Annual Report of Nishat Mills Limited for the year ended June 30, 2012

Dream
Diversify
Deliver

NISHAT

Dream
Diversify
Deliver

A picture is worth a thousand words, but how many times have we stopped to consider the many aspects that make it stand out on its own? From every sketch to each layer of perfection – a masterpiece is always created by those who have the spirit to envisage the impossible. These are the visionaries who let the creative force of imagination surge towards ingenuity and who possess the perseverance to achieve the ultimate goals they originally set out for.

At Nishat, we believe in the power of making all our work, a work of art. The illustration displayed on our cover this year manifests the same attitude. Along with the variance of color and the use of diverse form, a sense of undiluted originality shines through our cover image. In addition, it holds a mystical quality which expresses a variety of traits that are synonymous to our company. A uniqueness, which is accentuated by the depiction of a blooming tree in the palm of a human hand; that not only reflects Nishat's growing success, but also reveals its commitment towards the promise of delivery to the people, for all times to come.

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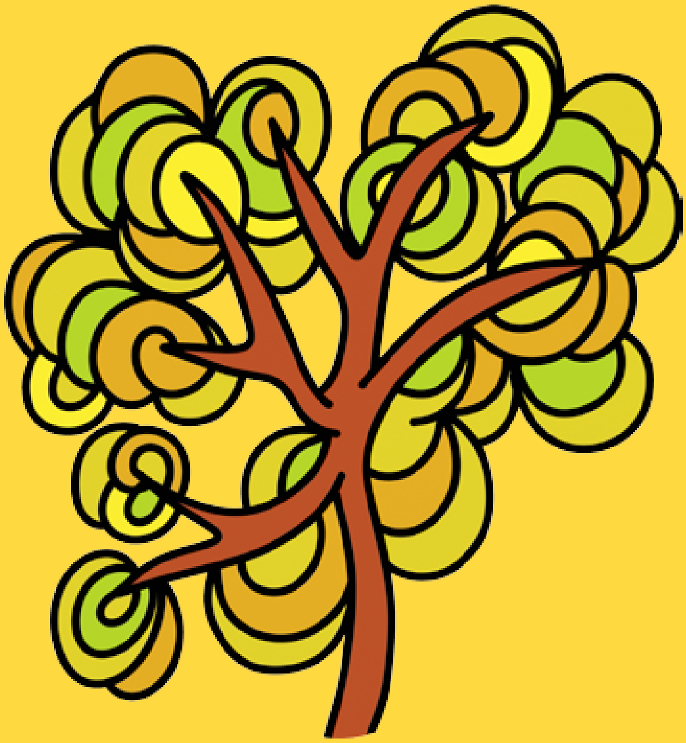


Corporate

Financial Statements of Nishat Mills Limited

Consolidated Financial Statements of Nishat Mills Limited

Company Information

Board of Directors

Mian Umer Mansha
Chairman/CEO

Mian Hassan Mansha
Mr. Khalid Qadeer Qureshi
Syed Zahid Hussain
Mr. Muhammad Azam
Ms. Nabiha Shahnawaz Cheema
Mr. Maqsood Ahmad

Audit Committee

Mr. Khalid Qadeer Qureshi
Chairman/Member

Mr. Muhammad Azam
Member

Ms. Nabiha Shahnawaz Cheema
Member

Human Resource & Remuneration (HR & R) Committee

Mian Hassan Mansha
Chairman/Member

Mian Umer Mansha
Member

Mr. Khalid Qadeer Qureshi
Member

Chief Financial Officer

Mr. Badar-ul-Hassan

Company Secretary

Mr. Khalid Mahmood Chohan

Auditors

Riaz Ahmad & Company
Chartered Accountants

Legal Advisor

Mr. M. Aurangzeb Khan, Advocate,
Chamber No. 6, District Court,
Faisalabad.

Bankers to the Company

Albaraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Barclays Bank PLC
Burj Bank Limited
Citibank N.A.
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
KASB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Pak Oman Investment Company Limited
Pakistan Kuwait Investment Company (Private) Limited
Samba Bank Limited
Saudi Pak Industrial & Agricultural Investment Company Limited
Silk Bank Limited
Soneri Bank Limited
Summit Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited

Mills

Spinning units, Yarn Dyeing & Power plant
Nishatabad, Faisalabad.

