case of factory staff and factory workers. Any further un-utilized leaves will lapse. Any un-utilized leave balance 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, NC Electric Company Limited – Subsidiary Company and Nishat Chunian USA Inc. – 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 13.1. Depreciation on additions is charged from the month in which the assets are available for use upto the month prior to disposal. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

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

Intangible asset

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

2.6 Goodwill

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

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

2.7 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Available-for-sale

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

Quoted

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

Unquoted

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

2.8 Inventories

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

Stores, 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 and steam to customers, whereas on account of capacity is recognized when due.
- Box office sales are recognized, net of applicable taxes and film distributor share, when sales are recorded at the cinemas. Concession sales are recognized, net of applicable taxes, when sales are recorded at the cinemas. Media revenue including media and digital media sales are recognized when services are provided.

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, short term investments, cash and bank balances, short term borrowings, long term financing, accrued mark-up, derivative financial instruments 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 consolidated 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 following reportable business segments. Spinning – Zone 1, 2 and 3 (Producing different quality of yarn using natural and artificial fibers), Weaving – Unit 1 and 2 (Producing different quality of greige fabric using yarn), Dyeing (Producing dyed fabric using different qualities of greige fabric), Home Textile (Manufacturing of home textile articles using processed fabric produced from greige fabric), Power Generation (Generating, transmitting and distributing power) and Entertainment (Operating cinemas).

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's 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.

2.24 Ijarah transactions

Ijarah (lease) payments are recognized as expenses in consolidated profit and loss account on a straight-line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit even if the payments are not on that basis.

2.25 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

3. AUTHORIZED SHARE CAPITAL

| 2017 (Number of shares) | 2016 | | 2017 Rupees | 2016 Rupees |
|----------------------------|--------------------|-------------------------------------|----------------------|----------------------|
| 280,000,000 | 280,000,000 | Ordinary shares of Rupees 10 each | 2,800,000,000 | 2,800,000,000 |
| 20,000,000 | 20,000,000 | Preference shares of Rupees 10 each | 200,000,000 | 200,000,000 |
| <u>300,000,000</u> | <u>300,000,000</u> | | <u>3,000,000,000</u> | <u>3,000,000,000</u> |

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2017 (Number of shares) | 2016 | | | |
|----------------------------|--------------------|--|----------------------|----------------------|
| 134,757,848 | 134,757,848 | Ordinary shares of Rupees 10 each fully paid in cash | 1,347,578,480 | 1,347,578,480 |
| 104,239,443 | 104,239,443 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | 1,042,394,430 | 1,042,394,430 |
| 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 |
| <u>240,221,556</u> | <u>240,221,556</u> | | <u>2,402,215,560</u> | <u>2,402,215,560</u> |

2017
(Number of shares)

2016

4.1 Ordinary shares of the Holding Company held by companies that are related parties:

| | | |
|--|-------------------|-------------------|
| Nishat Mills Limited | 32,689,338 | 32,689,338 |
| D.G. Khan Cement Company Limited | 7,274,602 | 7,274,602 |
| Adamjee Life Assurance Company Limited | 1,300,000 | - |
| | <u>41,263,940</u> | <u>39,963,940</u> |

4.2 Movement during the year

| 2017 (Number of shares) | 2016 | | 2017 Rupees | 2016 Rupees |
|----------------------------|--------------------|--|----------------------|----------------------|
| 240,221,556 | 200,184,630 | At 01 July | 2,402,215,560 | 2,001,846,300 |
| - | 40,036,926 | Issue of right shares of Rupees 10 each at premium | - | 400,369,260 |
| <u>240,221,556</u> | <u>240,221,556</u> | At 30 June | <u>2,402,215,560</u> | <u>2,402,215,560</u> |

5. RESERVES

Composition of reserves is as follows:

Capital reserves

| | 2017 Rupees | 2016 Rupees |
|------------------------------|--------------------|--------------------|
| Exchange translation reserve | (1,036,004) | (983,772) |
| Share premium | 600,553,890 | 600,553,890 |
| | <u>599,517,886</u> | <u>599,570,118</u> |

Revenue reserves

| | | |
|-----------------------|-----------------------|-----------------------|
| General reserve | 1,629,221,278 | 1,629,221,278 |
| Unappropriated profit | 10,313,009,675 | 8,460,809,921 |
| | <u>11,942,230,953</u> | <u>10,090,031,199</u> |
| | <u>12,541,748,839</u> | <u>10,689,601,317</u> |

6. LONG TERM FINANCING

From banking companies / financial institutions - secured

| | | |
|---|-----------------------|-----------------------|
| Long term loans (Note 6.1) | 15,463,664,469 | 15,043,669,529 |
| Long term musharaka (Note 6.2) | 2,230,000,000 | 1,655,311,572 |
| | <u>17,693,664,469</u> | <u>16,698,981,101</u> |
| Less: Current portion shown under current liabilities (Note 11) | | |
| Long term loans | 3,794,666,224 | 3,166,242,615 |
| Long term musharaka | 380,000,000 | 155,000,000 |
| | <u>4,174,666,224</u> | <u>3,321,242,615</u> |
| | <u>13,518,998,245</u> | <u>13,377,738,486</u> |

| LENDER | 2017 | 2016 | RATE OF MARK-UP PER ANNUM | NUMBER OF INSTALMENTS | MARK-UP REPRICING | MARK-UP PAYABLE |
|--|-------------|-------------|---------------------------|---|-------------------|-----------------|
| | Rupees | Rupees | | | | |
| 6.1 Long term loans | | | | | | |
| Nishat (Chunian) Limited - Holding Company (Note 6.3) | | | | | | |
| Standard Chartered Bank (Pakistan) Limited | 437,500,000 | 687,500,000 | 3-month KIBOR + 0.75% | Sixteen equal quarterly instalments commenced on 04 May 2015 and ending on 04 February 2019. | Quarterly | Quarterly |
| United Bank Limited | - | 93,750,000 | 3-month KIBOR + 1.25% | Sixteen equal quarterly instalments commenced on 09 June 2013 and ending on 09 March 2017. | Quarterly | Quarterly |
| Allied Bank Limited | - | 125,000,000 | 3-month KIBOR + 1.25% | Sixteen equal quarterly instalments commenced on 06 September 2013 and ending on 06 June 2017. | Quarterly | Quarterly |
| Allied Bank Limited | - | 150,000,000 | 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 | 25,083,500 | 30,872,000 | SBP rate for LTFF + 1% | Sixteen equal quarterly instalments commencing on 22 October 2016 and ending on 22 July 2020. | - | Quarterly |
| Allied Bank Limited | 126,000,000 | 144,000,000 | SBP rate for LTFF + 1% | Sixteen equal quarterly instalments commencing on 07 January 2017 and ending on 30 September 2020. | - | Quarterly |
| Allied Bank Limited | 135,625,000 | 155,000,000 | SBP rate for LTFF + 1% | Sixteen equal quarterly instalments commencing on 20 January 2017 and ending on 30 September 2020. | - | Quarterly |
| Allied Bank Limited | 65,745,000 | 70,128,000 | SBP rate for LTFF + 1% | Sixteen equal quarterly instalments commencing on 11 May 2017 and ending on 11 February 2021. | - | Quarterly |
| Allied Bank Limited | 235,000,000 | - | SBP rate for LTFF + 1% | Thirty two equal quarterly instalments commencing on 24 February 2019 and ending on 24 November 2026. | - | Quarterly |
| Allied Bank Limited | 131,700,000 | - | SBP rate for LTFF + 1% | Thirty two equal quarterly instalments commencing on 18 April 2019 and ending on 18 January 2027. | - | Quarterly |
| Allied Bank Limited | 391,000,000 | - | SBP rate for LTFF + 1% | Thirty two equal quarterly instalments commencing on 19 April 2019 and ending on 19 January 2027. | - | Quarterly |
| Allied Bank Limited | 116,512,500 | - | SBP rate for LTFF + 1% | Fourty equal quarterly instalments commenced on 21 May 2017 and ending on 21 February 2027. | - | Quarterly |
| Allied Bank Limited | 117,800,000 | - | SBP rate for LTFF + 1% | Thirty two equal quarterly instalments commencing on 03 July 2019 and ending on 03 April 2027. | - | Quarterly |
| Askari Bank Limited | 227,500,000 | 297,500,000 | 3-month KIBOR + 0.70% | Twenty equal quarterly instalments commenced on 08 December 2015 and ending on 08 September 2020. | Quarterly | Quarterly |

| LENDER | 2017 | 2016 | RATE OF MARK-UP PER ANNUM | NUMBER OF INSTALMENTS | MARK-UP REPRICING | MARK-UP PAYABLE |
|---|-------------|-------------|---------------------------|--|-------------------|-----------------|
| | Rupees | Rupees | | | | |
| Askari Bank Limited | 157,700,000 | - | SBP rate for LTFF + 1% | Fourty equal quarterly instalments commenced on 02 February 2017 and ending on 02 November 2026. | - | Quarterly |
| Askari Bank Limited | 19,000,000 | - | SBP rate for LTFF + 1% | Fourty equal quarterly instalments commenced on 04 February 2017 and ending on 04 November 2026. | - | Quarterly |
| Askari Bank Limited | 142,500,000 | - | SBP rate for LTFF + 1% | Fourty equal quarterly instalments commenced on 08 March 2017 and ending on 08 December 2026. | - | Quarterly |
| Askari Bank Limited | 130,260,000 | - | SBP rate for LTFF + 1% | Fourty equal quarterly instalments commenced on 22 June 2017 and ending on 22 March 2027. | - | Quarterly |
| Askari Bank Limited | 6,200,000 | - | 3-month KIBOR + 1% | Fourty equal quarterly instalments commencing on 12 September 2017 and ending on 12 June 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 20,000,000 | - | 3-month KIBOR + 1% | Fourty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 117,800,000 | - | 3-month KIBOR + 1% | Fourty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 5,754,000 | - | 3-month KIBOR + 1% | Fourty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 236,000,000 | - | 3-month KIBOR + 1% | Fourty equal quarterly instalments commencing on 26 August 2017 and ending on 26 May 2027. | Quarterly | Quarterly |
| Askari Bank Limited | 160,000,000 | - | SBP rate for LTFF + 1% | Sixteen equal half yearly instalments commencing on 25 July 2019 and ending on 25 January 2027. | - | Quarterly |
| Askari Bank Limited | 80,500,000 | - | 6-month KIBOR + 0.90% | Ten equal half yearly instalments commencing on 07 September 2019 and ending on 07 March 2024. | Quarterly | Quarterly |
| Pak Kuwait Investment Company (Private) Limited | 52,483,000 | 62,980,000 | SBP rate for LTFF + 0.75% | Eighteen equal quarterly instalments commenced on 22 November 2016 and ending on 22 February 2021. | - | Quarterly |
| The Bank of Punjab | 50,000,000 | 150,000,000 | 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 | 200,000,000 | 400,000,000 | 3-month KIBOR + 0.75% | Ten equal half yearly instalments commenced on 10 December 2013 and ending on 10 June 2018. | Quarterly | Quarterly |
| The Bank of Punjab | 500,000,000 | - | 3-month KIBOR + 0.75% | Ten equal half yearly instalments commencing on 30 September 2017 and ending on 30 March 2022. | Quarterly | Quarterly |
| Samba Bank Limited | 62,500,000 | - | 3-month KIBOR + 0.75% | Sixteen equal quarterly instalments commenced on 28 February 2014 and ending on 31 October 2017. | Quarterly | Quarterly |

| LENDER | 2017 | 2016 | RATE OF MARK-UP PER ANNUM | NUMBER OF INSTALMENTS | MARK-UP REPRICING | MARK-UP PAYABLE |
|---|----------------|----------------|---------------------------|--|-------------------|-----------------|
| | Rupees | Rupees | | | | |
| Soneri Bank Limited | - | 46,875,000 | 3-month KIBOR + 1% | Sixteen equal quarterly instalments commenced on 30 April 2013 and ending on 31 January 2017. | Quarterly | Quarterly |
| Soneri Bank Limited | 299,500,000 | - | SBP rate for LTFF + 1% | Thirty two equal quarterly instalments commencing on 14 June 2019 and ending on 14 March 2027. | - | Quarterly |
| Soneri Bank Limited | 222,000,000 | - | SBP rate for LTFF + 1% | Thirty two equal quarterly instalments commencing on 06 July 2019 and ending on 06 April 2027. | - | Quarterly |
| Syndicated term finance | | | | | | |
| Allied Bank Limited | 440,000,000 | 660,000,000 | 3-month KIBOR + 1% | Ten equal half yearly instalments commenced on 27 December 2014 and ending on 27 June 2019. | Quarterly | Quarterly |
| Habib Bank Limited | 120,000,000 | 180,000,000 | 3-month KIBOR + 1% | Ten equal half yearly instalments commenced on 27 December 2014 and ending on 27 June 2019. | Quarterly | Quarterly |
| Habib Metropolitan Bank Limited | 40,000,000 | 60,000,000 | 3-month KIBOR + 1% | Ten equal half yearly instalments commenced on 27 December 2014 and ending on 27 June 2019. | Quarterly | Quarterly |
| | 600,000,000 | 900,000,000 | | | | |
| NC Electric Company Limited - Subsidiary Company (Note 6.5) | | | | | | |
| NIB Bank Limited | 649,000,000 | 807,443,448 | SBP rate for LTFF+ 1.25% | Ten equal semi annual instalments with grace period of two years | - | Quarterly |
| NIB Bank Limited | 436,212,624 | - | 6-month KIBOR + 0.90% | Ten equal semi annual instalments with grace period of two years | Half yearly | Half yearly |
| Habib Bank Limited | 1,299,402,845 | 1,063,402,845 | 6-month KIBOR + 0.90% | Nine equal semi annual instalments with grace period of two years | Half yearly | Quarterly |
| Allied Bank Limited | 500,000,000 | 500,000,000 | SBP rate for LTFF+ 1.00% | Nine equal semi annual instalments with grace period of eighteen months | - | Quarterly |
| | 2,884,615,469 | 2,370,846,293 | | | | |
| Nishat Chunian Power Limited - Subsidiary Company (Note 6.6) | | | | | | |
| Senior facility | 6,049,162,000 | 7,391,872,851 | 3-month KIBOR + 3% | Twenty five quarterly instalments ending on 01 July 2020. | Quarterly | Quarterly |
| Term finance facility | 1,458,224,000 | 1,779,845,385 | 3-month KIBOR + 3% | Twenty five quarterly instalments ending on 01 July 2020. | Quarterly | Quarterly |
| | 7,507,386,000 | 9,171,718,236 | | | | |
| | 15,463,664,469 | 15,043,669,529 | | | | |

| LENDER | 2017 Rupees | 2016 Rupees | RATE OF PROFIT PER ANNUM | NUMBER OF INSTALMENTS | PROFIT REPRICING | PROFIT PAYABLE |
|--|----------------|----------------|--------------------------|---|------------------|----------------|
| 6.2 Long term musharaka | | | | | | |
| Nishat (Chunian) Limited - Holding Company (Note 6.4) | | | | | | |
| Dubai Islamic Bank (Pakistan) Limited | 80,000,000 | 160,000,000 | 6-month KIBOR + 0.75% | Ten equal half yearly instalments commenced on 29 September 2013 and ending on 29 March 2018. | Half Yearly | Half Yearly |
| Faysal Bank Limited | 500,000,000 | - | 3-month KIBOR + 0.70% | Twenty equal quarterly instalments commencing on 21 May 2018 and ending on 21 February 2023. | Quarterly | Quarterly |
| | 580,000,000 | 160,000,000 | | | | |
| NC Electric Company Limited - Subsidiary Company (Note 6.8) | | | | | | |
| Dubai Islamic Bank Pakistan Limited | 900,000,000 | 750,000,000 | 6 months KIBOR + 0.85% | Ten equal semi annual instalments with grace period of two years | Half yearly | Half yearly |
| Al Baraka Bank (Pakistan) Limited | 750,000,000 | 745,311,572 | 6 months KIBOR + 0.85% | Ten equal semi annual instalments with grace period of two years | Half yearly | Quarterly |
| | 1,650,000,000 | 1,495,311,572 | | | | |
| | 2,230,000,000 | 1,655,311,572 | | | | |

6.3 Long term loans 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 8,174.81 million (2016: Rupees 8,874.53 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 3,238.667 million (2016: Rupees 2,333.343 million).

6.4 Long term musharaka are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 213.334 million (2016: Rupees 756.667 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 666.67 million (2016: Rupees Nil).

6.5 Long term loans from NIB Bank Limited and Habib Bank Limited are secured against first pari passu charge of Rupees 4,000 million over all present and future fixed assets of the NC Electric Company Limited - Subsidiary Company, cross corporate guarantee of Nishat (Chunian) Limited to NIB Bank Limited amounting to Rupees 1,500 million and cross corporate guarantee of Nishat (Chunian) Limited to Habib Bank Limited amounting to Rupees 4,400 million. Long term loan from Allied Bank Limited is secured against first pari passu charge of Rupees 667 million over all present and future fixed assets (including land and building) of the NC Electric Company Limited - Subsidiary Company and cross corporate guarantee of Nishat (Chunian) Limited amounting to Rupees 500 million.

- 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 Nishat Chunian Power Limited - 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 - Subsidiary Company. It carries mark-up at the rate of three months Karachi Inter-Bank Offered Rate (KIBOR) plus three percent per annum, payable on quarterly basis. The effective mark-up rate charged during the year on the outstanding balance is 9.06% (2016: 10.01% to 9.35%) per annum. As of 30 June 2017, the finance is repayable in thirteen quarterly instalments ending on 01 July 2020.
- 6.7** In accordance with the terms of agreement with the lenders of long term finances to Nishat Chunian Power Limited - Subsidiary Company, there are certain restrictions on the distribution of dividends by Nishat Chunian Power Limited - Subsidiary Company.
- 6.8** Long term musharaka from Dubai Islamic Bank Pakistan Limited is secured against first pari passu charge of Rupees 1,333 million over all present and future fixed assets (including land and building) of the NC Electric Company Limited - Subsidiary Company and cross corporate guarantee of Nishat (Chunian) Limited amounting to Rupees 1,000 million. Long term musharaka from Al Baraka Bank (Pakistan) Limited is secured against first pari passu charge of Rupees 1,000 million over all present and future fixed assets (including land and building) of the NC Electric Company Limited - Subsidiary Company and cross corporate guarantee of Nishat (Chunian) Limited amounting to Rupees 1 billion.
- 6.9** Total facility amount of long term loans and long term musharaka of NC Electric Company Limited - Subsidiary Company amounts to Rupees 3.5 billion and Rupees 2 billion respectively. The effective mark-up rate charged during the year on the outstanding balance ranged from 4.00% to 7.31% (2016: 4.00% to 8.99%) per annum. Out of the aggregate facilities of Rupees 5,554 million (2016: Rupees 5,549 million) for opening letters of credit, the amount utilised (including cancelled letter of credit) at 30 June 2017 was Rupees 4,534 million (2016: Rupees 4,361 million). The aggregate facilities for opening letters of credit are secured by first pari passu charge on the present and future fixed assets of the NC Electric Company Limited - Subsidiary Company and cross corporate guarantee of Nishat (Chunian) Limited amounting to Rupees 5.3 billion. In accordance with the terms of agreement with the lenders of long term finances, there are certain restrictions on the distribution of dividends by the NC Electric Company Limited - Subsidiary Company.

7 DEFERRED INCOME TAX LIABILITY

The liability for deferred income tax of the NC Entertainment (Private) Limited - Subsidiary Company originated due to timing differences relating to:

| | 2017 Rupees | 2016 Rupees |
|--|-------------------|----------------|
| Taxable temporary difference | | |
| Accelerated tax depreciation | 44,854,954 | - |
| Deductible temporary difference | | |
| Available tax losses | (15,167,109) | - |
| Deferred income tax liability | <u>29,687,845</u> | <u>-</u> |

- 7.1** Deferred income tax asset of Rupees 578.271 million (2016: Rupees 628.580 million) has not been recognized in these consolidated financial statements as the Holding Company's management believes that sufficient taxable profits will not be probably available in foreseeable future, hence, the temporary differences may not reverse.

