



ANNUAL REPORT 2014



Nishat Chunian Ltd

## BRIEF PROFILE

- 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 started commercial operations
- 2006** Diversified into Home Textiles
- 2005** Acquisition of 2 spinning Mills & 5th Spinning Mill Started
- 2000** 2nd Spinning mill started production
- 1998** Diversified into Weaving
- 1991** 1st Spinning Mill Setup

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# COMPANY INFORMATION

## Board of Directors:

Mr. Shahzad Saleem	<i>Chief Executive/Chairman</i>
Ms. Farhat Saleem	
Mr. Yahya Saleem	
Mr. M. Imran Rafiq	<i>Nominee NIT</i>
Mr. Aftab Ahmad Khan	
Mr. Shahid A. Malik	
Mr. Kamran Rasool	

## Audit Committee:

Mr. Aftab Ahmad Khan	<i>Chairman</i>
Mr. Shahzad Saleem	<i>Member</i>
Mr. Yahya Saleem	<i>Member</i>

## HR&R Committee:

Mr. Yahya Saleem	<i>Chairman</i>
Mr. Shahzad Saleem	<i>Member</i>
Mr. Kamran Rasool	<i>Member</i>

## CFO/Company Secretary:

Mr. Saqib Riaz

## Head of Internal Audit:

Mr. Ibraheem Saleem

## Bankers to the Company:

Allied Bank Limited  
Askari Bank Limited  
Al Barka Bank (Pakistan) Limited  
Bank Alfalah Limited  
Barclays Bank plc, Pakistan  
Bank Islami Pakistan Limited  
Burj Bank Limited  
Citibank N.A.  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
Habib Bank Limited  
HSBC Bank Middle East Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
KASB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NIB Bank Limited

Pak Brunei Investment Company Limited  
Pak Kuwait Investment Company (Private) Limited  
Standard Chartered Bank Pakistan Limited  
Saudi Pak Industrial and Agriculture Investment  
Company Limited  
SAMBA Bank Limited  
Soneri Bank Limited  
The Bank of Punjab  
United Bank Limited

## Auditors:

Riaz Ahmad & Company  
Chartered Accountants

## Registered & Head Office:

31-Q, Gulberg-II,  
Lahore, Pakistan.  
Phone : 35761730-39  
Fax : 35878696-97  
Web : [www.nishat.net](http://www.nishat.net)

## Share Registrar:

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

## Mills:

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Registered Office of the Company, 31-Q, Gulberg II, Lahore on 31st October 2014 (Friday) at 11:30 a.m. to transact the following business:-



## ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on 30th October 2013.
2. To receive and adopt audited accounts of the Company for the year ended 30 June 2014 together with Directors' and Auditors' reports thereon.
3. To approve final cash dividend @ 10% (i.e.Re.1 per share) as recommended by the Board of Directors.
4. To appoint auditors for the year ending 30 June 2015 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: 10th October, 2014

By Order of the Board

Saqib Riaz  
Company Secretary

## NOTES:

1. The Members' Register will remain closed from 22-10-2014 to 28-10-2014 (both days inclusive). Transfers received at Hameed Majeed Associate (Pvt) Limited, H.M. House, 7-Bank Square, Lahore, the Registrar and share transfer office of the Company by the close of business on 21-10-2014 will be considered in time for attending the AGM and for above entitlement.

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

3. Shareholders are informed that Income Tax Ordinance, as amended by Finance Act., 2014 has prescribed 15% withholding tax on dividend payment to non-filers while filers of income tax returns will be liable to withholding tax @10%. Shareholders are advised to provide their NTN to Share Registrar of the Company for availing the benefit of withholding tax rate applicable to filers.

4. SECP through its Notification SRO 787(I)/2014 dated September 8, 2014, has allowed the circulation of Audited Financial Statements along with the Notice of Annual General meeting to the members of the Company through email. Therefore all members who want to receive the soft copy of Annual Report are requested to send their email addresses. The consent form for electronic transmission can be downloaded from the Company's website: [www.nishatchunian.com](http://www.nishatchunian.com) or <http://nishat.net>

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

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

### a. For attending the meeting

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

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

### b. For Appointing Proxies

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

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

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

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

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

## CONSENT FORM FOR ELECTRONIC TRANSMISSION

Pursuant to the allowance granted through SRO 787(I)/2014 of September 8, 2014, by the Securities and Exchange Commission of Pakistan, the Company can circulate its annual balance sheet and profit and loss accounts, auditor's report and directors' report etc. ("Audited Financial Statements") along with the Company's Notice of Annual General Meeting through email to its shareholders. Those shareholders who wish to receive the Company's Annual Report via email are requested to provide a completed consent form to the Company's Share Registrar, Hameed Majeed Associates (Pvt) Limited

PLEASE NOTE THAT RECEIPT OF THE ANNUAL REPORT VIA EMAIL IS OPTIONAL AND NOT COMPULSORY.

### ELECTRONIC TRANSMISSION CONSENT FORM

Date: \_\_\_\_\_

The Share Registrar  
Hameed Majeed Associates (Pvt) Limited Hameed Majeed House, 7-Bank Square  
The Mall, Lahore.  
Ph#042-37235081-82 Fax#042-37358817  
Email: info@hmaconsultants.com

Pursuant to the directions given by the Securities Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I, Mr./Ms. \_\_\_\_\_ S/o, D/o, W/o \_\_\_\_\_ hereby consent to have The Nishat Chunian Limited's Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Name of Member/ Shareholder	
Folio/ CDC Account Number	
Email Address:	

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of Annual General Meeting.

\_\_\_\_\_  
Signature of the Member/ Shareholder



## DIRECTORS' REPORT

The current fiscal year has not been very good for the textile industry as a whole. Our textile business faced a number of challenges where both the demand and margins fell considerably. The previous three years had been excellent for the spinning division as both the demand and margins were high; so although this year we have lower profits, our company has fared much better than many in the industry. The unfavourable effect on profitability can also be attributed to the high scale expansion of our spinning capacity. We have one new factory and two refurbished units that have enhanced NCL's spinning capacity to one of the highest in Pakistan. The fixed cost of these three additions was higher than anticipated and because of the sluggish coarse count market we are not operating them at full capacity. This has also had an adverse effect on the bottom line.

The weaving and home textile divisions have faced a similar situation due to the constricting margins in the industry. The market remained highly competitive and the division has overcome numerous internal and external challenges.

We remain committed to creating value for our stakeholders through our unparalleled performance and exponential growth. Financial figures of the company over the last six years show steady and durable growth. Our net sales rose to Rs. 22.8 billion in 2014 from Rs. 9.96 billion in 2009, while total assets stood at Rs.26 billion as at June 30, 2014, more than twice as compared to June 30, 2009 which stood at Rs 12 billion.

We are pleased to announce the audited results for the year ended June 30, 2014.

## YEAR AT A GLANCE

Revenue: Rs. 22.8 Billion (+7.5%)

Profit from Operations Rs. 2.3 Billion (-38.9%)

Net Profit for the Year Rs. 761.3 Million (-66.6%)



Financial Highlights	For the Year Ended	
	2014	2013
Sales (Rs.)	22,799,758,141	21,213,244,304
Gross Profit (Rs.)	1,380,613,423	3,595,566,904
Profit After Taxation (Rs.)	761,296,535	2,276,161,110
Gross Profit %	6.06%	16.9%
Profit After Taxation %	3.34%	10.7%
Earnings Per Share (Rs.)	3.80	11.37

As seen in the table below, NCL's growth has been stable and it has outperformed most textile companies on the stock exchange.

	2009	2010	2011	2012	2013	2014
Dividend Yield(DY) (based on opening Market Value)	0%	17.14%	12.62%	8.85%	11.43%	3.32%
Return on Equity (based on opening Book Value)	3.96%	30.01%	32.48%	12.25%	37.47%	9.49%
Compounded Average DY for last 6 years				8.15%		
Compounded Average ROE for last 6 years						

## PROFITABILITY

Revenue earned during this year was Rs. 22.8 billion, up by 7.5% from last year. Due to the overall depression in the textile industry, severe foreign exchange fluctuation and increasing energy costs, the gross profits for this period declined from 16.9% to 6.06% as compared to last year. Net profit after tax for the current period is Rs. 761.3 million compared to Rs. 2,276 million for the year 2013. The drop in profits was also due to writing down of inventory to net realizable value of Rs.5800 per moun due to decline in cotton prices which has decreased profits by Rs.470 million

Majority of income generated during the year was dividend received from our subsidiary. We realise at this juncture that our strategic decision to diversify has been a very prudent measure to balance the cyclical and unpredictable textile business.

## INVESTMENTS

Our brand new fully automated spinning unit NCL 6 equipped with 22,128 spindles started production in January 2014. NCL 6 is the first mill in the world to install Toyota's longest ever 1824 spindle Ring-frames making it the most modern and innovative spinning factory in the world. The acquisition process of Taj Textile's operating assets has been completed and the units have been renamed as NCL 7 and 8.

Both NCL 7 and 8 have commenced production although they are not running at full capacity due to the slump in the blended yarn market.

During the year investment of over Rs. 2 billion was made on various projects including NCL 6,7,8 software enhancements, Boilers improvement and other assets.

## SEGMENT WISE REVENUE

Spinning continues to be the main income generating business for NCL. The 3 businesses have shown steady growth in terms of volume but because of the recent depressed market and rupee appreciation, the revenues have not shown a corresponding growth.



## APPROPRIATION

Board of directors of company has proposed to pay Re. 1.00 per ordinary share cash dividend.



## SPINNING

We now have a capacity of 210,000 spindles, producing approximately 75,000 tons of yarn per annum. NCL has seen investment in innovation and enhancement towards a balanced business approach. With the set-up of a new plant, NCL has further diversified the product range. This year the Spinning Division experienced losses; higher energy costs, sudden foreign exchange rates fluctuations adversely affected export businesses while decreased margins in sales was a result of a general slump in Chinese markets. As Cotton prices are lower in 2014-15, the write down of inventory at this year-end has also decreased profits by 470 million. There is a decrease in Export sales to Asia & Africa by 8%; however export sales to Europe and USA increased by 1% and 2% respectively. Local Sales increased by 6% as compared to last



## WEAVING

During the year under review, export sales decreased by 3.6% since last year. Gross profit decreased from 8.3% to 5.5%. The decrease in profitability was mainly due to abrupt foreign exchange fluctuation and higher energy costs. Share of export sales has decreased from 75% to 58%. Major volume has increased in local sales from 25% to 42%. In case of export sales there is an increase of 4% in Asian markets.

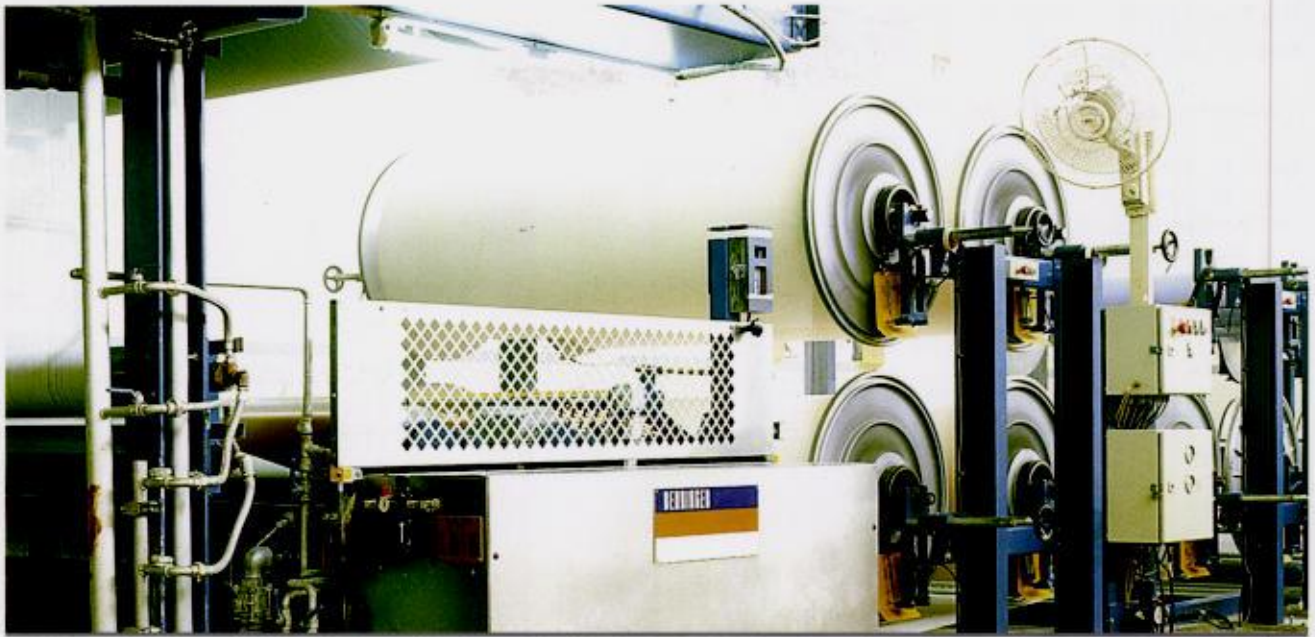


# HOME TEXTILES

The dyeing and printing plant has maintained a capacity of 3 million yards per month with an equivalent stitching capacity. This year export sales increased by 8.5%. The share of export sales has remained stable at around 90%. Major volume has increased in Europe by 5% and Asia by 3%. The year under review posted a challenge especially in terms of volume and increasing energy costs. Gross profit decreased from 8.5% to 5.9%. The decrease in profitability was mainly due to abrupt foreign exchange fluctuation and higher energy costs.

The company has strived to enhance the market share in value added sector. In order to boost sales, the company has already set up a wholly owned subsidiary in USA to capture the retail market. The management is confident that this endeavour will generate higher revenue in USA and Canada.





## FUTURE OUTLOOK

Historically NCL has been a market leader in ground breaking decisions and this year is no different. We have formally signed a contract for a 46 MW coal based captive power plant which will commence operations in March 2016. This initiative will significantly reduce our cost of production. Currently we are paying Rs 13-14 per unit as energy cost and we expect this project to bring these costs down by Rs 3-4 per unit translating into huge savings which will help bolster the shrinking margins in the textile business.

For the foreseeable future we will not be expanding capacities in our textile business as a tactical choice. The focus will be on expanding the customer base and our product portfolio. 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

As always, we remain committed to our vision and mission to assist our society in achieving equitable growth. Not only do we add substantially to the national exchequer through the methodical payment of various taxes, duties and levies, our export earnings contribute considerably in stabilizing the country's foreign exchange position.

We strongly believe that these contributions alone are not enough to make a meaningful impact on society. We must support the development of society at large, through assisting educational programs, aiding healthcare, protecting the environment and empowering women and improving the condition of the disadvantaged. The company donates to a hospital and school through a trust that was founded to deal in philanthropic activities. The school provides quality education for a nominal fee while the hospital provides affordable healthcare for the underprivileged.

for a nominal fee while the hospital provides affordable healthcare for the underprivileged.

The company is in the process of setting up a state of the art not for profit hospital. The hospital will be based on a model of subsidized medical treatment for the underprivileged and normal charges for those who can pay.

We are committed to providing our employees with a work environment that is healthy, safe and conducive to continuous learning. The company continues to employ people irrespective of ethnicities, cultures or gender. We pride ourselves in being an equal opportunity employer.

**Statement of Value Addition & Distribution****Rs. In Millions****Wealth Generated**

Total Revenue and other income	24,612
Bought in Material and services	(19,945)
	<u>4,670</u>

**Wealth Distribution****To Society**

Employee remuneration	1,641
Donations	24

**To Government**

Taxes, duties, development surcharge etc.	255
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**To providers of Finance**

Finance Cost	1,375
Dividend	364

**Retained for reinvestment and future growth**

Depreciation, amortization and retained profit	1,011
	<u>4,670</u>

## CORPORATE GOVERNANCE

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

**Board of Directors Meetings:**

During the year 4 meetings were held. Attendance by each director is as follows:

Name of Directors	No. of Meetings
Mr. Shahzad Saleem	3
Mr. Yahya Saleem	3
Mrs. Farhat Saleem	0
Mr. M.Imran Rafiq (Nominee NIT)	2
Mr. Aftab Ahmad Khan	3
Mr. Shahid A. Malik	3
Mr. Kamran Rasool	4
Mr. Manzoor Ahmad (Resigned on 06-02-2014)	2

**AUDIT COMMITTEE**

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

Composition of the Audit Committee is as follows:

Mr. Aftab Ahmad Khan	Chairman
Mr. Shahzad Saleem	Member
Mr. Yahya Saleem	Member

**HR & REMUNERATION COMMITTEE**

In compliance with the COCG 2012, the Board of Directors of your Company has established a HR & R Committee.

Composition of the HR & R committee is as follows:

Mr. Yahya Saleem	Chairman
Mr. Shahzad Saleem	Member
Mr. Kamran Rasool	Member

**PATTERN OF SHAREHOLDING**

Pattern of shareholding as on June 30, 2014 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 the best practices of corporate governance, as detailed in the listing regulations.

### Acknowledgment

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

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

On behalf of the Board

Director

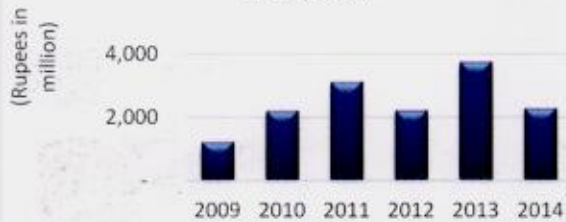
Director

Lahore : September 26, 2014

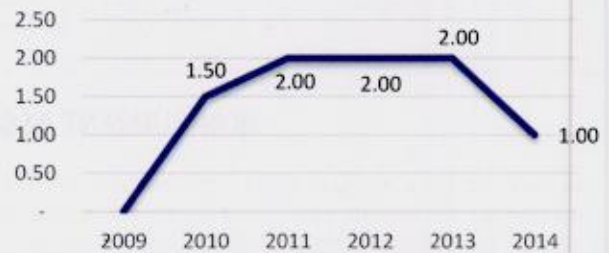
# FINANCIAL HIGHLIGHTS

Year	2009	2010	2011	2012	2013	2014
<b>(Rupees in thousand)</b>						
Net Sales	9,964,545	13,343,539	20,322,002	18,616,943	21,213,244	22,799,758
Gross Profit	1,491,183	2,682,206	3,408,524	2,076,797	3,595,567	1,380,613
Distribution, Admin and Other Expenses	413,923	631,908	866,966	685,999	821,778	892,998
Operating Profit plus Other Income	1,249,880	2,236,569	3,145,188	2,247,418	3,774,183	2,302,894
Finance Cost	1,081,536	1,101,054	1,482,399	1,353,445	1,243,262	1,375,292
Net Income	103,344	1,001,832	1,458,580	699,331	2,276,161	761,297
Current Assets	4,646,949	6,073,156	8,068,112	9,724,895	12,396,935	14,548,838
Total Assets	12,016,810	14,308,086	16,230,295	17,682,955	21,924,849	25,940,962
Current Liabilities	5,730,881	7,089,429	7,191,922	7,622,371	9,703,454	12,801,084
Total Equity	3,102,471	4,432,511	5,704,441	6,074,994	8,020,271	8,417,596
<b>Cash Flows:</b>						
Net Cash generated from / (used in) Operating Activities	480,373	630,193	(349,434)	298,230	(1,186,723)	(2,457,485)
Net Cash generated from / (used in) Investing Activities	(1,430,973)	(1,629,190)	138,299	(969,208)	(231,730)	(933,413)
Net Cash generated from / (used in) Financing Activities	961,800	1,060,325	255,384	583,952	1,629,694	3,149,899
<b>Earnings Per Share</b>						
Basic	1.08	7.72	8.25	3.88	11.37	3.8
Diluted	0.83	6.13	8.82	3.88	11.37	3.8
Dividends for the year	-	1.50	2.00	2.00	2.00	2.00
Dividend Payout Ratio	-	0.24	0.22	0.47	0.16	0.53
<b>Financial Measures:</b>						
ROE	3.33%	22.60%	25.57%	11.51%	28.38%	9.04%
ROI	-64%	101%	54%	-9%	255%	-26%
Shareholders' Equity Ratio	26%	31%	35%	34%	37%	32%
Net Debt Equity Ratio (times)	1.04	0.61	0.59	0.67	0.52	0.49
Interest Coverage Ratio (times)	1.16	2.03	2.12	1.66	3.04	1.67
P/E ratio (Price per share / EPS)	7.96	2.04	2.70	4.48	5.26	11.16
Dividend Yield Ratio (Cash dividend / Net Income)	-	0.24	0.22	0.47	0.16	0.53
<b>Common Stock</b>						
Number of shares outstanding at year end	82,720,922	158,552,667	162,090,349	165,441,844	181,986,028	200,184,630
Break up value	37.51	27.96	35.19	36.72	44.07	42.05

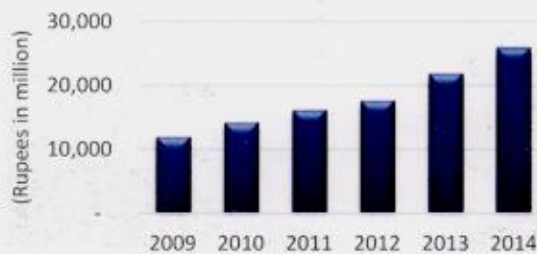
### Operating Profit plus Other Income



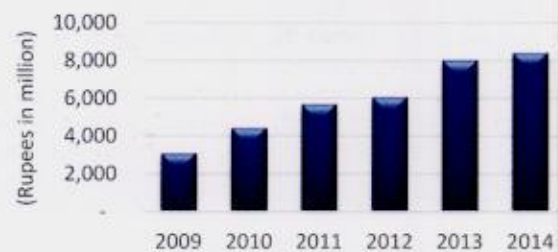
### Dividends for the year



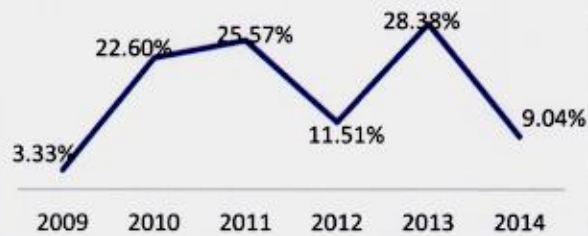
### Total Assets



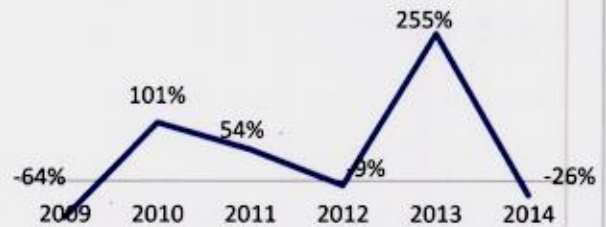
### Total Equity



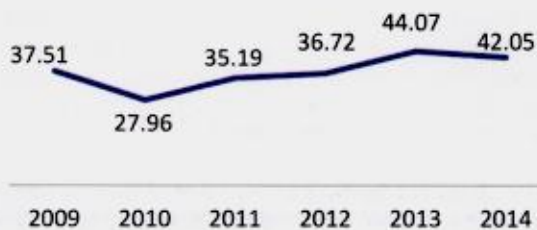
### ROE



### 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 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.35 of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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

Independent Directors

Executive Directors

Non Executive Directors



## Names

Mr. Manzoor Ahmed (Resigned on 6th February 2014 )

Mr. M. Imran Rafiq (Appointed on 6th February 2014)

Mr. Shahzad Saleem

Mr. Yahya Saleem

Mrs. Farhat Saleem

Mr. Kamran Rasool

Mr. Aftab Ahmad Khan

Mr. Shahid A. Malik

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

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

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

4. No casual vacancy was 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 in accordance with the Articles of Association of the Company.