Weaving units & Power plant
12 K.M. Faisalabad Road,
Sheikhupura.

Stitching unit
21 K.M. Ferozepur Road, Lahore.

Weaving, Dyeing & Finishing unit, Processing unit, Stitching unit and Power plant
5 K.M. Nishat Avenue
Off 22 K.M. Ferozepur Road, Lahore.

Apparel Unit
7 K.M. Nishat Avenue
Off 22 K.M. Ferozepur Road, Lahore.

Spinning unit & Power plant
20 K.M. Sheikhupura Faisalabad Road,
Feroze Watwan.

Registered office & Shares Department

Nishat House,
53 - A, Lawrence Road, Lahore.
Tel: 042-36360154, 042-111 113 333
Fax: 042-36367414

Head Office

7, Main Gulberg, Lahore.
Tel: 042-35716351-59,
042-111 332 200
Fax: 042-35716349-50
E-mail: nishat@nishatmills.com
Website: www.nishatmillsltd.com

Liaison Office

Ist Floor, Karachi Chambers,
Hasrat Mohani Road, Karachi.
Tel: 021-32414721-23
Fax: 021-32412936

Directors' Profile

Mian Umer Mansha

Mian Umer Mansha is the Chief Executive Officer of Nishat Mills Limited ("the Company"). He holds a bachelor degree in business administration from USA. He has been serving on the Board of Directors ("Board") of various listed companies for more than 15 years. He is also a member of the Human Resource & Remuneration Committee of the Company. He also serves on the Board of Adamjee Insurance Company Limited, MCB Bank Limited, Adamjee Life Assurance Company Limited, Nishat Dairy (Private) Limited, Pakistan Business Council, Nishat Hotel and Properties Limited, Nishat Developers (Private) Limited and Nishat Agriculture Farming (Private) Limited.

Mian Hassan Mansha

Mian Hassan Mansha is serving in the capacity of non-executive director on the Board of the Company. He holds a bachelor degree in business administration from USA. He has been serving on the Board of various listed companies for several years. He is also the Chairman of Human Resource and Remuneration Committee of the Company. He also serves on the Board of Nishat Power Limited, Security General Insurance Company Limited, Lalpir Power Limited, Pakgen Power Limited, Nishat Hotels and Properties Limited, Nishat Hospitality (Private) Limited, Nishat Dairy (Private) Limited, Pakistan Aviators and Aviation (Private) Limited, Nishat Automobiles (Private) Limited and Nishat Agriculture Farming (Private) Limited.

Mr. Khalid Qadeer Qureshi

Mr. Khalid Qadeer Qureshi is serving in the capacity of non-executive director on the Board of the Company. He is a fellow member of the Institute of Chartered Accountants of Pakistan. He has over 40 years of rich professional experience. He is also the Chairman of the Audit Committee and a member of Human Resource & Remuneration Committee of the Company. He also serves on the Board of D.G. Khan Cement Company Limited, Nishat Power Limited, Lalpir Power Limited, Pakgen Power Limited and Nishat Paper Products Company Limited.

Syed Zahid Hussain

Syed Zahid Hussain is serving as an independent director on the Board of the Company. Academically, Mr. Zahid Hussain is B.Sc, LLB and MA International Relations. He has vast experience of working as Chairman/Chief Executive/Director of various state owned enterprises and listed companies. He has also served as High Commissioner/Ambassador of Pakistan based in Kenya, with accredited assignments of Ambassadorship in Tanzania, Uganda, Rwanda, Krundse, Ethiopia and Eritrea.

Mr. Muhammad Azam

Mr. Muhammad Azam is serving as an executive director on the Board of the Company. He is a fellow member of the Institute of Chartered Accountants of Pakistan and an associate member of Institute of Cost and Management Accountants of Pakistan. He has over 35 years of rich professional experience. He is a member of Audit Committee of the Company and is actively involved in the taxation matters of the Company.