- 7.2 The Holding Company has carry forwardable tax losses of Rupees 3076 million (2016: Rupees 2,621)
- 7.3 For the purposes of current taxation of Nishat Chunian Power Limited - Subsidiary Company, the tax credit available for carry forward is estimated at Rupees 94.115 million (2016: Rupees 70.733 million). Management believes that the tax credit available for carry forward may not be utilized in the foreseeable future. Consequently, based on the prudence principle, deferred tax asset has not been recognized in these consolidated financial statements.
- 7.4 Nishat Chunian USA Inc. has net operating loss carry forwards (NOL) of approximately Rupees 33,116,800 which expire beginning in 2032. The Subsidiary Company has not recognized deferred tax asset resulting from NOL of approximately Rupees 11,213,600 based on prudence principle.

| | 2017 Rupees | 2016 Rupees |
|--|--|------------------------|
| 8. TRADE AND OTHER PAYABLES | | |
| Creditors (Note 8.1) | 934,990,536 | 1,077,195,719 |
| Accrued liabilities | 805,486,038 | 780,885,797 |
| Advances from customers | 81,790,429 | 69,011,424 |
| Securities from customers - interest free | 3,387,239 | - |
| Securities from contractors - interest free and repayable on completion of contracts | 3,484,800 | 3,960,588 |
| Retention money | 8,659,318 | 6,179,153 |
| Income tax deducted at source | 20,921,766 | 22,060,369 |
| Unclaimed dividend | 45,804,405 | 40,307,856 |
| Fair value of forward exchange contracts | 17,060,202 | - |
| Workers' profit participation fund (Note 8.2) | 222,483,001 | 223,055,321 |
| Workers' welfare fund | - | 21,681,803 |
| Dividend payable to non-controlling interests | - | 314,581,957 |
| Others | 46,121,551 | 34,460,885 |
| | <u>2,190,189,285</u> | <u>2,593,380,872</u> |
| 8.1 | It includes Rupees 0.737 million (2016: Rupees 3.025 million) due to a related party. | |
| 8.2 Workers' profit participation fund | | |
| Balance as at 01 July | 223,055,321 | 214,859,978 |
| Add: Interest for the year (Note 29) | 12,217,220 | 6,602,743 |
| Add: Allocation for the year | 222,482,888 | 223,055,321 |
| | <u>457,755,429</u> | <u>444,518,042</u> |
| Less: Payments during the year | 235,272,428 | 221,462,721 |
| Balance as at 30 June | <u>222,483,001</u> | <u>223,055,321</u> |
| 8.2.1 | The Group retains workers' profit participation funds for their 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 Group till the date of allocation to workers. | |
| 9. ACCRUED MARK-UP | | |
| Long term financing | 263,814,219 | 294,592,334 |
| Short term borrowings | 242,983,325 | 164,213,370 |
| | <u>506,797,544</u> | <u>458,805,704</u> |

| | 2017 Rupees | 2016 Rupees |
|---|-----------------------|-----------------------|
| 10. SHORT TERM BORROWINGS | | |
| From banking companies - secured | | |
| Nishat (Chunian) Limited - Holding Company | | |
| Short term running finances (Notes 10.1 and 10.2) | 2,143,226,773 | 2,127,918,129 |
| Export finances - Preshipment / SBP refinance (Notes 10.1 and 10.3) | 4,360,059,876 | 5,222,164,393 |
| Other short term finances (Notes 10.1 and 10.4) | 8,733,500,000 | 4,770,000,000 |
| NC Electric Company Limited - Subsidiary Company | | |
| Short term running finances (Notes 10.5) | 18,697,064 | - |
| Nishat Chunian USA Inc. - Subsidiary Company | | |
| Revolving credit line (Note 10.6) | 176,054,205 | 239,857,805 |
| Nishat Chunian Power Limited - Subsidiary Company | | |
| Short term running finances (Note 10.7) | 950,954,000 | 306,442,353 |
| Money market loans (Note 10.8) | 3,900,000,000 | 3,250,000,000 |
| Murabaha facilities (Note 10.9) | 1,192,265,000 | 544,182,895 |
| | <u>21,474,756,918</u> | <u>16,460,565,575</u> |

- 10.1** These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Holding Company and lien on export bills to the extent of Rupees 25,462 million (2016: Rupees 25,462 million) and ranking charge on all present and future current assets of the Holding Company to the extent of Rupees 5,667 million (2016: Rupees 534 million). These form part of total credit facilities of Rupees 22,265 million (2016: Rupees 19,065 million).
- 10.2** The rates of mark-up range from 6.24% to 7.12% (2016: 6.60% to 8.74%) per annum on the balance
- 10.3** The rates of mark-up on Pak Rupee finances and US Dollar finances range from 2.40% to 6.43% (2016: 2.95% to 6.46%) per annum and 1.30% to 2% (2016: 1.15% to 1.45%) per annum respectively on the balance outstanding.
- 10.4** The rates of mark-up range from 6.15% to 6.43% (2016: 6.27% to 6.61%) per annum on the balance
- 10.5** This finance facility is obtained from a banking company under mark-up arrangement at the rate of 3-month KIBOR plus 0.75% per annum. It is secured against ranking charge of Rupees 133.33 million on present and future current assets of the Subsidiary Company and cross corporate guarantee of Nishat (Chunian) Limited - Holding Company amounting to Rupees 120 million. Effective rate of mark-up charged during the year was 6.88%. Further, murabaha facility available from a commercial bank amounted to Rupees 300 million (2016: Rupees Nil). The amount utilized as at 30 June 2017 was Rupees Nil (2016: Rupees Nil). The facility is secured against hypothecation charge over present and future fixed and current assets of Rupees 750 million and cross corporate guarantee of Nishat (Chunian) Limited - Holding Company amounting to Rupees 300 million.
- 10.6** Nishat Chunian USA Inc. - Subsidiary Company has a revolving credit pursuant to which it may borrow up to US Dollars 2,500,000 (Rupees 262 million) subject to borrowing base availability, bearing interest at prime plus 0.25% (4.50% at 30 June 2017). The borrowings base equals to 75% of the aggregate amount of all qualified accounts receivable, as defined. This note is collateralized by as first security interest in substantially all assets of the Nishat Chunian USA Inc. - Subsidiary Company and is guaranteed by the Holding Company.

- 10.7** Running finance main facilities available from commercial banks under mark-up arrangements amount to Rupees 6,450 million (2016: Rupees 5,950 million). Running finance facilities are available at mark-up rates ranging from one month to three months KIBOR plus 0.25% to 2% per annum, payable monthly/quarterly, on the balance outstanding. Running finance facilities are secured against first joint pari passu hypothecation charge on the present and future current assets of Nishat Chunian Power Limited - Subsidiary Company comprising of fuel stocks, inventories and energy price payment receivables from NTDC. The mark-up rate charged during the year on the outstanding balance ranges from 6.38% to 8.12% (2016: 6.85% to 9.01%) per annum.
- 10.8** Money market loans are available to Nishat Chunian Power Limited - Subsidiary Company as a sub-facility to the running finance facility. Such facilities amount to Rupees 4,950 million (2016: Rupees 4,250 million) and are available at mark-up rates ranging from one month to six months KIBOR plus 0.04% to 0.20% per annum. Money market loans are secured against first joint pari passu hypothecation charge on the present and future current assets of Nishat Chunian Power Limited - Subsidiary Company comprising of fuel stocks, inventories and energy price payment receivables from NTDC. The mark-up rate charged during the year on the outstanding balance ranges from 6.03% to 6.55% (2016: 6.15% to 7.33%) per annum.
- 10.9** Murabaha and musharka main facilities available from islamic banks aggregate Rupees 4,500 million (2016: Rupees 4,500 million) at mark-up rates ranging from one week to three months KIBOR plus 0.1% to 0.5% per annum. The amount utilised as at 30 June 2017, for musharka was Rupees 1,192.265 million (2016: Rupees 544.18 million). Mark-up on murabaha is payable at the maturity of the respective murabaha transaction. Whereas, the mark-up on musharka is payable quarterly on the balance outstanding. The facilities are secured against first joint pari passu hypothecation charge on the present and future current assets of Nishat Chunian Power Limited - Subsidiary Company comprising of fuel stocks, inventories and energy price payment receivables from NTDC. The mark-up rate charged during the year on the outstanding balance ranges from 6.75% to 6.19% (2016: 6.50% to 9.01%) per annum.
- 10.10** The main facilities available to Nishat Chunian Power Limited - Subsidiary Company for opening letters of credit and guarantees aggregate Rupees 1,411.032 million (2016: Rupees 1,556.03 million). The amount utilised at 30 June 2017, for letters of credit was Rupees 38.068 million (2016: Rupees 61.16 million) and for guarantees was Rupees 26.747 million (2016: Rupees 9.03 million). The aggregate facilities for opening letters of credit and guarantees are secured by ranking charge on the present and future current assets comprising of fuel stocks, inventories and energy price payment receivables from NTDC, counter guarantee, cash margin and lien over import documents.

| | 2017 Rupees | 2016 Rupees |
|---|------------------------------|------------------------------|
| 11. CURRENT PORTION OF NON-CURRENT LIABILITIES | | |
| Long term financing (Note 6) | <u>4,174,666,224</u> | <u>3,321,242,615</u> |

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

- 12.1.1** The Holding Company preferred appeal against the Government of Punjab in the Honorable 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 66.650 million (2016: Rupees 54.941 million) is payable on this account but the management of the Holding Company is confident that payment of electricity duty will not be required.

- 12.1.2** 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 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 filed appeal before Appellate Tribunal Inland Revenue (ATIR), Karachi Bench which was decided against the Holding Company. 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 Customs 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. The Holding Company has now filed appeal before the Honourable High Court of Sindh against the order of ATIR, where the case is pending.
- 12.1.3** The Holding Company 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. After dismissal of writ petition by the Honourable Lahore High Court, Lahore, the tax department has completed the audit of tax year 2009 of income tax affairs of the Holding Company and Deputy Commissioner Inland Revenue (DCIR) has passed an order under sections 122(1)/122(5) of the Income Tax Ordinance, 2001 creating a tax demand of Rupees 6.773 million. The Holding Company has filed appeal before Commissioner Inland Revenue (Appeals) [CIR(A)] against the decision of DCIR which is pending adjudication. No provision against this demand has been made in these consolidated financial statements as the Holding Company is hopeful of a favourable outcome of appeal based on the opinion of the tax advisor.
- 12.1.4** As a result of withholding tax audit for the tax year 2006, 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 Commissioner Inland Revenue (Appeals) [CIR(A)] was unsuccessful. The Holding Company expects a favourable outcome of the appeal based on advice of the tax counsel. The Holding Company 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 Honourable Lahore High Court, Lahore directed the Tax Department to issue notice for reconciliation and in case default is established only then action under section 205 of the Income Tax Ordinance, 2001 can be taken. The Holding Company also filed intra court appeals to the Honourable Lahore High Court, Lahore, which were dismissed. Against this dismissal, appeal has been filed before the Supreme Court of Pakistan which is pending adjudication. 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. In respect of tax year 2012, the case has been decided at departmental level as stated in Note 12.1.7, hence appeal filed before the Supreme Court of Pakistan in respect of tax year 2012 shall be withdrawn shortly.
- 12.1.5** The Holding Company is in appeal before ATIR as its appeal before CIR(A) against the order of Additional Commissioner Inland Revenue (ACIR) was unsuccessful. 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 tax advisor.
- 12.1.6** The Deputy Collector (Refund – Gold) by order dated 16 May 2007 rejected the input tax claim of the Holding Company, for the month of June 2005, amounting to Rupees 1.604 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. The appeal of the Holding Company before ATIR was successful and input tax claim of the Holding Company is expected to be processed after necessary verification in this regard. Pending the outcome of verification no provision for inadmissible input tax has been recognized in these consolidated financial statements.

- 12.1.7** The ACIR through an order under section 161/205 of the Income Tax Ordinance, 2001 created a demand of Rupees 147.745 million for tax year 2012 on account of alleged non-deduction of income tax on payments against the heads commission to selling agents on exports and export marketing expenses. Being aggrieved, the Holding Company filed an appeal before CIR(A), who vide order dated 09 June 2016 accepted the stance of the Holding Company and deleted the demand related to commission to selling agents on exports, whereas, with respect to export marketing expenses, CIR(A) remanded back the case to ACIR. However, the Holding Company has filed appeal before ATIR which is pending for fixation. Based on grounds and facts, the appeal is likely to be decided in favour of the Holding Company. The demand created under section 161/205 of the Income Tax Ordinance, 2001 of tax year 2012 amounting to Rupees 147.745 million by ACIR was subsequently reduced to Rupees 165,593 through appeal effect order issued by ACIR. While giving appeal effect ACIR did not give adjustment of the refunds already adjusted against the demand raised in the proceedings. Therefore, application for rectification of order has been filed, however, rectified order has not yet been issued by the learned ACIR.
- 12.1.8** The Holding Company filed appeal before CIR(A) against the order of ACIR. ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2012 whereby a demand of Rupees 125.162 million has been raised. CIR(A) vide order dated 29 June 2016 has deleted some of the additions made by ACIR. Being aggrieved by the order of CIR(A), the Holding Company as well as the tax department have preferred appeals before the ATIR which are pending adjudication. No provision against this demand has been made in these consolidated financial statements as the Holding Company is hopeful for a favourable outcome of appeal based on the opinion of the tax advisor.
- 12.1.9** The Holding Company filed appeal before CIR(A) against the order of ACIR. ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2010 whereby a demand of Rupees 142.956 million has been raised. CIR(A) vide order dated 28 October 2016 has deleted some of the additions made by ACIR. Being aggrieved by the order of CIR(A), the Holding Company as well as the tax department have preferred appeals before the ATIR which are pending adjudication. No provision against this demand has been made in these consolidated financial statements as the Holding Company is hopeful for a favourable outcome of appeal based on the opinion of the tax advisor.
- 12.1.10** The Deputy Commissioner Inland Revenue passed an order under sections 161/205 of the Income Tax Ordinance, 2001 creating a demand of Rupees 19.073 million for the tax year 2014. The Holding Company preferred an appeal against this order before CIR(A). The CIR(A) adjudicated that impugned order is unsustainable and remanded back the matter to taxation officer for consideration of legal grounds and merits of the case. The Holding Company has also filed an appeal before ATIR against the order of CIR(A). The proceedings before both forums are pending for adjudication. No provision against this demand has been made in these consolidated financial statements as the Holding Company is confident of favorable outcome of its appeals.
- 12.1.11** Through show cause notice, the Collector of Customs, Karachi raised demand of Rupees 23.585 million on the grounds that the Holding Company was not entitled for exemption of sales tax and facility of reduced rate of income tax on 13 consignments of cotton imported during the period from April 2013 to April 2014. The vires of show cause notice were challenged in Honorable Sindh High Court at Karachi from where stay was granted with the direction to the Collector that he will not pass final order pursuant to the impugned show cause notice particularly in respect of advance income tax till next date of hearing. In spite of the categorical orders of the Honorable High Court, the Collector passed order, creating the demand of the aforesaid amount. Appeal against the said order has been filed in ATIR, Karachi but has not been decided. There is sufficient case law on the subject and there is every likelihood that case will be decided in favour of the Holding Company.

- 12.1.12** The Holding Company is contesting sales tax demands / rejections of sales tax by taxation authorities amounting to Rupees 89.605 million at various forums. These demands have been raised on account of various issues, like refund of sales tax on purchases of furnace oil and diesel, non-provision of documents against certain refund processing system objections and supplies made to certain parties. No provision against the aforesaid demands has been made in these consolidated financial statements as the management is confident of favourable outcome of its appeals based on advice of the legal counsel. The name of the Holding Company was selected by the FBR through balloting for audit of its sales tax record of tax year 2014. Writ petition against the selection was filed and in pursuance of Court's order, the record was submitted to the assessing officer. Based on the audit, Deputy Commissioner has issued a show cause notice on account of alleged discrepancies/observations noted during audit to the tune of Rupees 7.480 million. The Holding Company is in the process of replying to the show cause notice and expects favourable outcome of the matter, hence no provision has been recognized in these consolidated financial statements.
- 12.1.13** Being aggrieved, the Holding Company is in appeal before ATIR against the order of CIR(A). The ACIR has passed an order under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2013 whereby a demand of Rupees 27.845 million has been raised. The appeal before CIR(A) has been decided and some matters have been decided in favour of the Holding Company. No provision against this demand has been made in these consolidated financial statements as the Holding Company is hopeful for a favourable outcome of appeal based on the opinion of the tax advisor.
- 12.1.14** The Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Holding Company. Consequently, the Holding Company has claimed input sales tax amounting to Rupees 80.269 million (2016: Rupees Nil) paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.
- 12.1.15** Guarantees of Rupees 329.388 million (2016: Rupees 347.051 million) have been issued by the banks of the Holding Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and Lahore Electric Supply Company Limited against electricity connection.
- 12.1.16** Guarantees of Rupees 196 million (2016: Rupees 156 million) have been issued by the banks of the Holding Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.
- 12.1.17** Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 2,328.471 million (2016: Rupees 1,893.971 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.
- 12.1.18** The Holding Company has issued cross corporate guarantees of Rupees 14.12 billion (2016: Rupees 13.7 billion) on behalf of NC Electric Company Limited - Subsidiary Company to secure the obligations of Subsidiary Company towards its lenders.
- 12.1.19** During the financial year 2014, a sales tax demand of Rupees 1,161.548 million was raised against Nishat Chunian Power Limited - Subsidiary Company through order dated 28 November 2013, by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by Nishat Chunian Power Limited - Subsidiary Company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by Nishat Chunian Power Limited - Subsidiary Company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to Nishat Chunian Power Limited - Subsidiary Company. Against the aforesaid order, Nishat Chunian Power Limited - Subsidiary Company preferred an appeal before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon Nishat Chunian Power Limited - Subsidiary Company's other grounds of appeal. Consequently, Nishat Chunian Power Limited - Subsidiary Company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the Department also preferred a second appeal before the ATIR against the CIR(A)'s order, which are both pending adjudication.

Furthermore, during the financial year 2015, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated 11 November 2014, whereby intentions were shown to raise a sales tax demand of Rupees 1,093.262 million by disallowing input sales tax claimed by Nishat Chunian Power Limited - Subsidiary Company for the tax periods from July 2010 to June 2012 on the above mentioned grounds of the ACIR. The Subsidiary Company agitated the initiation of such proceedings through institution of a writ petition before the Lahore High Court ('LHC'). During the current period, LHC has disposed of the petition in the Subsidiary Company's favour through its order dated 31 October 2016, by stating that there is no supply being made against capacity purchase price, hence, there is no existence of an "exempt supply". Accordingly, the Subsidiary Company is free to reclaim or deduct input tax under the relevant provisions of Sales Tax Act, 1990. However, the tax department has filed an appeal before the Supreme Court of Pakistan against the aforementioned LHC's order.

For the period July 2013 to June 2014, Subsidiary Company's case was selected for audit by 'Federal Board of Revenue' ('FBR'), which selection was objected to, on jurisdictional basis, by Subsidiary Company by way of filing a writ petition before LHC. While, LHC has allowed the department to proceed with audit proceedings, it has been directed that no adjudication order, consequent to conduct of audit, shall be passed after confronting the audit report. The audit proceedings were completed by the department during the financial year 2016 and audit report thereof was submitted to the Subsidiary Company seeking explanations in regard to the issues raised therein. In the subject audit report, an aggregate amount of Rupees 631.769 million primarily including a disallowance of input sales tax of Rupees 622.263 million has been confronted on same grounds as explained above. LHC through its order dated 09 January 2017 has allowed initiation of adjudication proceedings after issuance of audit report. On 17 May 2017, the DCIR has issued a showcause notice as to why sales tax of the aforesaid amount of Rupees 631.769 million alongwith default surcharge should not be recovered from the Subsidiary Company. The Subsidiary Company has filed a representation in this regard with the Chairman, Federal Board of Revenue. As of the balance sheet date, no order has been issued by the DCIR.

Based on the advice of the Subsidiary Company's legal counsel and the abovementioned LHC's decision dated 31 October 2016, management considers that there exist meritorious grounds to support the Subsidiary Company's stance that input sales tax incurred by the Subsidiary Company is not legally required to be attributed to revenue representing 'capacity purchase price' and thus disallowance proposed by department would not be upheld by appellate authorities/courts. Consequently, no provision has been made in these consolidated financial statements on such account.

12.1.20 Subsequent to the year end, the DCIR has issued an amendment order dated 31 August 2017 under section 122 of the Income Tax Ordinance, 2001 for Tax Year 2014 whereby income tax of Rupees 191.536 million has been levied on other income, interest on delayed payments from NTDC, minimum tax on capacity and scrap sales and has also levied Workers' Welfare Fund of Rupees 12.946 million. The Subsidiary Company is in the process of filing an appeal before the CIR(A) against this order. Management considers that there exist meritorious grounds to defend the Subsidiary Company's stance and the ultimate decision from the appellate authorities would be in the Subsidiary Company's favour. Consequently, no provision has been made in these consolidated financial statements for the aggregate amount of Rupees 204.482 million.

12.1.21 Guarantees of Rupees 12.926 million (2016: Rupees 10.5 million) have been issued by banks of NC Electric Company Limited - Subsidiary Company in favour of Director, Excise and Taxation, Karachi against disputed amounts of infrastructure cess.

12.1.22 The followings have been issued by the banks on behalf of Nishat Chunian Power Limited - Subsidiary Company:

(a) Letter of guarantee of Rupees 26.747 million (2016: Rupees 9.032 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.

12.1.23 Post dated cheques amounting to Rupees 29.472 million (2016: Rupees Nil) have been issued by NC Electric Company Limited - Subsidiary Company in favour of Commissioner Inland Revenue against disputed amount of tax on import of coal.

12.1.24 NC Entertainment (Private) Limited - Subsidiary Company was issued notice under section 176(1) regarding selection for tax audit under section 214 (C) of the Income Tax Ordinance, 2001 for Tax Year 2015. The case is under process and in opinion of management any tax liability outcome is highly unlikely.

12.2 Commitments:

12.2.1 Contracts for capital expenditure amounting to Rupees 49.228 million (2016: Rupees 2,525.373 million).

12.2.2 Letters of credit other than for capital expenditure amounting to Rupees 1356.239 million (2016: Rupees 825.910 million).