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

9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses

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, all are non-executive directors. 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 approved by the Board and advised to the committee for compliance.

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

18. The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and they are involved in the internal audit function on full time basis.

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

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

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

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

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

On behalf of the Board

Director

Director

Lahore : September 26, 2014

## Statement of Compliance

With the Best Practices on Transfer Pricing

The Company has fully complied with best practices as contained in the related listing Regulations of the Karachi and Lahore stock Exchanges.

On behalf of the Board

Director

Director

Lahore : September 26, 2014

# REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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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 2014, to comply with the requirements of Listing Regulation No. 35 of the Karachi, Islamabad and Lahore Stock Exchanges, 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's personnel and review 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.

Following instance of non-compliance with the requirements of the Code was observed which is not stated in the Statement of Compliance:

(i) The Board has not made arrangements for directors' training program for one of the non-exempted directors of

the Company during the year ended 30 June 2014 as required by clause (xi) of the Code of Corporate Governance.

Based on our review, except for the above instances of non-compliance, 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 2014.

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**Name of engagement partner:**  
**Mubashar Mehmood**

**Date:** September 26, 2014  
**Lahore**

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NISHAT (CHUNIAN) LIMITED as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2014 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

Lahore  
September 26, 2014

**NISHAT (CHUNIAN) LIMITED**  
**BALANCE SHEET AS AT 30 JUNE 2014**

	Note	2014 Rupees	2013 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	3	<u>2,500,000,000</u>	<u>2,500,000,000</u>
Issued, subscribed and paid-up share capital	4	2,001,846,300	1,819,860,280
Reserves	5	<u>6,415,749,627</u>	<u>6,200,411,169</u>
<b>Total equity</b>		8,417,595,927	8,020,271,449
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	4,691,031,413	4,044,873,183
Redeemable capital	7	<u>31,250,000</u>	<u>156,250,000</u>
		4,722,281,413	4,201,123,183
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,485,564,889	1,425,022,011
Accrued mark-up	9	210,934,620	164,249,549
Short term borrowings	10	9,180,243,052	6,493,965,784
Current portion of non-current liabilities	11	<u>1,924,341,777</u>	<u>1,620,216,772</u>
		12,801,084,338	9,703,454,116
<b>Total liabilities</b>		<u>17,523,365,751</u>	<u>13,904,577,299</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>25,940,961,678</u>	<u>21,924,848,748</u>

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

Statement under section 241(2) of the Companies Ordinance, 1984

This financial information has been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan

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DIRECTOR

**NISHAT (CHUNIAN) LIMITED**  
**BALANCE SHEET AS AT 30 JUNE 2014**

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	9,382,006,140	7,635,608,369
Investments in subsidiary companies	14	1,986,318,705	1,886,681,200
Long term loans to employees	15	3,054,223	3,092,629
Long term security deposits		20,744,440	2,531,259
		<u>11,392,123,508</u>	<u>9,527,913,457</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	16	765,142,811	569,177,807
Stock-in-trade	17	7,017,095,839	5,639,883,723
Trade debts	18	4,482,128,869	3,904,386,724
Loans and advances	19	586,862,402	782,917,291
Short term prepayments		866,632	340,213
Other receivables	20	1,655,844,130	1,158,829,645
Short term investments	21	22,658,812	82,162,359
Cash and bank balances	22	18,238,675	259,237,529
		<u>14,548,838,170</u>	<u>12,396,935,291</u>
<b>TOTAL ASSETS</b>		<u><u>25,940,961,678</u></u>	<u><u>21,924,848,748</u></u>

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DIRECTOR

**NISHAT (CHUNIAN) LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 Rupees	2013 Rupees
SALES	23	22,799,758,141	21,213,244,304
COST OF SALES	24	<u>(21,419,144,718)</u>	<u>(17,617,677,400)</u>
GROSS PROFIT		1,380,613,423	3,595,566,904
DISTRIBUTION COST	25	<u>(665,488,948)</u>	<u>(535,142,990)</u>
ADMINISTRATIVE EXPENSES	26	<u>(154,783,508)</u>	<u>(149,342,527)</u>
OTHER EXPENSES	27	<u>(72,725,888)</u>	<u>(137,292,220)</u>
		<u>(892,998,344)</u>	<u>(821,777,737)</u>
		487,615,079	2,773,789,167
OTHER INCOME	28	1,815,279,349	1,000,393,903
PROFIT FROM OPERATIONS		<u>2,302,894,428</u>	<u>3,774,183,070</u>
FINANCE COST	29	<u>(1,375,291,820)</u>	<u>(1,243,261,666)</u>
PROFIT BEFORE TAXATION		927,602,608	2,530,921,404
TAXATION	30	<u>(166,306,073)</u>	<u>(254,760,294)</u>
PROFIT AFTER TAXATION		<u>761,296,535</u>	<u>2,276,161,110</u>
			<b>Restated</b>
EARNINGS PER SHARE - BASIC AND DILUTED	31	<u>3.80</u>	<u>11.37</u>

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

Statement under section 241(2) of the Companies Ordinance, 1984

This financial information has been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan

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DIRECTOR

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DIRECTOR

**NISHAT (CHUNIAN) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 Rupees	2013 Rupees
PROFIT AFTER TAXATION	761,296,535	2,276,161,110
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	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>761,296,535</b>	<b>2,276,161,110</b>

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

Statement under section 241(2) of the Companies Ordinance, 1984

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**DIRECTOR**

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**DIRECTOR**

**NISHAT (CHUNIAN) LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash (utilized in) / generated from operations</b>	32	(509,286,955)	332,616,906
Net increase in long term security deposits		(18,213,181)	(244,350)
Finance cost paid		(1,473,509,793)	(1,223,861,554)
Income tax paid		(454,900,277)	(297,884,201)
Net (increase) / decrease in long term loans to employees		(1,574,511)	2,649,818
<b>Net cash used in operating activities</b>		<b>(2,457,484,717)</b>	<b>(1,186,723,381)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(2,210,599,129)	(2,088,196,451)
Capital expenditure on intangible asset		(9,585,298)	-
Proceeds from sale of operating fixed assets		8,572,740	7,000,981
Investment in subsidiary company		(99,637,505)	(10,823,000)
Short term loans made to subsidiary company		-	(1,430,000,000)
Repayment of short term loans by subsidiary company		-	2,562,500,000
Dividend received from subsidiary company		1,313,100,740	750,343,280
Short term investments - net		59,503,547	(49,667,839)
Profit on bank deposits received		5,232,138	27,113,410
<b>Net cash used in investing activities</b>		<b>(933,412,767)</b>	<b>(231,729,619)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		2,658,000,000	2,242,000,000
Repayment of long term financing		(1,707,716,765)	(1,304,591,772)
Repayment of redeemable capital		(125,000,000)	(125,000,000)
Short term borrowings - net		2,686,277,268	1,144,455,260
Dividend paid		(361,661,873)	(327,169,970)
<b>Net cash from financing activities</b>		<b>3,149,898,630</b>	<b>1,629,693,518</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(240,998,854)</b>	<b>211,240,518</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>259,237,529</b>	<b>47,997,011</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>18,238,675</b>	<b>259,237,529</b>

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

Statement under section 241(2) of the Companies Ordinance, 1984

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**DIRECTOR**

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**DIRECTOR**

NISHAT (CHUNIAN) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	SHARE CAPITAL	REVENUE RESERVES		TOTAL EQUITY
		General reserve	Unappropriated profit	
<b>Balance as at 30 June 2012</b>	1,654,418,440	1,629,221,278	2,791,354,309	4,474,994,027
Transactions with owners				
Final dividend for the year ended 30 June 2012 @ Rupees 2 per ordinary share	-	-	(330,883,688)	(330,883,688)
Issue of bonus shares during the year	165,441,840	-	(165,441,840)	-
	165,441,840	-	(496,325,528)	(330,883,688)
Profit for the year	-	-	2,276,161,110	2,276,161,110
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	2,276,161,110	2,276,161,110
<b>Balance as at 30 June 2013</b>	1,819,860,280	1,629,221,278	4,571,189,891	8,020,271,449
Transactions with owners				
Final dividend for the year ended 30 June 2013 @ Rupees 2 per ordinary share	-	-	(363,972,057)	(363,972,057)
Issue of bonus shares during the year	181,986,020	-	(181,986,020)	-
	181,986,020	-	(545,958,077)	(363,972,057)
Profit for the year	-	-	761,296,535	761,296,535
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	761,296,535	761,296,535
<b>Balance as at 30 June 2014</b>	2,001,846,300	1,629,221,278	4,786,528,349	8,417,595,927

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

Statement under section 241(2) of the Companies Ordinance, 1984

This financial information has been signed by two directors instead of chief executive and one director as the chief executive for the time being in Pakistan

DIRECTOR

DIRECTOR

## NISHAT (CHUNIAN) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 1. THE COMPANY AND ITS OPERATIONS

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

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 2.1 Basis of preparation

###### a) Statement of compliance

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

###### b) Accounting convention

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

###### c) Critical accounting estimates and judgments

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

###### Useful lives, patterns of economic benefits and impairment

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

## **Inventories**

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

## **Accumulating compensated absences**

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

## **Taxation**

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

## **Provisions for doubtful debts**

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

## **Impairment of investments in subsidiary companies**

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

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

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

## **e) Standards, interpretation and amendments to published standards that are effective in current year but not relevant to the Company**

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

#### **f) Standards, interpretation and amendments to published standards that are not yet effective but relevant to the Company**

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2014 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 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2015) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2015) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). 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 recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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 that is based on revenue that is generated by an activity that includes the use 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. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

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

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 'Fair Value Measurement', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

#### **g) Standard and amendments to published standards that are not yet effective and not considered relevant to the Company**

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 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 and factory staff are entitled to 20 days leave per year and factory workers are entitled to 14 days leave per year

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

## **2.4 Fixed assets**

### **Property, plant, equipment and depreciation**

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

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

### **Depreciation**

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

### **Intangible asset**

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

## **2.5 Investments**

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

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

The Company 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 'Consolidated and Separate Financial Statements'.

**d) Available-for-sale**

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

**Quoted**

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

**Unquoted**

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

**2.6 Inventories**

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

**Stores, spare parts and loose tools**

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

**Stock-in-trade**

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

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

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

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

## **2.7 Foreign currencies**

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

## **2.8 Borrowing cost**

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

## **2.9 Revenue recognition**

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

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

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

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

## **2.10 Share capital**

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

## **2.11 Financial instruments**

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

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

## **2.12 Trade debts and other receivables**

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

## **2.13 Borrowings**

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

## **2.14 Trade and other payables**

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

## **2.15 Off setting**

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

## **2.16 Cash and cash equivalents**

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

## **2.17 Non-current assets held for sale**

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

## **2.18 Derivative financial instruments**

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

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

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

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

## **2.19 Provisions**

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

## 2.20 Impairment

### a) Financial assets

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

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

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

### b) Non-financial assets

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

## 2.21 Segment reporting

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

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

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

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

## 2.22 Dividend to ordinary shareholders and other appropriations

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

			2014	2013
			Rupees	Rupees
3.	<b>AUTHORIZED SHARE CAPITAL</b>			
	<b>2014</b>	<b>2013</b>		
	<b>(Number of shares)</b>			
	230,000,000	230,000,000	Ordinary shares of Rupees 10 each	2,300,000,000
	20,000,000	20,000,000	Preference shares of Rupees 10 each	200,000,000
	<u>250,000,000</u>	<u>250,000,000</u>		<u>2,500,000,000</u>

4. **ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

			2014	2013
			(Number of shares)	(Number of shares)
	94,720,922	94,720,922	Ordinary shares of Rupees 10 each fully paid in cash	947,209,220
	104,239,443	86,040,841	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	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
	<u>200,184,630</u>	<u>181,986,028</u>		<u>2,001,846,300</u>
				<u>1,819,860,280</u>

2014  
Rupees

2013  
Rupees

4.1 **Ordinary shares of the Company held by related parties :**

Nishat Mills Limited	27,241,116	24,764,663
D.G. Khan Cement Company Limited	6,062,169	5,511,065
	<u>33,303,285</u>	<u>30,275,718</u>

2014  
Rupees

2013  
Rupees

4.2 **Movement during the year**

			2014	2013
			(Number of shares)	(Number of shares)
	181,986,028	165,441,844	At 01 July	1,819,860,280
	18,198,602	16,544,184	Issue of fully paid bonus shares of Rupees 10 each at par	181,986,020
	<u>200,184,630</u>	<u>181,986,028</u>	At 30 June	<u>2,001,846,300</u>
				<u>1,819,860,280</u>

- 4.3 18,198,602 ordinary shares of Rupees 10 each were issued as fully paid bonus shares during the year ended 30 June 2014 in pursuance of 10% bonus issue approved in Annual General Meeting of the shareholders of the Company held on 30 October 2013.

	2014 Rupees	2013 Rupees
<b>5. RESERVES</b>		
<b>Composition of reserves is as follows:</b>		
<b>Revenue reserves</b>		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	4,786,528,349	4,571,189,891
	<u>6,415,749,627</u>	<u>6,200,411,169</u>
<b>6. LONG TERM FINANCING</b>		
<b>From banking companies / financial institutions - secured</b>		
Long term loans (Note 6.1)	6,020,373,190	4,875,089,955
Long term musharaka (Note 6.2)	470,000,000	665,000,000
	<u>6,490,373,190</u>	<u>5,540,089,955</u>
Less: Current portion shown under current liabilities (Note 11)		
Long term loans	1,604,341,777	1,300,216,772
Long term musharaka	195,000,000	195,000,000
	<u>1,799,341,777</u>	<u>1,495,216,772</u>
	<u>4,691,031,413</u>	<u>4,044,873,183</u>

## 6.1 Long term loans

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LENDER	2014		2013		RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALLMENTS	MARK-UP REPRICING	MARK UP PAYABLE
	Rupees		Rupees					
Standard Chartered Bank (Pakistan) Limited	1,000,000,000				3-month KIBOR + 0.75%	Sixteen equal quarterly instalments commencing on 04 May 2015 and ending on 04 February 2019	Quarterly	Quarterly
United Bank Limited-1	3,575,000		10,775,000		SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014		Quarterly
United Bank Limited-2	4,800,000		14,400,000		SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 06 June 2011 and ending on 06 December 2014		Quarterly
United Bank Limited-3	2,200,000		4,400,000		SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 26 January 2015		Quarterly
United Bank Limited-4	22,750,000		44,300,000		SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 18 July 2011 and ending on 18 January 2015		Quarterly
United Bank Limited-5	6,625,000		13,250,000		SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 26 January 2015		Quarterly
United Bank Limited-6	343,750,000		482,750,000		3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 30 June 2013 and ending on 09 March 2017	Quarterly	Quarterly
Allied Bank Limited-1	375,000,000		500,000,000		3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 08 September 2013 and ending on 06 June 2017	Quarterly	Quarterly
Allied Bank Limited-2	750,000,000		1,050,000,000		3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 11 February 2013 and ending on 29 November 2016	Quarterly	Quarterly
Pak Kuwait Investment Company (Private) Limited	83,333,344		138,888,866		6-month KIBOR + 2%	Eighteen equal quarterly instalments commenced on 21 September 2011 and ending on 21 December 2015	Half Yearly	Quarterly
The Bank of Punjab-1	101,250,000		168,750,000		SBP rate for LTF + 2.5%	Sixteen equal quarterly instalments commenced on 16 January 2012 and ending on 16 October 2015		Quarterly
The Bank of Punjab-2	20,833,544		104,166,689		6-month KIBOR + 1.25%	Twelve equal quarterly instalments commenced on 01 October 2011 and ending on 01 July 2014	Quarterly	Quarterly
The Bank of Punjab-3	350,000,000		450,000,000		3-month KIBOR + 0.75%	Ten equal half yearly instalments commenced on 17 June 2013 and ending on 17 December 2017	Quarterly	Quarterly
The Bank of Punjab-4	800,000,000		1,000,000,000		3-month KIBOR + 0.75%	Ten equal half yearly instalments commenced on 10 December 2013 and ending on 10 June 2018	Quarterly	Quarterly
Samba Bank Limited-1	-		52,500,000		3-month KIBOR + 1.50%	Eight equal quarterly instalments commenced on 31 January 2012 and ended on 31 October 2013	Quarterly	Quarterly
Samba Bank Limited-2	437,500,000		-		3-month KIBOR + 0.75%	Sixteen equal quarterly instalments commenced on 28 February 2014 and ending on 31 October 2017	Quarterly	Quarterly
Sank Pak Industrial and Agricultural Investment Company Limited	47,481,502		68,568,380		SBP rate for LTF + 3%	Eighteen equal quarterly instalments commenced on 31 May 2012 and ending on 31 August 2016		Quarterly
Soren Bank Limited	171,875,000		234,375,000		3-month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 April 2013 and ending on 31 January 2017	Quarterly	Quarterly
Pak Punjab Investment Company Limited	-		200,000,000		3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 02 July 2013 and ending on 02 April 2017. However, the Company made pre-payment of ten in full during the current year	Quarterly	Quarterly

6.1 Long term loans

LENDER	2014	2013	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALLMENTS	MARK-UP REPRICING	MARK-UP PAYABLE
Rupees						
Syndicated term finance						
A-led Bank Limited	1,130,000,000	342,000,000	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 27 December 2014 and ending on 27 June 2019.	Quarterly	Quarterly
Habib Bank Limited	300,000,000	-	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 27 December 2014 and ending on 27 June 2019.	Quarterly	Quarterly
Habib Metropolitan Bank Limited	107,000,000	-	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 27 December 2014 and ending on 27 June 2019.	Quarterly	Quarterly
	<u>1,537,000,000</u>	<u>342,000,000</u>				
	<u>5,020,373,150</u>	<u>4,875,089,955</u>				

6.2 Long term musharaka

LENDER	2014	2013	RATE OF PROFIT PER ANNUM	NUMBER OF INSTALLMENTS	PROFIT REPRICING	PROFIT PAYABLE
Rupees						
Bur Bank Limited	70,000,000	105,000,000	6 month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Cuban Islamic Bank (Pakistan) Limited-1	80,000,000	150,000,000	6-month KIBOR + 1.5%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
Dubai Islamic Bank (Pakistan) Limited-2	320,000,000	400,000,000	8-month KIBOR + 0.75%	Ten equal half yearly instalments commenced on 29 September 2013 and ending on 29 March 2018.	Half Yearly	Half Yearly
	<u>470,000,000</u>	<u>655,000,000</u>				

6.3 Long term loans are secured by first joint pan passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 5,566,909 million (2013: Rupees 5,566,909 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 4,550 million (2013: Rupees 3,333,334 million)

6.4 Long term musharaka are secured by first joint pan passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 610,833 million (2013: Rupees 610,833 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 460 million (2013: Rupees 450 million)

7. REDEEMABLE CAPITAL

	2014	2013	RATE OF PROFIT PER ANNUM	NUMBER OF INSTALLMENTS	PROFIT REPRICING	PROFIT PAYABLE
Rupees						
Privately placed term finance certificates	156,250,000	251,250,000	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commenced on 30 December 2011 and ending on 30 September 2015.	Quarterly	Quarterly
Less: Current portion shown under current liabilities (Note 11)	<u>125,000,000</u>	<u>125,000,000</u>				
	<u>31,250,000</u>	<u>126,250,000</u>				

7.1 Privately placed term finance certificates are secured by first joint pan passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 583,333 million (2013: Rupees 583,333 million).

	2014 Rupees	2013 Rupees
<b>8. TRADE AND OTHER PAYABLES</b>		
Creditors (Note 8.1)	823,301,752	845,135,593
Accrued liabilities	460,083,872	284,274,252
Advances from customers	42,660,691	73,010,759
Securities from contractors - interest free and repayable on completion of contracts	3,296,033	2,893,232
Retention money	33,695,305	18,918,528
Income tax deducted at source	15,469,966	12,459,832
Unclaimed dividend	22,988,204	20,678,020
Workers' profit participation fund (Note 8.2)	48,963,705	133,588,242
Workers' welfare fund	21,681,803	21,681,803
Fair value of forward exchange contracts	-	3,934,388
Others	13,423,558	8,447,362
	<u>1,485,564,889</u>	<u>1,425,022,011</u>

8.1 It includes Rupees 1,439 million (2013: Rupees Nil) due to related party.

**8.2 Workers' profit participation fund**

Balance as at 01 July	133,588,242	45,795,817
Add: Interest for the year (Note 29)	2,707,776	7,255,187
Add: Allocation for the year (Note 27)	48,963,705	133,588,242
	<u>185,259,723</u>	<u>186,639,246</u>
Less: Payments during the year	136,296,018	53,051,004
Balance as at 30 June	<u>48,963,705</u>	<u>133,588,242</u>

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

	2014 Rupees	2013 Rupees
<b>9. ACCRUED MARK-UP</b>		
Long term financing	99,717,443	72,521,723
Redeemable capital	53,165	87,300
Short term borrowings	111,164,012	91,640,526
	<u>210,934,620</u>	<u>164,249,549</u>

**10. SHORT TERM BORROWINGS**

	2014 Rupees	2013 Rupees
<b>From banking companies - secured</b>		
Short term running finances (Notes 10.1 and 10.2)	261,564,193	587,198,422
Export finances - Pre-shipment / SBP refinance (Notes 10.1 and 10.3)	7,043,678,859	1,662,615,362
Other short term finances (Notes 10.1 and 10.4)	1,875,000,000	4,244,152,000
	<u>9,180,243,052</u>	<u>6,493,965,784</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 Company and lien on export bills to the extent of Rupees 23,864 million (2013: Rupees 16,493 million). These form part of total credit facilities of Rupees 17,140 million (2013: Rupees 12,225 million).
- 10.2 The rates of mark-up range from 9.52% to 12.94% (2013: 10.02% to 14.60%) per annum on the balance outstanding.
- 10.3 The rates of mark-up on Pak Rupee finances and US Dollar finances range from 8.90% to 11.03% (2013: 8.70% to 12.83%) per annum and 1.25% to 3.28% (2013: 1.45% to 2.39%) per annum respectively on the balance outstanding.
- 10.4 The rates of mark-up range from 9.32% to 10.84% (2013: 9.42% to 12.84%) per annum on the balance outstanding.