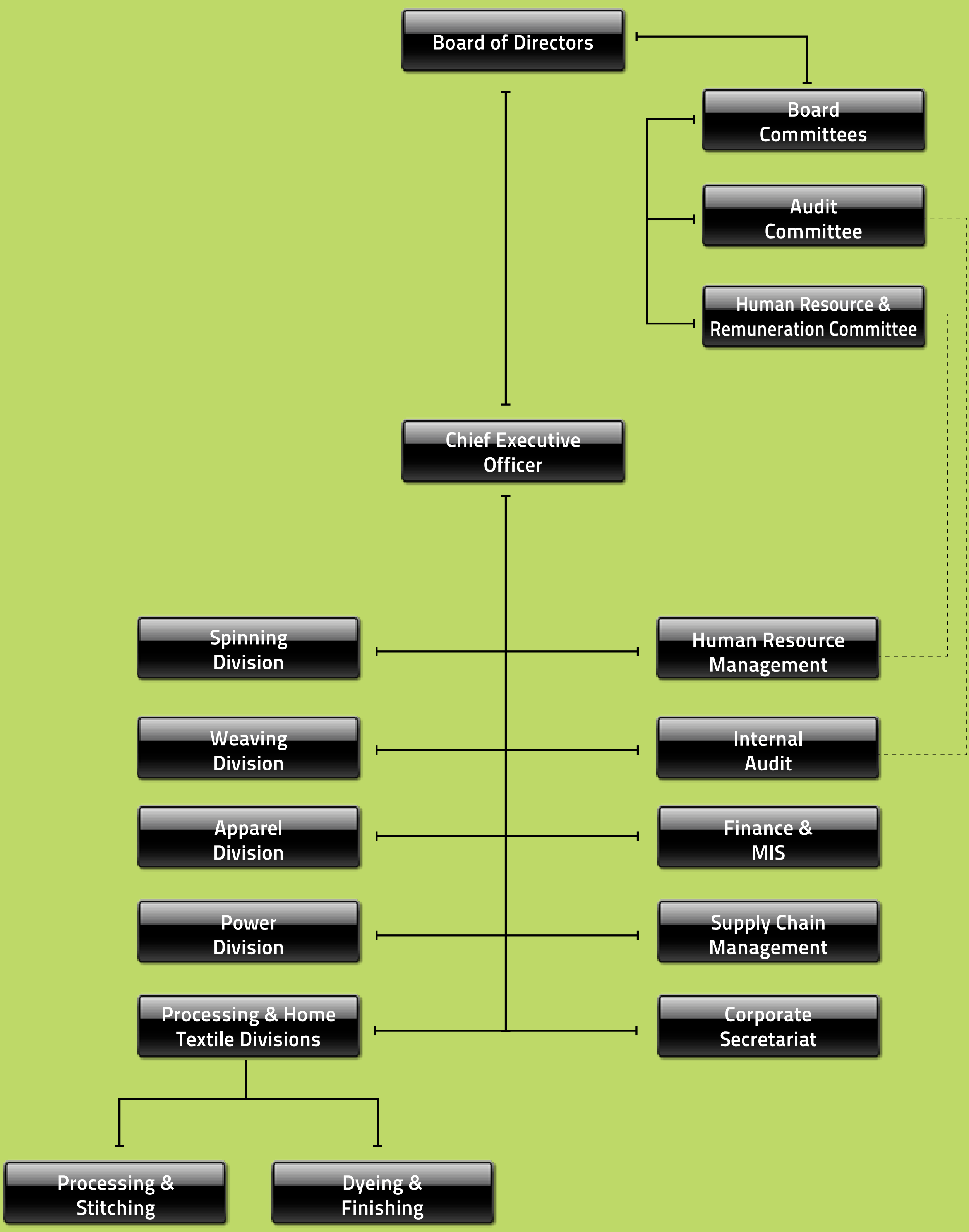
Ms. Nabiha Shahnawaz Cheema

Ms. Nabiha is serving as a non-executive director on the Board of the Company. She is a fellow member of the Institute of Chartered Accountants of Pakistan. She has more than 12 years of professional experience. She is also a member of the Audit Committee of the Company. She also serves on the Board of Security General Insurance Company Limited, Nishat Power Limited, D.G. Khan Cement Company Limited and Nishat Hospitality (Private) Limited.