12.2.3 Outstanding foreign currency forward contracts of Rupees 4,940.270 million (2016: Rupees 4,109.245)

12.2.4 The amount of future lease rentals on contract of NC Entertainment (Private) Limited - Subsidiary Company and the period in which payments will become due are as follows:

| | 2017 Rupees | 2016 Rupees |
|---|------------------------|------------------------|
| Not later than one year | 101,661,000 | - |
| Later than one year but not later than five years | 406,644,000 | - |
| Later than five years | 1,524,915,000 | - |
| | <u>2,033,220,000</u> | <u>-</u> |

12.2.5 The Nishat Chunian USA, Inc. - Subsidiary Company is obligated under an operating lease which expires 31 January 2018 and provides for a minimum annual rentals of approximately Rupees 8.07 million.

| | 2017 Rupees | 2016 Rupees |
|---|------------------------|------------------------|
| 13. FIXED ASSETS | | |
| Property, plant and equipment: | | |
| Operating fixed assets (Note 13.1) | 29,571,507,026 | 22,224,947,838 |
| Capital work-in-progress (Note 13.2) | 255,117,935 | 5,029,074,918 |
| Major spare parts and standby equipment | - | 162,636,138 |
| | <u>29,826,624,961</u> | <u>27,416,658,894</u> |
| Intangible asset: | | |
| Computer software (Note 13.1) | 23,471,181 | 7,819,748 |
| | <u>29,850,096,142</u> | <u>27,424,478,642</u> |

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 2015 | | | | | | | | | | | | |
| Cost | 887,973,249 | 3,110,162,516 | 29,439,919,693 | 33,198,206 | 588,866,270 | 240,428,977 | 88,153,679 | 89,802,424 | 204,921,138 | 34,663,426,152 | | 17,634,614 |
| Accumulated depreciation / amortization | - | (1,017,393,600) | (10,754,886,574) | (20,868,426) | (180,475,995) | (110,658,010) | (43,102,026) | (41,174,188) | (88,606,182) | (12,257,165,002) | | (11,404,169) |
| Net book value | 887,973,249 | 2,092,768,916 | 18,685,033,119 | 12,329,780 | 388,390,275 | 129,770,967 | 45,051,653 | 48,628,235 | 116,314,956 | 22,406,261,150 | | 6,230,445 |
| Year ended 30 June 2016 | | | | | | | | | | | | |
| Opening net book value | 887,973,249 | 2,092,768,916 | 18,685,033,119 | 12,329,780 | 388,390,275 | 129,770,967 | 45,051,653 | 48,628,235 | 116,314,956 | 22,406,261,150 | | 6,230,445 |
| Additions | - | 155,772,470 | 1,575,276,824 | - | 28,212,147 | 2,235,208 | 3,196,573 | 43,851,012 | 42,371,867 | 1,850,916,101 | | 5,991,800 |
| Disposals: | | | | | | | | | | | | |
| Cost | - | - | (506,976,201) | - | - | - | - | (1,092,339) | (33,033,508) | (541,102,048) | | - |
| Accumulated depreciation | - | - | 460,772,190 | - | - | - | - | 672,724 | 22,688,651 | 484,113,565 | | - |
| | - | - | (46,204,011) | - | - | - | - | (419,615) | (10,364,857) | (56,988,483) | | - |
| Depreciation / amortization charge | - | (110,116,757) | (1,754,796,440) | (1,187,780) | (39,901,650) | (13,111,891) | (5,721,456) | (12,109,728) | (28,569,492) | (1,965,515,194) | | (4,402,497) |
| Impairment loss | - | - | (9,725,736) | - | - | - | - | - | - | (9,725,736) | | - |
| Closing net book value | 887,973,249 | 2,138,424,629 | 18,449,583,756 | 11,142,000 | 376,700,772 | 118,894,284 | 42,526,770 | 79,949,904 | 119,752,474 | 22,224,947,838 | | 7,819,748 |
| At 30 June 2016 | | | | | | | | | | | | |
| Cost | 887,973,249 | 3,265,934,986 | 30,508,220,316 | 33,198,206 | 597,078,417 | 242,664,185 | 91,350,252 | 132,561,097 | 214,259,497 | 35,973,240,205 | | 23,626,414 |
| Accumulated depreciation / amortization | - | (1,127,510,357) | (12,048,910,824) | (22,056,206) | (220,377,645) | (123,769,901) | (48,823,482) | (52,611,193) | (94,507,023) | (13,738,566,631) | | (15,806,666) |
| Accumulated impairment loss | - | - | (9,725,736) | - | - | - | - | - | - | (9,725,736) | | - |
| Net book value | 887,973,249 | 2,138,424,629 | 18,449,583,756 | 11,142,000 | 376,700,772 | 118,894,284 | 42,526,770 | 79,949,904 | 119,752,474 | 22,224,947,838 | | 7,819,748 |
| Year ended 30 June 2017 | | | | | | | | | | | | |
| Opening net book value | 887,973,249 | 2,138,424,629 | 18,449,583,756 | 11,142,000 | 376,700,772 | 118,894,284 | 42,526,770 | 79,949,904 | 119,752,474 | 22,224,947,838 | | 7,819,748 |
| Additions | 12,536,484 | 1,386,824,832 | 8,059,340,603 | - | 43,933,009 | 16,913,161 | 23,537,322 | 16,543,613 | 59,719,147 | 9,619,348,171 | | 28,562,390 |
| Disposals: | | | | | | | | | | | | |
| Cost | - | (8,000,000) | (1,163,587,000) | - | - | (270,000) | (6,000) | (2,258,104) | (25,122,774) | (1,199,243,878) | | - |
| Accumulated impairment loss | - | - | 9,725,736 | - | - | - | - | - | - | 9,725,736 | | - |
| Accumulated depreciation | - | 1,000,000 | 941,581,877 | - | - | 47,098 | 2,448 | 570,721 | 16,966,154 | 960,168,298 | | - |
| | - | (7,000,000) | (212,279,387) | - | - | (222,902) | (3,552) | (1,687,383) | (8,156,620) | (229,349,844) | | - |
| Depreciation / amortization charge | - | (117,494,087) | (1,810,833,983) | (1,187,780) | (39,959,801) | (12,838,738) | (5,932,339) | (19,572,599) | (35,619,813) | (2,043,439,139) | | (9,910,957) |
| Closing net book value | 900,509,733 | 3,400,755,374 | 24,485,810,989 | 9,954,220 | 380,673,980 | 122,745,805 | 60,128,201 | 75,233,536 | 135,695,188 | 29,571,507,026 | | 23,471,181 |
| At 30 June 2017 | | | | | | | | | | | | |
| Cost | 900,509,733 | 4,644,759,818 | 37,403,973,919 | 33,198,206 | 641,011,426 | 259,307,346 | 114,881,574 | 146,846,606 | 248,855,870 | 44,393,344,498 | | 49,188,804 |
| Accumulated depreciation / amortization | - | (1,244,004,444) | (12,918,162,930) | (23,243,986) | (260,337,446) | (136,561,541) | (54,753,373) | (71,613,070) | (113,160,682) | (14,821,837,472) | | (25,717,623) |
| Net book value | 900,509,733 | 3,400,755,374 | 24,485,810,989 | 9,954,220 | 380,673,980 | 122,745,805 | 60,128,201 | 75,233,536 | 135,695,188 | 29,571,507,026 | | 23,471,181 |
| Annual rate of depreciation / amortization (%) | | | | | | | | | | | | |
| | 4 - 10 | 4 - 10 | 4 - 10 and number of hours used | 10 | 10 | 10 | 10 | 10 - 33 | 20 | | | 0 - 30 |

13.1.1 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 | Accumulated impairment loss | Net book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of purchasers |
|-------------------------------------|-----|-------------|--------------------------|-----------------------------|----------------|---------------|---------------|-----------------------------|---|
| Building | | | | | | | | | |
| Building on 31-C Gulberg II, Lahore | 1 | 8,000,000 | (1,000,000) | - | 7,000,000 | 1,350,000 | (5,650,000) | Negotiation | Mr. Sahib Zada Khan, Lahore |
| Plant and machinery | | | | | | | | | |
| Rice Husk Boiler | 1 | 82,278,117 | (35,048,325) | - | 47,229,792 | 39,000,000 | (8,229,792) | Insurance Claim | Adamjee Insurance Company Limited - associated company; |
| Auto Cone Machine | 2 | 4,706,597 | (910,940) | - | 3,795,657 | 800,000 | (2,995,657) | Negotiation | Sahad Textile Mills Limited, Peshawar |
| Carding Machine | 10 | 8,882,650 | (1,572,451) | - | 7,310,199 | 1,111,110 | (6,199,089) | Negotiation | Fanz Spinning Mills (Private) Limited, Lahore |
| Ring Frame | 12 | 9,952,877 | (2,173,636) | - | 7,779,241 | 820,689 | (6,958,552) | Negotiation | Ishaq Textile Mills Limited, Faisalabad |
| Carding Machine | 13 | 11,547,444 | (2,044,186) | - | 9,503,258 | 363,640 | (9,139,618) | Negotiation | Mehabi Spinning Mills, Shiekhupura |
| Picanol Air Jet 280 cm | 7 | 25,270,013 | (17,372,960) | - | 7,897,053 | 5,075,000 | (2,822,053) | Negotiation | Yousaf Weaving Mills Limited, Lahore |
| Toyota Jat710 280 cm | 1 | 3,226,800 | (2,455,732) | - | 771,068 | 315,000 | (456,068) | Negotiation | Decent Embroidery, Karachi |
| Auto Cone Machine | 1 | 2,353,299 | (455,471) | - | 1,897,828 | 475,000 | (1,422,828) | Negotiation | Service Industries Limited, Lahore |
| Toyota Jat-710 280 cm | 6 | 19,360,800 | (14,734,392) | - | 4,626,408 | 1,890,000 | (2,736,408) | Negotiation | Mr. Gulnar Hanif, Karachi |
| Ring Frame | 10 | 8,294,064 | (1,811,364) | - | 6,482,700 | 621,734 | (5,860,966) | Negotiation | Yasin Cone Dying, Faisalabad |
| Auto Cone Machine | 1 | 2,353,299 | (455,470) | - | 1,897,829 | 200,000 | (1,697,829) | Negotiation | Chenab Limited, Faisalabad |
| Auto Cone Machine | 3 | 7,059,896 | (1,366,410) | - | 5,693,486 | 1,200,000 | (4,493,486) | Negotiation | Yasin Cone Dying, Faisalabad |
| Toyota Jat-710 340 cm | 2 | 6,453,600 | (4,674,978) | - | 1,778,622 | 630,000 | (1,148,622) | Negotiation | Mr. Gulnar Hanif, Karachi |
| Toyota Jat-710 340 cm | 12 | 38,721,600 | (28,049,871) | - | 10,671,729 | 3,780,000 | (6,891,729) | Negotiation | Decent Embroidery, Karachi |
| Carding Machine | 19 | 14,407,523 | (2,437,816) | (9,725,736) | 2,243,971 | 2,272,750 | 28,779 | Negotiation | Waqas Rafique International, Kasur |
| Toyota Jat-710 280 cm | 9 | 29,041,200 | (21,817,171) | - | 7,224,029 | 2,835,000 | (4,389,029) | Negotiation | Valltex (Private) Limited, Karachi |
| Toyota Jat-710 280 cm | 3 | 9,680,400 | (7,272,391) | - | 2,408,009 | 945,000 | (1,463,009) | Negotiation | Decent Embroidery, Karachi |
| Picanol Air Jet 380 cm | 12 | 44,780,296 | (32,340,541) | - | 12,439,755 | 3,780,000 | (8,659,755) | Negotiation | Valltex (Private) Limited, Karachi |
| Ring Frame | 1 | 829,406 | (181,136) | - | 648,270 | 68,393 | (579,877) | Negotiation | Dynamic Spinning Mills (Private) Limited, Lahore |
| Picanol Air Jet 340 cm | 3 | 10,841,537 | (7,898,947) | - | 2,942,590 | 945,000 | (1,997,590) | Negotiation | Yousaf Weaving Mills Limited, Lahore |
| Auto Cone Machine | 1 | 2,353,299 | (455,470) | - | 1,897,829 | 485,000 | (1,412,829) | Negotiation | Dawood Spinning Mills (Private) Limited, Lahore |
| Picanol Air Jet 340 cm | 16 | 58,844,656 | (42,626,984) | - | 16,217,672 | 5,040,000 | (11,177,672) | Negotiation | Panama International, Karachi |
| Picanol Air Jet 340 cm | 2 | 7,355,582 | (5,328,373) | - | 2,027,209 | 630,000 | (1,397,209) | Negotiation | Jamal Fabrics (Private) Limited, Karachi |
| Ring Frame | 10 | 8,294,064 | (1,811,364) | - | 6,482,700 | 652,822 | (5,829,878) | Negotiation | Waqas Rafique International, Kasur |
| Toyota Jat-710 340 cm | 8 | 25,814,400 | (18,699,814) | - | 7,114,586 | 2,520,000 | (4,594,586) | Negotiation | Mr. Gulnar Hanif, Karachi |
| Picanol Air Jet 340 cm | 2 | 7,355,582 | (5,328,373) | - | 2,027,209 | 630,000 | (1,397,209) | Negotiation | Panama International, Karachi |
| Picanol Air Jet 340 cm | 13 | 46,475,283 | (33,676,693) | - | 12,798,590 | 4,095,000 | (8,703,590) | Negotiation | Jamal Fabrics (Private) Limited, Karachi |
| Drawing Machine | 3 | 2,739,980 | (530,911) | - | 2,208,969 | 204,546 | (2,004,423) | Negotiation | Ghulam Rasool Textile Mills, Faisalabad |
| Ring Frame | 42 | 46,790,888 | (42,034,743) | - | 4,756,145 | 3,589,745 | (1,166,400) | Negotiation | Mr. Imran Munawar, Lahore |
| Wrapping Machine | 1 | 13,005,541 | (11,137,530) | - | 1,868,011 | 1,350,000 | (518,011) | Negotiation | Valltex (Private) Limited, Karachi |
| Silver Can | 120 | 1,290,037 | (72,473) | - | 1,217,564 | 163,620 | (1,053,944) | Negotiation | Waqas Rafique International, Kasur |
| Drawing Machine | 6 | 2,920,229 | (644,996) | - | 2,275,233 | 102,564 | (2,172,669) | Negotiation | Tuseef Brothers, Faisalabad |
| Automatic Bale Plucker | 1 | 1,200,000 | (212,430) | - | 987,570 | 551,765 | (435,805) | Negotiation | Fanz Spinning Mills (Private) Limited, Lahore |
| Ring Frame | 7 | 23,321,392 | (19,651,170) | - | 3,670,222 | 1,330,000 | (2,340,222) | Negotiation | Ishaq Textile Mills Limited, Faisalabad |
| Drawing Frame | 1 | 656,500 | (67,344) | - | 589,156 | 72,727 | (516,429) | Negotiation | Sahad Textile Mills Limited, Peshawar |
| Blow Room Line | 2 | 600,000 | (97,485) | - | 502,515 | 1,522,728 | 1,020,213 | Negotiation | Ali Nawaz Textile (Private) Limited, Lahore |
| Drawing Frame | 1 | 371,250 | (75,309) | - | 295,941 | 371,250 | 75,309 | Negotiation | Mr. Liaquat Ali, Faisalabad |
| Lifter | 1 | 750,000 | (649,129) | - | 100,871 | 650,000 | 549,129 | Negotiation | Mr. Muhammad Akhlaq, Lahore |
| Assets written off | | 573,407,000 | (573,407,000) | - | - | - | - | Life completed and scrapped | |

| | | | | | | | | | | | | |
|---|----------------------------|---------------|---------------|-------------|-------------|-------------|---------------|-----------------|--|--|--|--|
| Office equipment | | | | | | | | | | | | |
| 1 | iPhone 6s | 113,400 | (13,750) | - | 99,650 | 33,500 | (66,150) | Group's policy | Mr. Muhammad Asim (Ex-employee), Lahore | | | |
| 1 | HP Probook Laptop | 75,000 | (2,500) | - | 72,500 | 52,500 | (20,000) | Insurance claim | Adamjee Insurance Company Limited - associated company | | | |
| 1 | HP Laptop | 86,729 | (20,544) | - | 66,185 | 27,000 | (39,185) | Group's policy | Mr. Waseem Jamal (Ex-employee), Lahore | | | |
| 1 | Apple Iphone | 85,000 | (23,948) | - | 61,052 | 20,000 | (41,052) | Group's policy | Ms. Nadia Bilal (employee), Lahore | | | |
| 1 | HP Laptop | 77,000 | (21,231) | - | 55,769 | 18,500 | (37,269) | Group's policy | Mr. Ali Mikhkar (employee), Lahore | | | |
| 1 | HP Pavilion Laptop | 67,369 | (14,131) | - | 53,238 | 17,000 | (36,238) | Group's policy | Mr. Zeeshan Akram (Ex-employee), Lahore | | | |
| 1 | Apple Ipad | 78,226 | (56,714) | - | 21,512 | 23,000 | 1,488 | Group's policy | Mr. Babar Ali Khan (employee), Lahore | | | |
| 1 | Apple Iphone | 71,585 | (50,110) | - | 21,475 | 17,000 | (4,475) | Group's policy | Mr. Khuram Ali (employee), Lahore | | | |
| 1 | Samsung S7 | 66,900 | (10,035) | - | 56,865 | 39,573 | (17,292) | Negotiation | Axiom, UAE | | | |
| 50 | Factory equipment | 270,000 | (47,098) | - | 222,902 | 68,175 | (154,727) | Negotiation | J.A. Textile Mills Limited, Faisalabad | | | |
| 1 | Sliver Can | | | | | | | | | | | |
| Motor vehicles | | | | | | | | | | | | |
| 1 | Honda City LEF-15-8501 | 1,715,685 | (520,663) | - | 1,195,022 | 1,715,685 | 520,663 | Group's policy | Mr. Mir Asim (Ex-employee), Lahore | | | |
| 1 | Toyota Corolla LED-11-9874 | 1,927,980 | (1,268,086) | - | 659,894 | 660,000 | 106 | Group's policy | Ms. Nadia Bilal (employee), Lahore | | | |
| 1 | Honda Civic LED-11-9827 | 1,912,995 | (1,300,618) | - | 612,377 | 1,300,000 | 687,623 | Negotiation | Mr. Hafiz Aasim Hassan, Lahore | | | |
| 1 | Honda Civic LEC-11-9972 | 1,859,685 | (1,252,884) | - | 606,801 | 606,802 | 1 | Group's policy | Ms. Faiza Jabeen (employee), Lahore | | | |
| 1 | Suzuki APV LED-10-3528 | 1,859,695 | (1,323,518) | - | 536,177 | 1,302,000 | 765,823 | Negotiation | Mr. Ghulam Mustafa, Lahore | | | |
| 1 | Toyota Hilux LES-11-8232 | 1,606,074 | (1,092,468) | - | 513,606 | 1,365,000 | 851,394 | Negotiation | Mr. Zeshan Pasha Khan, Rawalpindi | | | |
| 1 | Toyota Corolla LEC-10-2566 | 1,839,002 | (1,379,269) | - | 459,733 | 1,200,000 | 740,267 | Negotiation | Mr. Jawaid Haider, Lahore | | | |
| 1 | Suzuki Cultus LEC-12-2571 | 968,000 | (592,422) | - | 375,578 | 665,000 | 289,422 | Negotiation | Mr. Arshad Farooq, Bahawalnagar | | | |
| 1 | Suzuki Cultus LEA-11-9892 | 934,135 | (615,780) | - | 318,355 | 680,000 | 361,645 | Negotiation | Mr. Umar Farooq, Lahore | | | |
| 1 | Suzuki Cultus LED-10-7429 | 911,560 | (615,323) | - | 296,237 | 636,600 | 340,363 | Negotiation | Mr. Muhammad Shahbaz, Lahore | | | |
| 1 | Suzuki Cultus LED-10-2433 | 906,226 | (629,119) | - | 277,107 | 610,000 | 332,893 | Negotiation | Mr. Jawaid Haider, Lahore | | | |
| 1 | Suzukin Mehran LEC-12-7628 | 637,320 | (368,310) | - | 269,010 | 285,931 | 16,921 | Group's policy | Mr. Nadeem Khan (employee), Lahore | | | |
| 1 | Suzuki Cultus LEC-10-7433 | 880,314 | (635,093) | - | 245,221 | 530,000 | 284,779 | Negotiation | Mr. Jawaid Haider, Lahore | | | |
| 1 | Suzuki Mehran LEC-10-7616 | 544,330 | (401,889) | - | 142,441 | 231,264 | 88,823 | Group's policy | Mr. Zahid Maqsood (employee), Lahore | | | |
| 1 | Hyundai Shezore LZR 8925 | 667,773 | (584,243) | - | 83,530 | 960,000 | 876,470 | Negotiation | Mr. Haleez-Ullah, Sargodha | | | |
| 1 | Suzuki Cultus LEA-13-3779 | 1,038,415 | (675,246) | - | 363,169 | 1,038,488 | 675,319 | Group's policy | Mr. Saqib Riaz (Ex-employee), Lahore | | | |
| 1 | Suzuki Liana LED-07-586 | 725,000 | (422,917) | - | 302,083 | 725,000 | 422,917 | Group's policy | Mr. Babar Ali (employee), Lahore | | | |
| 1 | Honda Civic LED-11-9647 | 1,973,610 | (1,973,610) | - | - | 606,293 | 606,293 | Group's policy | Mr. Farukh Iqbal (employee), Lahore | | | |
| 1 | Honda Civic LEB-09-736 | 1,430,000 | (572,000) | - | 858,000 | 1,430,000 | 572,000 | Negotiation | Mr. Umair Ayub, Lahore | | | |
| 1 | Suzuki Bolan LE-12-9570 | 687,368 | (687,368) | - | - | 540,000 | 540,000 | Insurance claim | Adamjee Insurance Company Limited - associated company | | | |
| Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000 | | | | | | | | | | | | |
| | | 1,640,501 | (415,632) | - | 1,224,869 | 380,418 | (844,451) | | | | | |
| | | 1,199,243,878 | (960,168,298) | (9,725,736) | 229,349,844 | 110,224,812 | (119,125,032) | | | | | |

| | 2017 Rupees | 2016 Rupees |
|---|----------------------|----------------------|
| 13.1.2 The depreciation charge for the year has been allocated as follows: | | |
| Cost of sales (Note 24) | 2,016,336,322 | 1,942,680,167 |
| Administrative expenses (Note 26) | 26,343,828 | 22,148,013 |
| Capital work-in-progress | 758,989 | 687,014 |
| | <u>2,043,439,139</u> | <u>1,965,515,194</u> |

13.1.3 Amortization on intangible asset amounting to Rupees 3.011 million (2016: Rupees Nil) and Rupees 6.900 million (2016: Rupees 4.402 million) has been allocated to cost of sales and administrative expenses, respectively.