	2014 Rupees	2013 Rupees
<b>11. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>		
Current portion of long term financing (Note 6)	1,799,341,777	1,495,216,772
Current portion of redeemable capital (Note 7)	125,000,000	125,000,000
	<u>1,924,341,777</u>	<u>1,620,216,772</u>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

- 12.1.1 The Company filed the sales tax refund claim amounting to Rupees 43.507 million for the tax period December 2011 through Expeditious Refund System (ERS) / Risk Management System (RMS) of Federal Board of Revenue (FBR). However, the said claim did not qualify the RMS criteria due to information technology issues and was forwarded for normal processing to Large Taxpayer Unit (LTU). Subsequently the request for roll back of the subject claim was submitted by the Company to FBR. The subject claim was rolled back by FBR. However, when the Company tried to re-file its claim through RMS, the claim had become time barred. In the meanwhile, the Tax Department had also initiated pre-refund audit of the Company for the tax period December 2011 and duly completed it. After completion of pre-refund audit, LTU, Lahore, tried to allow condonation so that the Company can file the above said claim, but filing of refund claim could not be processed as it has exceeded time limit of one year. Now the Chief Commissioner has requested FBR to condone the time limit for re-filing of above referred refund claim, as the Company has filed complaint before Federal Tax Ombudsman in this regard. No provision against this sales tax refund has been made in these financial statements as the Company is confident to get the sales tax refund.

- 12.1.2** 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 36.881 million (2013: Rupees 28.246 million) is payable on this account but the management of the Company is confident that payment of electricity duty will not be required.
- 12.1.3** 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 Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Company and forwarded the case to FBR. However, FBR has not accepted the recommendations of ADRC. The Company has now filed appeal before the Honourable High Court of Sindh against the order of ATIR, where the case is pending.
- 12.1.4** The Company has impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.
- 12.1.5** While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) which was decided in the Company's favour against which the department preferred an appeal to Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Company. The department has filed an appeal before Honourable Lahore High Court, Lahore. No provision against these disallowances and addition has been made in the financial statements as the management is confident that the matter would be settled in the Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million would be required.
- 12.1.6** As a result of withholding tax audit for the tax year 2006, the Deputy Commissioner Inland Revenue (DCIR) has raised a demand of Rupees 32.156 million under sections 161 and 205 of the Income Tax Ordinance, 2001. The Company is in appeal before ATIR as its appeal before 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 has also challenged the initiation of proceedings, under section 161 and 205 of the Income Tax Ordinance, 2001 pertaining to tax years 2007, 2008, 2009, 2010, 2011 and 2012 in the Honourable Lahore High Court, Lahore through a writ petition. The Honourable Lahore High Court, Lahore has directed the Tax Department to issue notice for reconciliation and in case default is established only that action under section 205 of the Income Tax Ordinance, 2001 can be taken. 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.
- 12.1.7** 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.

- 12.1.8** The Deputy Collector (Refund – Gold) by order dated 16 May 2007 rejected the input tax claim of the Company for the month of June 2005, amounting to Rupees 1,604 million incurred in zero rated local supplies of textile and articles thereof on the grounds that the input tax claim is in contravention of SRO 992(I)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. The appeal of the Company before Appellate Tribunal Inland Revenue (ATIR) was successful and input tax claim of the Company is expected to be processed after necessary verification in this regard. Pending the outcome of verification no provision for inadmissible input tax has been recognized in these financial statements.
- 12.1.9** Guarantees of Rupees 296,059 million (2013: Rupees 221,299 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.
- 12.1.10** Guarantees of Rupees 106 million (2013: Rupees 86 million) have been issued by the banks of the Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.
- 12.1.11** Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 292,511 million (2013: Rupees 154,347 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.

## 12.2 Commitments

- 12.2.1** Contracts for capital expenditure amounting to Rupees 128,530 million (2013: Rupees 913,661 million).
- 12.2.2** Letters of credit other than for capital expenditure amounting to Rupees 269,393 million (2013: Rupees 197,348 million).
- 12.2.3** Outstanding foreign currency forward contracts of Rupees 2,874,933 million (2013: Rupees 3,350,847 million).

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>13. FIXED ASSETS</b>		
Property, plant and equipment		
Operating fixed assets (Note 13.1)	8,512,710,263	5,986,747,224
Capital work-in-progress (Note 13.2)	860,189,843	1,648,294,714
	<u>9,372,900,106</u>	<u>7,635,041,938</u>
Intangible asset		
Computer software (Note 13.1)	9,106,034	566,431
	<u>9,382,006,140</u>	<u>7,635,608,369</u>

Reconciliation of operating fixed assets and intangible assets at the beginning and at the end of the year are as follows:

Description	Operating fixed assets										Intangible asset Computer software
	Freehold lands	Buildings or freehold land	Plant and machinery	Stairway equipment	Electric installations	Factory equipment	Furniture, fixtures and equipment	Office equipment	Motor vehicles	Total	
<b>At 30 June 2012</b>											
Cost	205 609 873	1 732 448 468	8 833 537 981	30 352 951	203 257 546	158 658 475	58 780 757	52 358 959	122 308 870	11 401 531 670	5 564 315
Accumulated depreciation / amortization	-	(795 434 353)	(4 330 515 606)	(16 765 927)	(113 016 782)	(80 346 634)	(29 689 193)	(23 114 823)	(52 865 585)	(5 428 748 374)	(3 338 537)
Net book value	205 609 873	937 014 115	4 503 022 375	13 587 024	90 240 764	78 311 841	29 091 564	29 244 136	69 443 285	5 972 783 296	2 225 778
<b>Year ended 30 June 2013</b>											
Opening net book value	205 609 873	947 014 115	4 503 022 375	13 587 024	90 240 764	78 451 811	29 091 574	29 244 136	69 443 284	5 972 783 486	2 205 775
Additions	370 043 524	24 931 067	110 871 654	-	10 632 596	1 615 546	1 906 868	7 658 019	14 119 569	541 779 843	-
Disposals:											
Cost	-	-	-	-	-	-	-	-	(9 529 506)	(1 017 480)	-
Accumulated depreciation	-	-	-	-	-	-	7 141	345 347	5 497 701	5 843 183	-
Depreciation / amortization charge	-	(47 677 178)	(436 263 656)	(13 16 360)	(9 508 787)	(7 919 256)	(2 978 575)	(3 564 193)	(13 767 341)	(4 830 637)	(1 639 235)
Closing net book value	579 653 397	924 267 944	4 076 830 314	12 270 674	91 404 673	72 168 058	27 903 128	35 674 828	65 754 207	6 996 747 224	566 431
<b>At 30 June 2013</b>											
Cost	579 653 397	1 757 379 475	8 344 409 315	30 352 951	213 030 242	180 453 961	80 583 755	58 998 498	126 858 933	11 932 040 827	5 564 316
Accumulated depreciation / amortization	-	(833 111 531)	(4 766 775 201)	(18 082 277)	(122 525 569)	(88 265 903)	(32 681 627)	(23 323 659)	(61 144 726)	(5 945 893 633)	(5 097 863)
Net book value	579 653 397	924 267 944	4 177 634 114	12 270 674	91 404 673	72 188 058	27 903 128	35 674 828	65 754 207	5 986 147 194	566 431
<b>Year ended 30 June 2014</b>											
Opening net book value	579 653 397	924 267 944	4 177 634 114	12 270 674	91 404 673	72 188 058	27 903 128	35 674 828	65 754 207	5 986 147 224	566 431
Additions	16 331 538	604 210 667	2 146 567 572	2 845 265	227 253 720	48 812 664	8 990 058	10 361 431	26 772 169	3 143 807 044	9 585 296
Disposals:											
Cost	-	-	-	-	(3 676 473)	-	-	(374 142)	(6 516 627)	(12 827 207)	-
Accumulated depreciation	-	-	-	-	2 762 181	-	-	1 15 634	5 211 646	9 389 431	-
Depreciation / amortization charge	-	(59 202 810)	(502 639 018)	(1 486 394)	(1 114 292)	(258 538)	(3 185 802)	(4 040 129)	(13 815 814)	(612 906 725)	(1 045 693)
Closing net book value	606 084 935	1 515 267 801	5 620 048 618	13 649 535	298 017 034	111 961 605	33 707 326	41 737 594	75 345 556	8 512 710 263	9 106 334
<b>At 30 June 2014</b>											
Cost	585 984 935	2 411 562 142	11 082 467 137	33 156 206	437 287 549	209 266 645	66 553 813	68 085 737	145 094 450	15 053 423 664	15 249 614
Accumulated depreciation / amortization	-	(892 314 341)	(5 263 418 319)	(13 549 671)	(129 270 515)	(97 315 039)	(35 846 429)	(27 248 193)	(69 748 834)	(6 556 710 401)	(6 143 563)
Net book value	585 984 935	1 519 247 801	5 823 048 818	19 606 535	298 017 034	111 961 606	33 707 384	41 737 594	75 345 556	8 512 710 263	9 106 334
<b>Annual rate of depreciation / amortization (%)</b>											
	5	10	10	10	10	10	10	10	20	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	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
Rupees								
<b>Electric installations</b>								
Generator 300 KVA	1	3,875,413	(2,752,181)	1,114,232	400,000	(714,232)	Negotiation	Mr. Abdul Waheed, Lahore
<b>Office equipment</b>								
Apple iPhone 5s	1	106,750	(12,098)	94,652	47,000	(47,652)	Negotiation	Mr. Bilal Amjad, Lahore
<b>Motor vehicles</b>								
Honda Civic LRM-700	1	1,287,031	(1,135,432)	161,599	825,000	663,401	Negotiation	Mr. Zahed Ali Khan, Lahore
Toyota Corolla Altis LWF-7957	1	1,343,880	(1,072,608)	271,272	860,000	588,728	Negotiation	Mr. Abdul Wahab Khan, Bannu
Suzuki Mehran LEA-06-9308	1	395,000	(295,680)	99,320	395,000	295,680	Company's policy	Mr. Suland Akhtar (Employee), Lahore
Toyota Hilux Van LZJ-7163	1	849,907	(714,184)	135,639	850,000	714,361	Negotiation	Mr. Abdul Wahab Khan, Bannu
Suzuki Cultus LEC-5496	1	646,565	(474,184)	172,382	660,000	487,618	Negotiation	Mr. Alta Ullah Hussain, Faisalabad
Toyota Hiace LZJ 2499	1	900,000	(685,937)	234,063	1,470,000	1,235,937	Negotiation	Mr. Muhammad Akhtar, Jhelum
Suzuki Bolan LEE-08-6872	1	472,230	(326,065)	146,165	475,000	328,835	Negotiation	Mr. Habib Asad Khan, Lahore
Suzuki Cultus LZV-6519	1	602,788	(482,050)	120,738	465,000	344,262	Negotiation	Mr. Shahzad Pirzada, Lahore
Toyota Corolla Altis LEF-13-9567	1	2,013,610	-	2,013,610	1,900,000	(113,610)	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	7	323,132	(149,028)	174,104	225,740	51,636		
		<u>12,827,207</u>	<u>(8,089,431)</u>	<u>4,737,776</u>	<u>8,572,740</u>	<u>3,834,964</u>		

	2014 Rupees	2013 Rupees
<b>13.1.2</b> The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 24)	603,961,035	512,146,606
Administrative expenses (Note 26)	8,945,194	10,838,812
	<u>612,906,229</u>	<u>522,985,418</u>
<b>13.1.3</b> Amortization on intangible asset amounting to Rupees 1.046 million (2013: Rupees 1.699 million) has been allocated to administrative expenses.		
<b>13.2 Capital work-in-progress</b>		
Civil works on freehold land	172,681,787	396,616,392
Plant and machinery	258,722,704	-
Mobilization advances	8,030,572	41,355,035
Letters of credit	16,384,824	771,403,466
Advances for capital expenditures	30,066,886	436,919,821
Unallocated expenditures (Note 13.2.1)	374,303,070	-
	<u>860,189,843</u>	<u>1,648,294,714</u>
<b>13.2.1 Unallocated expenditures</b>		
Unallocated expenditures incurred to-date relating to new spinning units	789,312,172	-
Less: Sale of trial production	122,997,390	-
Less: Stock-in-trade as at commercial	115,668,629	-
Less: Transferred to operating fixed assets on commercial operations of a spinning unit	176,343,083	-
	<u>374,303,070</u>	<u>-</u>
<b>13.3</b> Borrowings cost capitalized amounted to Rupees 144.903 million (2013: Rupees 0.378 million) using the capitalization rate of 10.52% to 10.86% (2013: 10.09%) per annum during the year.		
<b>14. INVESTMENTS IN SUBSIDIARY COMPANIES - AT COST</b>		
Nishat Chunian Power Limited - quoted (Note 14.1)		
187,585,820 (2013: 187,585,820) fully paid ordinary shares of Rupees 10 each. Equity held 51.07% (2013: 51.07%)	1,875,858,200	1,875,858,200
Nishat Chunian USA Inc. - unquoted		
200 (2013: 200) fully paid shares with no par value per share		
Equity held 100% (2013: 100%)	10,823,000	10,823,000
NC Electric Company Limited - unquoted		
1,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each		
Equity held 100% (2013: Nil)	10,000	-
Advance for purchase of shares	99,627,505	-
	99,637,505	-
	<u>1,986,318,705</u>	<u>1,886,681,200</u>
<b>14.1</b> The Company has to maintain at least 51% holding in the share capital of Nishat Chunian Power Limited (NCPL) during the period of first six years from the date of commercial operations of NCPL which is 21 July 2010. Moreover, the Company has pledged 187,346,939 (2013: 187,346,939) ordinary shares to lenders of NCPL for the purpose of securing finance		

	2014 Rupees	2013 Rupees
<b>15. LONG TERM LOANS TO EMPLOYEES</b>		
<b>Considered good:</b>		
Executives (Notes 15.1 and 15.2)	4,908,602	2,773,119
Other employees (Note 15.2)	387,914	948,886
	<u>5,296,516</u>	<u>3,722,005</u>
Less: Current portion shown under current assets (Note 19)		
Executives	2,204,811	506,298
Other employees	37,482	123,078
	<u>2,242,293</u>	<u>629,376</u>
	<u>3,054,223</u>	<u>3,092,629</u>
<b>15.1 Reconciliation of carrying amount of loans to executives:</b>		
Balance as at 01 July	2,773,119	4,693,327
Add: Disbursements	2,625,000	1,759,000
Add: Transferred from other employees	573,936	-
Less: Repayments	1,063,453	3,679,208
Balance as at 30 June	<u>4,908,602</u>	<u>2,773,119</u>
<b>15.1.1</b> Maximum aggregate balance due from executives at the end of any month during the year was Rupees 4,908 million (2013: Rupees 4,486 million).		
<b>15.2</b> These represent motor vehicle loans and personal loan to executives and employees, payable in 30 to 48 and 16 monthly instalments respectively. Interest on long term loans ranged from 10.45% to 14.50% per annum (2013: 10.49% to 14.50% per annum) while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of the Company, whereas personal loan is secured against balance standing to the credit of employee in the provident fund trust account.		
<b>15.3</b> 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.		
<b>16. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	488,707,414	375,742,240
Spare parts	233,768,022	171,230,560
Loose tools	42,667,375	22,205,007
	<u>765,142,811</u>	<u>569,177,807</u>
<b>17. STOCK-IN-TRADE</b>		
Raw materials	5,773,991,478	4,730,548,430
Work-in-process	507,370,103	376,405,750
Finished goods	695,735,249	478,795,009
Waste	39,999,009	54,134,534
	<u>7,017,095,839</u>	<u>5,639,883,723</u>

- 17.1 Stock-in-trade of Rupees 5,533.388 million (2013: Rupees 98.997 million) is being carried at net realizable value
- 17.2 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 470.283 million (2013: Rupees Nil).

	2014 Rupees	2013 Rupees
<b>18. TRADE DEBTS</b>		
<b>Considered good:</b>		
Secured:		
- Others	3,441,486,869	3,217,867,421
Unsecured:		
- Nishat Chunian USA Inc. - subsidiary company	613,576,538	337,974,868
- Nishat Mills Limited - related party	32,500,266	102,181
- Others	394,565,196	348,442,254
	<u>1,040,642,000</u>	<u>686,519,303</u>
	<u>4,482,128,869</u>	<u>3,904,386,724</u>

- 18.1 As at 30 June 2014, trade debts due from other than related parties of Rupees 479.249 million (2013: Rupees 1.808 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:

Upto 1 month	-	-
1 to 6 months	476,757,097	127,226
More than 6 months	2,491,679	1,680,622
	<u>479,248,776</u>	<u>1,807,848</u>

- 18.2 As at 30 June 2014, trade debts due from related parties amounting to Rupees 205.164 million (2013: Rupees Nil) were past due but not impaired. The age analysis of these trade debts is as follows:

Upto 1 month	205,164,250	-
More than 6 months	-	-
	<u>205,164,250</u>	<u>-</u>

## 19. LOANS AND ADVANCES

### Considered good:

#### Employees - interest free:

- Executives	4,271,950	5,037,525
- Other employees	1,307,642	864,925
	<u>5,579,592</u>	<u>5,902,450</u>

Current portion of long term loans to employees (Note 15)	2,242,293	629,376
Advances to suppliers (Note 19.1)	527,455,675	380,387,981
Advances to contractors	558,612	337,112
Letters of credit	51,026,230	395,660,372
	<u>586,862,402</u>	<u>782,917,291</u>

- 19.1 It includes advances amounting to Rupees 3.178 million (2013: Rupees 0.181 million) to D.G. Khan Cement Company Limited - related party.

	2014 Rupees	2013 Rupees
<b>20. OTHER RECEIVABLES</b>		
<b>Considered good:</b>		
Sales tax recoverable	722,710,539	839,653,479
Advance income tax - net	505,565,379	216,971,175
Export rebate and claims	126,002,461	89,716,885
Fair value of forward exchange contracts	8,552,927	-
Receivable from employees' provident fund trust	3,179,649	2,684,361
Dividend receivable from Nishat Chunian Power Limited - subsidiary company	281,378,730	-
Miscellaneous (Note 20.1)	8,454,445	9,803,745
	<u>1,655,844,130</u>	<u>1,158,829,645</u>

**20.1** It includes Rupees Nil (2013: Rupees 1,507 million) due from Nishat Chunian Power Limited - subsidiary company, which is in the ordinary course of business and is interest free.

## **21. SHORT TERM INVESTMENTS**

### **Held-to-maturity**

Term deposit receipts (Note 21.1)	20,660,226	78,660,226
Add: Accrued interest	1,998,586	3,502,133
	<u>22,658,812</u>	<u>82,162,359</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 range from 4.98% to 9.01% (2013: 8.64% to 9.59%) 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\$ 18,516 (2013: US\$ 48,008)	1,834,710	6,338,277
Term deposit receipt (Note 22.2)	-	2,000,000
On current accounts (Note 22.3) Including US\$ 36,793 (2013: US\$ 30,601)	15,226,155	249,376,329
	<u>17,060,865</u>	<u>257,714,606</u>
<b>Cash in hand</b>	<u>1,177,810</u>	<u>1,522,923</u>
	<u>18,238,675</u>	<u>259,237,529</u>

**22.1** Rate of profit on saving accounts is 6% (2013: 6%) per annum.

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

**22.3** Included in cash with banks on current accounts are Rupees 5.993 million (2013: Rupees 14.953 million) with MCB Bank Limited - associated company.