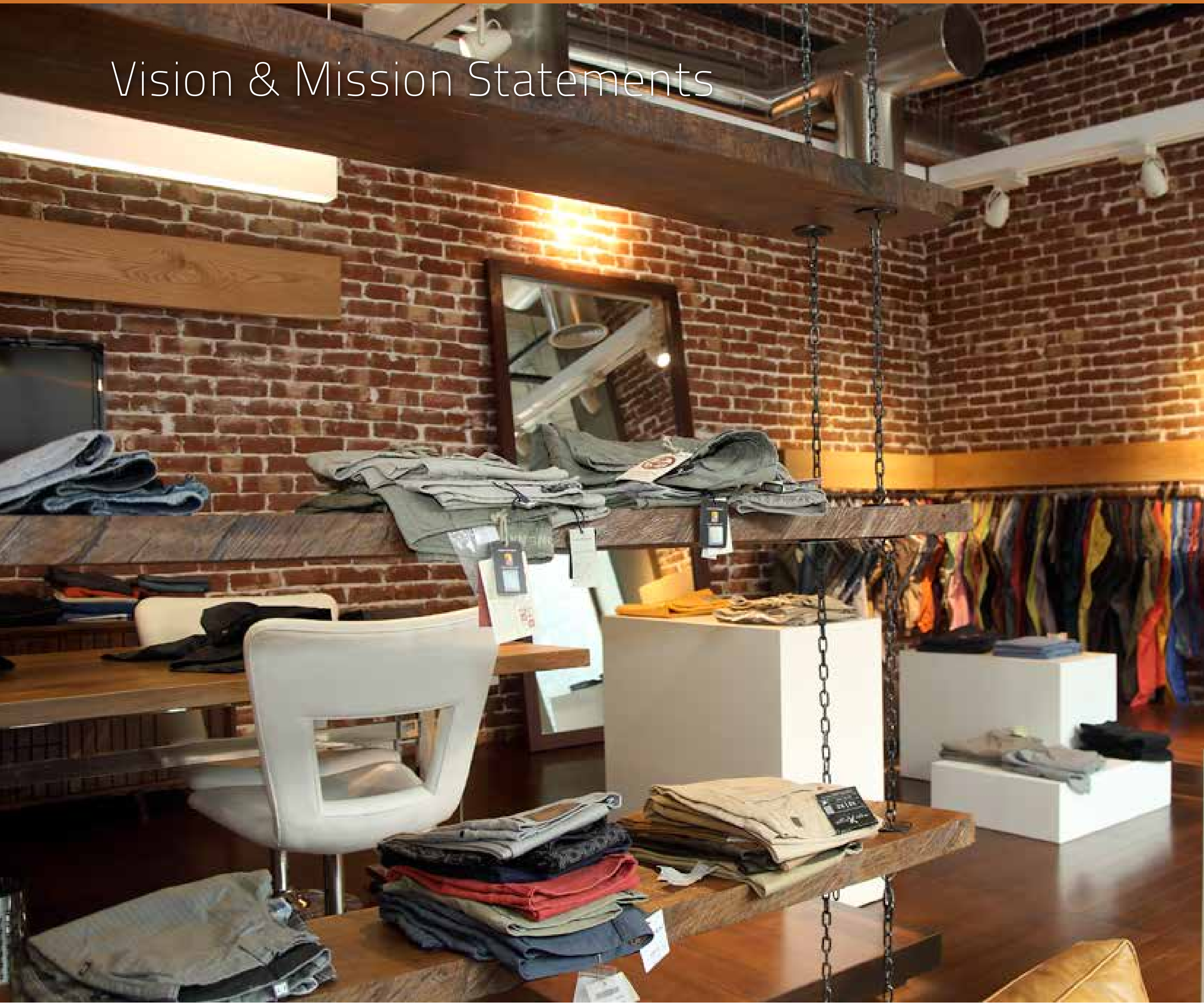
Mr. Maqsood Ahmad

Mr. Maqsood Ahmad is serving as executive director on the Board of the Company. He holds a masters degree in Business Administration. He has a rich professional experience of over 20 years in textile industry, especially in the spinning business. He is actively involved in the strategic decisions relating to the operations of the Company.