13.2 Capital work-in-progress

| | | |
|-------------------------------------|--------------------|----------------------|
| Civil works on freehold land | 75,186,573 | 1,290,418,511 |
| Plant and machinery | - | 3,235,571,638 |
| Mobilization advance | 987,035 | 12,287,452 |
| Letters of credit | 30,070,002 | 69,032,535 |
| Stores held for capital expenditure | - | 18,805,216 |
| Advances for capital expenditure | 148,874,325 | 55,436,292 |
| Unallocated expenditures | - | 347,523,274 |
| | <u>255,117,935</u> | <u>5,029,074,918</u> |

13.3 NC Electric Company Limited - Subsidiary Company has capitalized borrowings cost amounting to Rupees 237.927 million (2016: Rupees 180.193 million) using the capitalization rate ranging from 4.00% to 7.31% (2016: 4.00% to 8.99%) per annum during the year.

14. LONG TERM LOANS TO EMPLOYEES

Considered good:

| | 2017 Rupees | 2016 Rupees |
|--|-------------------|-------------------|
| Executives (Notes 14.1 and 14.2) | 24,577,161 | 26,866,623 |
| Other employees (Note 14.2) | - | 317,768 |
| | <u>24,577,161</u> | <u>27,184,391</u> |
| Less: Current portion shown under current assets (Note 18) | | |
| Executives | 3,729,347 | 2,653,621 |
| Other employees | - | 317,768 |
| | <u>3,729,347</u> | <u>2,971,389</u> |
| | <u>20,847,814</u> | <u>24,213,002</u> |

14.1 Reconciliation of carrying amount of loans to executives:

| | | |
|--------------------------|-------------------|-------------------|
| Balance as at 01 July | 26,866,623 | 18,513,103 |
| Add: Disbursements | 5,698,420 | 14,112,047 |
| Add: Markup for the year | 299,000 | - |
| Less: Repayments | 8,286,882 | 5,758,527 |
| Balance as at 30 June | <u>24,577,161</u> | <u>26,866,623</u> |

14.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 28.876 million (2016: Rupees 27.914 million).

14.2 These represent motor vehicle loans and house building loans to executives and employees, payable in 36 to 48, 96 monthly instalments respectively. Interest on long term loans ranged from 3.1% to 10.66% (2016: 3.3% to 10.66%) per annum while some loans are interest free. Motor vehicle loans are secured against registration of motor vehicles in the name of the respective Group Company, whereas house building loans are secured against balance standing to the credit of employee in the provident fund trust account.

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

15. STORES, SPARE PARTS AND LOOSE TOOLS

Stores (Note 15.1)

Spare parts

Loose tools

| | 2017 Rupees | 2016 Rupees |
|--|------------------------|------------------------|
| | 968,581,730 | 1,121,589,591 |
| | 211,203,117 | 295,566,465 |
| | 43,042,259 | 52,951,507 |
| | <u>1,222,827,106</u> | <u>1,470,107,563</u> |

15.1 Most of the items of stores and spares of Nishat Chunian Power Limited - Subsidiary Company and NC Electric Company 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. Moreover, stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

16. STOCK-IN-TRADE

Raw materials

Work-in-process

Finished goods

Waste

| | | |
|--|-----------------------|----------------------|
| | 7,762,092,957 | 6,091,610,990 |
| | 681,950,465 | 664,745,190 |
| | 1,560,861,043 | 1,200,198,744 |
| | 78,504,641 | 45,165,814 |
| | <u>10,083,409,106</u> | <u>8,001,720,738</u> |

16.1 Stock-in-trade of Rupees 161.563 million (2016: Rupees 95.321 million) is being carried at net realizable value.

16.2 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 6.501 million (2016: Rupees Nil)

16.3 This includes stock of Rupees 28.426 million (2016: Rupees 7.135 million) sent to outside parties for processing.

17. TRADE DEBTS

Considered good:

Secured (Notes 17.3)

- Others

Unsecured

- Nishat Mills Limited - related party

- Others

| | 2017 Rupees | 2016 Rupees |
|--|------------------------|------------------------|
| | 13,425,906,239 | 10,968,252,404 |
| | 69,615,588 | 55,834,953 |
| | 421,239,103 | 197,082,756 |
| | 490,854,691 | 252,917,709 |
| | <u>13,916,760,930</u> | <u>11,221,170,113</u> |

- 17.1 As at 30 June 2017, trade debts of Rupees 5,011.893 million (2016: Rupees 3,054.336 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:

| | 2017 Rupees | 2016 Rupees |
|--------------------|------------------------|------------------------|
| Upto 1 month | 1,866,778,236 | 626,609,493 |
| 1 to 6 months | 1,646,720,668 | 874,226,136 |
| More than 6 months | 1,498,393,926 | 1,553,500,052 |
| | <u>5,011,892,830</u> | <u>3,054,335,681</u> |

- 17.2 As at 30 June 2016, trade debts due from related party amounting to Rupees 37.425 million (2016: Rupees 32.726 million) were past due but not impaired. The age analysis of these trade debts is as follows:

| | | |
|--------------------|-------------------|-------------------|
| Upto 1 month | 37,425,050 | 32,666,239 |
| 1 to 6 months | - | 3,348 |
| More than 6 months | - | 56,544 |
| | <u>37,425,050</u> | <u>32,726,131</u> |

- 17.3 Included in trade debts is an amount of Rupees 966 million relating to capacity purchase price not acknowledged by NTDC during 2012 as the plant of Nishat Chunian Power Limited - Subsidiary Company 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 NTDC.

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 NTDC, therefore, management believes Nishat Chunian Power Limited - Subsidiary Company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, Nishat Chunian Power Limited - Subsidiary Company had taken up this issue at appropriate forums. On 28 June 2013, Nishat Chunian Power Limited - Subsidiary Company entered into a Memorandum of Understanding ('MoU') for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by Nishat Chunian Power Limited - Subsidiary Company before the Supreme Court of Pakistan on the above mentioned 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, Nishat Chunian Power Limited - Subsidiary Company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan. During the financial year 2014, Nishat Chunian Power Limited - Subsidiary Company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

In the financial year 2016, the Expert had given his determination whereby the aforesaid amount was determined to be payable to Nishat Chunian Power Limited - Subsidiary Company by NTDC. Pursuant to the Expert's determination, Nishat Chunian Power Limited - Subsidiary Company demanded the payment of the aforesaid amount of Rupees 966 million from NTDC that has not yet been paid by NTDC. Under the terms of PPA, Nishat Chunian Power Limited - Subsidiary Company had filed petition for arbitration in The London Court of International Arbitration ('LCIA'), during the pendency of the Expert's determination whereby an Arbitrator was appointed and the proceedings are ongoing. In October 2015, the Government of Pakistan ('GOP') through Private Power & Infrastructure Board ('PPIB') had filed a suit for declaration and permanent injunction along with an application for interim relief in the court of Senior Civil Judge, Lahore seeking suspension of the aforementioned decision of the Expert, praying it to be illegal (herein after referred to as "civil suit 2015") and obtained an interim order suspending the Expert's determination. Furthermore, NTDC filed an application for clarification of the aforementioned interim order and a stay application in the LCIA before the Arbitrator to stay the arbitration proceedings on the basis of the aforementioned interim order. During the year, in response to NTDC's stay application, the Arbitrator through his ruling dated 08 July 2016 declared that the arbitration shall proceed and has denied NTDC's request for a stay. Also, the Arbitrator ordered NTDC to withdraw the abovementioned application filed in the court of Senior Civil Judge, Lahore and has refrained it from taking any further steps therein to disrupt the arbitration proceedings.

Consequently, notices of arbitration were issued to the relevant parties including PPIB. In response to the aforementioned Arbitrator's order dated 08 July 2016, Nishat Chunian Power Limited - Subsidiary Company and PPIB filed separate applications before the Civil Judge, Lahore. In its application, Nishat Chunian Power Limited - Subsidiary Company prayed that the Civil Court, Lahore lacks the jurisdiction in respect of the case against the Expert's determination. Meanwhile, GOP through PPIB filed a suit in Civil Court, Lahore (herein after referred to as "civil suit 2016") praying it to restrain the participation in arbitration proceedings, Expert's determination and interim order of the Arbitrator. On April 18, 2017, the Civil Court, Lahore, through an interim order granted the plea of PPIB, whereby the court suspended the arbitration proceedings and restrained participating in the arbitration proceedings. Being aggrieved, Nishat Chunian Power Limited - Subsidiary Company filed appeal before the Additional District Judge, Lahore against the aforementioned orders of the Civil Court and filed revision petition for lack of jurisdiction by Civil Court in respect of civil suit 2015 and civil suit 2016 and continued to take part in the arbitration proceedings, while NTDC and PPIB did not participate in any subsequent arbitration proceedings pursuant to the decisions of the Civil Court, Lahore dated 18 April 2017. Furthermore, in response to Nishat Chunian Power Limited - Subsidiary Company's continued participation in the arbitration proceedings, PPIB filed a contempt petition before Lahore High Court ('LHC') in respect of the decision of the Civil Court, Lahore, against which Nishat Chunian Power Limited - Subsidiary Company filed an intra court appeal in LHC. On 31 May 2017, LHC has suspended the contempt of court orders.

On 08 June 2017, the Arbitrator declared his Partial Final Award wherein he decided the matter principally in the Nishat Chunian Power Limited - Subsidiary Company's favor and declared that the above mentioned Expert's determination is final and binding on all parties while deferring the quantum and security form of Nishat Chunian Power Limited - Subsidiary Company's claim to 01 October 2017. Later, on 19 July 2017, in order for interim measures, Arbitrator ordered the NTDC to provide security of claim paying Rupees 966 million in LCIA's account by 04 August 2017, which was extended to 21 August 2017 that has not yet been paid by NTDC. Subsequent to year end, on 08 July 2017, the Additional District Judge in his order accepted Nishat Chunian Power Limited - Subsidiary Company's prayer for vacating the orders of the Civil Court, Lahore for the civil suit 2015 and civil suit 2016, however, dismissed Nishat Chunian Power Limited - Subsidiary Company's revision regarding lack of jurisdiction by Civil Court. Nishat Chunian Power Limited - Subsidiary Company filed a writ petition in Lahore High Court ('LHC') regarding the lack of jurisdiction by Civil and District courts (herein after referred to as "trial courts"). On the other hand, GOP through PPIB filed revision petitions in LHC challenging the above mentioned orders of Additional District Judge for the civil suit 2015 and civil suit 2016. NTDC also challenged the Partial Final Award in Lahore Civil Court, and the same was suspended by the Civil Court on 10 July 2017. The Civil Court's order was challenged by Nishat Chunian Power Limited - Subsidiary Company in the District Court by filing a revision petition. The District Court, on 12 August 2017, ordered for the suspension of the Civil Court's order of 10 July 2017 and proceedings are still ongoing.

In response to the revision petition filed by PPIB before LHC against the abovementioned orders of the trial courts with respect to civil suit 2015 and civil suit 2016, LHC on 04 August 2017, suspended the Expert's determination till the next hearing of the case on 05 October 2017 while the case is pending adjudication. Furthermore, in response to Nishat Chunian Power Limited - Subsidiary Company's writ petition, LHC on 07 September 2017, suspended impugned orders and proceedings of trial courts for the time being while the case is pending adjudication.

On 06 July 2017, NTDC also initiated proceedings challenging the Partial Final Award in London which are pending before the Commercial Court in London. Meanwhile, the Company has filed for an anti suit injunction against NTDC in the Commercial Court in London where on 14 August 2017, an order was issued to NTDC restraining it from pursuing the proceedings initiated in the Civil Court challenging the Partial Final Award and taking any steps or participating in any court outside England which seeks to set aside the Partial Final Award of the Arbitrator.

Based on the advice of the Nishat Chunian Power Limited - Subsidiary Company's legal counsel, Expert's determination and Arbitration Award, management strongly feels that under the terms of the PPA and the Implementation Agreement, there are meritorious grounds to support Nishat Chunian Power Limited - Subsidiary Company's stance the amount is likely to be recovered. Consequently, no provision for the above mentioned amount has been made in these consolidated financial statements.

| | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|
| 18. LOANS AND ADVANCES | | |
| Considered good: | | |
| Employees - interest free: | | |
| - Executives | 14,445,336 | 8,991,204 |
| - Other employees | 9,324,734 | 5,206,339 |
| | 23,770,070 | 14,197,543 |
| Current portion of long term loans to employees (Note 14) | 3,729,347 | 2,971,389 |
| Advances to suppliers (Note 18.1) | 741,499,739 | 708,130,384 |
| Advances to contractors | 972,313 | 7,799,520 |
| Letters of credit | 550,667,338 | 567,571,357 |
| | 1,320,638,807 | 1,300,670,193 |

- 18.1** It includes advances amounting to Rupees 0.486 million (2016: Rupees 1.140 million) to D.G. Khan Cement Company Limited - related party and Rupees 0.743 million (2016: Rupees Nil) to Adamjee Insurance Company Limited - associated company.

| | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|
| 19. SHORT TERM DEPOSITS AND PREPAYMENTS | | |
| Deposits | 9,566,438 | 9,031,988 |
| Prepayments | 22,533,136 | 8,028,044 |
| | 32,099,574 | 17,060,032 |
| 20. OTHER RECEIVABLES | | |
| Considered good: | | |
| Sales tax recoverable | 1,758,339,536 | 1,525,068,674 |
| Advance income tax - net | 1,137,351,633 | 864,312,084 |
| Export rebate and claims | 77,572,321 | 110,106,713 |
| Duty drawback receivable | 341,479,236 | - |
| Receivable from employees' provident fund trust | 23,668,868 | 14,370,841 |
| Claim recoverable from NTDC for pass through item - Workers' profit participation fund (Note 20.1) | 670,289,573 | 674,817,573 |
| Liquidity damages recoverable | 538,316,800 | - |
| Fair value of forward exchange contracts | - | 45,758,252 |
| Miscellaneous (Note 20.2) | 33,156,937 | 66,840,753 |
| | 4,580,174,905 | 3,301,274,890 |
| 20.1 Workers' profit participation fund | | |
| Balance as at 01 July | 674,817,573 | 537,005,460 |
| Add: Provision for the year | 149,988,000 | 137,812,113 |
| Less: Amount received during the year | 154,516,000 | - |
| Balance as at 30 June | 670,289,573 | 674,817,573 |

- 20.1.1** 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 as pass through item.
- 20.2** It includes Rupees 0.699 million (2016: Rupees 3.752 million) receivable from Adamjee Insurance Company Limited - associated company.

| | 2017 Rupees | 2016 Rupees |
|-----------------------------------|------------------------|------------------------|
| 21. SHORT TERM INVESTMENTS | | |
| Held-to-maturity | | |
| Term deposit receipts (Note 21.1) | 31,160,226 | 10,500,000 |
| Add: Accrued interest | 1,133,934 | 20,822 |
| | 32,294,160 | 10,520,822 |

- 21.1** These represent deposits under lien with the bank of the Company against bank guarantees of the same amount issued by the bank to Sui Northern Gas Pipelines Limited against gas connections and Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess. Interest on term deposit receipts ranges from 3.11% to 5.94% (2016: 3.19% to 4.23%) per annum. The maturity period of these term deposit receipts is one year.

| | 2017 Rupees | 2016 Rupees |
|--|------------------------|------------------------|
| 22. CASH AND BANK BALANCES | | |
| Cash with banks: | | |
| On saving accounts (Note 22.1) Including US\$ 14,444 (2016: US\$ 14,424) | 177,063,168 | 19,746,546 |
| On current accounts (Note 22.2) Including US\$ 44,338 (2016: US\$ 22,240) | 66,991,984 | 50,372,487 |
| | 244,055,152 | 70,119,033 |
| Cash in hand | 2,999,282 | 5,994,961 |
| | 247,054,434 | 76,113,994 |

- 22.1** Rate of profit on saving accounts ranges from 1.95% to 8.50% (2016: 3.75% to 6.88%) per annum.
- 22.2** Included in cash with banks on current accounts are Rupees 31.379 million (2016: Rupees 9.996 million) with MCB Bank Limited - associated company.

23. REVENUE

| | | |
|-----------------------------------|----------------|----------------|
| Export sales | 16,149,103,897 | 15,697,232,139 |
| Local sales (Note 23.1 Note 23.2) | 29,709,347,270 | 23,602,559,052 |
| Processing income | 240,842,283 | 395,235,594 |
| Export rebate | 39,529,905 | 49,423,298 |
| Duty drawback | 352,253,015 | - |
| | 46,491,076,370 | 39,744,450,083 |

| | 2017 Rupees | 2016 Rupees |
|--|------------------------------|------------------------------|
| 23.1 Local sales | | |
| Sales | 32,038,692,484 | 25,831,702,295 |
| Less: Sales tax | 2,036,613,900 | 1,812,952,554 |
| Less: Discount | 292,731,314 | 416,190,689 |
| | 29,709,347,270 | 23,602,559,052 |
| 23.2 Local sales includes waste sales of Rupees 726.961 million (2016: Rupees 510.209 million). | | |
| | 2017 Rupees | 2016 Rupees |
| 24. COST OF SALES | | |
| Raw materials consumed | 29,980,188,207 | 24,142,046,218 |
| Packing materials consumed | 845,732,666 | 803,855,260 |
| Operations and maintenance (Note 24.2) | - | (151,034,479) |
| Stores, spare parts and loose tools consumed | 1,065,698,196 | 1,109,319,240 |
| Processing charges | 103,057,986 | 125,739,895 |
| Salaries, wages and other benefits (Note 24.1) | 2,378,831,512 | 2,153,828,601 |
| Fuel and power | 1,860,285,044 | 2,176,961,208 |
| Fee and subscription | 3,453,000 | 3,561,059 |
| Insurance | 213,888,377 | 207,674,812 |
| Postage and telephone | 14,620,160 | 5,298,055 |
| Travelling and conveyance | 37,025,586 | 38,407,473 |
| Vehicles' running and maintenance | 21,590,283 | 21,414,111 |
| Lease rentals | 97,305,693 | 1,240,513 |
| Entertainment | 7,440,903 | 8,121,057 |
| Electricity consumed in-house | 6,784,540 | - |
| Amortization on intangible asset (Note 13.1.3) | 3,011,000 | - |
| Depreciation on operating fixed assets (Note 13.1.2) | 2,016,336,322 | 1,942,680,167 |
| Repair and maintenance | 422,822,616 | 337,507,822 |
| Other factory overheads | 98,975,867 | 88,593,016 |
| | 39,177,047,958 | 33,015,214,028 |
| Work-in-process | | |
| Opening stock | 664,745,190 | 440,237,780 |
| Closing stock | (681,950,465) | (664,745,190) |
| | (17,205,275) | (224,507,410) |
| Cost of goods manufactured | 39,159,842,683 | 32,790,706,618 |
| Finished goods and waste - opening stocks | | |
| Finished goods | 1,200,198,744 | 1,287,068,930 |
| Waste | 45,165,814 | 33,960,725 |
| | 1,245,364,558 | 1,321,029,655 |
| | 40,405,207,241 | 34,111,736,273 |
| Finished goods and waste - closing stocks | | |
| Finished goods | (1,560,861,043) | (1,200,198,744) |
| Waste | (78,504,641) | (45,165,814) |
| | (1,639,365,684) | (1,245,364,558) |
| | 38,765,841,557 | 32,866,371,715 |

- 24.1** Salaries, wages and other benefits include Rupees 16.952 million (2016: Rupees 14.311 million) and Rupees 46.324 million (2016: Rupees 41.451 million) in respect of accumulating compensated absences and provident funds contribution by the Group respectively.
- 24.2** The figure for 2016 primarily includes a credit aggregating to Rupees 161.813 million due to reversal of excess provision of Rupees 141.067 million booked in the previous years in respect of indexation adjustment relating to Operations and Maintenance Agreement and Rupees 20.746 million in respect of other miscellaneous items, both as a result of a settlement agreement with Wartsila Pakistan (Private) Limited during the previous year.

| | 2017 Rupees | 2016 Rupees |
|---|------------------------|------------------------|
| 25. DISTRIBUTION COST | | |
| Salaries and other benefits (Note 25.1) | 82,684,060 | 86,317,742 |
| Ocean freight | 96,664,451 | 105,133,614 |
| Freight and octroi | 272,242,605 | 96,447,113 |
| Forwarding and other expenses | 160,347,738 | 365,645,184 |
| Export marketing expenses | 149,997,190 | 137,381,675 |
| Commission to selling agents | 133,361,407 | 134,658,978 |
| | 895,297,451 | 925,584,306 |