	2014 Rupees	2013 Rupees
<b>23. SALES</b>		
Export	15,723,098,104	15,536,609,195
Local (Notes 23.1 and 23.2)	7,012,192,459	5,630,598,321
Export rebate and duty draw back	54,467,578	46,036,788
	<u>22,799,758,141</u>	<u>21,213,244,304</u>
<b>23.1 Local sales</b>		
Sales	6,761,065,099	5,288,476,276
Processing income	409,815,969	381,911,799
	<u>7,170,881,068</u>	<u>5,670,388,075</u>
Less: Sales tax	158,688,609	39,789,754
	<u>7,012,192,459</u>	<u>5,630,598,321</u>
<b>23.2</b>	Local sales includes waste sales of Rupees 544,910 million (2013: Rupees 489,837 million).	
<b>24. COST OF SALES</b>		
Raw materials consumed (Note 24.1)	14,591,503,845	11,699,927,834
Packing materials consumed	668,286,707	619,687,238
Stores, spare parts and loose tools consumed	1,140,113,380	963,866,913
Salaries, wages and other benefits (Note 24.2)	1,526,798,448	1,235,272,015
Fuel and power	3,022,413,495	2,515,711,503
Insurance	42,507,210	34,395,849
Postage and telephone	4,114,794	437,580
Travelling and conveyance	18,908,191	14,828,304
Vehicles' running and maintenance	25,024,795	22,047,753
Entertainment	9,244,244	4,451,654
Depreciation on operating fixed assets (Note 13.1.2)	603,961,035	512,146,606
Repair and maintenance	25,920,597	18,580,245
Other factory overheads	74,117,045	59,664,137
	<u>21,762,913,786</u>	<u>17,701,017,631</u>
Work-in-process		
Opening stock	376,405,750	380,749,192
Closing stock	(507,370,103)	(376,405,750)
	<u>(130,964,353)</u>	<u>4,343,442</u>
Cost of goods manufactured	<u>21,621,949,433</u>	<u>17,705,361,073</u>
Finished goods and waste - opening stocks		
Finished goods	478,795,009	412,367,556
Waste	54,134,534	32,878,314
	<u>532,929,543</u>	<u>445,245,870</u>
	<u>22,154,878,976</u>	<u>18,150,606,943</u>
Finished goods and waste - closing stocks		
Finished goods	(695,735,249)	(478,795,009)
Waste	(39,999,009)	(54,134,534)
	<u>(735,734,258)</u>	<u>(532,929,543)</u>
	<u>21,419,144,718</u>	<u>17,617,677,400</u>

	2014 Rupees	2013 Rupees
<b>24.1 Raw materials consumed</b>		
Opening stock	4,730,548,430	3,184,718,270
Add: Purchased during the year	15,534,946,893	13,245,757,994
	<u>20,365,495,323</u>	<u>16,430,476,264</u>
Less: Closing stock	5,773,991,478	4,730,548,430
	<u>14,591,503,845</u>	<u>11,699,927,834</u>

**24.2** Salaries, wages and other benefits include Rupees 10.412 million (2013: Rupees 10.435 million) and Rupees 26.619 million (2013: Rupees 23.255 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)	46,012,905	34,255,191
Ocean freight	135,990,247	128,842,607
Freight and octroi	75,465,227	82,588,934
Forwarding and other expenses	167,517,829	40,029,361
Export marketing expenses	122,489,664	108,979,946
Commission to selling agents	118,013,076	140,346,951
	<u>665,488,948</u>	<u>535,142,990</u>

**25.1** Salaries and other benefits include Rupees 0.718 million (2013: Rupees 0.513 million) and Rupees 2.263 million (2013: Rupees 1.682 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

## **26. ADMINISTRATIVE EXPENSES**

Salaries and other benefits (Note 26.1)	67,850,433	58,951,543
Printing and stationery	3,751,059	4,284,781
Vehicles' running and maintenance	4,486,506	4,398,630
Travelling and conveyance	35,474,701	30,314,207
Postage and telephone	3,851,550	3,355,901
Fee and subscription	4,886,811	5,951,290
Legal and professional	5,703,946	4,758,000
Electricity and su: gas	3,441,121	7,995,075
Insurance	3,306,950	3,185,956
Repair and maintenance	1,933,107	5,195,255
Entertainment	6,366,620	3,917,714
Auditors' remuneration (Note 26.2)	1,778,000	1,371,750
Depreciation on operating fixed assets (Note 13.1.2)	8,945,194	10,838,812
Amortization on intangible asset (Note 13.1.3)	1,045,695	1,699,295
Miscellaneous	1,961,815	3,124,318
	<u>154,783,508</u>	<u>149,342,527</u>

26.1 Salaries and other benefits include Rupees 2 454 million (2013: Rupees 3 893 million) and Rupees 2 175 million (2013: Rupees 2,224 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2014 Rupees	2013 Rupees
<b>26.2 Auditors' remuneration</b>		
Audit fee	1,260,000	1,000,000
Half yearly review	280,000	197,750
Certification fees	100,000	50,000
Reimbursable expenses	138,000	124,000
	<u>1,778,000</u>	<u>1,371,750</u>

## 27. OTHER EXPENSES

Workers' profit participation fund (Note 8.2)	48,963,705	133,588,242
Donations (Note 27.1)	23,762,183	3,703,978
	<u>72,725,888</u>	<u>137,292,220</u>

### 27.1 Donations

This includes donations amounting to Rupees 3.696 million (2013: Rupees 3.704 million) to Mian Muhammad Yahya Trust, 31-Q, Gulberg II, Lahore in which Mr. Shahzad Saleem, Chairman and Chief Executive, Mr. Aftab Ahmad Khan, Director, Mrs. Farhat Saleem, Director and Mr. Yahya Saleem, Director are trustees and Rupees 20 million (2013: Rupees Nil) to Saleem Memorial Trust Hospital, 31-Q, Gulberg II, Lahore in which Mr. Shahzad Saleem, Chairman and Chief Executive, Mrs. Farhat Saleem, Director and Mr. Yahya Saleem, Director are directors.

## 28. OTHER INCOME

### Income from financial assets

Return on bank deposits	5,232,138	5,201,545
Net exchange gain	166,060,595	183,982,497
Credit balances written back	3,123,402	-

### Income from investment in and loans to subsidiary company

Interest income on loans to subsidiary company	-	15,946,610
Dividend income	1,594,479,470	750,343,280

### Income from non-financial assets

Gain on sale of operating fixed assets	3,834,964	2,170,284
Sale of scrap	41,875,851	42,125,780
Miscellaneous	672,929	623,907
	<u>1,815,279,349</u>	<u>1,000,393,903</u>

	2014 Rupees	2013 Rupees
<b>29. FINANCE COST</b>		
Mark-up on:		
- long term loans	561,112,815	460,022,803
- long term musharaka	60,101,084	54,259,832
- redeemable capital	28,002,801	45,469,512
- short term running finances	97,597,500	78,407,849
- export finances - Preshipment / SBP refinances	275,105,699	248,317,271
- short term finances	339,185,997	284,772,973
Interest on workers' profit participation fund (Note 8.2)	2,707,776	7,255,187
Bank charges and commission	11,478,148	64,756,239
	<u>1,375,291,820</u>	<u>1,243,261,666</u>

**30. TAXATION**

Current (Note 30.1)	<u>166,306,073</u>	<u>254,760,294</u>
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**30.1** The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly.

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

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

	2014	2013 Restated
<b>31. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after taxation attributable to ordinary shareholders (Rupees)	<u>761,296,535</u>	<u>2,276,161,110</u>
Weighted average number of ordinary shares outstanding during the year (Number)	<u>200,184,630</u>	<u>200,184,630</u>
Basic earnings per share (Rupees)	<u>3.80</u>	<u>11.37</u>

**31.1** There is no dilutive effect on basic earnings per share for the year ended 30 June 2014 and 30 June 2013 as the Company has no potential ordinary shares as on 30 June 2014 and 30 June 2013.

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

	2014 Rupees	2013 Rupees
<b>32. CASH (UTILIZED IN) / GENERATED FROM OPERATIONS</b>		
Profit before taxation	927,602,608	2,530,921,404
<b>Adjustments for non - cash charges and other items:</b>		
Depreciation on operating fixed assets	612,906,229	522,985,418
Amortization on intangible asset	1,045,695	1,699,295
Gain on sale of operating fixed assets	(3,834,964)	(2,170,284)
Dividend income	(1,594,479,470)	(750,343,280)
Finance cost	1,375,291,820	1,243,261,666
Interest income on loans to subsidiary company	-	(15,946,610)
Return on bank deposits	(5,232,138)	(5,201,545)
Credit balances written back	(3,123,402)	-
Working capital changes (Note 32.1)	(1,819,463,333)	(3,192,589,158)
	<u>(509,286,955)</u>	<u>332,616,906</u>
<b>32.1 Working capital changes</b>		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(195,965,004)	(45,904,017)
Stock-in-trade	(1,377,212,116)	(1,629,170,391)
Trade debts	(577,742,145)	(876,530,572)
Loans and advances	197,667,806	(612,561,849)
Short term prepayments	(526,419)	(73,785)
Other receivables	72,958,449	(344,609,676)
	<u>(1,880,819,429)</u>	<u>(3,508,850,290)</u>
Increase in trade and other payables	61,356,096	316,261,132
	<u>(1,819,463,333)</u>	<u>(3,192,589,158)</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	
	2014	2013	2014	2013	2014	2013
	----- Rupees -----					
Managerial remuneration	4,600,000	1,533,333	-	2,733,267	52,022,000	37,514,000
Contribution to provident fund	-	-	-	-	4,333,433	3,124,916
House rent	1,840,000	613,333	-	1,093,307	20,808,800	15,005,600
Utilities	460,000	153,333	-	273,327	5,202,200	3,751,400
Others	844,669	482,668	-	855,976	6,178,219	4,090,716
	<u>7,744,669</u>	<u>2,782,667</u>	<u>-</u>	<u>4,955,877</u>	<u>88,544,652</u>	<u>63,486,632</u>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>47</b>	<b>33</b>

- 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 seven (2013: one) directors was Rupees 400,000 (2013: Rupees 80,000).
- 33.3 No remuneration was paid to non-executive directors of the Company.

### 34. TRANSACTIONS WITH RELATED PARTIES

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

	2014 Rupees	2013 Rupees
<b>Subsidiary companies</b>		
Short term loans made during the year	-	1,430,000,000
Repayment of short term loans by the subsidiary company	-	2,562,500,000
Common facilities cost charged	18,000,000	9,900,000
Dividend income	1,594,479,470	750,343,280
Sale of goods	1,749,534,468	353,015,470
Investment made	99,637,505	10,823,000
<b>Associated company / undertaking</b>		
Insurance premium paid	78,299,654	64,488,754
Insurance claims received	7,765,714	11,306,029
Purchase of operating fixed asset	925,000	-
<b>Other related parties</b>		
Purchase of goods	52,371,455	64,447,186
Sales of goods	417,799,933	91,383,063
Dividend paid	60,551,432	55,046,760
Company's contribution to employees' provident fund trust	31,058,066	27,160,918

35 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on audited financial statements of the provident fund for the years ended 30 June 2014 and 30 June 2013:

	2014 Rupees	2013 Rupees
Size of the fund - Total assets	256,700,262	215,300,085
Cost of investments	228,951,219	194,652,856
Fair value of investments	235,587,674	197,948,210
Percentage of investments made	91.77%	91.94%

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

	2014 Percentage	2013 Percentage	2014 Rupees	2013 Rupees
Deposits with banks	0.85%	0.60%	1,997,499	1,196,019
Treasury bills	89.36%	93.58%	210,528,650	185,230,165
Mutual funds - open end	6.13%	1.02%	14,444,594	2,018,993
Listed securities	3.66%	4.80%	8,616,931	9,503,033
	<u>100%</u>	<u>100%</u>	<u>235,587,674</u>	<u>197,948,210</u>

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

	2014	2013
36 NUMBER OF EMPLOYEES		
Number of employees as on 30 June	6,839	6,228
Average number of employees during the year	6,698	5,897



	2014	2013
<b>38. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
<b>Spinning</b>		
Number of spindles installed	171,836	149,948
Number of spindles worked	156,856	141,752
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs )	52,888,973	49,384,297
Actual production of yarn after conversion into 20/1 count (Kgs )	52,034,299	48,702,945

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

#### **Weaving**

Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	185,426,474	200,349,994

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	19	19
Number of engines worked	19	19
Number of shifts per day	3	3
Generation capacity (KWh)	346,896,000	346,896,000
Actual generation (KWh)	99,979,762	127,295,248

Under utilization of available capacity was due to normal maintenance.

#### **Dyeing**

Number of thermost dyeing machines	1	1
Number of stenters machines	3	3
Number of shifts per day	3	3
Capacity in meters	30,800,000	30,800,000
Actual processing of fabrics - meters	28,386,575	27,873,206

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

#### **Printing**

Number of stenter machine	1	1
Number of shifts per day	2	2
Capacity in meters	6,200,000	6,200,000
Actual processing of fabrics - meters	7,517,225	6,395,081

Over utilization of available capacity was due to occasional extra shift

#### **Stitching**

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

## 39. FINANCIAL RISK MANAGEMENT

### 39.1 Financial risk factors

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

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

#### (a) Market risk

##### (i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) 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:

	2014	2013
Cash at banks - USD	55,309	78,609
Trade debts - USD	40,790,291	36,212,258
Trade debts - EURO	599,694	785,994
Trade and other payables - USD	(502,759)	(546,564)
Trade and other payables - EURO	(26,377)	(8,422)
Short term borrowings - USD	(41,094,691)	(2,658,050)
Accrued mark-up - USD	(239,838)	(4,396)
Net exposure - USD	(991,688)	33,081,857
Net exposure - EURO	573,307	777,572

The following significant exchange rates were applied during the year:

##### Rupees per US Dollar

Average rate	102.80	96.80
Reporting date rate	98.65	98.70

##### Rupees per EURO

Average rate	139.79	126.66
Reporting date rate	134.60	128.79

##### 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 0.971 million (2013: Rupees 158.02 million) respectively lower / higher, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

##### (ii) Other price risk

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

### (iii) Interest rate risk

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

The Company has no significant long-term interest-bearing asset. The Company's interest rate risk arises mainly from long term financing, redeemable capital 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:

	2014 Rupees	2013 Rupees
<b>Fixed rate instruments</b>		
<b>Financial liabilities</b>		
Long term financing	188,081,502	324,409,390
Short term borrowings	4,821,312,745	700,000,000
<b>Financial assets</b>		
Long term loans to employees	2,994,606	1,168,224
Short term investments	-	22,000,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	1,834,710	6,338,277
Short term investments	20,660,226	58,660,226
<b>Financial liabilities</b>		
Long term financing	6,302,291,688	5,215,680,565
Redeemable capital	156,250,000	281,250,000
Short term borrowings	4,358,930,307	5,793,965,784

#### 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 101.473 million (2013: Rupees 106.373 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.

#### 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:

	2014 Rupees	2013 Rupees
Long term security deposits	20,744,440	2,531,259
Trade debts	4,482,128,869	3,904,386,724
Loans and advances	10,876,108	9,624,455
Other receivables	298,386,102	9,803,745
Short term investments	22,658,812	82,162,359
Bank balances	17,060,865	257,714,606
	<u>4,851,855,196</u>	<u>4,266,223,148</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			2014	2013
	Short Term	Long term	Agency	Rupees	Rupees
<b>Banks</b>					
Askari Bank Limited	A1+	AA	PACRA	68,162	4,519,172
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	200,845	29
Bank Alfalah Limited	A1+	AA	PACRA	1,139,920	1,135,030
Bank Al-Jahid Limited	A1+	AA+	PACRA	58,646	6,499,373
BankIslami Pakistan Limited	A1	A	PACRA	137,089	203,057,984
Surj Bank Limited	A-1	A	JCR-VIS	4,123	6,501
Citibank N.A	P-1	A2	Moody's	5,754	2,630
Deutsche Bank AG	P-1	A3	Moody's	105,108	107,196
Duba Islamic Bank (Pakistan) Limited	A-1	A+	JCR-VIS	458,118	268,024
Faysal Bank Limited	A1+	AA	PACRA	186,181	3,080,502
Fabrix Bank Limited	A-1+	AAA	JCR-VIS	684,876	3,608,173
HSBC Bank Middle East Limited	<del>P-1</del>	<del>A2</del>	Moody's	793,960	795,974
MCB Bank Limited	A1-	AAA	PACRA	5,993,382	14,962,578
Meezan Bank Limited	A-1+	AA	JCR-VIS	619,128	14,036,912
National Bank of Pakistan	A-1+	AAA	JCR-VIS	98,283	-
N.B Bank Limited	A1-	AA-	PACRA	152,547	153,034
Standard Chartered Bank (Pakistan) Limited	A1-	AAA	PACRA	539,863	540,197
Summit Bank Limited	A-3	A-	JCR-VIS	463	463
The Bank of Punjab	A1+	AA-	PACRA	4,084,716	3,351,593
United Bank Limited	A-1+	AA+	JCR-VIS	1,719,565	1,499,541
				<u>17,060,865</u>	<u>257,714,606</u>
<b>Short term investments</b>					
Askari Bank Limited	A1+	AA	PACRA	-	22,074,425
BankIslami Pakistan Limited	A1	A	PACRA	22,658,812	60,087,933
				<u>22,658,812</u>	<u>82,162,359</u>
				<u>39,719,677</u>	<u>339,876,965</u>

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

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

### (c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2014, the Company had Rupees 7,960 million (2013: Rupees 5,731 million) available borrowing limits from financial institutions and Rupees 18,239 million (2013: Rupees 259,238 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 2014

	Carrying Amount	Contractual cash flows	Rupees			
			6 month or less	6-12 month	1-2 Year	More than 2 Years
<b>Non-derivative financial liabilities:</b>						
Long term financing	6,490,373,190	7,966,537,002	1,140,023,351	1,257,970,248	2,239,732,404	3,328,810,999
Redeemable capital	156,250,000	170,817,990	71,262,055	67,327,637	32,228,288	-
Short term borrowings	9,180,243,052	9,619,428,045	9,032,788,489	586,640,356	-	-
Trade and other payables	1,356,788,724	1,356,788,724	1,356,788,724	-	-	-
Accrued mark-up	210,934,620	210,934,620	210,934,620	-	-	-
	<u>17,394,589,586</u>	<u>19,324,507,171</u>	<u>11,911,797,239</u>	<u>1,911,938,241</u>	<u>2,271,960,692</u>	<u>3,328,810,999</u>

Contractual maturities of financial liabilities as at 30 June 2013:

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	5,540,089,956	6,768,506,321	1,006,785,275	960,631,846	1,806,475,129	2,994,614,071
Redeemable capital	281,250,000	321,099,008	77,593,733	73,965,805	137,397,038	32,142,432
Short term borrowings	6,493,965,784	6,774,557,025	5,991,278,122	783,278,903	-	-
Trade and other payables	1,184,281,375	1,184,281,375	1,184,281,375	-	-	-
Accrued mark-up	164,249,549	164,249,549	164,249,549	-	-	-
	<u>13,663,836,663</u>	<u>15,212,693,278</u>	<u>8,424,188,064</u>	<u>1,817,876,554</u>	<u>1,943,872,167</u>	<u>3,026,758,503</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, note 7 and note 10 to these financial statements.

**39.2 Fair values of financial assets and liabilities**

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

**39.3 Financial instruments by categories**

**Assets as per balance sheet**

	2014			2013		
	Loans and receivables	At amortized cost	Total	Loans and receivables	At amortized cost	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term security deposits	20,744,440	-	20,744,440	2,531,259	-	2,531,259
Trade debts	4,482,128,669	-	4,482,128,669	3,904,386,724	-	3,904,386,724
Loans and advances	10,876,108	-	10,876,108	9,624,456	-	9,624,456
Other receivables	298,386,102	-	298,386,102	9,803,745	-	9,803,745
Short term investments	-	22,658,812	22,658,812	-	82,162,359	82,162,359
Cash and bank balances	18,238,675	-	18,238,675	259,237,529	-	259,237,529
	<u>4,830,374,194</u>	<u>22,658,812</u>	<u>4,853,033,006</u>	<u>4,185,583,712</u>	<u>82,162,359</u>	<u>4,267,746,071</u>

**Liabilities at amortized cost**

2014	2013
Rupees	Rupees

**Liabilities as per balance sheet**

Long term financing	6,490,373,190	5,540,089,956
Redeemable capital	156,250,000	281,250,000
Accrued mark-up	210,934,620	164,249,549
Short term borrowings	9,180,243,052	6,493,965,784
Trade and other payables	1,356,768,724	1,184,281,375
	<u>17,394,589,586</u>	<u>13,663,836,663</u>

#### 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, redeemable capital and short term borrowings obtained by the Company as referred to in note 6, note 7 and note 10 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 (2013: 65% debt and 35% equity).

		2014	2013
Borrowings	Rupees	15,826,866,242	12,315,306,739
Total equity	Rupees	8,417,595,927	8,020,271,449
Total capital employed	Rupees	<u>24,244,462,169</u>	<u>20,335,577,188</u>
Gearing ratio	Percentage	<u>65.28</u>	<u>60.56</u>

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

#### 41. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 17,140 million (2013: Rupees 12,225 million) out of which Rupees 7,960 million (2013: Rupees 5,731 million) remained unutilized at the end of the year.

#### 42. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on September 26, 2014 has proposed Cash dividend of Rupees 1 per ordinary share (2013: Rupees 2 per ordinary share) in respect of the year ended 30 June 2014. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.

#### 43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 26, 2014 by the Board of Directors of the Company.

#### 44. CORRESPONDING FIGURES

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

#### 45. GENERAL

Figures have been rounded off to nearest of Rupee.

**Statement under section 241(2) of the Companies Ordinance, 1984**

This financial information has been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan.