Organisational Chart



Vision & Mission Statements



Our Vision

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

Our Mission

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

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of the members of Nishat Mills Limited (The Company) will be held on October 31, 2012 (Wednesday) at 11:00 a.m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore to transact the following business:

1. To receive, consider and adopt the Separate and Consolidated Financial Statements of the Company for the year ended June 30, 2012 together with Directors' and Auditors' reports thereon.

2. To approve the payment of final cash dividend @ 35 % (i.e. Rs.3.5 per share) for the year ended June 30, 2012, as recommended by the Board of Directors.

3. To appoint auditors of the Company for the year ending June 30, 2013 and fix their remuneration.

4. SPECIAL BUSINESS
   To consider and, if thought fit, pass the following Special Resolution with or without modification(s).

RESOLVED THAT, " pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Nishat Mills Limited ("the Company") be and is hereby authorized to invest up to Rs. 600 Million (Rupees Six Hundred Million Only) by way of long term Equity Investment in the shares of Nishat Dairy (Private) Limited, an associated company".

FURTHER RESOLVED THAT, "the above said resolution shall be valid for 3 years and the Chief Executive Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to execute any and all documents and agreements as required in this respect".

FURTHER RESOLVED THAT, "subsequent to the above said equity investment, Chief Executive Officer and/or Company Secretary of the Company be and are hereby authorized singly to dispose off through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company".

ALSO RESOLVED THAT, " a certified true copy of these resolutions duly signed by the Chief Executive Officer or any of the Director or the Company Secretary be issued to whom it may concern and shall remain enforced until notice in writing to the contrary duly signed by the Chief Executive Officer or any of the Directors or Company Secretary".

By Order of the Board

Khalid Mahmood Chohan
Company Secretary

October 05, 2012
Lahore

NOTES:

1. **BOOK CLOSURE NOTICE FOR ENTITLEMENT OF FINAL CASH DIVIDEND@ 35% FOR THE YEAR ENDED JUNE 30, 2012**

   The Share Transfer Books of Ordinary Shares of the Company will remain closed from 24-10-2012 to 31-10-2012 (both days inclusive) for entitlement of 35% Final Cash Dividend i.e. (Rupee 3.5 Only) Per Ordinary Share and attending of Annual General Meeting. Physical transfers / CDS Transactions/IDs received in order up to 1:00 p.m. on 23-10-2012 at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore, will be considered in time for entitlement of 35% Final Cash Dividend and attending of meeting.

2. A member eligible to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC. In case of corporate entity, the Board's Resolution/power of attorney with specimen signature shall be furnished along with proxy form to the Company. The shareholder through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

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

4. Members who have not yet submitted photocopies of their CNIC to the Company are requested to send the same at the earliest to mention the same on dividend warrants to be issued.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the forthcoming Annual General Meeting of the Company to be held on October 31, 2012.

Nishat Dairy (Private) Limited - "associated company" was incorporated on 28 October 2011 as a private limited company with an authorized share capital of Rs. 250 million. The authorized share capital has subsequently been enhanced to Rs. 1,500 million which will be further enhanced to Rs 2,700 million as and when required.

Nishat Dairy (Private) Limited is being set up with the principal object of carrying out dairy business in Pakistan. The associated company has undertaken the project to establish a dairy farm with the capacity of 2,500 milking animals. The project will be completed in two phases. In the first phase, the associated company will set up the dairy farm for 1,500 milking animals and in the second phase additional investment shall be made for incremental 1,000 milking animals to reach the housing capacity of 2,500 milking animals.