- 25.1** Salaries and other benefits include Rupees 3.882 million (2016: Rupees 3.374 million) and Rupees 3.854 million (2016: Rupees 3.390 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

| | 2017 Rupees | 2016 Rupees |
|--|------------------------|------------------------|
| 26. ADMINISTRATIVE EXPENSES | | |
| Salaries and other benefits (Note 26.1) | 182,667,395 | 160,253,082 |
| Printing and stationery | 4,795,117 | 3,416,198 |
| Vehicles' running and maintenance | 2,970,527 | 4,991,314 |
| Travelling and conveyance | 53,357,902 | 51,195,764 |
| Postage and telephone | 6,050,508 | 8,703,516 |
| Fee and subscription | 9,195,384 | 10,019,894 |
| Legal and professional (Note 26.2) | 57,991,771 | 33,707,941 |
| Electricity and sui gas | 1,581,927 | 8,174,710 |
| Insurance | 8,274,576 | 4,742,146 |
| Repair and maintenance | 5,631,794 | 2,884,331 |
| Entertainment | 8,200,304 | 8,068,443 |
| Depreciation on operating fixed assets (Note 13.1.2) | 26,343,828 | 22,148,013 |
| Amortization on intangible assets (Note 13.1.3) | 6,899,956 | 4,402,497 |
| Miscellaneous | 73,996,238 | 9,873,823 |
| | 447,957,227 | 332,581,672 |

- 26.1** Salaries and other benefits include Rupees 3.002 million (2016: Rupees 2.666 million) and Rupees 5.774 million (2016: Rupees 4.716 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

26.2 Legal and professional charges include the following in respect of auditors' remuneration for:

| | 2017 Rupees | 2016 Rupees | | |
|--|--|----------------------------------|------------|------------|
| Riaz Ahmad & Company | | | | |
| Audit fee | 1,983,650 | 1,646,500 | | |
| Half yearly review | 450,000 | 364,000 | | |
| Certification fees | 125,000 | 100,000 | | |
| Reimbursable expenses | 184,500 | 174,700 | | |
| | 2,743,150 | 2,285,200 | | |
| A. F. Ferguson & Co. | | | | |
| Audit fee | 1,500,000 | 1,400,000 | | |
| Half yearly review | 840,000 | 800,000 | | |
| Tax services | 230,000 | 301,200 | | |
| Other assurance services | 463,000 | 125,000 | | |
| Reimbursable expenses | 230,000 | 180,136 | | |
| | 3,263,000 | 2,806,336 | | |
| Riaz Ahmad, Saqib, Gohar & Company | | | | |
| Audit fee | 100,000 | 75,000 | | |
| Tax advisory services | 35,000 | - | | |
| | 135,000 | 75,000 | | |
| | 6,141,150 | 5,166,536 | | |
| 27. OTHER EXPENSES | | | | |
| Workers' profit participation fund | 72,494,888 | 85,243,208 | | |
| Donations (Note 27.1) | 85,183,227 | 86,195,577 | | |
| Loss on derivative financial instruments | 900,000 | 5,110,987 | | |
| Exchange loss | 6,968,000 | 2,495,795 | | |
| Loss on disposal of operating fixed assets (Note 13.1.1) | 119,125,032 | | | |
| Impairment loss (Note 13.1) | - | 9,725,736 | | |
| | 284,671,147 | 188,771,303 | | |
| 27.1 Donations | | | | |
| Following is the interest of the directors of the Group in the donees: | | | | |
| Donee | Directors of the Group Companies | Interest in donee | | |
| Mian Muhammad Yahya Trust 31-Q, Gulberg II, Lahore | Mr. Shahzad Saleem Mrs. Farhat Saleem Mr. Aftab Ahmad Khan | Trustee Trustee Director | 4,376,000 | 1,992,457 |
| Saleem Memorial Trust Hospital 31-Q, Gulberg II, Lahore | Mr. Shahzad Saleem Mrs. Farhat Saleem Mr. Yahya Saleem | Director Director Director | 80,023,000 | 81,143,120 |
| Lahore University of Management Sciences, Opposite Sector U, Phase - V, D.H.A, Lahore | Mr. Shahzad Saleem | Trustee | - | 250,000 |
| | | | 84,399,000 | 83,385,577 |

| | 2017 Rupees | 2016 Rupees |
|---|--------------------|-------------------|
| 28. OTHER INCOME | | |
| Income from financial assets | | |
| Return on bank deposits | 4,060,839 | 3,017,789 |
| Mark up on loans to executives | 299,000 | 433,872 |
| Credit balances written back | 15,029 | - |
| Net exchange gain | 153,873,433 | - |
| Income from non-financial assets | | |
| Gain on sale of operating fixed assets | - | 15,665,125 |
| Sale of scrap | 73,939,683 | 67,945,157 |
| Reversal of provision for workers' welfare fund (Note 28.1) | 21,681,803 | - |
| Miscellaneous | 1,572,262 | 8,906,117 |
| | <u>255,442,049</u> | <u>95,968,060</u> |

- 28.1** Provisions for workers' welfare fund recognized in prior years have been reversed during the year in view of judgement of Honourable Supreme Court of Pakistan announced on 10 November 2016 declaring amendments made in Worker Welfare Ordinance, 1971 through Finance Acts 2006 and 2008 to be unlawful and ultra vires the Constitution of the Islamic Republic of Pakistan, 1973.

| | 2017 Rupees | 2016 Rupees |
|---|----------------------|----------------------|
| 29. FINANCE COST | | |
| Mark-up on: | | |
| - long term loans | 1,019,197,503 | 1,252,330,197 |
| - long term musharaka | 20,389,096 | 20,396,273 |
| - redeemable capital | - | 921,458 |
| - short term running finances | 518,294,070 | 458,831,286 |
| - export finances - Preshipment / SBP refinances | 150,688,544 | 198,496,615 |
| - short term finances | 431,475,855 | 215,010,630 |
| Interest on employees' provident fund | 521,624 | - |
| Interest on workers' profit participation fund (Note 8.2) | 12,217,220 | 6,602,743 |
| Bank charges and commission | 92,837,760 | 108,945,288 |
| | <u>2,245,621,672</u> | <u>2,261,534,490</u> |
| 30. TAXATION | | |
| Current (Note 30.1) | 159,414,021 | 286,506,930 |
| Prior year adjustment | (550,210) | - |
| Deferred | 29,687,846 | - |
| | <u>188,551,657</u> | <u>286,506,930</u> |

- 30.1 Provision for current taxation represents minimum tax on local sales except electricity sales, final tax on export sales, super tax on the Holding Company and tax on income from other sources at applicable rates. Provision for current taxation relating to Nishat Chunian USA Inc. is as per applicable laws of USA. Reconciliation of tax expense and product of accounting profit multiplied by applicable tax rate has not been presented, being impracticable.

31. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation attributable to shareholders of the Holding Company (Rupees)

2,452,753,644

1,630,301,367

Weighted average number of ordinary shares outstanding during the year (Number)

240,221,556

237,862,307

Basic earnings per share (Rupees)

10.21

6.85

- 31.1 There is no dilutive effect on basic earnings per share for the year ended 30 June 2017 and 30 June 2016 as no potential ordinary shares were in issue as on 30 June 2017 and 30 June 2016.

32. CASH GENERATED FROM OPERATIONS

Profit before taxation

4,107,129,365

3,265,574,657

Adjustments for non-cash charges and other items:

Depreciation on operating fixed assets

2,042,680,150

1,964,828,180

Amortization on intangible asset

9,910,956

4,402,497

(Loss) / gain on sale of property, plant and equipment

119,125,032

(15,665,125)

Finance cost

2,245,621,672

2,261,534,490

Return on bank deposits

(4,060,839)

(3,017,789)

Impairment loss on operating fixed assets

-

9,725,736

Reversal of provision for workers' welfare fund

(21,681,803)

-

Loss on derivative financial instruments

-

1,713,049

Credit balances written back

(15,029)

-

Working capital changes (Note 32.1)

(5,642,519,023)

120,672,387

2,856,190,481

7,609,768,082

32.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spare parts and loose tools

247,280,457

89,964,232

Stock-in-trade

(2,081,688,368)

(600,761,396)

Trade debts

(2,695,590,817)

1,281,252,725

Loans and advances

(19,210,656)

(273,428,125)

Short term deposits and prepayments

(15,039,542)

3,456,714

Other receivables

(1,005,860,466)

(778,911,898)

(5,570,109,392)

(278,427,748)

(Decrease) / Increase in trade and other payables

(72,409,631)

399,100,135

(5,642,519,023)

120,672,387

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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 | |
|--------------------------------|--------------------|------------------|-----------|----------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | ----- Rupees ----- | | | | | |
| Managerial remuneration | 4,600,000 | 4,600,000 | - | - | 99,433,677 | 75,443,416 |
| Contribution to provident fund | - | - | - | - | 8,282,825 | 6,277,773 |
| House rent | 1,840,000 | 1,840,000 | - | - | 39,773,471 | 30,177,366 |
| Utilities | 460,000 | 460,000 | - | - | 9,943,368 | 7,544,342 |
| Others | 1,183,430 | 1,992,864 | - | - | 12,795,742 | 15,122,357 |
| | 8,083,430 | 8,892,864 | - | - | 170,229,083 | 134,565,254 |
| Number of persons | 1 | 1 | - | - | 95 | 75 |

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

33.2 Aggregate amount charged in these consolidated financial statements for meeting fee to five (2016: seven) directors of the Holding Company was Rupees 360,000 (2016: Rupees 320,000).

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

34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, 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:

| | 2017 Rupees | 2016 Rupees |
|--------------------------------|----------------|----------------|
| Associated undertakings | | |
| Insurance premium paid | 78,161,911 | 77,786,126 |
| Insurance claims received | 15,435,865 | 22,405,636 |
| Other related parties | | |
| Purchase of goods | 62,256,073 | 35,762,623 |
| Sales of goods | 1,459,639,336 | 810,721,648 |
| Dividend paid | 99,909,850 | 59,945,910 |

35. 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 2017 and 30 June 2016 and un-audited financial statements of the provident fund of Nishat Chunian Power Limited - Subsidiary Company for the year ended 30 June 2017 and audited financial statements for the year ended 30 June 2016:

| | Nishat (Chunian) Limited | | Nishat Chunian Power Limited | |
|---------------------------------|--------------------------|-------------|------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| | Rupees | Rupees | Rupees | Rupees |
| Size of the fund - Total assets | 430,885,554 | 362,073,888 | 50,990,000 | 40,443,192 |
| Cost of investments | 382,052,828 | 326,332,489 | 45,476,000 | 34,825,456 |
| Fair value of investments | 393,810,353 | 343,275,220 | 46,099,000 | 35,009,397 |
| Percentage of investments made | 91.40% | 94.81% | 90.41% | 86.56% |

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

| | | | | |
|-------------------------|--------------------|--------------------|-------------------|-------------------|
| Deposits with banks | 106,329 | 2,713,939 | 24,000 | 100,858 |
| Treasury bills | 305,758,380 | 307,050,071 | 46,075,000 | 34,908,539 |
| Term deposit receipts | 19,147,968 | - | - | - |
| Mutual funds - open end | 61,183,701 | 25,829,302 | - | - |
| Listed securities | 7,613,975 | 7,681,908 | - | - |
| | <u>393,810,353</u> | <u>343,275,220</u> | <u>46,099,000</u> | <u>35,009,397</u> |

| | Nishat (Chunian) Limited | | Nishat Chunian Power Limited | |
|-------------------------|--------------------------|----------------|------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Deposits with banks | 0.03% | 0.79% | 0.05% | 0.29% |
| Treasury bills | 77.64% | 89.45% | 99.95% | 99.71% |
| Term deposit receipts | 4.86% | 0.00% | 0.00% | 0.00% |
| Mutual funds - open end | 15.54% | 7.52% | 0.00% | 0.00% |
| Listed securities | 1.93% | 2.24% | 0.00% | 0.00% |
| | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

35.2 As at the reporting date, the Nishat (Chunian) Limited - Employees Provident Fund is in the process of regularizing its investment in accordance with section 218 of the Companies Act, 2017 and the rules formulated for this purpose in terms of SRO 770(1)/2016 issued by Securities and Exchange Commission of Pakistan on 17 August 2016 which allows transition period of two years for bringing the Employees Provident Fund in conformity with the requirements of rules. Investments out of Provident Fund of Nishat Chunian Power Limited - Subsidiary Company have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

36. NUMBER OF EMPLOYEES

Number of employees as on 30 June
Average number of employees during the year

| | 2017 | 2016 |
|---|-------|-------|
| Number of employees as on 30 June | 6,850 | 6,381 |
| Average number of employees during the year | 6,604 | 6,472 |

37. SEGMENT INFORMATION

| | Spinning | | | | | | Weaving | | | | | | Dyeing | | | Home Textile | | | Power Generation | | | Entertainment | | | Elimination of inter-segment transactions | | | Total - Group | | |
|---|----------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|---|---------------|---------------|---------------|---------------|---------------|---|---------------|---------------|---------------|---------------|--|
| | Zone-1 (1,3,7) | | Zone-2 (14,9)¹ | | Zone-3 (2,3,6) | | Unit-1 (1,2) | | Unit-2 (14,5) | | Unit-3 (6,7) | | Home Textile | | Power Generation | | Entertainment | | Elimination of inter-segment transactions | | Total - Group | | | | | | | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | | |
| Subsidiary | 4,132,159,478 | 4,482,663,571 | 860,484,626 | 887,785,934 | 2,262,125,414 | 2,289,060,971 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | 2,262,125,414 | 2,289,060,971 | |
| Export | 824,059,794 | 929,380,726 | 5,133,522,624 | 3,460,224,952 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | 3,457,772,927 | |
| Local | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | |
| Inter-segment | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | 317,224,367 | | |
| Cost of sales | 5,038,488,629 | 5,530,149,868 | 4,835,282,463 | 3,130,988,450 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | 7,544,432,568 | |
| Other (part) / (loss) | 19,272,913 | 15,733,733 | 14,801,366 | 12,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | 17,020,725 | |
| Distribution cost | (89,977,264) | (100,643,426) | (65,786,279) | (5,704,497) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | (13,970,622) | |
| Administrative expenses | (19,922,031) | (9,658,073) | (8,939,592) | (5,448,497) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | |
| Income and expenses | (18,799,351) | (13,018,024) | (8,939,592) | (5,448,497) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | (12,770,268) | |
| Profit / (loss) before taxation and unallocated income and expenses | 317,258,915 | 189,388,931 | 301,397,128 | 84,712,806 | 495,059,182 | 198,551,138 | 219,062,254 | 219,062,254 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | |
| Unallocated income and expenses | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other expenses | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other income | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance cost | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit after taxation | 317,258,915 | 189,388,931 | 301,397,128 | 84,712,806 | 495,059,182 | 198,551,138 | 219,062,254 | 219,062,254 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | 142,746,444 | |

* This relates to 2017 only.

37.1 Reconciliation of reportable segment assets and liabilities

| | Zone-1 | | | Zone-2 | | | Zone-3 | | | Spinning | | | Weaving | | | Dyeing | | | Home Textile | | | Power Generation | | | Entertainment | | | Total - Group | | |
|---|----------------|---------------|----------------|----------------|---------------|----------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|-------------|----------------|----------------|----------------|---------------|------------------|----------------|------------------|---------------|----------------|----------------|----------------|--|--|
| | Zone-1 (1,3,7) | | Zone-1 (1,3,7) | Zone-2 (14,9)¹ | | Zone-2 (14,9)¹ | Zone-3 (2,3,6) | | Zone-3 (2,3,6) | Unit-1 (1,2) | | Unit-1 (1,2) | Unit-2 (14,5) | | Unit-2 (14,5) | Unit-3 (6,7) | | Unit-3 (6,7) | Home Textile | | Home Textile | Power Generation | | Power Generation | Entertainment | | Entertainment | Total - Group | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | | |
| Total assets for reportable segments | 4,306,855,614 | 3,653,719,951 | 5,263,371,306 | 4,465,731,051 | 6,380,571,280 | 5,413,007,334 | 1,225,864,648 | 1,640,560,744 | 1,186,752,569 | 1,099,254,036 | 3,440,838,578 | 2,946,613,339 | 2,979,569,857 | 2,790,380,106 | 32,044,394,950 | 28,413,276,375 | 550,619,957 | 348,679,344 | 58,281,468,759 | 50,774,582,280 | 2,637,671,046 | 2,791,963,947 | 48,667,523 | 44,549,361 | 383,086,326 | 514,282,181 | 61,326,542,416 | 52,268,230,429 | | |
| Unallocated assets: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other receivables | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Short term investments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prepaid and other taxes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other corporate assets | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total assets as per consolidated balance sheet | 4,306,855,614 | 3,653,719,951 | 5,263,371,306 | 4,465,731,051 | 6,380,571,280 | 5,413,007,334 | 1,225,864,648 | 1,640,560,744 | 1,186,752,569 | 1,099,254,036 | 3,440,838,578 | 2,946,613,339 | 2,979,569,857 | 2,790,380,106 | 32,044,394,950 | 28,413,276,375 | 550,619,957 | 348,679,344 | 58,281,468,759 | 50,774,582,280 | 2,637,671,046 | 2,791,963,947 | 48,667,523 | 44,549,361 | 383,086,326 | 514,282,181 | 61,326,542,416 | 52,268,230,429 | | |
| Unallocated liabilities: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Long term financing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accrued mak-up | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Short term borrowings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other corporate liabilities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total liabilities as per consolidated balance sheet | 82,032,627 | 134,133,151 | 100,282,100 | 163,940,518 | 121,529,818 | 189,715,780 | 66,073,792 | 177,552,567 | 36,388,317 | 118,868,699 | 380,184,985 | 359,016,307 | 491,562,375 | 19,374,709,640 | 18,275,943,501 | 84,862,842 | 17,087,419 | 20,817,409,256 | 20,038,920,317 | 5,651,663,000 | 5,791,237,196 | 142,384,217 | 15,236,766,649 | 12,120,082,522 | 252,354,295 | 41,895,096,091 | 36,213,446,301 | | | |

37.2 Geographical information

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

| | 2017 | 2016 |
|--|----------------|----------------|
| Europe | 3,885,229,500 | 3,492,993,461 |
| Asia, Africa and Australia | 9,381,046,070 | 9,941,641,081 |
| United States of America, Canada and South America | 5,892,365,648 | 4,232,428,912 |
| Pakistan | 27,282,435,152 | 22,083,039,243 |
| | 46,481,076,370 | 39,740,093,697 |

37.3 Almost all of the non-current assets of the Group as at reporting dates are located and operating in Pakistan.

37.4 Revenue from major customers

Nishat Chunan Power Limited - Subsidiary Company sells electricity only to NTDCL. The Holding Company earn revenue from a large mix of customers.

37.5 The difference of Rupees 35,442 million appearing under "Elimination of inter-segment transactions" has been adjusted against additions to plant and machinery in these consolidated financial statements as it represents inter-segment sale of energy net off against capital work-in-progress prior to commencement of commercial operations.

38. **PLANT CAPACITY AND ACTUAL PRODUCTION**

Nishat (Chunian) Limited - Holding Company

Spinning

| | 2017 | 2016 |
|---|------------|------------|
| Number of spindles installed | 222,708 | 209,652 |
| Number of spindles worked | 212,164 | 183,917 |
| Number of shifts per day | 3 | 3 |
| Capacity after conversion into 20/1 count (Kgs.) | 66,097,519 | 66,165,532 |
| Actual production of yarn after conversion into 20/1 count (Kgs.) | 65,120,709 | 65,187,716 |

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 | 363 | 361 |
| Number of looms worked | 363 | 361 |
| Number of shifts per day | 3 | 3 |
| Capacity after conversion into 50 picks - square yards | 249,955,829 | 231,560,698 |
| Actual production after conversion into 50 picks - square yards | 217,086,638 | 203,167,378 |

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

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

Power plant

| | | |
|-----------------------------|-------------|-------------|
| Number of engines installed | 22 | 22 |
| Number of engines worked | 22 | 22 |
| Number of shifts per day | 3 | 3 |
| Generation capacity (KWh) | 358,110,720 | 358,110,720 |
| Actual generation (KWh) | 170,935,553 | 144,646,322 |

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

Dyeing

| | | |
|---------------------------------------|------------|------------|
| Number of thermosol dyeing machines | 1 | 1 |
| Number of stenters machines | 4 | 3 |
| Number of shifts per day | 3 | 3 |
| Capacity in meters | 31,800,000 | 30,800,000 |
| Actual processing of fabrics - meters | 29,104,022 | 27,480,338 |

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

Printing

| | | |
|---------------------------------------|-----------|-----------|
| Number of printing machines | 1 | 1 |
| Number of shifts per day | 3 | 2 |
| Capacity in meters | 7,825,000 | 6,200,000 |
| Actual processing of fabrics - meters | 7,966,418 | 6,279,602 |

Actual processing was in excess of rated capacity due to processing of less complex designs.

Digital Printing

| | | |
|---------------------------------------|-----------|-----------|
| Number of printing machines | 2 | 1 |
| Capacity in meters | 1,820,000 | 1,560,000 |
| Actual processing of fabrics - meters | 76,419 | 400,911 |

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 hours (2016: 8,784) hours] - MWH | 1,714,525 | 1,719,222 |
| Actual energy delivered - MWH | 1,315,869 | 1,208,325 |

Output produced by Plant is dependent on the load demanded by NTDC and plant availability.