DIRECTOR

DIRECTOR

**NISHAT (CHUNIAN) LIMITED**  
**CATEGORIES OF SHAREHOLDERS**  
**AS ON JUNE 30, 2014**

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
<b>A) Directors/Chief Executive Officer and their spouse and minor Children</b>			
Mrs. Farhat Saleem	1	4,929,719	2.46
Mr. Shahzad Saleem	1	22,971,118	11.47
Mr. Yahya Saleem	1	22,971,119	11.47
<u>Spouse:</u>			
Mrs. Ayesha Shahzad w/o Mr. Shahzad Saleem	1	198,707	0.10
<b>TOTAL: -</b>	<b>4</b>	<b>51,070,663</b>	<b>25.51</b>
<b>B) Executives</b>	N/A	-	0.00
<b>C) Associated Companies, Undertakings and related parties</b>	4	33,303,285	16.64
<b>D) Public Sectors Companies &amp; Corporations</b>	-	-	
<b>E) NIT and IDBP (ICP UNIT)</b>	4	5,690	0.00
<b>F) Banks, Development Financial Institutions &amp; Non-Banking Financial Institutions</b>	42	20,702,053	10.34
<b>H) Insurance Companies</b>	14	4,916,975	2.46
<b>I) Modarabas &amp; Mutual Funds</b>	28	14,000,350	6.99
<b>J) *Shareholding 5% or more</b>	*3	*73,183,353	*36.56
<b>K) Joint Stock Companies</b>	100	7,155,013	3.57
<b>L) Others</b>	41	1,744,819	0.87
<b>M) General Public</b>	8,453	67,285,782	33.61
<b>TOTAL: -</b>	<b>8,690</b>	<b>200,184,630</b>	<b>100.00</b>

\* 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. SHAHZAD SALEEM	22,971,118	11.47
MR. YAHYA SALEEM	22,971,119	11.47
NISHAT MILLS LIMITED	27,241,116	13.61
<b>TOTAL :-</b>	<b>50,212,235</b>	<b>25.08</b>

INFORMATION UNDER CLAUSE XIX(i) OF THE CODE OF CORPORATE GOVERNANCE  
All trade in the company's shares, carried by its Directors, CEO, CFO,  
Company Secretary and their spouses and minor children during the year  
July 01, 2013 to June 30, 2014

Sale                      Purchase  
—                              —

**Nishat (Chunian) Limited**  
**Pattern of Shareholding as on June 30, 2014**

Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
2587	1	100	60,072	0.03
1499	101	500	482,321	0.24
1293	501	1000	1,075,961	0.54
2049	1001	5000	5,726,661	2.86
531	5001	10000	4,050,983	2.02
196	10001	15000	2,491,792	1.24
114	15001	20000	2,060,545	1.03
70	20001	25000	1,631,468	0.81
40	25001	30000	1,111,589	0.56
39	30001	35000	1,273,002	0.64
25	35001	40000	954,505	0.48
14	40001	45000	599,043	0.30
36	45001	50000	1,771,244	0.88
16	50001	55000	848,824	0.42
12	55001	60000	702,680	0.35
7	60001	65000	430,294	0.21
11	65001	70000	750,862	0.38
11	70001	75000	811,214	0.41
3	75001	80000	234,120	0.12
2	80001	85000	163,103	0.08
3	85001	90000	266,893	0.13
6	90001	95000	557,109	0.28
15	95001	100000	1,497,707	0.75
5	100001	105000	510,350	0.25
6	105001	110000	654,960	0.33
1	110001	115000	110,314	0.06
3	115001	120000	359,000	0.18
3	120001	125000	369,500	0.18
5	125001	130000	641,050	0.32
1	130001	135000	134,500	0.07
2	135001	140000	279,150	0.14
2	140001	145000	284,800	0.14
5	145001	150000	743,133	0.37
1	150001	155000	152,851	0.08
2	160001	165000	328,000	0.16
2	170001	175000	346,699	0.17
1	180001	185000	181,700	0.09
1	185001	190000	186,870	0.09
1	190001	195000	192,500	0.10
1	195001	200000	200,000	0.10
2	200001	205000	406,994	0.20
1	205001	210000	210,000	0.10
1	210001	215000	210,500	0.11
1	215001	220000	218,142	0.11
1	235001	240000	237,000	0.12
1	250001	255000	250,163	0.12
1	260001	265000	262,500	0.13
1	265001	270000	269,800	0.13
1	270001	275000	271,000	0.14
1	295001	300000	298,500	0.15
2	300001	305000	608,000	0.30

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Number of ShareHolders	Shareholding		Total Number of Shares Held	Percentage of Total Capital
	From	To		
1	310001	315000	314,500	0.16
1	335001	340000	339,400	0.17
1	345001	350000	350,000	0.17
1	350001	355000	350,459	0.18
1	355001	360000	356,500	0.18
1	370001	375000	375,000	0.19
2	395001	400000	600,000	0.40
1	400001	405000	401,000	0.20
1	405001	410000	410,000	0.20
1	420001	425000	425,000	0.21
1	445001	450000	450,000	0.22
1	460001	465000	463,525	0.23
1	480001	485000	481,000	0.24
1	595001	600000	600,000	0.30
1	600001	605000	600,084	0.30
1	610001	615000	612,203	0.31
1	640001	645000	640,603	0.32
1	645001	650000	647,000	0.32
1	725001	730000	727,609	0.36
1	745001	750000	750,000	0.37
1	835001	840000	835,450	0.42
1	895001	900000	900,000	0.45
1	995001	1000000	1,000,000	0.50
1	1060001	1065000	1,063,500	0.53
1	1075001	1080000	1,075,466	0.54
1	1180001	1185000	1,182,715	0.59
1	1210001	1215000	1,211,500	0.61
1	1355001	1360000	1,358,003	0.68
1	1395001	1400000	1,400,000	0.70
1	1570001	1575000	1,573,500	0.79
1	1655001	1660000	1,656,700	0.83
1	1825001	1830000	1,828,500	0.91
1	1930001	1935000	1,933,449	0.97
1	2045001	2050000	2,048,345	1.02
1	2060001	2085000	2,084,050	1.04
2	2095001	2100000	4,200,000	2.10
1	2185001	2190000	2,189,180	1.09
1	2395001	2400000	2,395,900	1.20
1	2685001	2690000	2,688,850	1.34
1	2850001	2855000	2,851,645	1.42
1	2915001	2920000	2,917,200	1.46
1	3280001	3285000	3,280,450	1.64
1	4060001	4065000	4,060,465	2.03
1	4390001	4395000	4,391,450	2.19
1	4700001	4705000	4,704,166	2.35
1	4835001	4840000	4,839,826	2.42
1	6615001	6620000	6,619,632	3.31
1	6740001	6745000	6,744,576	3.37
1	7090001	7095000	7,091,557	3.54
1	8445001	8450000	8,447,119	4.22
1	11820001	11825000	11,822,562	5.91
1	13910001	13915000	13,911,796	6.95
1	15415001	15420000	15,418,554	7.70
1	21895001	21900000	21,895,633	10.94
<b>8,690</b>	<b>&lt;-----Total-----&gt;</b>		<b>200,184,630</b>	<b>100.00</b>

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Nishat Chunian Limited  
and its Subsidiary Companies

Consolidated Financial Statements  
with Accompanying Information

30th June, 2014



# DIRECTORS' REPORT

The Board of Directors is pleased to present their report together with the consolidated audited results of Nishat (Chunian) Limited and its subsidiaries for the year ended June 30, 2014. The Directors' Report, giving a commentary on the performance of Nishat (Chunian) Limited for the year

ended June 30, 2014 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. and NC Electric Company Limited.

Financial Highlights	2014	2013
Turnover	50,325	46,104
Gross Profit	6,437	8,648
Profit before taxation	2,225	4,474
Taxation	166	230
Profit after taxation	2,059	4,243
Earnings per share (basic & diluted) – Rupees	3.2	14.53

Nishat Chunian Power Limited, incorporated under the Companies Ordinance, 1984 on 23 February, 2007, is established with the objective of setting up power generation project having gross capacity of 200MW under a 25 year 'take or pay' agreement with National Transmission & Dispatch Company Limited (NTDCL). NCPL started its operations on July 21, 2010. The Company has been listed on Karachi and Lahore Stock Exchanges. Nishat (Chunian) Limited currently owns and controls 51.07% shares of Nishat Chunian Power Limited. The Directors' Report giving a commentary on the performance of NCPL for the year ended 30 June 2014 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. This will help Nishat (Chunian) Limited (holding company) to reduce their fuel and electricity cost.

#### Clarification to Qualification in Auditors' Report

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

# 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 2014 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 Company, Nishat Chunian Power Limited were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements of Nishat Chunian USA Inc. (Subsidiary Company) for the period ended 30 June 2014 were un-audited. Hence, total assets and total liabilities of Rupees 639,209,333 and Rupees 624,635,678 respectively as at 30 June 2014 and net profit of Rupees 2,658,396 for the year ended 30 June 2014 pertaining to such Subsidiary Company have been incorporated in these consolidated financial statements by the management using the un-audited financial statements.

In our opinion, except for any adjustments that may have been required due to the un-audited figures in respect of Nishat Chunian USA Inc. (Subsidiary Company) as referred to in above paragraph of the report, the consolidated financial statements present fairly the financial position of Nishat (Chunian) Limited and its Subsidiary Companies as at 30 June 2014 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 17.4 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 Mahmood

Lahore  
September 26, 2014

**NISHAT (CHUNIAN) LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014**

	Note	2014 Rupees	2013 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	3	<u>2,500,000,000</u>	<u>2,500,000,000</u>
Issued, subscribed and paid-up share capital	4	2,001,846,300	1,819,860,280
Reserves	5	<u>8,107,892,249</u>	<u>8,013,542,833</u>
Equity attributable to equity holders of the Holding Company		10,109,738,549	9,833,403,113
Non-controlling interest		<u>3,443,288,118</u>	<u>3,552,270,788</u>
<b>Total equity</b>		<u>13,553,026,667</u>	<u>13,385,673,901</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	<u>15,295,182,188</u>	<u>15,881,868,234</u>
Redeemable capital	7	<u>31,250,000</u>	<u>156,250,000</u>
		15,326,432,188	16,038,118,234
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	<u>3,521,920,445</u>	<u>3,382,808,041</u>
Accrued mark-up	9	718,900,828	683,900,614
Short term borrowings	10	14,879,080,864	6,498,176,644
Current portion of non-current liabilities	11	<u>3,157,186,050</u>	<u>2,681,282,514</u>
		<u>22,277,088,187</u>	<u>13,246,167,813</u>
<b>Total liabilities</b>		<u>37,603,520,375</u>	<u>29,284,286,047</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>51,156,547,042</u>	<u>42,669,959,948</u>

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

Statement under section 241(2) of the Companies Ordinance, 1984

This consolidated financial information has been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan

\_\_\_\_\_  
DIRECTOR

**NISHAT (CHUNIAN) LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014**

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	23,583,552,739	22,391,029,019
Long term loans to employees	14	3,473,721	3,474,134
Long term security deposits		20,849,440	2,636,259
		<u>23,607,875,900</u>	<u>22,397,139,412</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	15	1,681,534,544	1,244,305,405
Stock-in-trade	16	7,938,835,684	6,331,973,069
Trade debts	17	14,182,408,936	9,452,690,417
Loans and advances	18	781,099,555	994,644,550
Short term deposits and prepayments		8,263,811	2,932,499
Accrued interest		402,011	161,854
Other receivables	19	1,866,117,388	1,620,867,710
Derivative financial instruments	20	-	2,362,939
Short term investments	21	22,658,812	82,162,359
Cash and bank balances	22	1,067,350,401	540,719,734
		<u>27,548,671,142</u>	<u>20,272,820,536</u>
<b>TOTAL ASSETS</b>		<u>51,156,547,042</u>	<u>42,669,959,948</u>

\_\_\_\_\_  
DIRECTOR

**NISHAT (CHUNIAN) LIMITED AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
SALES	23	50,325,116,016	46,104,381,356
COST OF SALES	24	<u>(43,887,268,875)</u>	<u>(37,456,819,915)</u>
GROSS PROFIT		6,437,847,141	8,647,561,441
DISTRIBUTION COST	25	<u>(783,994,589)</u>	<u>(537,730,402)</u>
ADMINISTRATIVE EXPENSES	26	<u>(282,205,382)</u>	<u>(226,234,391)</u>
OTHER EXPENSES	27	<u>(155,397,673)</u>	<u>(148,345,872)</u>
		<u>(1,221,597,644)</u>	<u>(912,310,665)</u>
		<u>5,216,249,497</u>	<u>7,735,250,776</u>
OTHER INCOME	28	307,078,559	390,090,594
PROFIT FROM OPERATIONS		<u>5,523,328,056</u>	<u>8,125,341,370</u>
FINANCE COST	29	<u>(3,297,614,246)</u>	<u>(3,651,551,470)</u>
PROFIT BEFORE TAXATION		<u>2,225,713,810</u>	<u>4,473,789,900</u>
TAXATION	30	<u>(166,306,073)</u>	<u>(230,386,577)</u>
PROFIT AFTER TAXATION		<u>2,059,407,737</u>	<u>4,243,403,323</u>
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE HOLDING COMPANY		640,420,905	2,908,747,548
NON-CONTROLLING INTEREST		1,418,986,832	1,334,655,775
		<u>2,059,407,737</u>	<u>4,243,403,323</u>
			<b>Restated</b>
EARNINGS PER SHARE - BASIC AND DILUTED	31	<u>3.20</u>	<u>14.53</u>

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

Statement under section 241(2) of the Companies Ordinance, 1984

This Consolidated financial information has been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

**NISHAT (CHUNIAN) LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 Rupees	2013 Rupees
PROFIT AFTER TAXATION	2,059,407,737	4,243,403,323
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	(113,412)	56,555
Other comprehensive income for the year	(113,412)	56,555
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,059,294,325	4,243,459,878
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE HOLDING COMPANY	640,420,905	2,908,804,103
NON-CONTROLLING INTEREST	1,418,986,832	1,334,655,775
	2,059,294,325	4,243,459,878

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

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DIRECTOR

\_\_\_\_\_  
DIRECTOR

**NISHAT (CHUNIAN) LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	32	637,069,874	12,597,442,869
Net increase in long term security deposits		(18,213,181)	(244,350)
Finance cost paid		(3,407,517,076)	(3,848,476,520)
Income tax paid		(457,440,819)	(298,577,493)
Net (increase) / decrease in long term loans to employees		(1,696,551)	3,446,069
<b>Net cash (used in) / generated from operating activities</b>		<u>(3,247,797,753)</u>	<u>8,453,590,575</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(2,829,783,049)	(2,137,802,602)
Capital expenditure on intangible asset		(9,585,298)	-
Proceeds from sale of operating fixed assets		19,557,106	7,649,981
Short term investments - net		59,503,547	(48,660,226)
Profit on bank deposits received		6,739,201	4,349,282
<b>Net cash used in investing activities</b>		<u>(2,753,568,493)</u>	<u>(2,174,463,565)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		2,658,000,000	2,242,000,000
Repayment of long term financing		(2,768,782,510)	(2,217,813,768)
Repayment of redeemable capital		(125,000,000)	(125,000,000)
Short term borrowings - net		8,380,904,220	(4,681,086,694)
Dividend paid to non-controlling interest		(1,256,349,512)	(717,187,499)
Dividends paid		(361,661,873)	(327,169,970)
<b>Net cash from / (used in) financing activities</b>		<u>6,528,110,325</u>	<u>(5,826,257,931)</u>
<b>Net increase in cash and cash equivalents</b>		526,744,079	452,869,079
<b>Impact of exchange translation</b>		(113,412)	56,555
<b>Cash and cash equivalents at the beginning of the year</b>		540,719,734	87,794,100
<b>Cash and cash equivalents at the end of the year</b>		<u>1,067,350,401</u>	<u>540,719,734</u>

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

**Statement under section 241(2) of the Companies Ordinance, 1984**

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\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

**NISHAT (CHUNAM) LIMITED AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014**

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY						NON-CONTROLLING INTEREST	TOTAL EQUITY	
	SHARE CAPITAL	CAPITAL RESERVE		REVENUE RESERVES		TOTAL RESERVES			SHAREHOLDERS' EQUITY
		Exchange translation reserve	General reserve	Unappropriated profit	Total				
<b>Balance as at 30 June 2012</b>	1,654,418,440	-	1,629,221,278	3,971,842,980	5,851,064,258	5,601,064,258	7,255,482,698	2,936,669,488	10,192,147,196
Transactions with owners:									
Final dividend for the year ended 30 June 2012 @ Rupees 2 per ordinary share	-	-	-	(330,863,688)	(330,863,688)	(330,863,688)	(330,863,688)	-	(330,863,688)
Bonus shares issued during the year	165,441,840	-	-	(165,441,840)	(165,441,840)	(165,441,840)	-	(719,044,475)	(719,044,475)
Dividend to non-controlling interest	-	-	-	(496,325,528)	(496,325,528)	(496,325,528)	(330,863,698)	(719,044,475)	(1,049,928,163)
Profit for the year	-	-	-	2,908,747,548	2,908,747,548	2,908,747,548	2,908,747,548	1,334,655,775	4,243,403,323
Other comprehensive income for the year	-	56,555	-	-	56,555	56,555	56,555	-	56,555
Total comprehensive income for the year	-	56,555	-	2,908,747,548	2,908,747,548	2,908,804,103	2,908,804,103	1,334,655,775	4,243,459,878
<b>Balance as at 30 June 2013</b>	1,819,860,280	56,555	1,629,221,278	6,384,265,000	8,013,486,278	8,013,542,833	9,633,463,113	3,552,270,788	13,385,812,921
Transactions with owners:									
Final dividend for the year ended 30 June 2013 @ Rupees 2 per ordinary share	-	-	-	(363,972,057)	(363,972,057)	(363,972,057)	(363,972,057)	-	(363,972,057)
Bonus shares issued during the year	181,986,020	-	-	(181,986,020)	(181,986,020)	(181,986,020)	-	(1,527,969,502)	(1,527,969,502)
Dividend to non-controlling interest	-	-	-	(545,958,077)	(545,958,077)	(545,958,077)	(363,972,057)	(1,527,969,502)	(1,891,941,556)
Profit for the year	-	-	-	640,420,905	640,420,905	640,420,905	640,420,905	1,418,986,632	2,059,407,737
Other comprehensive income to the year	-	(113,412)	-	-	(113,412)	(113,412)	(113,412)	-	(113,412)
Total comprehensive income for the year	-	(113,412)	-	640,420,905	640,307,493	640,307,493	640,307,493	1,418,986,632	2,069,794,325
<b>Balance as at 30 June 2014</b>	2,001,846,300	(66,867)	1,629,221,278	6,478,727,828	8,107,949,106	8,107,952,249	10,169,738,549	3,443,288,118	13,553,026,667

Balance as at 30 June 2012

Transactions with owners:

Final dividend for the year ended 30 June 2012 @ Rupees 2 per ordinary share

Bonus shares issued during the year

Dividend to non-controlling interest

Profit for the year

Other comprehensive income for the year

Total comprehensive income for the year

Balance as at 30 June 2013

Transactions with owners:

Final dividend for the year ended 30 June 2013 @ Rupees 2 per ordinary share

Bonus shares issued during the year

Dividend to non-controlling interest

Profit for the year

Other comprehensive income to the year

Total comprehensive income for the year

Balance as at 30 June 2014

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

**Statement under section 241(2) of the Companies Ordinance, 1984**

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**DIRECTOR**

**DIRECTOR**

## NISHAT (CHUNIAN) LIMITED AND ITS SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 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

##### **Nishat (Chunian) Limited**

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

##### **Nishat Chunian Power Limited**

Nishat Chunian Power Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and listed on the Lahore, Karachi and Islamabad Stock Exchanges. 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.

##### **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, 34<sup>th</sup> 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 Companies Ordinance, 1984. The Company is a wholly owned subsidiary of Nishat (Chunian) Limited. Its registered office is situated at 31-Q, Gulberg II, Lahore. The principal objects of the Company are to develop, design, construct, own and acquire coal powered power generation complexes and thermal, hydel, solar and wind energy projects in Pakistan and to carry on the business of electricity generation, transmission and distribution in Pakistan.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

#### a) Statement of compliance

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

#### b) Accounting convention

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

#### c) Critical accounting estimates and judgement

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

##### **Useful lives, patterns of economic benefits and impairments**

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

##### **Inventories**

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

##### **Accumulating compensated absences**

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

## **Taxation**

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

### **Provisions for doubtful debts**

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

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

The following amendments to published approved standards are mandatory for the Group's accounting periods beginning on or after 01 July 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation' that are considered relevant to the Group's consolidated financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### **e) Standards, interpretation and amendments to published standards that are effective in current year but not relevant to the Group**

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

### **f) Standards, interpretation and amendments to published standards that are not yet effective but relevant to the Group**

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2014 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 consolidated financial statements.

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2015) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2015) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Group is in the process of evaluating the impacts of the aforesaid amendments on the Group's consolidated financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). 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 recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use 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. However, the amendments are not expected to have a material impact on the Group's consolidated financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 'Fair Value Measurement', which are considered relevant to the Group's consolidated financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Group's consolidated financial statements.

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

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

**h) Exemption from applicability of certain interpretations to standards**

Securities and Exchange Commission of Pakistan (SECP) through SRO 24(1)/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 NTDCL 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:

	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
De-recognition of property, plant and equipment	<u>(14,062,304,227)</u>	<u>(14,745,480,908)</u>
Recognition of lease debtor	<u>15,084,440,069</u>	<u>16,029,526,247</u>
Increase in un-appropriated profit at the beginning of the year	1,284,045,339	1,016,939,394
(Decrease) / Increase in profit for the year	<u>(261,909,497)</u>	<u>267,105,945</u>
Increase in un-appropriated profit at the end of the year	<u>1,022,135,842</u>	<u>1,284,045,339</u>

**2.2 Consolidation**

**Subsidiaries**

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

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

Intra group balances and transactions have been eliminated.

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

### **Translation of the financial statements of foreign subsidiary**

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

## **2.3 Taxation**

### **Current**

Provision for current tax relating to the Holding Company and NC Electric Company 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 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 Company is also exempt from minimum tax on turnover under clause (11A), Part IV of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the 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 has not made provision for deferred tax as the Subsidiary Company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Subsidiary Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132), Part I of the Second Schedule to the Income Tax Ordinance, 2001.

## **2.4 Employee benefits**

The main features of the schemes operated are as follows:

### **Provident fund**

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

## **2.5 Fixed assets**

### **Property, plant, equipment and depreciation**

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

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

### **Depreciation**

Depreciation on all operating fixed assets is charged to income on the reducing balance method, except in case of Nishat Chunian Power Limited - Subsidiary Company, where this accounting estimate is based on straight line method, so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 13.1. Depreciation on additions is charged from the month in which the assets are available for use up to 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.

## **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.

## **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 to National Transmission and Despatch Company Limited, whereas on account of capacity is recognized when due.

## **2.12 Share capital**

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

## **2.13 Financial instruments**

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

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

## **2.14 Trade debts and other receivables**

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

## **2.15 Borrowings**

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

## **2.16 Trade and other payables**

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

## **2.17 Offsetting of financial assets and financial liabilities**

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

## **2.18 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair value. For the purpose of 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 four reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles) and Power Generation (Generating, transmitting and distributing power).

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

### **2.23 Dividend to ordinary shareholders and other appropriations**

Dividend distribution to the ordinary shareholders is recognized as a liability in the Group'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.

			2014 Rupees	2013 Rupees
<b>3. AUTHORIZED SHARE CAPITAL</b>				
2014 (Number of shares)	2013 (Number of shares)			
230,000,000	230,000,000	Ordinary shares of Rupees 10 each	2,300,000,000	2,300,000,000
20,000,000	20,000,000	Preference shares of Rupees 10 each	200,000,000	200,000,000
<u>250,000,000</u>	<u>250,000,000</u>		<u>2,500,000,000</u>	<u>2,500,000,000</u>

**4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

2014 (Number of shares)	2013 (Number of shares)			
94,720,922	94,720,922	Ordinary shares of Rupees 10 each fully paid in cash	947,209,220	947,209,220
104,239,443	86,040,841	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	1,042,394,430	860,408,410
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>200,184,630</u>	<u>181,986,028</u>		<u>2,001,846,300</u>	<u>1,819,860,280</u>

2014  
2013  
(Number of shares)

**4.1 Ordinary shares of the Holding Company held by related companies:**

Nishat Mills Limited	27,241,116	24,764,653
D.G. Khan Cement Company Limited	6,062,169	5,511,065
	<u>33,303,285</u>	<u>30,275,718</u>

**4.2 Movement during the year**

2014 (Number of shares)	2013 (Number of shares)		2014 Rupees	2013 Rupees
181,986,028	165,441,844	At 01 July	1,819,860,280	1,654,418,440
18,198,602	16,544,184	Issue of fully paid bonus shares of Rupees 10 each at par	181,986,020	165,441,840
<u>200,184,630</u>	<u>181,986,028</u>	At 30 June	<u>2,001,846,300</u>	<u>1,819,860,280</u>

- 4.3 18,198,602 ordinary shares of Rupees 10 each were issued as fully paid bonus shares during the year ended 30 June 2014 in pursuance of 10% bonus issue approved in Annual General Meeting of the shareholders of the Holding Company held on 30 October 2013.