The associated company will sell raw milk to the companies operating in dairy products manufacturing industry. At 2,500 milking cows it will be the largest dairy farm in the country. Cattle feed (corn, alfalfa hay and rhode grass) will be outsourced, purchase contracts for these have already been made with reputable growers.

The associated company has purchased 147 acres land at Sukheki Road, Off Kot Sarwar Interchange, Moza Khatrani, District Hafizabad to establish the dairy farm. The associated company will import 1,800 Holstein Friesian heifers (1,300 joined and 500 un-joined) from Australia in Phase I. Additional 1,200 heifers (all joined) will be bought in Phase II to reach the farm capacity of 2,500 milking cows.

The directors have carried out their due diligence for the proposed investment and the duly signed recommendation of due diligence report shall be available for inspection of members in the general meeting along with audited accounts of the associated company.

Information required under Clause (a) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Companies Regulations, 2012

Ref. No.	Requirement	Information
i	Name of associated company Criteria of associated relationship	Nishat Dairy (Private) Limited Common directorship
ii	Purpose Benefits Period of investment	To participate in the growing Dairy Sector of the Country through equity investment. To earn return on equity of Nishat Mills Limited through dividend income from investment in associated company. Strategic Investment - long term
iii	Maximum amount of investment	Rs. 600 million (Rupees Six Hundred Million Only)
iv	Maximum price / share	The price to be paid for the equity investment will be Rs. 10/- per share since the project is a green field project and the price is less than the fair value determined by independent firm of Chartered Accountants.
v	Maximum number of shares to be acquired	60 million shares
vi	Shareholding before investment Shareholding after investment	No. of shares: NIL Shareholding percentage: NIL No. of shares: 60 Million , Shareholding percentage: 22.22% of the final paid up share capital.
vii	Requirement in case of investment in listed associated company	Not Applicable as Nishat Dairy (Private) Limited is an unlisted, private limited company
viii	Fair market value of shares	The fair value of the share determined in terms of Regulation 6(1) is Rs. 28.55 per share based on discounted cash flows using "Free Cash Flow" to the Company at discount rate of 16.98% with 4% terminal growth rate. (Copy of fair valuation report issued by Tabussum Saleem & Co., Chartered Accountants, is available at Registered Office of the Company and can be inspected in working hours upto October 23, 2012).
ix	Break-up value of shares	Rs. 9.86 /share as at June 30, 2012.
x	Earnings per share for the last three years	June 30, 2012 is company's first year of operations. Loss per share for the year 2011-12 is Rs. 0.31
xi	Sources of fund from which shares will be acquired	Surplus funds of the Company.
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable.
xiii	Salient features of agreement(s) entered into with the associated company	No Agreement

xiv	Direct/Indirect interest of directors in the associated Company	Two directors of Nishat Mills Limited, Mian Umer Mansha and Mian Hassan Mansha currently hold 33.33% shares each in Nishat Dairy (Private) Limited. The brother of Mian Umer Mansha and Mian Hassan Mansha, Mian Raza Mansha also holds 33.33% shares in Nishat Dairy (Private) Limited. The directors of the associated company are interested in the investing company to the extent of their shareholding as under:- Name — % of Shareholding Mian Raza Mansha — 8.23 Mian Umer Mansha — 12.60 Mian Hassan Mansha — 12.62
xv	Any other important detail	None
xvi	Description of the project	2500 milking cows dairy farm at Sukheki Road, Off Kot Sarwar Interchange, Moza Khatrani, District Hafizabad. The Company was incorporated on 28 October 2011.
	Starting date of work	May 09, 2012
	Completion of work	March 30, 2013
	Commercial operations date	April 01, 2013
	Expected time by which the project shall start paying return on investment	Financial year 2014-15

Status of Pending Investment Decisions

Status:

The following decisions to make investment under the authority of special resolutions have not been implemented either wholly/ partially:

MCB Bank Limited	Equity investment of Rs. 1.8 billion was approved in AGM held on October 29, 2009. Investment of Rs 475 million has been made against this approval to date.
Adamjee Insurance Company Limited	Equity investment of 5 million ordinary shares was approved in EOGM held on October 01, 2007. No investment has been made against this approval to date.
Lalpir Power Limited & Pakgen Power Limited	Equity investment of USD 60 million in aggregate was approved in EOGM held on January 25, 2010. Investment of Rs. 3.30 billion (USD 38.82 million) converted at exchange rate of PKR 85.00) has been made to date.
Nishat Power Limited	Equity investment of USD 55 million was approved in EOGM held on May 24, 2007. Investment of Rs. 2.44 billion (USD 28.72 million converted at exchange rate of PKR 85.00) has been made to date. Investment of Rs. 1.5 billion by way of loans and advances was approved in EOGM held on August 31, 2009. Amount of Rs. 218.22 million is outstanding as loan as at October 09, 2012 against this approval.
Nishat Linen Trading LLC	Investment of USD 2.75 million by way of equity and investment of USD 1 million by way of loan and advances were approved in AGM held on October 30, 2010. Equity investment of Rupees 152 million (USD 1.74 million converted at exchange rate of PKR 87.50) has been made to date while Rs. NIL (USD NIL) is outstanding as advance as at 09 October 2012 against this approval.

Reasons for not making investment or making partial investment:

Partial investment has been made in MCB Bank Limited and no investment has been made in Adamjee Insurance Company Limited due the volatile market situation and due to deteriorating growth and other macro economic indicators of the country. The investment will be made in future depending on available surplus funds and improved macro economic situation. Equity investment in Lalpir Power Limited (formerly AES Lal Pir (Private) Limited), Pakgen Power Limited (formerly AES Pak Gen Company Limited) and Nishat Power Limited has been completed and no further investment is expected in the shares of these companies in the near future. Loan has been extended to Nishat Power limited as per funds requirement of the investee company. Investment has been made in Nishat Linen Trading LLC as per funds requirement of the investee company.

Major change in financial position of investee companies since the date of last resolution:

There is no major change in the financial position of investee companies since the date of last meeting, except the following:

MCB Bank Limited

At the time of approval, as per then available latest financial statements for the half year ended 30 June 2009, the Basic Earnings per Share of MCB Bank Limited was Rs. 11.22 and Break-up Value per Share was Rs. 82.08. As per latest available financial statements for the half year ended 30 June 2012, the Basic Earnings per Share is Rs. 12.31 and Break-up Value per Share is Rs. 103.09.

Adamjee Insurance Company Limited

At the time of approval, as per then available latest financial statements for the year ended 31 December 2006, the Basic Earnings per Share of Adamjee Insurance Company Limited was Rs. 15.42 and Break-up Value per Share was Rs. 37.05. As per latest available financial statements for the year ended 31 December 2011, the Basic Earnings per Share is Rs. 1.07 and Break-up Value per Share is Rs. 88.12.

Lalpir Power Limited

At the time of approval, as per then available latest financial statements for the year ended 31 December 2008, the Basic Earnings per Share of Lalpir Power Limited was Rs. 3.34 and Break-up Value per Share was Rs. 27.78. As per latest available financial statements for the year ended 31 December 2011, the Basic Earnings per Share is Rs. 4.15 and Break-up Value per Share is Rs. 34.66.

Pakgen Power Limited

At the time of approval, as per then available latest financial statements for the year ended 31 December 2008, the Basic Earnings per Share of Pakgen Power Limited was Rs. 6.25 and Break-up Value per Share was Rs. 32.24. As per latest available financial statements for the year ended 31 December 2011, the Basic Earnings per Share is Rs. 3.68 and Break-up Value per Share is Rs. 35.64.

Nishat Power Limited

At the time of approval, Nishat Power Limited had not started its commercial operations. Therefore Basic Earnings per Share and Break-up Value per Share is not available for that time. As per latest available financial statements for the year ended 30 June 2012, the Basic Earnings per Share is Rs. 5.75 and Break-up Value per Share is Rs. 20.27.

Nishat Linen Trading LLC

The company was incorporated after the date of AGM in which the respective special resolution was approved by the shareholders. Therefore Basic Earnings per Share and Break-up Value per Share is not available for that time. As per latest available financial statements for the year ended 30 June 2012 the Loss per Share is Rs. 7,875 and Book Value per Share is Rs. 16,277.