NC Entertainment (Private) Limited - Subsidiary Company

| | | |
|-------------------|--------|--------|
| Screens (Numbers) | 11 | 2 |
| Seating capacity | 2422 | 716 |
| Average occupancy | 13.66% | 10.00% |

39. INTERESTS IN OTHER ENTITIES

39.1 Non-controlling interests (NCI)

Set out below is summarised financial information for Nishat Chunian Power Limited - Subsidiary Company that has non-controlling interests that are material to the Group. The amounts disclosed for Subsidiary Company are before inter-company eliminations.

| | 2017 Rupees | 2016 Rupees |
|--|-----------------|-----------------|
| Summarised balance sheet | | |
| Current assets | 11,808,694,000 | 8,856,598,585 |
| Current liabilities | 9,049,756,000 | 6,880,931,846 |
| Current net assets | 2,758,938,000 | 1,975,666,739 |
| Non-current assets | 12,004,961,000 | 12,824,295,035 |
| Non-current liabilities | 5,573,611,000 | 7,507,385,788 |
| Non-current net assets | 6,431,350,000 | 5,316,909,247 |
| Net assets | 9,190,288,000 | 7,292,575,986 |
| Accumulated non-controlling interest | 4,489,481,958 | 3,562,941,251 |
| Summarised statement of comprehensive income | | |
| Revenue | 16,147,843,000 | 13,853,806,315 |
| Profit for the year | 2,999,751,000 | 2,756,242,265 |
| Other comprehensive income | - | - |
| Total comprehensive income | 2,999,751,000 | 2,756,242,265 |
| Profit allocated to non-controlling interest | 1,465,824,064 | 1,348,766,360 |
| Dividend to non-controlling interest | 539,283,357 | 1,393,148,671 |
| Summarised cash flows | | |
| Cash flows from operating activities | 1,563,865,000 | 5,476,874,618 |
| Cash flows from investing activities | (335,490,000) | (596,736,334) |
| Cash flows from financing activities | (3,057,717,000) | (3,638,870,454) |
| Net increase / (decrease) in cash and cash equivalents | (1,829,342,000) | 1,241,267,830 |

40. FINANCIAL RISK MANAGEMENT

40.1 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 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) and Euro. 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:

| | 2017 | 2016 |
|---------------------------------|-------------|-------------|
| Cash at banks - USD | 58,782 | 36,664 |
| Trade debts - USD | 33,347,608 | 44,855,643 |
| Trade debts - EURO | 585,194 | 247,558 |
| Trade and other payables - USD | (270,937) | (1,718,908) |
| Trade and other payables - EURO | (23,649) | (40,496) |
| Short term borrowings - USD | (8,410,094) | (8,043,596) |
| Accrued mark-up - USD | (54,186) | (42,195) |
| Net exposure - USD | 24,671,173 | 35,087,608 |
| Net exposure - EURO | 561,545 | 207,062 |

The following significant exchange rates were applied during the year:

Rupees per US Dollar

| | | |
|---------------------|--------|--------|
| Average rate | 104.55 | 104.30 |
| Reporting date rate | 104.80 | 104.50 |

Rupees per EURO

| | | |
|---------------------|--------|--------|
| Average rate | 114.17 | 115.47 |
| Reporting date rate | 119.91 | 116.08 |

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 124.229 million (2016: Rupees 172.950 million) 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 mainly 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:

| | 2017 Rupees | 2016 Rupees |
|---------------------------------|------------------------|------------------------|
| Fixed rate instruments | | |
| Financial liabilities | | |
| Long term financing | 3,676,909,000 | 462,980,000 |
| Short term borrowings | 3,810,059,876 | 3,482,164,394 |
| | 7,486,968,876 | 3,945,144,394 |
| Financial assets | | |
| Long term loans to employees | 12,342,730 | 14,285,790 |
| Bank balances - saving accounts | 114,869,000 | 31,000 |
| Net exposure | (7,359,757,146) | (3,930,827,604) |

| | 2017 Rupees | 2016 Rupees |
|-------------------------------------|------------------------------|------------------------------|
| Floating rate instruments | | |
| Financial assets | | |
| Trade debts - over due | 3,218,815,000 | 1,972,650,386 |
| WPPF receivable from NTDC - overdue | 520,302,000 | 382,489,804 |
| Bank balances - saving accounts | 1,521,722 | 7,182,797 |
| Short term investments | 31,187,439 | 10,500,000 |
| | 3,771,826,161 | 2,372,822,987 |
| Financial liabilities | | |
| Long term financing | 14,016,755,469 | 16,236,001,102 |
| Short term borrowings | 17,664,697,042 | 12,978,401,181 |
| | 31,681,452,511 | 29,214,402,283 |
| Net exposure | (27,909,626,350) | (26,841,579,296) |

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 265.141 million (2016: Rupees 254.995 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:

| | 2017 Rupees | 2016 Rupees |
|------------------------|------------------------------|------------------------------|
| Deposits | 31,905,878 | 29,906,428 |
| Trade debts | 13,916,760,930 | 11,221,170,113 |
| Loans and advances | 48,347,231 | 41,381,934 |
| Short term investments | 32,294,160 | 10,520,822 |
| Other receivables | 1,241,763,311 | 787,416,578 |
| Bank balances | 244,055,152 | 70,119,033 |
| | 15,515,126,662 | 12,160,514,908 |

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 | | | 2017 | 2016 |
|---|------------|---------------|---------|----------------------|----------------------|
| | Short Term | Long term | Agency | Rupees | Rupees |
| Banks | | | | | |
| Al-Baraka Bank (Pakistan) Limited | A1 | A | PACRA | 3,433,091 | 525,305 |
| Askari Bank Limited | A1+ | AA+ | PACRA | 8,000 | 19,409 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 242,763 | 111,492 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | 1,417,920 | 2,022,147 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | 365,187 | 2,001,817 |
| BankIslami Pakistan Limited | A1 | A+ | PACRA | - | 22,016,322 |
| Burj Bank Limited | A-2 | A- | JCR-VIS | 184 | 20,761 |
| Dubai Islamic Bank (Pakistan) Limited | A-1 | AA- | JCR-VIS | 3,898,317 | 692,639 |
| Faysal Bank Limited | A1+ | AA | PACRA | 3,805,115 | 6,495,251 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 14,608,125 | 2,617,948 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 17,190,220 | - |
| MCB Bank Limited | A1+ | AAA | PACRA | 31,379,994 | 9,996,329 |
| Meezan Bank Limited | A-1+ | AA | JCR-VIS | 2,731,217 | 199,404 |
| National Bank of Pakistan | A-1+ | AAA | PACRA | 182,704 | 232,417 |
| NIB Bank Limited | A1+ | AA - | PACRA | 19,908,076 | 6,360,020 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 154,189 | 153,748 |
| The Bank of Punjab | A1+ | AA - | PACRA | 957,538 | 2,128,806 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 116,638,221 | 1,832,566 |
| Industrial and Commercial Bank of China Limited | P-1 | A1 | Moody's | 2,785 | 705 |
| Soneri Bank Limited | A1+ | AA - | PACRA | 22,252,100 | 2,523,679 |
| JPMorgan Chase Bank, N.A. | | Not available | | 18,572 | 10,168,268 |
| Habib American Bank | | Not available | | 4,860,834 | - |
| | | | | 244,055,152 | 70,119,033 |
| Short term investments | | | | | |
| BankIslami Pakistan Limited | A1 | A+ | PACRA | 21,766,947 | - |
| Dubai Islamic Bank (Pakistan) Limited | A-1 | AA- | JCR-VIS | 10,527,213 | 10,520,822 |
| Trade debts - NTDCL | | | | | |
| | | Not available | | 4,120,701,000 | 3,388,319,828 |
| | | | | 4,397,050,312 | 3,468,959,683 |

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 17.

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 2016, the Group had Rupees 13,367 million available borrowing limits from financial institutions and Rupees 247.054 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 2017:

| Carrying Amount | Contractual cash flows | 6 month or less | 6-12 month | 1-2 Year | More than 2 Years | |
|--|------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| ----- R u p e e s ----- | | | | | | |
| Non-derivative financial liabilities: | | | | | | |
| Long term financing | 17,693,664,469 | 20,558,880,823 | 2,743,468,184 | 2,648,184,636 | 5,167,875,531 | 9,999,352,472 |
| Short term borrowings | 21,474,756,918 | 22,328,567,888 | 18,306,667,840 | 4,021,900,048 | - | - |
| Trade and other payables | 1,847,933,887 | 1,847,933,887 | 1,847,933,887 | - | - | - |
| Accrued mark-up | 506,797,544 | 506,797,544 | 506,797,544 | - | - | - |
| | 41,523,152,818 | 45,242,180,142 | 23,404,867,455 | 6,670,084,684 | 5,167,875,531 | 9,999,352,472 |

Contractual maturities of financial liabilities as at 30 June 2016:

| Carrying Amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 Year | More than 2 Years |
|-----------------|------------------------|------------------|-------------|----------|-------------------|
|-----------------|------------------------|------------------|-------------|----------|-------------------|

----- Rupees -----

Non-derivative financial liabilities:

| | | | | | | |
|--------------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| Long term financing | 16,698,981,101 | 19,889,373,253 | 2,317,294,643 | 2,216,253,907 | 8,362,004,134 | 6,993,820,569 |
| Short term borrowings | 16,460,565,575 | 16,760,838,981 | 14,561,299,812 | 2,199,539,169 | - | - |
| Trade and other payables | 2,257,571,955 | 2,257,571,955 | 2,257,571,955 | - | - | - |
| Accrued mark-up | 458,805,704 | 458,805,704 | 458,805,704 | - | - | - |
| | <u>35,875,924,335</u> | <u>39,366,589,893</u> | <u>19,594,972,114</u> | <u>4,415,793,076</u> | <u>8,362,004,134</u> | <u>6,993,820,569</u> |

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 reporting date. The rates of interest / mark up have been disclosed in note 7 and note 10 to these consolidated financial statements.

40.2 Financial instruments by categories

Assets as per balance sheet

| | 2017 | | | 2016 | | |
|------------------------|-----------------------|-------------------|--------------------------------------|-----------------------|-------------------|--------------------------------------|
| | Loans and receivables | At amortized cost | At fair value through profit or loss | Loans and receivables | At amortized cost | At fair value through profit or loss |
| | ----- Rupees ----- | | | ----- Rupees ----- | | |
| Deposits | 31,905,878 | - | - | 29,906,428 | - | - |
| Trade debts | 13,916,760,930 | - | - | 11,221,170,113 | - | - |
| Loans and advances | 48,347,231 | - | - | 41,381,934 | - | - |
| Short term investments | - | 32,294,160 | - | - | 10,520,822 | - |
| Other receivables | 1,241,763,311 | - | - | 741,658,326 | - | 45,758,252 |
| Cash and bank balances | 247,054,434 | - | - | 76,113,994 | - | - |
| | <u>15,485,831,784</u> | <u>32,294,160</u> | <u>-</u> | <u>12,110,230,795</u> | <u>10,520,822</u> | <u>45,758,252</u> |

Liabilities as per balance sheet

| | At fair value through profit or loss | | At amortized cost | |
|----------------------------------|--------------------------------------|------------------|-----------------------|-----------------------|
| | 2017 Rupees | 2016 Rupees | 2017 Rupees | 2016 Rupees |
| Long term financing | - | - | 17,693,664,469 | 16,698,981,101 |
| Accrued mark-up | - | - | 506,797,544 | 458,805,704 |
| Short term borrowings | - | - | 21,474,756,918 | 16,460,565,575 |
| Derivative financial instruments | - | 1,713,049 | - | - |
| Trade and other payables | 17,060,202 | - | 1,847,933,887 | 2,257,571,955 |
| | <u>17,060,202</u> | <u>1,713,049</u> | <u>41,523,152,818</u> | <u>35,875,924,335</u> |

41. 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 10 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.

| | | 2017 | 2016 |
|------------------------|------------|-----------------------|-----------------------|
| Borrowings | Rupees | 39,168,421,387 | 33,159,546,676 |
| Total equity | Rupees | 19,433,446,357 | 16,654,758,128 |
| Total capital employed | Rupees | <u>58,601,867,744</u> | <u>49,814,304,804</u> |
| Gearing ratio | Percentage | <u>66.84</u> | <u>66.57</u> |

42. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

| Recurring fair value measurements At 30 June 2017 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
|--|---------|---------|---------|-------|

----- Rupees -----

Financial liabilities

| | | | | |
|------------------------------------|----------|-------------------|----------|-------------------|
| Derivative financial liabilities | - | 17,060,202 | - | 17,060,202 |
| Total financial liabilities | - | 17,060,202 | - | 17,060,202 |

| Recurring fair value measurements At 30 June 2016 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
|--|---------|---------|---------|-------|

----- Rupees -----

Financial assets

| | | | | |
|-------------------------------|----------|-------------------|----------|-------------------|
| Derivative financial assets | - | 45,758,252 | - | 45,758,252 |
| Total financial assets | - | 45,758,252 | - | 45,758,252 |

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments.

43. UNUTILIZED CREDIT FACILITIES

The Group has total credit facilities amounting to Rupees 39,377 million (2016: Rupees 29,776 million) out of which Rupees 13,367 million (2016: Rupees 13,315 million) remained unutilized at the end of the year.

44. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company at their meeting held on September 22, 2017 has proposed cash dividend of Rupees 2.75 per ordinary share (2016: Rupees 2.50 per ordinary share) in respect of the year ended 30 June 2017. The board of directors of Nishat Chunian Power Limited - Subsidiary Company at their meeting held on September 22, 2017 has proposed cash dividend of Rupee 1.00 per ordinary share (2016: Rupees 1.50 per ordinary share) 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.

Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 7.5% of accounting profit before tax of the Holding Company if it does not distribute at least 40% of its after tax profit for the year within six months of the end of the year ended 30 June 2017 through cash or bonus shares. The requisite cash dividend has been proposed by the Board of Directors of the Holding Company in their meeting held on September 22, 2017 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

45. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on September 22, 2017 by the Board of Directors of the Holding Company.

46. 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.

47. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

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 28th Annual General Meeting of the Company, will be held on October 23, 2017 (Monday) at 10:45 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 _____ 2017 signed by the said _____ in presence of _____

Witness

Signature

Signature

Affix Rs. 5/-
Revenue
Stamp

Notes:

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

M/s HAMEED MAJEED ASSOCIATES (PVT) LIMITED
H.M. House, 7-Bank Square,
The Mall, Lahore

Subject: CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Dear Sirs,

I/we, being the shareholder(s) of NISHAT (CHUNIAN) LIMITED (“Company”), do hereby consent and authorize the Company for electronic transmission of the Audited Annual Financial Statements of the Company along with Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the Company of any change in my Email address.

I understand that the transmission of Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email shall meet the requirements as mentioned under the provisions of Companies Act, 2017.

| | |
|-------------------------|--|
| Name of Shareholder(s): | |
| Fathers / Husband Name: | |
| CNIC: | |
| NTN: | |
| Fathers / Husband Name: | |
| E-mail address: | |
| Telephone: | |
| Mailing Address: | |

Date: _____

Signature: (In case of corporate shareholders, the authorized signatory must sign)

1. Name of Member: _____

2. CNIC/Passport Number: _____

3. Participant ID / Folio No/Sub A/C: _____

8. Registered Address: _____

I/We hereby request you to provide me/us a hard copy of the Annual Report of NISHAT (CHUNIAN) LIMITED for the year ended June 30, _____ at my above mentioned registered address instead of CD/DVD/USB. I undertake to intimate any change in the above information through revised Standard Request Form.

Note:

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

Company Secretary,

NISHAT (CHUNIAN) LIMITED
31-Q, Gulberg II, Lahore
Email: babarali@nishat.net

Chief Executive,

M/s HAMEED MAJEED ASSOCIATES (PVT) LIMITED
H.M. House, 7-Bank Square,
The Mall, Lahore

In case a member prefers to receive hard copies for all the future annual audited accounts, then such preference shall be communicated to the company in writing.

The Company Secretary/Share Registrar,

I/We, _____, holding CNIC No. _____, being the registered shareholder of the company under folio no. _____, state that pursuant the relevant provisions of Section 242 of the Companies Act, 2017 pertaining to dividend payments by listed companies, the below mentioned information relating to my Bank Account for receipt of current and future cash dividends through electronic mode directly into my bank account are true and correct and I will intimate the changes, if any in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur through revised E-Dividend Form.

| | |
|--------------------------------|--|
| Title of Bank Account | |
| Bank Account Number | |
| IBAN Number | |
| Bank's Name | |
| Branch Name and Address | |
| Cell Number of Shareholder | |
| Landline number of Shareholder | |
| Email of Shareholder | |

In case of CDC shareholding, I hereby also undertake that I shall update the above information of my bank account in the Central Depository System through respective participant

Date: _____

Member's Signature

Note:

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

Company Secretary
NISHAT (CHUNIAN) LIMITED
31-Q, Gulberg II, Lahore
Email: babarali@nishat.net

Chief Executive,
M/s HAMEED MAJEED ASSOCIATES (PVT) LIMITED
H.M. House, 7-Bank Square,
The Mall, Lahore

**NISHAT (CHUNIAN) LIMITED
FORM FOR VIDEO CONFERENCE FACILITY**

The Company Secretary/Share Registrar,

I/we, _____, of _____, being the registered shareholder(s) of the company under Folio No(s). _____/ CDC Participant ID No.____ and Sub Account No.____ CDC Investor Account ID No., and holder of _____ Ordinary Shares, hereby request for video conference facility at _____ for the Annual General Meeting of the Company to be held on 23rd October, 2017

Date: _____

Member's Signature

Note:

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

Company Secretary,

NISHAT (CHUNIAN) LIMITED
31-Q, Gulberg II, Lahore
Email: babarali@nishat.net

Chief Executive,

M/s HAMEED MAJEED ASSOCIATES (PVT) LIMITED
H.M. House, 7-Bank Square,
The Mall, Lahore

ہاکی فارم (مختارہ)

کمپنی سیکرٹری

نشاط (چونیاں) لمیٹڈ

31-Q، گلبرگ II، لاہور

میں اہم

ساکن

بجائیت رکن (چوٹی) لمیٹڈ اور حامل عام حصص برطانیق شیئر رجسٹر فلیو نمبر
(بصورت انٹرنل ڈیپازٹری سٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر) پیپارٹمنٹ آئی ڈی نمبر

پذریعہ ہذا

محترم/محترمہ ساکن

جو کمپنی کا ممبر ہے برطانیق شیئر رجسٹر فلیو نمبر (اسکی غیر موجودگی میں محترم/محترمہ
ساکن جو کمپنی کا ممبر ہے برطانیق شیئر رجسٹر فلیو نمبر کو

مورخہ 123 اکتوبر 2017ء کو کمپنی کے صدر دفتر 31-Q، گلبرگ II، لاہور میں منعقد ہونے والے کمپنی کے 28 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے کے لئے اپنا/ہمارا بطور
مخار (ہاکی) مقرر کرنا ہوں/ا کرتے ہیں۔

بطور گواہ میرے دستخط..... آج ہوز..... تاریخ..... 2017ء

دستخط گواہ.....

دستخط گواہ.....