	2014 Rupees	2013 Rupees
<b>5. RESERVES</b>		
<b>Composition of reserves is as follows:</b>		
<b>Capital reserve</b>		
Exchange translation reserve	(56,857)	58,555
<b>Revenue reserves</b>		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	6,478,727,828	6,384,265,000
	<u>8,107,949,106</u>	<u>8,013,486,278</u>
	<u>8,107,892,249</u>	<u>8,013,542,833</u>
<b>6. LONG TERM FINANCING</b>		
<b>From banking companies / financial institutions - secured</b>		
Long term loans (Note 6.1)	17,857,368,238	17,773,150,748
Long term musharaka (Note 5.2)	470,000,000	665,000,000
	<u>18,327,368,238</u>	<u>18,438,150,748</u>
Less: Current portion shown under current liabilities (Note 11)		
Long term loans	2,837,186,050	2,361,282,514
Long term musharaka	195,000,000	195,000,000
	<u>3,032,186,050</u>	<u>2,556,282,514</u>
	<u>15,295,182,188</u>	<u>15,881,868,234</u>

LENDER	Rupees		RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	MARK-UP REPRICING	MARK-UP PAYABLE
	2014	2013				
<b>6.1 Long term loans (Note 6.3)</b>						
<b>Nishat (Chumian) Limited - Holding Company</b>						
Standard Chartered Bank (Pakistan) Limited	1,030,000,000	-	3-month KIBOR + 0.75%	Sixteen equal quarterly instalments commencing on 04 May 2015 and ending on 04 February 2019	Quarterly	Quarterly
United Bank Limited-1	3,575,000	10,725,000	SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014	-	Quarterly
United Bank Limited-2	4,800,000	14,400,000	SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 08 June 2011 and ending on 08 December 2014	-	Quarterly
United Bank Limited-3	2,200,000	4,400,000	SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 28 January 2015	-	Quarterly
United Bank Limited-4	22,150,000	44,300,000	SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 18 July 2011 and ending on 18 January 2015	-	Quarterly
United Bank Limited-5	8,625,000	13,250,000	SBP rate for LTF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 26 January 2015	-	Quarterly
United Bank Limited-6	343,750,000	468,750,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 09 March 2017 and ending on 09 March 2017	Quarterly	Quarterly
Allied Bank Limited-1	375,000,000	500,000,000	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-2	750,000,000	1,050,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 28 February 2013 and ending on 28 November 2015	Quarterly	Quarterly
Pak Kuwait Investment Company (Private) Limited	83,333,344	138,888,896	6-month KIBOR + 2%	Eighteen equal quarterly instalments commenced on 21 September 2011 and ending on 21 December 2015	Half Yearly	Quarterly
The Bank of Punjab-1	101,250,000	168,750,000	SBP rate for LTF + 2.5%	Sixteen equal quarterly instalments commenced on 15 January 2012 and ending on 15 October 2015	-	Quarterly
The Bank of Punjab-2	20,833,344	104,166,688	6-month KIBOR + 1.25%	Twelve equal quarterly instalments commenced on 01 October 2011 and ending on 01 July 2014	Quarterly	Quarterly
The Bank of Punjab-3	350,000,000	450,000,000	3-month KIBOR + 0.75%	Ten equal half yearly instalments commenced on 17 June 2013 and ending on 17 December 2017	Quarterly	Quarterly

LENDER	2014	2013	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	MARK-UP REPRICING	MARK-UP PAYABLE
	Rupees					
The Bank of Punjab-4	800,000,000	1,000,000,000	3-month KIBOR + 0.75%	Ten equal half yearly instalments commenced on 10 December 2013 and ending on 10 June 2018.	Quarterly	Quarterly
Samba Bank Limited-1	-	62,500,000	3-month KIBOR + 1.50%	Eight equal quarterly instalments commenced on 31 January 2012 and ended on 31 October 2013.	Quarterly	Quarterly
Samba Bank Limited-2	437,500,000	-	3-month KIBOR + 0.75%	Sixteen equal quarterly instalments commenced on 28 February 2014 and ending on 31 October 2017.	Quarterly	Quarterly
Saudi Pak Industrial and Agricultural Investment Company Limited	47,481,502	68,584,390	S&P rate for LTFF + 3%	Eighteen equal quarterly instalments commenced on 31 May 2012 and ending on 31 August 2016.	-	Quarterly
Sonari Bank Limited	171,875,000	234,375,000	3-month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 April 2013 and ending on 31 January 2017.	Quarterly	Quarterly
Pak Brunei Investment Company Limited	-	200,000,000	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 2 July 2013 and ending on 2 April 2017. However, the Company made pre-payment of loan in full during the current year.	Quarterly	Quarterly
Syndicated term finance						
Allied Bank Limited	1,100,000,000	342,000,000	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 27 December 2014 and ending on 27 June 2019.	Quarterly	Quarterly
Habib Bank Limited	300,000,000	-	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 27 December 2014 and ending on 27 June 2019.	Quarterly	Quarterly
Habib Metropolitan Bank Limited	100,000,000	-	3-month KIBOR + 1%	Ten equal half yearly instalments commencing on 27 December 2014 and ending on 27 June 2019.	Quarterly	Quarterly
	1,500,000,000	342,000,000				

LENDER	2014	2013	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	MARK-UP REPRICING	MARK-UP PAYABLE
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Rupees

**Nishat Chunian Power Limited - Subsidiary Company**

Senior facility (Note 6.5)	9,542,103,995	10,398,126,373	3-month KIBOR + 3%	Twenty five quarterly instalments ending on 01 July 2020	Quarterly	Quarterly
Term finance facility (Note 6.5)	2,294,891,052	2,499,934,420	3-month KIBOR + 3%	Twenty five quarterly instalments ending on 01 July 2020	Quarterly	Quarterly
	11,836,995,048	12,898,060,793				
	<u>17,857,368,238</u>	<u>17,773,150,748</u>				

LENDER	2014	2013	RATE OF PROFIT PER ANNUM	NUMBER OF INSTALMENTS	PROFIT REPRICING	PROFIT PAYABLE
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Rupees

**6.2 Long term musharaka (Note 6.4)**

**Nishat (Chunian) Limited - Holding Company**

Burj Bank Limited	70,000,000	105,000,000	6-month KIBOR + 1%	Sixteen equal quarterly instalments commenced on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Dubai Islamic Bank (Pakistan) Limited-1	90,000,000	160,000,000	6-month KIBOR + 1.15%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
Dubai Islamic Bank (Pakistan) Limited-2	320,000,000	400,000,000	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
	<u>470,000,000</u>	<u>665,000,000</u>				

- 6.3** Long term loans of the Holding Company are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 5,566,909 million (2013: Rupees 5,566,909 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 4,550 million (2013: Rupees 3,333,334 million).
- 6.4** Long term musharaka of the Holding Company are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 610,833 million (2013: Rupees 610,833 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 480 million (2013: Rupees 480 million).
- 6.5** 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 Churnian 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 Churnian Power Limited - Subsidiary Company. The effective mark-up rate charged during the year on the outstanding balance ranged from 12.08% to 13.18% (2013: 12.31% to 14.99%) per annum. As of 30 June 2014, the finance is repayable in twenty five quarterly instalments ending on 01 July 2020.
- 6.6** In accordance with the terms of agreement with the lenders of long term finances to Nishat Churnian Power Limited - Subsidiary Company, there are certain restrictions on the distribution of dividends by Nishat Churnian Power Limited - Subsidiary Company.

## 7. REDEEMABLE CAPITAL

	2014 Rupees	2013 Rupees	RATE OF PROFIT PER ANNUM	NUMBER OF INSTALMENTS	PROFIT REPRICING	PROFIT PAYABLE
Privately placed term finance certificates	156,250,000	281,250,000	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commenced on 30 December 2011 and ending on 30 September, 2015	Quarterly	Quarterly
Less: Current portion shown under current liabilities (Note 11)	125,000,000	125,000,000				
	<u>31,250,000</u>	<u>156,250,000</u>				

- 7.1** Privately placed term finance certificates are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 583,333 million (2013: Rupees 583,333 million).

	2014 Rupees	2013 Rupees
<b>8. TRADE AND OTHER PAYABLES</b>		
Creditors (Note 8.1)	2,414,118,224	2,575,703,502
Accrued liabilities	476,111,193	359,585,593
Advances from customers	42,560,691	73,010,759
Securities from contractors - interest free and repayable on completion of contracts	4,396,033	3,993,232
Rent on money	34,572,274	19,817,167
Income tax deducted at source	70,044,772	12,459,832
Uncclaimed dividend	29,024,585	23,735,090
Workers' profit participation fund (Note 8.2)	194,001,650	269,224,793
Workers' welfare fund	21,681,803	21,681,803
Fair value of forward exchange contracts	-	3,934,388
Dividend payable	269,641,679	-
Others	15,667,641	9,660,885
	<u>3,521,920,445</u>	<u>3,382,808,041</u>

8.1 It includes Rupees 1,440 million (2013: Rupees Nil) due to a related party

**8.2 Workers' profit participation fund**

Balance as at 01 July	269,224,793	147,611,125
Add: Interest for the year (Note 29)	2,782,893	7,386,641
Add: Allocation for the year	194,001,650	269,224,793
	<u>466,009,336</u>	<u>424,222,559</u>
Less: Payments during the year	272,007,686	154,997,766
Balance as at 30 June	<u>194,001,650</u>	<u>269,224,793</u>

8.2.1 The Holding Company and Nishat Chunair Power Limited - Subsidiary Company retain 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 Holding Company and Nishat Chunair Power Limited - Subsidiary Company till the date of allocation to workers.

	2014 Rupees	2013 Rupees
<b>9. ACCRUED MARK-UP</b>		
Long term financing	488,800,363	478,021,758
Redeemable capital	53,165	87,300
Short term borrowings	230,047,300	205,791,546
	<u>718,900,828</u>	<u>683,900,614</u>

	2014 Rupees	2013 Rupees
<b>10. SHORT TERM BORROWINGS</b>		
<b>From banking companies - secured</b>		
<b>Nishat (Chunair) Limited - Holding Company</b>		
Short term running finances (Notes 10.1 and 10.2)	261,564,193	587,198,422
Export finances - Preshipment / SBP refinance (Notes 10.1 and 10.3)	7,043,678,859	1,662,615,362
Other short term finances (Notes 10.1 and 10.4)	1,875,000,000	4,244,152,000
<b>Nishat Chunair Power Limited - Subsidiary Company</b>		
Short term running finances (Note 10.5)	625,832,731	4,210,860
Money market loans (Note 10.6)	2,850,000,000	-
Murabaha facilities (Note 10.7)	2,223,005,081	-
	<u>14,879,080,864</u>	<u>6,498,176,644</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 23,864 million (2013: Rupees 16,493 million). These form part of total credit facilities of Rupees 17,440 million (2013: Rupees 12,225 million).
- 10.2** The rates of mark-up range from 9.52% to 12.94% (2013: 10.02% to 14.60%) per annum on the balance outstanding.
- 10.3** The rates of mark-up on Pak Rupees finances and US Dollar finances range from 8.90% to 11.03% (2013: 8.70% to 12.83%) per annum and 1.25% to 3.28% (2013: 1.45% to 2.39%) per annum respectively on the balance outstanding.
- 10.4** The rates of mark-up range from 9.32% to 10.84% (2013: 9.42% to 12.84%) per annum on the balance outstanding.
- 10.5** Short term running finance facilities and money market loans available from commercial banks under mark-up arrangements amount to Rupees 6,150 million (2013: Rupees 4,479.03 million). Running finance facilities are available at mark-up rates ranging from one month to three months KIBOR plus 1% to 2% per annum, payable 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 NTDCL. The mark-up rate charged during the year on the outstanding balance ranges from 10.44% to 12.44% (2013: 11.31% to 13.90%) per annum.
- 10.6** 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 4,150 million (2013: Rupees Nil) and are available at mark-up rates ranging from one month to six months KIBOR plus 0.5% to 1.0% 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 NTDCL. The mark-up rate charged during the year on the outstanding balance ranges from 10.15% to 10.99% (2013: Nil) per annum.
- 10.7** This represents murabaha facilities aggregating Rupees 3,034.92 million (2013: Rupees 1,800 million) under mark-up arrangements from commercial banks at mark-up rates ranging from one month to nine months KIBOR plus 0.5% to 1.5% per annum. Mark-up is payable at the maturity of the respective murabaha transaction. Murabaha 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 NTDCL. The mark-up rate charged during the year on the outstanding balance ranges from 10.15% to 11.47% (2013: 11.04% to 14.32%) per annum.
- 10.8** Of the aggregate facilities of Rupees 2,135.08 million (2013: Rupees 1,047.03 million) for opening letters of credit and guarantees, the amount utilized at 30 June 2014 was Rupees 1,159.12 million (2013: Rupees 249.44 million). The aggregate facilities for opening letters of credit and guarantees are secured by ranking 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 NTDCL, counter guarantee, cash margin and lien over import documents.

	2014 Rupees	2013 Rupees
<b>11. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>		
Long term financing (Note 6)	3,032,186,050	2,566,282,514
Redeemable capital (Note 7)	125,000,000	125,000,000
	3,157,186,050	2,691,282,514

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

- 12.1.1** The Holding Company filed the sales tax refund claim amounting to Rupees 43.507 million for the tax period December 2011 through Expeditious Refund System (ERS) / Risk Management System (RMS) of Federal Board of Revenue (FBR). However, the said claim did not qualify the RMS criteria due to information technology issues and was forwarded for normal processing to Large Taxpayer Unit (LTU). Subsequently, the request for roll back of the subject claim was submitted by the Holding Company to FBR. The subject claim was rolled back by FBR. However, when the Holding Company tried to re-file its claim through RMS, the claim had become time barred. In the meanwhile, the Tax Department had also initiated pre-refund audit of the Holding Company for the tax period December 2011 and duly completed it. After completion of pre-refund audit, LTU, Lahore, tried to allow condonation so that the Holding Company can file the above said claim but filing of refund claim could not be processed as it has exceeded time limit of one year. Now, the Chief Commissioner has requested FBR to condone the time limit for re-filing of above referred refund claim, as the Holding Company has filed complaint before Federal Tax Ombudsman in this regard. No provision against this sales tax refund has been made in these consolidated financial statements as the Holding Company is confident to get the sales tax refund.
- 12.1.2** The Holding Company preferred appeal against the Government of Punjab in the Honourable Lahore High Court, Lahore against imposition of electricity duty on internal generation and the writ petition has been accepted. However, Government of Punjab has moved to the Honourable Supreme Court of Pakistan against the order of Honourable Lahore High Court, Lahore. The Holding Company has fully provided its liability in respect of electricity duty on internal generation. As at the reporting date, an amount of Rupees 36.881 million (2013 Rupees 28.246 million) is payable on this account but the management of the Holding Company is confident that payment of electricity duty will not be required.
- 12.1.3** 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 has 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 Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Holding Company and forwarded the case to FBR. However, FBR has not accepted the recommendations of ADRC. The Holding Company has now filed appeal before the Honourable High Court Sindh against the order of ATIR, where the case is pending.
- 12.1.4** The Holding Company has impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.

- 12.1.5** While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Holding Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) [CIR(A)] which was decided in the Holding Company's favour against which the department preferred an appeal to Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Holding Company. The department has filed an appeal before Honourable Lahore High Court Lahore. No provision against these disallowances and addition has been made in these consolidated financial statements as the management is confident that the matter would be settled in the Holding Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million would be required.
- 12.1.6** As a result of withholding tax audit for the tax year 2006, the Deputy Commissioner Inland Revenue (DCIR) has raised a demand of Rupees 32.156 million under sections 161 and 205 of the Income Tax Ordinance, 2001. The Holding Company is in appeal before ATIR as its appeal before CIR(A) was unsuccessful. The Holding Company expects a favourable outcome of the appeal based on advice of the tax counsel. The Holding Company has also challenged the initiation of proceedings, under section 161 and 205 of the Income Tax Ordinance, 2001 pertaining to tax years 2007, 2008, 2009, 2010, 2011 and 2012, in the Honourable Lahore High Court, Lahore through a writ petition. The Honourable Lahore High Court, Lahore has directed the tax department to issue notice for reconciliation and in case of default is established only that action under section 205 of the Income Tax Ordinance, 2001 can be taken. 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.
- 12.1.7** 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(1)/2005 which states that no registered person engaged in the export of specified goods (including textile and articles thereof) shall, either through zero-rating or otherwise, be entitled to deduct or reclaim input tax paid in respect of stocks of such goods acquired up to 05 June 2005, if not used for the purpose of exports made up to the 31 December 2005. The appeal of the Holding Company before Appellate Tribunal Inland Revenue (ATIR) was successful and input tax claim of the Holding Company is expected to be processed after necessary verification in this regard. Pending the outcome of verification, no provision for inadmissible input tax has been recognized in these consolidated financial statements.
- 12.1.8** Post dated cheques have been issued by the Holding Company to custom authorities in respect of duties amounting to Rupees 292.511 million (2013: Rupees 154.347 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, cheques issued as security shall be encashable.
- 12.1.9** 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.
- 12.1.10** National Electric Power Regulatory Authority (NEPRA) issued an order dated 08 February 2013 through which it raised a demand of Rupees 243.702 million payable by the Nishat Chunan Power Limited - Subsidiary Company to NTDC for the period upto 30 June 2011 in respect of Calorific Value (CV) adjustment on fuel consumed for power generation as per the terms of the PPA and various CV adjustment mechanisms prescribed by NEPRA. The first such CV adjustment mechanism was announced by NEPRA in March 2009 and as per this mechanism, the Subsidiary Company has already made a provision of Rupees 81.211 million in its financial statements for the above CV adjustment. In July 2011, NEPRA revised its CV adjustment mechanism and directed all Independent Power Producers (IPPs) to maintain consignment-wise CV record of the fuel received and consumed for power generation. Consequently, the Subsidiary Company started maintaining such CV record after such direction was received from NEPRA.

NEPRA directed the Subsidiary Company to submit consignment-wise record of CV for the period upto 30 June 2011. The Subsidiary Company disputed such direction as it was not required to maintain consignment-wise record prior to July 2011. However, NEPRA computed retrospectively and determined Rupees 243.702 million payable by the Subsidiary Company to NTDCL for the period upto 30 June 2011 in respect of CV adjustment on the basis of the mechanism directed by it in July 2011. The Subsidiary Company filed a Motion for Leave for Review before NEPRA requesting it to reconsider its decision, which was decided against the Subsidiary Company. Consequently, the Subsidiary Company filed a writ petition before the Islamabad High Court against NEPRA's decision on the grounds that change in CV adjustment mechanism in July 2011 cannot be applied retrospectively and credible information is also not available from any source upon which CV adjustment computations can be made. The case is pending adjudication before Islamabad High Court. Based on the advice management believes that there are meritorious grounds to defend the Subsidiary Company's stance in respect of the above mentioned input sales tax claimed by the Subsidiary Company. Consequently, no provision has been made in these consolidated financial statements.

**12.1.11** During the current year, 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 the 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 the 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 the Subsidiary Company. Against the aforesaid order, the 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 the Subsidiary Company's other grounds of appeal. Consequently, the 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. Based on the advice of the Subsidiary Company's legal counsel, management believes that there are meritorious grounds to defend the Subsidiary Company's stance in respect of the above mentioned input sales tax claimed by the Subsidiary Company. Consequently, no provision has been made in these consolidated financial statements.

**12.1.12** Guarantees of Rupees 296.059 million (2013: Rupees 221.299 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.

**12.1.13** Guarantees of Rupees 106 million (2013: Rupees 86 million) have been issued by banks of the Holding Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

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

(a) Irrevocable standby letter of credit in favour of Wartsila Pakistan (Private) Limited for Rupees 45 million (2013: Rupees 45 million) as required under the terms of the Operation and Maintenance Agreement.

(b) Letter of guarantee of Rupees 5.032 million (2013: Rupees 2.032 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.

(c) Standby letter of credit in favour of Industrial and Commercial Bank of China Limited, Karachi Branch for Rupees 781.358 million (2013: Rupees Nil) in order to secure payment against liability of Nishat Chunian Power Limited - Subsidiary Company towards Hascof Petroleum Limited in respect of import of furnace oil.

(d) Letter of guarantee of Rupees 65.076 million (2013: Rupees Nil) in favour of Punjab Power Development Board, Energy Department, Government of the Punjab, Lahore, in respect of issuance of Letter of Interest to Nishat Chunian Power Limited - Subsidiary Company to set up a 660 MW Imported Coal Fired Power Plant in Jhang, Punjab.

## 12.2 Commitments

12.2.1 Contracts for capital expenditure amounting to Rupees 128.530 million (2013: Rupees 913.661 million).

12.2.2 Letters of credit other than for capital expenditure amounting to Rupees 532.047 million (2013: Rupees 399.759 million).

12.2.3 Outstanding foreign currency forward contracts of Rupees 2,874.933 million (2013: Rupees 3,350.847 million).

12.2.4 Nishat Chunian Power Limited - Subsidiary Company has an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance ('O&M') of the power station until the earlier of the completion of 35,000 hours of first engine or five years period starting from the Commercial Operations Date of the power station i.e. 21 July 2010. Under the terms of the O&M agreement, Nishat Chunian Power Limited - Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output, both of which are adjustable according to the Wholesale Price Index.

	2014 Rupees	2013 Rupees
<b>13. FIXED ASSETS</b>		
Property, plant and equipment:		
Operating fixed assets (Note 13.1)	22,708,727,455	20,738,713,874
Capital work-in-progress (Note 13.2)	865,242,250	1,650,794,714
	<u>23,573,969,705</u>	<u>22,389,508,588</u>
Intangible asset:		
Computer software (Note 13.1)	9,583,034	1,520,431
	<u>23,583,552,739</u>	<u>22,391,029,019</u>

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

Description	Operating fixed assets							Total	Intangible asset: Computer software		
	Freehold land	Buildings on freehold land	Plant and machinery	Specialty equipment	Decline installations	Factory equipment	Furniture, fixture and equipment			Office equipment	Motor vehicles
<b>At 30 June 2012</b>											
Cost	280,626,568	1,902,894,404	28,575,866,739	30,267,951	706,833,185	58,636,415	69,725,344	16,634,038	40,246,750	29,427,27,463	8,043,976
Accumulated depreciation / amortization	-	(795,039,280)	(6,577,978,625)	(16,455,077)	(113,504,327)	(80,325,604)	(79,627,349)	(22,468,218)	(69,367,462)	(7,539,513,367)	(5,332,590)
Net book value	280,626,568	1,107,854,124	21,997,888,114	13,812,874	693,328,858	78,310,811	29,098,005	44,165,820	80,879,288	21,887,764,096	3,011,386
<b>Year ended 30 June 2013</b>											
Opening net book value	280,626,568	1,107,854,124	21,997,888,114	13,812,874	693,328,858	78,310,811	29,098,005	44,165,820	80,879,288	21,887,764,096	3,011,386
Additions	370,043,624	26,067,273	151,177,432	-	10,711,366	1,815,546	1,971,386	3,004,144	18,365,589	546,885,364	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	(45,187,669)	-	-	-	(7,141)	(1,23,910)	(1,092,401)	(10,366,625)	-
Accumulated depreciation	-	-	45,187,669	-	-	-	7,141	1,23,910	1,092,401	10,366,625	-
Depreciation / amortization charge	-	(54,519,383)	(1,524,918,187)	(7,316,350)	(3,770,157)	(7,518,293)	(5,379,104)	(6,207,367)	(17,397,205)	(1,029,722,107)	(2,116,255)
Closing net book value	650,670,172	1,075,402,014	19,884,107,415	12,270,674	683,249,156	72,862,064	25,513,526	44,659,256	77,473,564	20,738,715,874	1,220,437
<b>At 30 June 2013</b>											
Cost	650,670,172	1,928,951,677	26,661,896,558	30,362,951	216,544,287	60,453,967	67,572,832	70,545,767	46,417,413	29,662,405,565	6,049,515
Accumulated depreciation / amortization	-	(853,549,663)	(7,997,789,451)	(7,806,277)	(123,295,129)	(88,265,903)	(32,869,312)	(28,946,512)	(70,340,756)	(9,215,987,567)	(5,229,855)
Net book value	650,670,172	1,075,402,014	18,664,107,415	12,270,674	93,249,156	72,188,064	26,573,520	44,599,256	77,473,564	20,738,715,874	1,520,437
<b>Year ended 30 June 2014</b>											
Opening net book value	650,670,172	1,075,402,014	18,664,107,415	12,270,674	93,249,156	72,188,064	26,573,520	44,599,256	77,473,564	20,738,715,874	1,520,437
Additions	114,489,176	661,983,667	2,678,448,472	2,645,255	227,233,720	48,212,684	12,696,334	11,606,814	62,264,433	3,760,238,567	9,655,298
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	(51,876,687)	-	(3,875,413)	-	-	(374,142)	(5,575,621)	(64,703,664)	-
Accumulated depreciation	-	-	440,882,321	-	2,762,187	-	-	15,604	5,211,545	48,981,167	-
Depreciation / amortization charge	-	(50,061,625)	(1,846,114,468)	(1,458,394)	(19,768,531)	(9,049,135)	(3,097,362)	(2,365,237)	(6,365,006)	(15,722,767)	(1,522,680)
Closing net book value	765,119,548	1,671,294,346	19,645,937,265	13,649,635	299,600,115	111,567,606	37,371,477	49,581,308	77,473,564	22,726,727,455	9,563,034
<b>At 30 June 2014</b>											
Cost	765,119,548	2,590,605,344	28,646,468,343	33,198,236	433,907,388	205,266,643	74,166,768	54,777,463	202,705,394	23,247,340,223	17,007,974
Accumulated depreciation / amortization	-	(919,541,296)	(9,202,531,288)	(19,546,371)	(140,301,479)	(67,375,039)	(36,796,665)	(26,195,145)	(86,462,119)	(10,519,212,774)	(8,307,580)
Net book value	765,119,548	1,671,294,346	19,645,937,265	13,649,635	299,600,115	111,567,606	37,371,477	49,581,308	77,473,564	22,726,727,455	9,563,034
<b>Annual rate of depreciation / amortization (%)</b>											
	4-5	4-42.53	10	0	10	10	10	10-30	20	20	20

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

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
Rupees								
<b>Plant and machinery</b>								
Major parts of engines		225,938,342	(214,963,976)	10,984,366	10,984,366	-	Premature failure parts de n	Warisla Pakistan (Private) Limited
Major parts of engines		225,938,345	(225,938,345)	-	-	-	Written off	
<b>Electric installations</b>								
Generator 300 KVA	1	3,876,413	(2,762,181)	1,114,232	400,000	(714,232)	Negotiation	Mr. Abdul Waheed, Lahore
<b>Office equipment</b>								
Apple iPhone 5s	1	105,750	(12,098)	94,652	27,300	(47,652)	Negotiation	Mr. Bilal Anjum, Lahore
<b>Motor vehicles</b>								
Honda Civic LRM-700	1	1,297,031	(1,125,432)	161,599	823,000	663,401	Negotiation	Mr. Zahid Ali Khan, Lahore
Toyota Corolla Atlas LWF-7967	1	1,343,880	(1,072,608)	271,272	850,000	588,728	Negotiation	Mr. Abdul Wahab Khan, Barau
Suzuki Mehran LEA-06-9008	1	395,000	(295,690)	99,310	395,000	295,690	Holding Company's policy	Mr. Guland Akhtar (Employee), Lahore
Toyota Hilux Van LZJ-7753	1	849,807	(714,788)	135,019	850,000	714,361	Negotiation	Mr. Abdul Wanaab Khan, Barau
Suzuki Cultus LEC-5496	1	646,566	(474,784)	171,782	660,000	487,618	Negotiation	Mr. Alta Ullah Hussain, Faisalabad
Toyota Hiace LZJ2499	1	900,000	(665,937)	234,063	470,000	1,235,937	Negotiation	Mr. M. Hamid Akhtar, Jhelum
Suzuki Bolan LEE-08-8872	1	472,230	(326,065)	146,165	475,000	328,835	Negotiation	Mr. Habib Asad Khan, Lahore
Suzuki Cultus LZV-8519	1	607,788	(482,050)	125,738	465,000	344,262	Negotiation	Mr. Shahzad Pirzada, Lahore
Toyota Corolla Atlas LEF-13-9557	1	2,013,670	-	2,013,670	1,900,000	(113,670)	Insurance claim	Acamjee Insurance Company Limited - associated company
<b>Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 50,000</b>		323,732	(7,49,028)	174,104	275,740	51,636		
		<u>464,703,896</u>	<u>(448,981,752)</u>	<u>15,722,144</u>	<u>19,567,306</u>	<u>3,834,954</u>		

	2014 Rupees	2013 Rupees
<b>13.1.2</b> The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 24)	1,758,775,069	1,612,065,906
Administrative expenses (Note 26)	15,727,765	13,656,201
	<u>1,774,502,834</u>	<u>1,625,722,107</u>

**13.1.3** Amortization on intangible assets amounting to Rupees 1,523 million (2013: Rupees 2,176 million) has been allocated to administrative expenses.

**13.2 Capital work-in-progress**

Civil works on freehold land	174,871,108	396,616,392
Plant and machinery	258,722,704	-
Mobilization advance	8,030,572	41,355,035
Letters of credit	16,384,824	771,403,466
Advances for capital expenditure	32,144,886	441,419,821
Unallocated expenditures	375,088,156	-
	<u>865,242,250</u>	<u>1,650,794,714</u>

**13.3** The Holding Company has capitalized borrowing cost amounting to Rupees 144,903 million (2013: Rupees 0,378 million) using the capitalization rate of 10.52% to 10.86% (2013: 10.09%) per annum during the year.

**14. LONG TERM LOANS TO EMPLOYEES**

	2014 Rupees	2013 Rupees
<b>Considered good:</b>		
Executives (Notes 14.1 and 14.2)	5,690,187	3,432,664
Other employees (Note 14.2)	387,914	948,886
	<u>6,078,101</u>	<u>4,381,550</u>
Less: Current portion shown under current assets (Note 18)		
Executives	2,566,898	784,338
Other employees	37,482	123,078
	<u>2,604,380</u>	<u>907,416</u>
	<u>3,473,721</u>	<u>3,474,134</u>

**14.1 Reconciliation of carrying amount of loans to executives:**

Balance as at 01 July	3,432,664	6,149,123
Add: Disbursements	3,312,035	2,566,812
Add: Transferred from other employees	573,936	-
Less: Repayments	1,628,448	5,283,271
Balance as at 30 June	<u>5,690,187</u>	<u>3,432,664</u>

**14.1.1** Maximum aggregate balance due from executives at the end of any month during the year was Rupees 6.094 million (2013: Rupees 6.044 million)

**14.2** These represent motor vehicle and personal loan to executives and employees, payable in 30 to 48 and 16 monthly instalments respectively. Interest on long term loans ranged from 10.44% to 14.50% per annum (2013: 10.49% to 14.50% 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 personal loan is 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.

	2014 Rupees	2013 Rupees
<b>15. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores (Note 15.1)	1,406,099,447	1,050,869,838
Spare parts	233,768,022	171,230,560
Loose tools	42,667,375	22,205,007
	<u>1,681,534,844</u>	<u>1,244,305,405</u>

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

	2014 Rupees	2013 Rupees
<b>16. STOCK-IN-TRADE</b>		
Raw materials	6,202,089,950	5,148,374,900
Work-in-process	507,370,103	376,405,750
Finished goods	1,189,376,522	753,057,885
Waste	39,999,009	54,134,534
	<u>7,938,835,684</u>	<u>6,331,973,069</u>

- 16.1 Stock-in-trade of Rupees 5,533,388 million (2013: Rupees 98,997 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 470,283 million (2013: Rupees Nil)

	2014 Rupees	2013 Rupees
<b>17. TRADE DEBTS</b>		
<b>Considered good:</b>		
Secured (Notes 17.3 and 17.4)		
- Others	13,755,343,474	9,030,433,751
Unsecured		
- Nishat Mills Limited - related party	32,500,266	102,181
- Others	394,565,196	422,154,485
	<u>427,065,462</u>	<u>422,256,666</u>
	<u>14,182,408,936</u>	<u>9,452,690,417</u>

- 17.1 As at 30 June 2014, trade debts of Rupees 5,409,136 million (2013: Rupees 1,234,624 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:

Upto 1 month	2,124,775,657	500,609,344
1 to 6 months	2,192,451,423	127,226
More than 6 months	1,091,908,828	733,887,198
	<u>5,409,135,908</u>	<u>1,234,623,768</u>

- 17.2 As at 30 June 2014, trade debts due from related party amounting to Rupees 12,318 million (2013: Rupees Nil) were past due but not impaired. The age analysis of these trade debts is as follows:

	2014 Rupees	2013 Rupees
Upto 1 month	12,318,035	-
More than 6 months	-	-
	<u>12,318,035</u>	<u>-</u>

- 17.3 This includes trade receivables from NTDCL. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 4.5% per annum is charged in case the amounts are not paid within due dates. The effective rate of delayed payment mark-up charged during the year on outstanding amounts ranged from 13.49% to 14.68% (2013: 13.72% to 16.47%) per annum.

- 17.4 included in trade debts is an amount of Rupees 957,876 million relating to capacity purchase price not acknowledged by NTDCL as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDCL. Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDCL, therefore, management believes that Nishat Chumian Power Limited - Subsidiary Company cannot be penalized in the form of payment deductions due to NTDCL's default of making timely payments under the PPA. Hence, the Subsidiary Company has taken up this issue at appropriate forums. On 28 June 2013, the Subsidiary Company entered into a Memorandum of Understanding (MoU) for cooperation on extension of credit terms with NTDCL whereby it was agreed that the constitutional petition filed by the Subsidiary Company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the Subsidiary Company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan. During the current year, the Subsidiary Company in consultation with NTDCL, appointed an expert for dispute resolution under the PPA. The proceedings before the expert are under process. Based on the advice of the Subsidiary Company's legal counsel, management feels that there are meritorious grounds to support the Subsidiary Company's stance and such amounts are likely to be recovered. Consequently, no provision for the above mentioned amount has been made in these consolidated financial statements.

## 18. LOANS AND ADVANCES

### Considered good:

#### Employees - interest free

- Executives	4,271,950	5,037,525
- Other employees	1,307,642	864,925
	<u>5,579,592</u>	<u>5,902,450</u>
Current portion of long term loans to employees (Note 14)	2,604,380	907,416
Advances to suppliers (Note 18.1)	721,330,741	591,837,200
Advances to contractors	558,612	337,112
Letters of credit	51,026,230	395,660,372
	<u>781,099,555</u>	<u>994,644,550</u>

- 18.1 It includes advances amounting to Rupees 3,178 million (2013: Rupees 0,181 million) to D.G. Khan Cement Company Limited - related party.

19. OTHER RECEIVABLES	2014 Rupees	2013 Rupees
<b>Considered good:</b>		
Sales tax recoverable	816,175,592	904,470,145
Advance income tax - net	521,236,160	230,101,414
Export rebate and claims	126,002,461	89,716,885
Receivable from employees' provident fund trust	3,179,649	2,684,361
Rebate receivable on early retirement of short term finances	-	56,355,393
Claim recoverable from NTDCL for pass through item - Workers' profit participation fund (Note 19.1)	382,489,804	237,451,859
Fair value of forward exchange contracts	8,552,927	-
Insurance claim receivable	-	91,790,908
Miscellaneous	8,480,795	8,296,745
	<u>1,866,117,388</u>	<u>1,620,867,710</u>

#### 19.1 Workers' profit participation fund

Balance as at 01 July	237,451,859	183,115,965
Add: Provis on for the year	145,037,945	135,636,551
	<u>382,489,804</u>	<u>318,752,516</u>
Less: Amount received during the year	-	81,300,657
Balance as at 30 June	<u>382,489,804</u>	<u>237,451,859</u>

- 19.1.1 Under section 9.3(a) of the Power Purchase Agreement (PPA) with NTDCL payments to Workers' Profit Participation Fund by Nishat Churian Power Limited - Subsidiary Company are recoverable from NTDCL as pass through item

#### 20. DERIVATIVE FINANCIAL INSTRUMENTS

This represented the derivative cross currency swap the Nishat Churian Power Limited - Subsidiary Company entered into with a commercial bank. Under the terms of the cross currency swap arrangement, the Subsidiary Company paid London Inter-Bank Offered Rate (LIBOR) plus bank spread to the arranging bank on the notional USD amount for the purposes of the cross currency swap and received fixed interest at the rate of 11.65% from the arranging bank on the Rupee amount. The derivative cross currency swap expired during the year on 05 February 2014 and the resulting loss has been recognized in the consolidated profit and loss account.

21. SHORT TERM INVESTMENTS	2014 Rupees	2013 Rupees
<b>Held-to-maturity</b>		
Term deposit receipts (Note 21.1)	20,660,226	78,660,226
Add: Accrued interest	1,998,586	3,502,133
	<u>22,658,812</u>	<u>82,162,359</u>

- 21.1 These represent deposits under lien with the bank of the Holding 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 range from 4.98% to 9.01% (2013: 8.64% to 9.59%) per annum. The maturity period of these term deposit receipts is one year.

	2014 Rupees	2013 Rupees
<b>22. CASH AND BANK BALANCES</b>		
<b>Cash with banks:</b>		
On saving accounts (Note 22.1) Including US\$ 18,516 (2013: US\$ 48,008)	1,044,509,425	7,016,452
Term deposit receipt (Note 22.2)	-	2,000,000
On current accounts (Note 22.3) Including US\$ 89,179 (2013: US\$ 146,547)	21,663,166	530,180,359
	<u>1,066,172,591</u>	<u>539,196,811</u>
<b>Cash in hand</b>	<u>1,177,810</u>	<u>1,522,923</u>
	<u>1,067,350,401</u>	<u>540,719,734</u>

**22.1** Rate of profit on saving accounts ranges from 6% to 7.29% (2013: 6% to 9.41%) per annum

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

**22.3** Included in cash with banks on current accounts are Rupees 6.115 million (2013: Rupees 15.046 million) with MCB Bank Limited - associated company.

## **23. SALES**

Export	13,973,563,636	15,536,609,196
Local (Note 23.1 Note 23.2)	36,287,084,802	30,521,735,373
Export rebate and duty draw back	64,467,578	46,036,788
	<u>50,325,116,016</u>	<u>46,104,381,356</u>

	2014 Rupees	2013 Rupees
<b>23.1 Local sales</b>		
Sales	40,132,146,892	33,419,814,871
Processing income	409,815,969	381,911,799
	<u>40,541,962,861</u>	<u>33,801,726,670</u>
Less: Sales tax	3,956,490,293	3,271,193,876
Less: Discount	298,387,766	8,797,421
	<u>36,287,084,802</u>	<u>30,521,735,373</u>

**23.2** Local sales includes waste sales of Rupees 544.910 million (2013: Rupees 489.837 million)

	2014 Rupees	2013 Rupees
<b>24. COST OF SALES</b>		
Raw materials consumed	35,356,188,992	29,969,226,145
Packing materials consumed	668,286,707	619,687,238
Operations and maintenance	377,909,140	325,609,443
Stores, spare parts and loose tools consumed	1,291,181,275	1,145,162,276
Salaries, wages and other benefits (Note 24.1)	1,551,989,454	1,253,420,235
Fuel and power	3,022,799,220	2,516,037,172
Fee and subscription	5,674,062	7,342,725
Insurance	237,083,972	194,434,036
Postage and telephone	6,278,867	2,478,129
Travelling and conveyance	25,734,006	16,476,446
Vehicles' running and maintenance	25,024,795	22,047,753
Entertainment	9,876,773	4,999,231
Depreciation on operating fixed assets (Note 13.1.2)	1,758,775,069	1,612,065,906
Repair and maintenance	28,275,133	60,739,953
Other factory overheads	75,338,975	64,696,334
	<u>44,440,416,440</u>	<u>37,814,423,022</u>
Work-in-process		
Opening stock	376,405,750	380,749,192
Closing stock	(507,370,103)	(376,405,750)
	<u>(130,964,353)</u>	<u>4,343,442</u>
Cost of goods manufactured	44,309,452,087	37,818,766,464
Finished goods and waste - opening stocks		
Finished goods	753,057,885	412,367,556
Waste	54,134,534	32,878,314
	<u>807,192,419</u>	<u>445,245,870</u>
	45,116,644,506	38,264,012,334
Finished goods and waste - closing stocks		
Finished goods	(1,189,376,622)	(753,057,885)
Waste	(39,999,009)	(54,134,534)
	<u>(1,229,375,631)</u>	<u>(807,192,419)</u>
	<u>43,887,268,875</u>	<u>37,456,819,915</u>

**24.1** Salaries, wages and other benefits include Rupees 10,412 million (2013: Rupees 10,435 million) and Rupees 27,685 million (2013: Rupees 23,991 million) in respect of accumulating compensated absences and provident funds contribution by the Holding Company and Nishat Chunian Power Limited - Subsidiary Company respectively.

	2014 Rupees	2013 Rupees
<b>25. DISTRIBUTION COST</b>		
Salaries and other benefits (Note 25.1)	46,012,905	34,255,191
Ocean freight	135,990,247	128,842,607
Freight and octroi	75,465,227	82,688,934
Forwarding and other expenses	286,023,470	42,616,773
Export marketing expenses	122,489,664	108,979,946
Commission to selling agents	118,013,076	140,346,951
	<u>783,994,589</u>	<u>537,730,402</u>

- 25.1 Salaries and other benefits include Rupees 0.718 million (2013: Rupees 0.513 million) and Rupees 2.263 million (2013: Rupees 1.682 million) in respect of accumulating compensated absences and provident fund contribution by the Holding Company respectively.

	2014 Rupees	2013 Rupees
<b>26. ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits (Note 26.1)	128,560,505	94,549,122
Printing and stationery	4,608,057	4,820,871
Vehicles running and maintenance	8,264,561	5,936,432
Travelling and conveyance	47,450,210	39,503,298
Postage and telephone	6,559,149	3,844,547
Fee and subscription	11,336,655	9,592,608
Legal and professional	21,418,630	13,054,291
Electricity and sui gas	10,088,043	7,995,075
Insurance	5,862,015	4,108,932
Repair and maintenance	4,133,589	5,295,060
Entertainment	6,858,478	4,207,996
Auditors' remuneration (Note 26.2)	4,557,111	3,514,329
Depreciation on operating fixed assets (Note 13.1.2)	15,727,765	13,656,201
Amortization on intangible assets (Note 13.1.3)	1,522,695	2,176,295
Miscellaneous	5,237,919	13,979,334
	<u>282,205,382</u>	<u>226,234,391</u>

- 26.1 Salaries and other benefits include Rupees 2.454 million (2013: Rupees 3.893 million) and Rupees 3.789 million (2013: Rupees 3.374 million) in respect of accumulating compensated absences and provident fund contribution by the Holding Company and Nishat Chunar Power Limited - Subsidiary Company respectively.