5 روپے کارسیدی

ٹکٹ چسپاں کریں

نوٹ:

- 1- ہاکیاں کو موخر ہو سکیں کمپنی کے رجسٹرڈ دفتر/صدر دفتر میں باقاعدہ مہر، دستخط اور گواہی شدہ اجلاس سے کم از کم 48 گھنٹے قبل پہنچ جانی چاہئیں۔
- 2- دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے مطابق ہونے چاہئیں

(ii) بصورت کارپوریٹ اسٹیٹلی، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ مع نامزد کے نمونہ دستخط اجلاس کے وقت مہیا کرنا ہو گئے (اگر پہلے مہیا نہیں کئے گئے)۔

B. پراکسیز تقرری کیلئے:

- (i) بصورت افراد، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا شخص جن کی سکیورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن تفصیلات، ریگولیشنز کے مطابق اپ لوڈ ہیں، کو بالاریکو اکاؤنٹ کے مطابق پراکسی فارم جمع کرانا ہوگا۔
- (ii) پراکسی فارم، دو (2) افراد جن کے نام، پتے اور CNIC نمبرز فارم پر مذکور ہو گئے، سے گواہی شدہ ہو گئے۔
- (iii) بینیفٹشل اوٹرز اور پراکسی کے CNIC یا پاسپورٹ کی تصدیق، پراکسی فارم کے ہمراہ جمع کرانا ہوگی۔
- (iv) پراکسی اجلاس کے وقت اپنا اصل CNIC یا اصل پاسپورٹ مہیا کرے گا/گی۔
- (v) بصورت کارپوریٹ اسٹیٹلی، بورڈ آف ڈائریکٹرز قرارداد/مختار نامہ مع نمونہ دستخط، کپنی کو پراکسی فارم کے ہمراہ جمع کرنا ہوگا (اگر پہلے مہیا نہیں کئے)۔

3- ڈیویڈنڈ وارنٹس پراکسیز پر CNIC/NTN (نمبر لازمی)

سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) نے بروئے اپنے نوٹیفکیشن 19(1)/2014 SRO مورخہ 10 جنوری 2014 مع نوٹیفکیشن 831(1)/2014 SRO مورخہ 5 جولائی 2014 کے مطابق وقتاً فوقتاً پہلے ہی مطلع کیا ہے کہ ڈیویڈنڈ وارنٹس پر بائبلنگ اور کارپوریٹ حصص داران کے سوائے رجسٹرڈ حصص دار یا بااختیار شخص کے کمپیوٹرائزڈ شناختی کارڈ (CNIC) نمبرز بھی درج ہونے چاہئیں۔

لہذا، ڈیویڈنڈ وارنٹس کا اجراء حصص داران کی طرف سے CNIC (انفرادی) / NTN (کارپوریٹ اسٹیٹلیز) کے جمع کرانے کے حوالے سے ہوگا۔

4- اکٹیکس آرڈیننس 2001 کی دفعہ 150 کے تحت ڈیویڈنڈ سے اکٹیکس کی ڈیکشن (لازمی)

(i) - فنانس ایکٹ 2016 مورخہ از کم جولائی 2016 کی پروویژن کی بیرونی میں اکٹیکس کی ڈیکشن کی بابت اصطلاحات کی گئی ہیں۔ نقد منافع منقسمہ کے لئے اکٹیکس آرڈیننس 2001 کی دفعہ 150 کے تحت اکٹیکس کی ڈیکشن کی شرحوں پر درج ذیل کے مطابق نظر ثانی کی گئی ہے:

- 1- اکٹیکس ریٹرنز کے فائلرز کیلئے ٹیکس ڈیکشن کی شرح 15%
- 2- اکٹیکس ریٹرنز کے نان فائلرز کیلئے ٹیکس ڈیکشن کی شرح 20%

کپنی کو نقد منافع منقسمہ کی رقم ریٹرنز ڈیکشن 20% کی بجائے 15% شرح سے کرنے کے قابل بنانے کیلئے ممبران جن کے نام ایف بی آر کی ویب سائٹ پر مہیا ایکٹو ٹیکس جینر ز فہرست (ATL) میں داخل نہیں ہیں، باوجود اس حقیقت کے کہ وہ فائلرز ہیں، سے التماس ہے کہ ATL میں اپنے ناموں کا اندراج یقینی بنائیں۔ بصورت دیگر ان کے نقد منافع منقسمہ پر ٹیکس 15% کی بجائے 20% شرح سے منہا کیا جائے گا۔

(ii) - مزید برآں، فیڈرل بورڈ آف ریونیو (ایف بی آر) کی وضاحت کے مطابق بصورت مشترکہ اکاؤنٹ ہر ایک جوائنٹ ہولڈر سے اس کے شیئر ہولڈنگ تناسب کی بنیاد پر اصل شیئر ہولڈر اور جوائنٹ ہولڈر کے طور پر فائلرز یا نان فائلرز کے طور پر فائلرز کے ہولڈنگ ٹیکس کا تعین کیا جائے گا اس حوالے سے تمام حصص داران جو مشترکہ حصص رکھتے ہیں سے التماس ہے کہ اپنے ملکیتی حصص کی بابت اصل شیئر ہولڈر اور جوائنٹ ہولڈر کا شیئر ہولڈنگ تناسب درج ذیل کے مطابق تحریری صورت میں ہمارے شیئر رجسٹر اراکومہیا کریں۔

| کپنی کا نام | فولیو ایسی ڈی ایس اکاؤنٹ نمبر | کل حصص | اصل حصص دار | مشترکہ حصص دار |
|-------------|-------------------------------|---------|-----------------------|-----------------------|
| نام اور | نام اور | نام اور | شیئر ہولڈنگ | نام اور |
| | | | تدابیر (حصص کی تعداد) | تدابیر (حصص کی تعداد) |

مطلوبہ معلومات ہمارے شیئر رجسٹر اراکولوش ہذا کے 10 یوم کے اندر پہنچ جانی چاہئیں بصورت دیگر یہ تصور کر لیا جائے گا کہ اصل شیئر ہولڈر اور جوائنٹ ہولڈر کے ہولڈنگ تناسب مساوی تعداد کا مالک ہے۔

(iii) - کسی تفتیش مسئلہ معلومات کے لئے سرمایہ کار ہمارے شیئر رجسٹر اراکومہیا جی ایم ایس ایف (پرائیویٹ) لمیٹڈ،

نشاط (چونیاں) لمیٹڈ

اطلاع سالانہ اجلاس عام

بذریعہ مطلع کیا جاتا ہے کہ نشاط (چونیاں) لمیٹڈ (دی "کپنی") کے حصص داران کا 27 واں سالانہ اجلاس عام بمقام رجسٹرڈ دفتر Q-31، گلبرگ-II، لاہور پر 23 اکتوبر 2017ء کو صبح 10:45 بجے درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عام امور:

- 1- 31 اکتوبر 2016ء کو منعقدہ گزشتہ سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
- 2- 30 جون 2017ء بمقام سالانہ کپنی کے نظر ثانی شدہ غیر اشتمال شدہ اور اشتمال شدہ مالی حسابات معہ ان پر ڈائریکٹرز اور ڈیویڈنڈ کی وصولی، غور و خوض اور منظوری دینا۔
- 3- بورڈ آف ڈائریکٹرز کی سفارش کے مطابق حتمی نقد منافع منقسمہ بشرح 27.50% یعنی 2.75 روپے فی شیئر کی منظوری دینا۔
- 4- 30 جون 2018ء بمقام سالانہ کپنی کے حساب کا تقرر اور ان کے مشاہرہ کا تعین کرنا۔ موجودہ حساب میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہو گئے ہیں اور اہل ہونے کی بناء پر دوبارہ تقرری کیلئے اپنے آپ کو پیش کرتے ہیں۔
- 5- صاحب صدر کی اجازت سے کسی دیگر ممبر پر کارروائی کرنا۔

لاہور

مورخہ 22 ستمبر 2017ء

بحکم بورڈ

باہر علی خان

گھنٹی سیکرٹری

نوٹ:

- 1- حصص منتقلی کتابوں کی بندش سالانہ اجلاس عام کی شرکت کے لئے کپنی کی حصص منتقلی کتابیں 17-10-2017ء تا 23-10-2017ء (بشمول ہر دو ایام) سالانہ اجلاس عام کی شرکت کے لئے بند رہیں گی۔
- 27.50 فیصد حتمی نقد منافع منقسمہ کے استحقاق کے لئے کپنی کی حصص منتقلی کتابیں 13-11-2017ء تا 11-11-2017ء (بشمول ہر دو ایام) 27.50 فیصد حتمی نقد منافع منقسمہ یعنی 2.75 روپے فی شیئر کے استحقاق کے لئے بند رہیں گی۔ مادی منتقلیاں ایسی ڈی ایس، کپنی کے شیئر رجسٹر اراکومہیا جی ایم ایس ایف (پرائیویٹ) لمیٹڈ، ایچ ایم ہاؤس، 7- چیک سکوائر، لاہور پر 10-11-2017ء کو کاروبار کے اختتام تک موصول ہونے والے 27.50 فیصد حتمی نقد منافع منقسمہ کے استحقاق کے لئے بروقت تصور ہوگی۔

2- سالانہ اجلاس عام میں شرکت

اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر اجلاس میں شرکت اور ووٹ دینے کیلئے اپنی بجائے شرکت اور ووٹ دینے کیلئے کسی دیگر ممبر کو اپنا پراکسی مقرر کر سکتا ہے۔ پراکسی تقرری کے آلات یا قاعدہ مہر اور دستخط شدہ کپنی کے رجسٹرڈ دفتر پر اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل لازماً موصول ہو جانے چاہئیں۔

سی ڈی سی اکاؤنٹ ہولڈرز کو مزید برآں سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے جاری شدہ سرکولر نمبر 1 مورخہ 26 جنوری 2000ء میں دی گئی درج ذیل گائیڈ لائنز کی بیرونی کرنا ہوگی۔

A- اجلاس میں شرکت کیلئے:

- (i) بصورت افراد، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا شخص جن کی سکیورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن تفصیلات، ریگولیشنز کے مطابق اپ لوڈ ہیں، کو اجلاس میں شرکت کے وقت اپنا اصل کیپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔

انچ ایم ہاؤس، 7- چیک سکوائر، لاہور فون 2- 01 4 2 - 3 7 2 3 5 0 8 1 - 10 پید کی تبدیلی ممبران سے التماس ہے کہ اپنے پیسے میں کسی تبدیلی سے فی الفور مطلع فرمائیں۔ حصص داران سے التماس ہے کہ مذکورہ بالا معلومات / دستاویزات (i) متعلقہ سنٹرل ڈیپازٹری سسٹم (CDS) پارٹنٹس اور (ii) مادی سیکورٹیز کی صورت میں کمپنی کے شیئر رجسٹرار کو مہیا کریں۔

11- کمپنی 30 جون 2017ء مختتمہ سال کے لئے نظر ثانی شدہ مالی حسابات معدان پر ڈیٹرز اور ڈائریکٹرز کی رپورٹس اپنی ویب سائٹ www.nishat.net پر رکھ چکی ہے۔

5- نقد منافع منقسمہ کی الیکٹر وینگی ادا ہوگی

کمپنی ایکٹ 2017ء کے سیکشن 242 پر پیش کردہ مطابق، نقد منافع منقسمہ کا لین دین فقط الیکٹرانک موڈ کے ذریعہ براہ راست حقدار حصص داران کی طرف سے منسوب بینک اکاؤنٹ میں کیا جائے گا۔ SECP نے بروئے سرہ کل نمبر 18 آف 2017ء مورخہ یکم اگست 2017ء کی رو سے یہ شرط 31 اکتوبر 2017ء تک نافذ کر دی ہے۔ اس تاریخ کے بعد کوئی بھی قابل ادا منافع منقسمہ کا لین دین صرف مقرر کردہ انداز میں کیا جائے گا۔ تمام حصص داران سے التماس ہے کہ اپنے بینک مینڈیٹ سپیشلنگ کی تفصیلات (i) عنوان اکاؤنٹ (ii) IBAN نمبر (iii) بینک کا نام (iv) برانچ کا نام، کوڈ اور پتہ (v) حصص دار کے دستخط / کمپنی کے شیئر رجسٹرار میسرز جمید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو مہیا کریں۔ حصص داران جو حصص پارٹنٹس / سنٹرل ڈیپازٹری کمپنی پاکستان (CDC) کے ہاں حصص رکھتے ہیں سے درخواست ہے کہ مذکورہ بالا بینک مینڈیٹ تفصیلات متعلقہ پارٹنٹس / سی ڈی سی کو مہیا کریں۔ اگر وہ چاہیں تو حصص داران کمپنی کی ویب سائٹ <http://www.nishat.net> پر دستیاب شیڈرڈ انڈیکس "ڈیویڈنڈ مینڈیٹ فارم" استعمال کر کے ڈیویڈنڈ مینڈیٹ حاصل کرنے کا اختیار رکھتے ہیں۔

6- ڈیجیٹل سٹوریج کے ذریعے سالانہ رپورٹس کی ترسیل

SECP کے نوٹیفیکیشن 471(1)/2016ء مورخہ 31 مئی 2016ء کی پیروی میں نشاط (چونیاں) لمیٹڈ کے حصص داران کمپنی کے 27 ویں AGM میں سالانہ رپورٹس بشمول متفق شدہ سالانہ حسابات، AGM کے نوٹس اور کمپنی کی دیگر معلومات ہارڈ کاپیوں میں ترسیل کی بجائے سی ڈی / ڈی وی ڈی / ایس بی کے ذریعے ترسیل کیلئے اپنی رضامندی کی منظوری دے چکے ہیں۔ حصص داران جو مذکورہ بالا دستاویزات کی ہارڈ کاپیاں وصول کرنا چاہتے ہیں کمپنی سیکرٹری رشیمنز رجسٹرار کو سالانہ رپورٹ میں مہیا شدہ اور کمپنی کی ویب سائٹ پر بھی دستیاب معیاری درخواست فارم ارسال کریں اور کمپنی حصص داران کو مطالبہ پر مذکورہ بالا دستاویزات ایسی طلب کے ایک ہفتہ کے اندر مفت مہیا کرے گی۔ حصص داران جو سالانہ رپورٹ بشمول اجلاس کے نوٹس بذریعہ ای میل بھی وصول کرنا چاہتے ہیں سے درخواست ہے کہ سالانہ رپورٹ میں مہیا شدہ اور کمپنی کی ویب سائٹ پر بھی دستیاب معیاری درخواست فارم پر اپنی تحریری رضامندی فراہم کریں۔

7- ان کلیم ڈیویڈنڈ

حصص داران کے ان کلیم ڈیویڈنڈز، جو کسی وجہ سے اپنے ڈیویڈنڈ کلیم نہیں کر سکے تھے، اگر کوئی ہوں، سے التماس ہے کہ ہمارے شیئر رجسٹرار میسرز جمید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، انچ ایم ہاؤس، 7- چیک اسکوائر، مال لاہور سے اپنے ان کلیم ڈیویڈنڈ، اگر کوئی ہوں، کے بارے دریافت حاصل کرنے کے لئے رابطہ کریں۔

کمپنی ایکٹ 2017ء کی دفعہ 244 کی قیام میں رائج طریقہ کار مکمل کرنے کے بعد تمام ایسے ڈیویڈنڈ اور مقررہ تاریخ سے 3 سال یا زیادہ عرصہ کے لئے شیئر ڈاؤنٹ شیڈنگ اور واجب الا دافینڈرل حکومت کے کریڈٹ میں جمع کر دیا جائے گا۔

8- وڈیو کانفرنس سہولت

کمپنی ایکٹ کی پریشیز کی پیروی میں، کمپنی کے کل پیڈ اپ کیمنٹل کے کم از کم 10% کے مالک لاہور کے علاوہ شہر میں سکونت داران کمپنی سے اجلاس میں شرکت کے لئے وڈیو کنفرانس سہولت مہیا کرنے کا مطالبہ کر سکتے ہیں۔ وڈیو کنفرانس سہولت کا مطالبہ مذکورہ بالا پتہ پر شیئر رجسٹرار کے ذریعے سالانہ رپورٹ میں مہیا شدہ اور کمپنی کی ویب سائٹ پر بھی دستیاب معیاری درخواست فارم پر اجلاس کی تاریخ سے کم از کم 7 یوم قبل وصول کیا جائے گا۔

9- ای وونگ

کمپنی کمپنیز (ای وونگ) ریگولیشنز 2016ء کی ضروریات کے مطابق ای وونگ سہولت قائم کرنے کے عمل میں ہے اور بات ہذا میں، ای وونگ سہولت کی اجازت کے لئے آرٹیکلز آف ایسوسی ایشن کی تبدیلی کی ایک خصوصی قرارداد کاران کی طرف سے منظور کی گئی۔ تاہم، ای وونگ سہولت مختار کل کی بے طبعیاتی کی صورت سمیت مذکورہ بالا قواعد میں مجوزہ دیگر لازمی حالات میں اس اجلاس کے لئے ارکان کو فراہم نہیں کی جاسکتی ہے۔

مجلس نظام کی رپورٹ

کمپنی کی کارروائیاں مالی سال کے دوران میں مجموعی طور پر صنعت میں مشاہداتی ترقی اور برآمدات میں کمی کے پس منظر کے برعکس ٹیکسٹائل کے شعبہ میں منافع کی کمی کے باوجود فروخت میں قابل ذکر اضافہ کے ساتھ منافع بخش رہیں۔ ہمارے ٹیکسٹائل کے کاروبار کو کئی مسائل کا سامنا کرنا پڑ رہا ہے، جس کی وجہ سے طلب اور منافع دونوں کافی گر گئے ہیں۔ کمپنی گزشتہ سال 5.1 فیصد کے مقابلے میں 5.4 فیصد تک منافع میں اضافہ سے اپنا منافع بخش ٹریک ریکارڈ فراہم کر رہی ہے۔ منافع پر سازگار اثر پرانی مشینری کی بحالی، ہوم ٹیکسٹائل ڈویژن کی برآمدات میں نمایاں اضافہ، موثر ٹیکس پلاننگ اور محتاط سرمایہ کاری کے فیصلوں کے ذریعے موثر لاگت کے انتظامات سے منسوب کیا جاسکتا ہے۔ گزشتہ سات سال کے دوران کمپنی کے مالیاتی اعداد و شمار مستحکم اور پائیدار ترقی ظاہر کرتے ہیں۔ ہماری خالص فروخت 2010 میں 13.3 ملین روپے سے بڑھ کر 2017 میں 29.8 ملین روپے ہو گئی، جبکہ مجموعی اثاثے دو گنا ہو گئے۔

ہم 30 جون 2017 کو ختم ہونے والے سال کے لیے نظر ثانی شدہ نتائج کا اعلان کرتے ہوئے خوشی محسوس کرتے ہیں۔

سال ایک نظر میں

آمدنی: 29.8 بلین روپے (پلس 15.6 فیصد)

کاروبار سے منافع: 2.87 بلین روپے (پلس 8.7 فیصد)

سال کا خالص منافع: 1,621 ملین روپے (پلس 22 فیصد)

| مختتمہ سال 2016 | مختتمہ سال 2017 | مالی جھلکیاں |
|-----------------|-----------------|--------------------------|
| 25,799,121,553 | 29,815,994,272 | فروخت (روپے) |
| 2,455,517,774 | 2,899,793,399 | مجموعی منافع (روپے) |
| 1,328,774,693 | 1,621,331,852 | بعد از ٹیکس منافع (روپے) |
| 9.5 فیصد | 9.7 فیصد | مجموعی منافع فیصد |
| 5.1 فیصد | 5.4 فیصد | بعد از ٹیکس منافع فیصد |
| 5.59 | 6.75 | فی شیئر آمدنی (روپے) |

منافع

اس سال کے دوران حاصل ہونے والی آمدنی 29.8 بلین روپے، گزشتہ سال سے 15.6 فیصد زیادہ تھی۔ بہتر مارجن دستیاب ہونے کی وجہ سے سپیننگ نے مقامی مارکیٹ کے حصہ میں اضافہ کر کے اس اضافہ میں نمایاں کردار ادا کیا ہے۔ اس عرصہ کے لئے مجموعی منافع گزشتہ سال کے مقابلے میں 9.5 فیصد سے 9.7 فیصد تک بڑھ گیا۔ موجودہ عرصہ کے لئے ٹیکس کے بعد منافع میں گزشتہ سال کے مقابلے میں 5.1 فیصد سے 5.4 فیصد تک اضافہ ہوا۔ منافع میں اضافہ حکومت کی طرف سے دئیے گئے برآمدی پیکیج کی وجہ سے بھی تھا۔

سال کے دوران آمدنی کی اکثریت ہماری ذیلی کمپنیوں سے حاصل ہونے والے منافع منقسمہ سے پیدا ہوئی تھی۔ عین وقت پر ہمیں احساس ہوا کہ متنوع بنانے کے لئے ہماری حکمت عملی کا فیصلہ سائیکلیکل اور غیر مستحکم ٹیکسٹائل صنعت کو متوازن کرنے کے لئے ایک بہت ہی دانشمندانہ اقدام کیا گیا ہے۔

تصرفات

کمپنی کی مجلس نظام نے 22 ستمبر 2017ء کو منعقدہ اپنے اجلاس میں نقد منافع منقسمہ 2.75 روپے فی عام شیئراڈا کرنے کی تجویز دی ہے۔

سرمایہ کاری

سال کے دوران اہم سرمایہ کاری میں اضافہ کاروباری حجم کے امکانات کی پیش بینی میں آپریشنل کارکردگی کی صلاحیت بڑھانے اور بہتر بنانے کے لئے سپیننگ اور ویونگ کے شعبوں میں کیا گیا تھا۔ مختصر جائزہ حسب ذیل ہے:

| سرمایہ کاری (ملین روپے) | میں | صلاحیت | مشینری کا اضافہ | کاروباری شعبہ |
|-------------------------|------------|-----------------------|-------------------|---------------|
| | | اضافہ (سالانہ) | | |
| 1,914 | 53,664 | سپینڈلز کا اضافہ | 33 رنگ فریمز | سپیننگ |
| | 40,608 | جس میں سے متبادل تھیں | 11 کارڈز | |
| | | | 2 بلورومز لائنز | |
| 500 | 18,395,131 | گز فی 50 | 97 لومز تبدیل شدہ | ویونگ |
| | | | 2 لومز اضافہ | |
| | | پکس | | |
| 340 | 1,560,000 | میٹر | ڈیجیٹل پرنٹنگ | ہوم ٹیکسٹائل |
| | 500,000 | میٹر | سٹینٹر | |
| | 500,000 | میٹر | مرکرائزنگ رینج | |

شعبہ وارانمدنی

سپیننگ NCL کے لئے اہم آمدنی پیدا کرنے والا کاروبار ہے۔ 3 کاروباروں نے آمدنی کے لحاظ سے مستحکم ترقی ظاہر کی ہے۔ سپیننگ کے لئے مقامی مارکیٹ میں اور ہوم ٹیکسٹائل اینڈ ویونگ ڈویژن کے لئے برآمد مارکیٹ میں دستیاب مارجنز میں اضافہ ہوا ہے۔

سپیننگ

اس سال سپیننگ ڈویژن نے منافع کمایا ہے۔ گزشتہ سال کے مقابلے میں یارن کی فروخت میں تقریباً 10 فیصد اضافہ ہوا ہے۔ یہ اضافہ بنیادی طور پر مقامی فروخت میں گزشتہ سال کے مقابلے تقریباً 42 فیصد اضافہ کی وجہ سے ہوا ہے۔ مقامی اور درآمدہ کپاس کی قیمتوں میں اضافہ کے باعث خام مال کی لاگت تقریباً 20 فیصد بڑھ گئی ہے۔ تاہم، انڈسٹری اپنے مجموعی منافع کے لئے اس اضافہ کو مقامی مارکیٹ میں منتقل کرنے کے قابل ہوئی ہے۔