**26.2 Auditors' remuneration**

**Riaz Ahmad & Company**

Audit fee	1,360,000	1,000,000
Half yearly review	280,000	197,750
Certification fees	100,000	50,000
Reimbursable expenses	138,000	124,000
	<u>1,878,000</u>	<u>1,371,750</u>

**A. F. Ferguson & Co.**

Audit fee	1,200,000	1,100,000
Half yearly review	715,000	650,000
Tax services	472,200	129,700
Other assurance services	107,500	92,200
Reimbursable expenses	184,411	170,679
	<u>2,679,111</u>	<u>2,142,579</u>
	<u>4,557,111</u>	<u>3,514,329</u>

	2014 Rupees	2013 Rupees
<b>27. OTHER EXPENSES</b>		
Workers profit participation fund	48,963,735	133,588,242
Donations (Note 27.1)	74,618,183	7,398,956
Loss on derivative financial instruments	7,215,356	-
Interest on delayed payment (Note 27.2)	24,600,429	7,368,674
	<u>155,397,673</u>	<u>148,345,872</u>

		2014 Rupees	2013 Rupees
<b>27.1 Donations</b>			
Following is the interest of the directors of the Group in the donees:			
Donee	Directors of the Group Companies	Interest in donee	
Mran Muhammad Yahya Trust 31-Q, Gulberg II, Lahore	Mr. Shahzad Saleem Mrs. Farhat Saleem Mr. Aftab Ahmad Khan Mr. Yahya Saleem	Trustee Trustee Trustee Trustee	7,392,000 7,398,956
Saleem Memorial Trust Hospital 31-Q, Gulberg II, Lahore	Mr. Shahzad Saleem Mrs. Farhat Saleem Mr. Yahya Saleem	Director Director Director	62,160,000 -
			<u>69,552,000</u> <u>7,398,956</u>
<b>27.2</b>	This represents delayed payment charges by Wartsila Pakistan (Private) Limited as per the terms of the Operations and Maintenance Agreement (2013: Rupees 5.587 million).		
<b>28. OTHER INCOME</b>		<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Income from financial assets</b>			
Return on bank deposits		6,979,358	5,448,238
Net exchange gain		166,060,595	183,982,497
Mark up on loans to executives		93,148	107,812
Gain on derivative financial instruments:			
Realized		-	27,433,806
Un-realized		-	28,469,093
			55,902,899
<b>Income from non-financial assets</b>			
Compensation for loss of revenue		36,489,360	52,634,436
Liabilities written back		3,123,402	75,745
Gain on sale of operating fixed assets		3,834,964	2,692,887
Sale of scrap		89,064,424	86,991,280
Miscellaneous		1,433,308	2,254,800
		<u>307,078,559</u>	<u>390,090,594</u>
<b>29. FINANCE COST</b>		<b>2014 Rupees</b>	<b>2013 Rupees</b>
Mark-up on:			
- long term loans		2,115,005,550	2,229,104,826
- long term musharaka		60,101,084	54,259,832
- redeemable capital		28,002,801	45,469,512
- short term running finances		461,104,806	714,582,279
- export finances - Preshipment / SBP refinances		275,105,699	248,317,271
- short term finances		339,185,997	284,772,973
Interest on workers' profit participation fund (Note 8.2)		2,782,893	7,386,641
Bank charges and commission		16,325,416	67,658,136
		<u>3,297,614,246</u>	<u>3,651,551,470</u>

	2014 Rupees	2013 Rupees
<b>30. TAXATION</b>		
Current (Notes 30.1 and 30.2)	166,306,073	255,147,494
Prior year adjustment	-	(24,760,917)
	<u>166,306,073</u>	<u>230,386,577</u>

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

**30.2** For the purposes of current taxation of Nishat Chunian Power Limited - Subsidiary Company, tax losses as at 30 June 2014 are estimated at Rupees Nil (2013: Rupees 2,780.557 million), while the tax credit available for carry forward is estimated at Rupees 49.237 million (2013: Rupees 2.486 million). As explained in note 2.3, management of Nishat Chunian Power Limited - Subsidiary Company 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.

	2014	2013 Restated
<b>31. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after taxation attributable to shareholders of the Holding Company (Rupees)	<u>639,922,199</u>	<u>2,908,747,548</u>
Weighted average number of ordinary shares outstanding during the year (Number)	<u>200,184,630</u>	<u>200,184,630</u>
Basic earnings per share (Rupees)	<u>3.20</u>	<u>14.53</u>

**31.1** There is no dilutive effect on basic earnings per share for the year ended 30 June 2014 and 30 June 2013 as no potential ordinary shares were in issue as on 30 June 2014 and 30 June 2013.

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

	2014 Rupees	2013 Rupees
<b>32. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	2,225,713,810	4,473,789,930
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation on operating fixed assets	1,774,502,834	1,625,722,107
Amortization on intangible asset	1,522,695	2,176,295
Gain on sale of property, plant and equipment	(3,834,964)	(2,692,887)
Finance cost	3,297,614,246	3,651,551,470
Return on bank deposits	(6,979,358)	(5,448,238)
Unrealized gain on derivative financial instruments	-	(37,453,307)
Liabilities written back	(3,123,402)	(75,745)
Working capital changes (Note 32.1)	(6,648,345,987)	2,889,873,274
	<u>637,069,874</u>	<u>12,597,442,869</u>

### 32.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spare parts and loose tools	(437,229,139)	(302,987,580)
Stock-in-trade	(1,606,862,615)	(1,944,546,134)
Trade debts	(4,729,718,519)	5,285,695,763
Loans and advances	215,241,959	(821,015,791)
Short term deposits and prepayments	(5,331,312)	(1,571,126)
Derivative financial instruments	2,362,939	-
Other receivables	45,885,068	(574,905,925)
	<u>(6,515,651,619)</u>	<u>1,640,669,207</u>

(Decrease) / increase in trade and other payables

	(132,694,368)	1,249,204,067
	<u>(6,648,345,987)</u>	<u>2,889,873,274</u>

### 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	
	2014	2013	2014	2013	2014	2013
	----- Rupees -----					
Managerial remuneration	4,600,000	1,533,333	-	2,733,267	52,022,000	37,514,000
Contribution to provident fund	-	-	-	-	4,333,433	3,124,916
House rent	1,840,000	613,333	-	1,093,307	20,808,800	15,005,600
Utilities	460,000	153,333	-	273,327	5,202,200	3,751,400
Others	844,668	482,668	-	855,976	6,178,219	4,090,716
	<u>7,744,668</u>	<u>2,782,667</u>	<u>-</u>	<u>4,955,877</u>	<u>88,544,652</u>	<u>63,486,632</u>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>47</b>	<b>33</b>

- 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 seven directors (2013: one director) of the Holding Company was Rupees 400,000 (2013: Rupees 80,000).
- 33.3 No remuneration was paid to non-executive directors of the Holding Company.

### 34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise 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:

	2014 Rupees	2013 Rupees
<b>Associated undertakings</b>		
Insurance premium paid	78,299,654	64,488,754
Insurance claims received	7,765,714	11,306,029
Purchase of operating fixed asset	925,000	-
<b>Other related parties</b>		
Purchase of goods	52,371,455	64,447,186
Sales of goods	417,799,933	91,383,063
Dividend paid	60,551,432	55,046,760
Contribution to employees' provident fund trusts	33,737,864	29,047,089

### 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 2014 and 30 June 2013 and un-audited financial statements of the provident fund of Nishat Chunian Power Limited - Subsidiary Company for the year ended 30 June 2014 and audited financial statements for the year ended 30 June 2013:

	Nishat (Chunian) Limited		Nishat Chunian Power Limited	
	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees
Size of the fund - Total assets	256,700,262	215,300,085	21,125,486	15,206,312
Cost of investments	228,951,219	194,652,856	19,101,539	12,044,697
Fair value of investments	235,587,674	197,948,210	19,408,778	12,924,052
Percentage of investments made	91.77%	91.94%	91.87%	84.99%

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

Deposits with banks	1,997,499	1,196,019	38,289	329,852
Treasury bills	210,528,650	185,230,165	19,370,489	11,770,987
Mutual funds - open end	14,444,594	2,018,993	-	823,213
Listed securities	8,616,931	9,503,033	-	-
	<u>235,587,674</u>	<u>197,948,210</u>	<u>19,408,778</u>	<u>12,924,052</u>

	Nishat (Chunian) Limited		Nishat Chunian Power Limited	
	2014	2013	2014	2013
Deposits with banks	0.85%	0.60%	0.20%	2.55%
Treasury bills	89.36%	93.58%	99.80%	91.08%
Mutual funds - open end	6.13%	1.02%	0.00%	6.37%
Listed securities	3.66%	4.80%	0.00%	0.00%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

	2014	2013
<b>36. NUMBER OF EMPLOYEES</b>		
Number of employees as on 30 June	<u>6,930</u>	<u>6,311</u>
Average number of employees during the year	<u>6,785</u>	<u>5,974</u>



	2014	2013
<b>38. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
<b>Nishat (Chunian) Limited - Holding Company</b>		
<b>Spinning</b>		
Number of spindles installed	171,836	149,948
Number of spindles worked	156,856	141,752
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs)	52,888,973	49,384,297
Actual production of yarn after conversion into 20/1 count (Kgs)	52,034,299	48,702,945
Under utilization of available capacity was due to normal maintenance and time lost in shifting of coarser counts to finer counts and vice versa		
<b>Weaving</b>		
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	185,426,474	200,349,994
Under utilization of available capacity was due to the following reasons:		
- change of articles required		
- higher count and cover factor		
- due to normal maintenance		
<b>Power plant</b>		
Number of engines installed	19	19
Number of engines worked	19	19
Number of shifts per day	3	3
Generation capacity (KWh)	346,896,000	346,895,000
Actual generation (KWh)	99,979,762	127,295,248
Under utilization of available capacity was due to normal maintenance.		
<b>Dyeing</b>		
Number of thermosol dyeing machines	1	1
Number of stenters machines	3	3
Number of shifts per day	3	3
Capacity in meters	30,800,000	30,800,000
Actual processing of fabrics - meters	28,366,575	27,873,206
Under utilization of available capacity was due to normal maintenance and power outages		
<b>Printing</b>		
Number of stenter machine	1	1
Number of shifts per day	2	2
Capacity in meters	6,200,000	6,200,000
Actual processing of fabrics - meters	7,517,225	5,335,081
Over utilization of available capacity was due to occasional extra shift		
<b>Stitching</b>		
The plant capacity of this division is indeterminable due to multi product plant involving varying run length of order lots.		
<b>Nishat Chunian Power Limited - Subsidiary Company</b>		
Installed capacity [based on 8,760 (2013: 8,760) hours] - MWH	1,714,525	1,714,525
Actual energy delivered - MWH	1,471,445	1,283,004
Output produced by Plant is dependent on the load demanded by NTDCL and Plant availability		

## 39. FINANCIAL RISK MANAGEMENT

### 39.1 Financial risk factors

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

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

#### (a) Market risk

##### (i) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Group's foreign exchange risk exposure is restricted to bank balances, 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:

	2014	2013
Cash at banks - USD	55,309	194,555
Trade debts - USD	34,564,248	36,959,089
Trade debts - EURO	599,684	785,994
Trade and other payables - USD	(502,759)	(548,981)
Trade and other payables - EURO	(26,377)	(8,422)
Short term borrowings - USD	(41,094,691)	(2,658,050)
Accrued mark-up - USD	(239,838)	(4,396)
Net exposure - USD	(7,217,731)	33,942,217
Net exposure - EURO	573,307	777,572

The following significant exchange rates were applied during the year:

#### Rupees per US Dollar

Average rate	102.80	96.80
Reporting date rate	98.65	98.70

#### Rupees per EURO

Average rate	139.79	126.66
Reporting date rate	134.60	128.79

## 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 31,901 million (2013: Rupees 161,786 million respectively higher / lower) respectively lower / higher, mainly as a result of exchange losses / gains 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 Chunar Power Limited - Subsidiary Company and bank balances in saving and deposit accounts. The Group's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

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

	2014 Rupees	2013 Rupees
<b>Fixed rate instruments</b>		
<b>Financial liabilities</b>		
Long term financing	188,081,502	324,409,390
Short term borrowings	4,821,312,745	700,000,000
<b>Financial assets</b>		
Long term loans to employees	2,994,606	1,168,224
Term deposit receipts	-	22,000,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Trade debts - over due	3,594,697,911	500,609,344
Derivative financial instruments	-	2,362,939
Bank balances - saving accounts	1,044,509,425	7,016,452
Term deposit receipts	20,660,226	58,660,226
<b>Financial liabilities</b>		
Long term financing	18,139,286,736	18,113,741,358
Redeemable capital	156,250,000	281,250,000
Short term borrowings	10,057,768,119	5,798,176,644

### 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 101.591 million (2013: Rupees 224.420 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:

	2014 Rupees	2013 Rupees
Deposits	25,881,428	4,668,247
Trade debts	14,182,408,936	9,452,690,417
Loans and advances	11,657,693	10,284,000
Short term investments	22,658,812	82,162,359
Other receivables	399,523,526	393,894,905
Derivative financial instruments	-	2,362,939
Accrued interest	402,011	161,854
Bank balances	1,066,172,591	539,196,811
	<u>15,708,704,997</u>	<u>10,485,421,532</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 rates.

	Rating			2014	2013
	Short Term	Long term	Agency	Rupees	Rupees
<b>Banks</b>					
Askan Bank Limited	A1+	AA	PACRA	93,543	180,924,739
Al-Barkaa Bank (Pakistan) Limited	A1	A	PACRA	209,371	8,522
Bank Alfalah Limited	A1+	AA	PACRA	1,925,419	1,631,451
Bank Al-Habib Limited	A1+	AA+	PACRA	58,646	6,499,073
BankIslami Pakistan Limited	A1	A	PACRA	137,099	203,057,984
Barclays Bank PLC	A+	A	Standards and Poors	21,994	54,094
Burj Bank Limited	A+	A	JCR-VIS	23,146	20,301
Citibank N.A.	P-1	A2	Moody's	5,784	2,630
Deutsche Bank AG	P-1	A3	Moody's	105,108	107,196
Dubai Islamic Bank (Pakistan) Limited	A-1	A-	JCR-VIS	488,740	268,024
Faysal Bank Limited	A1+	AA	PACRA	185,181	3,082,480
Habib Bank Limited	A-1+	AAA	JCR-VIS	1,505,256	3,610,444
HSBC Bank Middle East Limited	F1+	AA-	FITCH	793,960	795,974
MCB Bank Limited	A++	AAA	PACRA	6,114,951	15,045,845
Moozan Bank Limited	A-1+	AA	JCR-VIS	882,617	14,038,221
National Bank of Pakistan	A-1+	AAA	JCR-VIS	157,886	92,844,050
NIB Bank Limited	A+	AA-	PACRA	152,647	153,034
Standard Chartered Bank (Pakistan) Limited	A++	AAA	PACRA	539,863	640,197
Summit Bank Limited	A-3	A-	JCR-VIS	463	463
The Bank of Punjab	A+1	AA-	PACRA	4,084,716	3,351,593
United Bank Limited	A-1+	AA+	JCR-VIS	1,043,738,287	1,516,621
JPMorgan Chase Bank N.A.	P-2	A3	Moody's	5,167,904	11,443,882
				1,066,172,591	539,196,811
<b>Short term investments</b>					
Askan Bank Limited	A1+	AA	PACRA	-	22,074,426
BankIslami Pakistan Limited	A1	A	PACRA	22,658,812	63,087,933
				22,658,812	82,162,359
(c) Trade debts - NTDC			Not available	5,269,127,883	4,579,750,410
				6,357,954,286	5,201,109,580

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 counterparties on their obligations to the Group. Accordingly the credit risk is minimal.

#### 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 2014, the Group had Rupees 15,596 million on available borrowing limits from financial institutions and Rupees 1,057,360 million on 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 2014

	Carrying Amount	Contractual cash flows	Ruppes			
			6 month or less	6-12 month	1-2 Year	More than 2 Years
<b>Non-derivative financial liabilities:</b>						
Long term financing	18,327,368,238	24,406,883,256	2,857,722,976	2,901,125,251	5,354,217,940	13,293,815,086
Redeemable capital	156,250,000	170,817,950	71,262,056	67,327,637	32,228,258	-
Short term borrowings	14,679,080,864	15,637,968,681	14,389,485,271	1,248,473,410	-	-
Trade and other payables	3,243,531,529	3,243,531,529	3,243,531,529	-	-	-
Accrued mark-up	718,900,828	718,900,828	718,900,828	-	-	-
	37,325,131,459	44,778,102,274	21,280,912,659	4,216,927,298	5,385,446,228	13,293,815,086

Contractual maturities of financial liabilities as at 30 June 2013

	Carrying Amount	Contractual cash flows	Rupees			
			6 months or less	6-12 months	1-2 Year	More than 2 Years
<b>Non-derivative financial liabilities:</b>						
Long term financing	16,438,150,748	27,077,679,990	2,405,006,112	2,285,147,430	4,425,117,952	17,962,409,086
Redeemable capital	281,250,000	221,099,008	77,560,733	73,985,806	137,997,008	37,147,437
Short term borrowings	6,498,176,644	6,779,232,343	5,991,512,260	787,720,083	-	-
Trade and other payables	3,006,430,854	3,006,430,854	3,006,430,854	-	-	-
Accrued mark-up	683,900,614	683,900,614	683,900,614	-	-	-
	<u>28,907,908,860</u>	<u>37,868,342,809</u>	<u>12,164,443,573</u>	<u>3,125,833,318</u>	<u>4,562,514,400</u>	<u>18,014,551,516</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, note 7 and note 10 to these consolidated financial statements.

39.2 Fair values of financial assets and liabilities

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

39.3 Financial instruments by categories

Assets as per balance sheet

	2014			Total
	At fair value through profit or loss	Loans and receivables	At amortized cost	
Rupees				
Deposits	-	25,881,428	-	25,881,428
Trade debts	-	14,182,438,936	-	14,182,438,936
Loans and advances	-	11,657,693	-	11,657,693
Short term investments	-	-	22,658,812	22,658,812
Other receivables	-	399,523,526	-	399,523,526
Accrued interest	-	402,011	-	402,011
Derivative financial instruments	-	-	-	-
Cash and bank balances	-	1,067,350,401	-	1,067,350,401
	-	<u>15,687,223,995</u>	<u>22,658,812</u>	<u>15,709,882,807</u>

	2013			Total
	At fair value through profit or loss	Loans and receivables	At amortized cost	
Rupees				
Deposits	-	4,668,247	-	4,668,247
Trade debts	-	9,452,690,417	-	9,452,690,417
Loans and advances	-	10,284,000	-	10,284,000
Short term investments	-	-	82,162,359	82,162,359
Other receivables	-	393,894,905	-	393,894,905
Accrued interest	-	161,854	-	161,854
Derivative financial instruments	2,362,939	-	-	2,362,939
Cash and bank balances	-	540,719,734	-	540,719,734
	<u>2,362,939</u>	<u>10,402,415,157</u>	<u>82,162,359</u>	<u>10,486,944,455</u>

Liabilities as per balance sheet

	Liabilities at amortized cost	
	2014	2013
Rupees		
Long term financing	18,327,368,236	18,436,150,748
Redeemable capital	155,250,000	281,250,000
Accrued mark-up	718,900,826	683,900,614
Short term borrowings	14,879,080,864	6,498,176,644
Trade and other payables	3,243,531,529	3,006,430,854

#### 40. 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, redeemable capital and short term borrowings obtained by the Group as referred to in note 6, note 7 and note 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of 75% debt and 25% equity.

		2014	2013
Borrowings	Rupees	33,362,699,102	25,217,577,392
Total equity	Rupees	13,553,026,667	13,385,673,901
Total capital employed	Rupees	<u>46,915,725,769</u>	<u>38,603,251,293</u>
Gearing ratio	Percentage	<u>71.11</u>	<u>85.33</u>

#### 41. UNUTILIZED CREDIT FACILITIES

The Group has total credit facilities amounting to Rupees 30,475 million (2013: Rupees 18,551 million) out of which Rupees 15,596 million (2013: Rupees 12,053 million) remained unutilized at the end of the year.

#### 42. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company at their meeting held on September 26, 2014 has proposed cash dividend of Rupees 1 per ordinary share (2013: Rupees 2 per ordinary share) in respect of the year ended 30 June 2014. The Board of Directors of Nishat Chunian Power Limited ("the Subsidiary Co") at their meeting held on September 26, 2014 had declared cash dividend of Rupees 2 per ordinary share (2013:2) in respect of the year ended 30 June 2014. 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.

#### 43. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on September 26, 2014 by the Board of Directors of the Holding Company.

#### 44. CORRESPONDING FIGURES

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

#### 45. GENERAL

Figures have been rounded off to nearest of Rupee.

Statement under section 241(2) of the Companies Ordinance, 1984

This Consolidated financial information has been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan

DIRECTOR

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 25th Annual General Meeting of the Company,  
will be held on October 31, 2014 ( Friday ) at 11:30 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 \_\_\_\_\_ 2014 signed by the said  
\_\_\_\_\_ in presence of  
\_\_\_\_\_

Witness

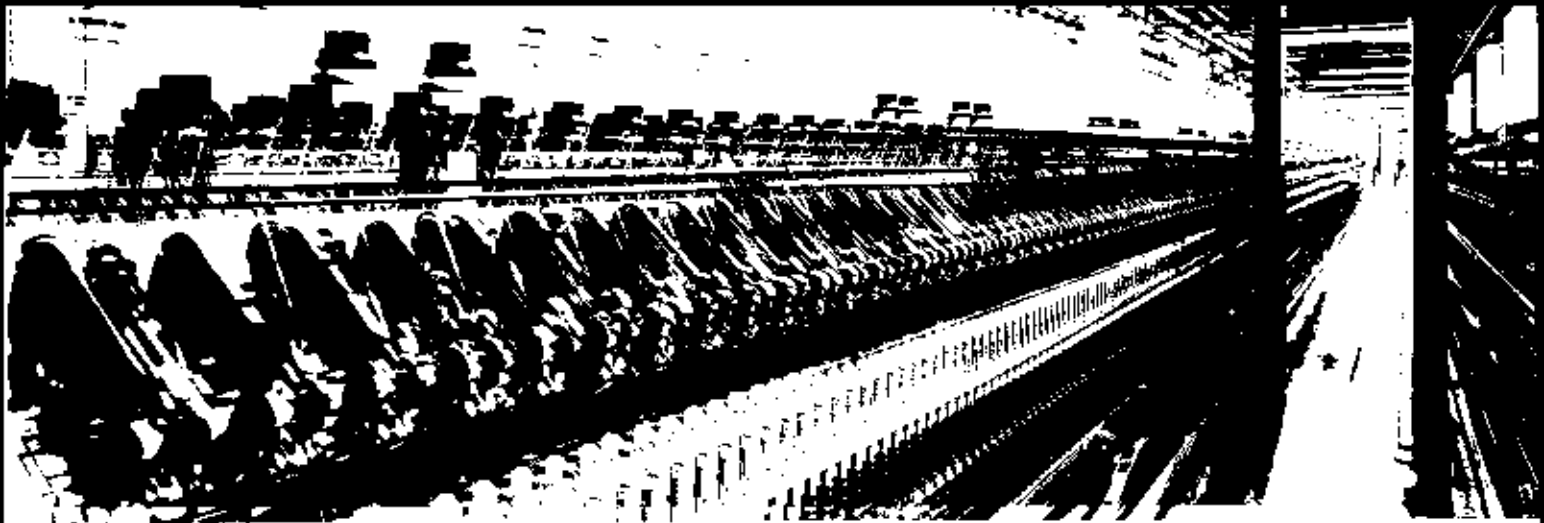
Signature

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.



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