کمپنی نے 2013 میں دو کمزور یونٹوں میں سے ایک میں مکمل طور پر واپسی کے عمل اور اہم مشینری کو بہتر بنایا ہے۔

ویونگ

زیر جائزہ سال کے دوران کل فروخت گزشتہ سال کے مقابلے میں 14 فیصد تک بڑھ گئی۔ حکومت کے برآمدی پیکج کی مدد کے ساتھ ساتھ، فروخت میں اضافہ نے کمپنی کے لئے مثبت کردار ادا کیا ہے۔ مشینری میں بھاری سرمایہ کاری کے ساتھ ساتھ برآمد مکس میں شغل کمپنی کو مستقبل

کے منافع کو بڑھانے کے قابل بنائے گا۔

ہوم ٹیکسٹائل

زیر جائزہ سال کے دوران، کل فروخت گذشتہ سال کے مقابلے 12 فیصد تک بڑھ گئی۔ ڈیجیٹل پرنٹنگ کا اضافہ نئے گاہکوں کی پسندیدگی کی صلاحیت کے ساتھ ساتھ موجودہ گاہکوں کے لئے مزید متنوع پروڈکٹس مکس فراہم کرتا ہے۔ کمپنی کی طرف سے مؤثر لاگت انتظامات بنیادی طور پر اس کے پلانٹ کے لئے بجلی اور بھاپ پیدا کرنے کے لئے ایک مثالی فیول مکس کو برقرار رکھنا اور حکومت کے برآمد پیکج سے مدد ویلیو ایڈڈ سیکٹر کے لئے اہم ثابت ہوئی ہے۔

گذشتہ سال سے شروع کمپنی کارپوریٹ منسوبہ "دی لینن کمپنی" TLC نے ڈی ایچ اے لاہور میں ایک دوسری خوردہ آئوٹ لٹ کا اضافہ کیا۔ کمپنی اپنے خوردہ آئوٹ لٹ کی تعداد میں مزید اضافہ کرنے کی منصوبہ بندی کر رہی ہے۔

مستقبل کا نقطہ نظر

ہم نے اپنے پورٹ فولیو کو بھی 46 MW کوئلہ کی بنیاد پر بجلی کے منصوبے اور دو ملٹی پلیکس سینماؤں کو قائم کرنے کے ذریعہ مزید متنوع بنایا ہے جو ایک منفرد انداز میں 11 سکرینوں کے انضمام پر مشتمل ہے۔ یہ متنوع کمپنی کے لئے لاگت کی بچت اور ڈیویڈنڈ آمدن دونوں کی صورت میں اضافی آمدنی پیدا کرے گا۔

مقامی اور بین الاقوامی مارکیٹوں کو بہتر بنانے کے لئے ہمارے ویونگ اور ڈائننگ یونٹس کو جدید بنانے کے بعد، متعلقہ صلاحیتوں کو بہتر بنانے اور اپنی کارکردگی کو بڑھانے کے لئے، کمپنی کے برانڈ نام TLC (دی لینن کمپنی) کے تحت مزید ریٹیل برانڈ کو ملک بھر میں پھیلانے کی منصوبہ بندی کر رہی ہے۔ سپننگ میں، موجودہ مشینری کی اپ گریڈیشن کے لئے مزید معاشی پیمانہ نشیں حاصل کی جا رہی ہیں۔ کمپنی بین الاقوامی طریقوں کے ساتھ چلنے اور افرادی قوت پر انحصار کو کم کرنے کے لئے روایتی طریقوں کو خود کار بنانے کے لئے پُر عزم ہے۔

کمپنی نے غیر مراعات یافتہ طبقے کے لئے رعایتی نرخوں پر معیاری طبی دیکھ بھال فراہم کرنے کے مقصد کے ساتھ سلیم میموریل ٹرسٹ ہسپتال نامی جدید ہسپتال قائم کرنے کا منصوبہ شروع کیا ہے۔ امید ہے کہ SMTH کا گرے سٹرکچر 2018 تک مکمل ہو جائے گا۔ 350 بستروں کی گنجائش کے ساتھ منصوبے کی لاگت کا تخمینہ 3.7 بلین روپے پاکستانی لگایا گیا ہے۔ ہسپتال میں دو قسم کی آمدنی اسٹریٹجی شامل ہوں گی؛ جو فیس برداشت کر سکتے ہیں ان کے لئے باقاعدہ فیس اور وہ لوگ جن کو مدد کی ضرورت ہو انہیں رعایت دی جائے گی۔

اگلے چند سال NCL کی مضبوطی اور ترقی کے مجموعی فوائد دیکھیں گے جس کی گواہی گزشتہ چند سالوں میں مشاہدہ کی گئی ہے۔ مجموعی طور پر کمپنی کا مستقبل بہت حوصلہ افزا دکھائی دیتا ہے۔ گروپ آئندہ سالوں میں مزید کامیابیوں کے حصول اور شیئر ہولڈر کی تعمیر کیلئے اچھا تصور کیا جاتا ہے۔

چیلنجز اور مواقع

ٹیکسٹائل صنعت مسلسل مشکل ادوار سے گذر رہی ہے، قدرتی آفات میں مقامی کپاس کی قیمتوں میں اضافہ، افرادی قوت کی قیمت میں اضافہ، ایندھن اور بجلی کی اعلیٰ لاگت، یارن اور کپاس پر درآمد کے سخت قواعد و ضابط اور سرکش ڈیویٹیز کا سٹرکچر، سیلز ٹیکس کا نظام اور آمدنی ٹیکس قوانین اہم عوامل ہیں۔ ان چیلنجز سے نمٹنے کے لئے کمپنی، کمپنی کے ہر کاروباری شعبہ کے لئے مکمل آٹومیشن کے ساتھ کمبائنڈ بی ایم آر، مسلسل خریداری کی حکمت عملی، موثر اور بروقت ٹیکس کی منصوبہ بندی کر رہی ہے۔ اس کے علاوہ کمپنی نے پہلے ہی کول بیسڈ کیپٹوپاور پلانٹ

قائم کیا ہے جو فیول مکس کو بہتر بنائے گا۔

کمپنی کی نچلی لائن بھی حکومت کی طرف سے اعلان کردہ برآمد اعلیٰ سکیمن سے متاثر ہوگی، کیونکہ یہ بین الاقوامی مارکیٹ میں مقابلہ کی اجازت دیتی ہے۔

کارپوریٹ سماجی ذمہ داری

سماجی بہبود اور کمیونٹی کی خدمت ہمارے وژن کا لازمی حصہ ہے جو صحت اور تعلیم کے شعبوں میں وقتاً فوقتاً اہم کردار ادا کرنے کے لئے ہماری مختلف کوششوں کی شکل میں ہمارے عزم سے عیاں ہے، نہ صرف ہم مختلف ٹیکسن، ڈیوٹیز اور لیویز کی ادائیگی کے ذریعے قومی خزانے میں قابل ذکر اضافہ کرتے ہیں بلکہ ہماری برآمدات کی آمدنی ملک کی غیر ملکی زر مبادلہ کی پوزیشن کو مستحکم کرنے میں کافی اہم کردار ادا کرتی ہے۔

ہم اپنے ملازمین کو کام کا ماحول فراہم کرنے کے لئے مصروف عمل ہیں جو صحت مند، محفوظ اور مسلسل سیکھنے کے لئے موزوں ہو۔ کمپنی نسلی گروہوں، ثقافتوں اور جنس سے قطع نظر مسلسل لوگوں کو روزگار فراہم کر رہی ہے۔ ہمیں ایک مساوی مواقع آج رہنے پر فخر ہے۔

کمپنی نے ایک ٹرسٹ جو وفاہی سرگرمیوں سے نمٹنے کے لئے قائم کیا گیا تھا کے ذریعے ایک ہسپتال اور ایک اسکول عطیہ کیا ہے۔ اسکول برائے نام فیس پر اعلیٰ معیار کی تعلیم فراہم کرتا ہے اور کمپنی ضرورت مند اور غریبوں کو زیادہ سے زیادہ فائدہ پہنچانے کے لئے اس کے انتظامات کی دیکھ بھال کر رہی ہے جبکہ ہسپتال غیر مراعات یافتہ طبقہ کے لئے رعایتی صحت کی دیکھ بھال فراہم کرتا ہے۔

مذکورہ بالا خیراتی کوششوں کے علاوہ کمپنی لاہور کے عوام کے لئے معیاری طبی دیکھ بھال کے حصول کے بنیادی مقصد کے ساتھ سلیم میموریل ٹرسٹ ہسپتال کے نام سے ایک جدید غیر منافع بخش ہسپتال کی تعمیر میں مصروف ہے۔ ہسپتال کے مقاصد غیر مراعات یافتہ طبقہ کو رعایتی علاج فراہم کرنا ہے۔ تعمیر مکمل ہونے کے بعد SMTH لاہور میں جدید سہولیات، آپریشن تھیٹر، کلینکوں اور بہت ہی جدید لیول III ٹراما سینٹر ہوگا۔ یہ اعلیٰ تعلیم یافتہ ڈاکٹروں اور پیشہ ور افراد کی ایک ٹیم سے چلایا جائے گا، ہسپتال خود پائیداری، کراس سبسڈی ماڈل پر چلایا جائے گا۔

رسک مینجمنٹ

کمپنی کا مجموعی رسک مینجمنٹ پروگرام عام طور پر صنعت اور معیشت کے غیر متوقع عناصر پر توجہ مرکوز کرتا ہے اور خاص طور پر منافع پر ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔ کمپنی مجموعی خطرے کے انتظام کے ساتھ ساتھ مخصوص شعبوں کی پالیسیوں کے لئے اصول فراہم کرتا ہے۔ رسک مینجمنٹ کے حصہ کے طور پر، کمپنی نے کافی داخلی کنٹرول اور معیاری آپریٹنگ طریقہ کار تیار کیا ہے جو مختلف پالیسیوں اور باضابطہ گائیڈ لائنز کے ذریعے عملہ پر واضح کیا جاتا ہے۔ مینجمنٹ اور اندرونی آڈٹ فنکشن کے ذریعے ان کنٹرولز کا باقاعدگی سے جائزہ بھی لیا جاتا ہے۔

داخلی مالیاتی کنٹرول

نشاط (چونیاں) لمیٹڈ میں ہمارا مضبوط داخلی کنٹرول اور رسک مینجمنٹ نظام ہے۔ رسک مینجمنٹ اور داخلی کنٹرول کے عوامل کو کمپنی کی اثاثوں کی حفاظت اور کمپنی کو درپیش بڑھتے ہوئے خطرات سے مناسب طریقے سے نمٹنے اور/یا کم کرنے کے لئے تیار کئے گئے ہیں۔ کمپنی میں ایک انٹرنل آڈٹ ڈیپارٹمنٹ ہے جو ایک معروف آڈٹ فرم کو گیا ہے جو مقررہ وقت پر آڈٹ اور مینجمنٹ کو رپورٹ پیش کرتا ہے۔ رپورٹس نہ صرف کمی یا لوپ ہولز پیش کرتی ہیں بلکہ موجودہ نظام میں بہتری کی تجاویز بھی دیتی ہیں۔ ٹاپ مینجمنٹ کو یہ یقین ہے کہ ان تجاویز کو مناسب طریقے پر لاگو اور مرحلہ وار جائزہ لیا ہے تاکہ یہ یقینی بنایا جاسکے کہ ایسا کوئی مسئلہ دوبارہ نہ ہو۔

بورڈ ایک کارگر اور مؤثر انٹرنل کنٹرول سسٹم کو قائم اور منظم کرنے کے لئے اپنی ذمہ داریوں سے مکمل طور پر آگاہ ہے۔ اس لئے داخلی مالیاتی کنٹرول کو مناسب طریقے سے لاگو کر رہے ہیں اور انحصار اس کی مناسب فعالیت پر رکھا جاسکتا ہے۔

ماحولیاتی اثرات

کمپنی باقاعدگی سے ماحول اور معاشرے کی فلاح و بہبود کو بہتر بنانے کے اقدامات کرتی ہے۔

ماحولیاتی تحفظ

ہم اپنے صنعتی عمل کے خطرناک اثرات سے ماحول کو محفوظ رکھنے کے لئے ویسٹ وائر ٹریٹمنٹ پلانٹ رکھتے ہیں۔ ہم ماحولیاتی تحفظ کے سلسلے میں حکومت کی طرف سے دی جانے والی تجویز کا مسلسل جائزہ اور عمل درآمد کر رہے ہیں۔

کمپنی نے ویسٹ وائر سے کاسٹک نکالنے کے لئے کاسٹک ریکوری پلانٹ نصب کیا ہے۔ ہم ماحول دوست ڈائیز اور کیمیکل استعمال کرتے ہیں جو ہمارے فضلہ کے ذخائر پر کم آلودگی کا بوجھ رکھتے ہیں۔

توانائی کی بچت

سسٹے اور موثر ذرائع سے بجلی پیدا کرنے کی کوششوں کے علاوہ، کمپنی بجلی بچانے کے طریقوں کو تلاش اور استحصال کرنے میں بھی مصروف ہے۔ اس کے علاوہ، ہم نے توانائی کی بچت کے لئے انرجی کنزرویشن آڈٹ منعقد کیا ہے۔

پیشہ ورانہ حفاظت اور صحت

ہم باقاعدہ صحت اور حفاظت کے بارے میں بیداری پروگرام کرتے ہیں۔ کمپنی نے اپنی تمام مینوفیکچرنگ کی سہولیات میں فائر فائٹنگ سازوسامان اور گاڑیاں بھی فراہم کی ہیں۔

تعمیل کا بیان

ہم اچھے کارپوریٹ گورننس کے پابند ہیں اور پاکستان اسٹاک ایکسچینج لمیٹڈ کے لسٹنگ ضابطے میں شامل کوڈ آف کارپوریٹ گورننس کی ضروریات پر عمل کرتے ہیں۔ تعمیل کا بیان منسلک کیا جاتا ہے۔

ویلیو ایڈیشن اور تقسیم کا بیان

روپے ملین میں

پیدا کردہ دولت

30,938

کل وصولی اور دیگر آمدنی

(23,971)

مال اور خدمات میں خرید

6,967

دولت کی تقسیم

معاشرہ کو

2,378

ملازمین کی تنخواہ

حکومت کو

| | |
|-------|---|
| 157 | ٹیکسز، ڈیوٹیز، ترقیاتی چارجز وغیرہ |
| | سرمایہ فراہم کنندگان کو |
| 1,095 | مالی لاگت |
| 891 | منافع منقسمہ |
| | سرمایہ کاری اور مستقبل کی ترقی کے لئے محفوظ |
| 2,446 | فرسودگی، کسادبازاری اور محفوظ منافع |
| 6,967 | کارپوریٹ گورننس |
| | سال کے دوران آپ کی کمپنی کارپوریٹ گورننس کے ضابطہء اخلاق کی ضروریات پر عمل پیرا رہی ہے۔ |
| | بورڈ آف ڈائریکٹرز کے اجلاس: |
| | زیر جائزہ سال کے دوران چار (4) اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے: |
| | نام ڈائریکٹر |
| | تعداد حاضری |
| 0 | محترمہ فرحت سلیم |
| 3 | جناب شہزاد سلیم |
| 0 | جناب زین شہزاد |
| 4 | جناب آفتاب احمد خان |
| 3 | جناب کامران رسول |
| 4 | جناب محمد علی زیب |
| 4 | جناب محمد عمران رفیق (نامزد این آئی ٹی) |

آڈٹ کمیٹی

آڈٹ کمیٹی، بورڈ آف ڈائریکٹرز کی طرف سے مقررہ ریفرنس کی شرائط کے مطابق اپنے فرائض انجام دے رہی ہے۔ آڈٹ کمیٹی کی تشکیل درج ذیل ہے:

| | |
|---------|--------------------------|
| چیئرمین | جناب محمد عمران رفیق |
| ممبر | جناب زین شہزاد |
| ممبر | جناب محمد علی زیب |
| | ایچ آر اینڈ معاوضہ کمیٹی |

COCG 2012 کی تعمیل میں، کمپنی کے بورڈ آف ڈائریکٹرز نے ایک ایچ آر اینڈ معاوضہ کمیٹی قائم کی ہے۔ ایچ آر اینڈ معاوضہ کمیٹی کی تشکیل درج ذیل ہے:

| | |
|---------|------------------|
| چیئرمین | محترمہ فرحت سلیم |
| ممبر | جناب زین شہزاد |
| ممبر | جناب کامران رسول |

نمونہ، حصص داری

30 جون 2017ء کے مطابق نمونہ، حصہ داری منسلک ہے۔

چیئر پرسن کا جائزہ

30 جون 2017 کو ختم ہونے والے سال کے لئے سالانہ رپورٹ اور مالی حسابات پیش کرتے ہوئے مجھے بہت خوشی ملی ہے جس میں آمدنی اور منافع میں اضافہ ہوا ہے۔ یہ انتظامیہ کے مسلسل عزم کے ذریعے ممکن ہوا ہے جس سے واضح ہوتا ہے کہ ٹیکسٹائل انڈسٹری نے موجودہ سال میں قابل ذکر ترقی یا بحالی کا مظاہرہ نہیں کیا ہے۔

BOD کے 22 ستمبر 2017 کو منعقدہ اپنے اجلاس میں کمپنی کو درپیش مشکلات پر غور کیا گیا جس میں آپریٹنگ ماحول شامل ہے جس نے سخت حکومتی قوانین/ٹیکسز، محدود آمدنی اور سیلز ٹیکس کی واپسی، خام مال کی اعلیٰ قیمت، کپاس کا ناقص معیار اور بجلی کی عدم دستیابی کا سامنا کیا ہے۔

مالی سال 2016-17 کے دوران کی جانے والی سرمایہ کاری کا اشتراک کرنا چاہوں گا۔ سپیننگ ڈویژن میں 40,608 پرانی سپنڈلز تبدیل کر کے کل 53,664 نئی سپنڈلز کا اضافہ کیا گیا اس طرح سپنڈلز کی کل تعداد 222,708 ہو گئی۔ ویونگ ڈویژن میں، 97 پرانی لومز تبدیل کر کے 99 نئی لومز کا اضافہ کیا گیا جس سے لومز کی کل تعداد 363 ہو گئی۔ اس کے علاوہ، کمپنی کے ویلیو ایڈڈ سیکشن نے بھی ڈائنگ ڈویژن میں مرکراننگ رینج اور ایک سٹنٹر کا اضافہ کیا۔ ہوم ٹیکسٹائل ڈویژن میں ڈیجیٹل پرنٹنگ مشین کا بھی اضافہ کیا گیا ہے۔

منجانب بورڈ

محترمہ فرحت سلیم

چیئر پرسن

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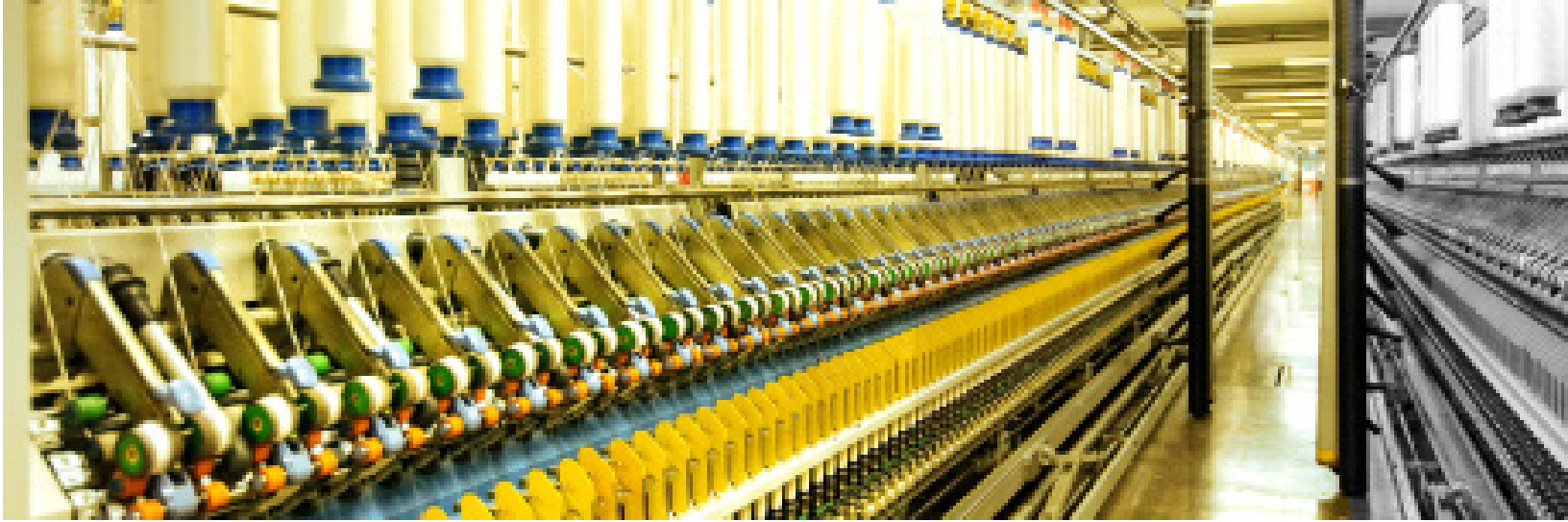
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