Year in Review

Quarter 1

Board Meeting - 06 September 2011

Commissioning of 52 Toyota Air Jet Looms

Quarter 2

Annual General Meeting-31 October 2011

Board Meeting - 26 October 2011

Launch of new catalogue of Nishat Linen

Quarter 3

Board Meeting- 24 February 2012

Nishat Linen Exhibition in India

Quarter 4

Board Meeting-27 April 2012

Board Meeting-15 June 2012

Two new production lines added in apparel division

New installation of 12-Air Jet Looms (Professional Sudakuma zax)

Corporate Values & Code of Conduct

The Company has adopted the following corporate values:

- To fulfill customer needs by producing quality products;
- To act with good governance;
- To achieve sustainable and equitable growth;
- To promote diversity and ethical behavior;
- To develop a dynamic team of professionals to achieve excellence and innovation.

Nishat Mills Limited ("the company") promulgated the code of conduct ("the Code") on 15 June 2012. The Company is committed to maintain the highest level of ethical conduct among its directors and employees. Therefore separate codes were framed for directors and employees, which include the acceptable business practices, source of guidance and principles of behavior.

Salient Features for the Code of Conduct for Directors

Compliance with Laws

Directors must comply with the laws, rules and regulations applicable to business of the Company in and outside Pakistan.

Conflict of Interest

A conflict of an interest is a situation where a director would be in a position to make personal gains by influencing the decision making. Conflict of interest might not be easily identifiable. Whenever a director feels that the conflict of interest exists, he should inform about it to the chairman of the Board of Directors.

Corporate Opportunity

Directors should not use the Company's property, information and their position for personal benefit. He should not establish competing business and divert the Company's business opportunities for personal gains.

Confidentiality

Directors must always maintain confidentially of the confidential information. He should not make public such information which would harm the interests of the Company. He should consult with Chairman of the Board or compliance officer if he has to disclose any information due to his legal obligation.

Fair Dealing

A director must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

Protection and Proper Use of Company Assets

Directors should ensure that all assets of the Company must be used for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

Reporting Any Illegal or Unethical Behavior

A director must inform the Compliance officer or chairman of the Board of Directors if he finds any employee or other director committing the violation of the Code and any law of the land. He should take all possible measures which could help prevent illegal or unethical behavior of fellow directors or employees.

Public Company Reporting

Directors are responsible for the timely and accurate reporting to the SECP, FBR, stock exchanges and other regulatory bodies. They should make possible that the financial statements of the Company are published and circulated among shareholders in time.

Disclosure of Interest

The directors should disclose their interest in the shareholding of other companies. They must inform within four days to the Company Secretary if any director or his spouse trades in the shares of the Company.

Insider Trading

No director or his spouse will transact in the shares of the Company after the start of close period. The Company secretary will inform about the close period that will start when the documents and financial statements are circulated among the directors. Directors should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

Salient Features for the Code of Conduct for Employees

Safety

The Company is highly concerned with the safety of both employees and non-employees on its premises and maintains standard operating procedures in case of emergencies. All the employees must follow these procedures and are required to inform their seniors in case of any mishap.

Fitness for Duty

An employee should be mentally and physically fit when he is on work. He should not use any drugs. Even if he is using any prescribed medicine which might affect his performance at work he should inform about it to his senior.

Attendance Report

An employee should have contact information of his senior and inform him if he is not able to report on work.

Work Place Harassment and Discrimination

The Company treats all its employees equally and maintains an environment free from workplace harassment and discrimination. The policy of equal treatment applies to hiring, career prospects, promotions, training, remuneration and dismissal as well.

Environment

All the employees are required to promote culture of environmental protection among employees, customers, suppliers, public authorities and communities. They must use the Company's facilities and processes in an environmentally sustainable way.

Workplace Violence

Employees must restraint themselves from any form of violence at the Company premises otherwise he will be terminated from his job.

Weapons in Workplace

All the employees, other than those who are authorized, cannot carry any weapon whether on or off duty if they are using premises, vehicle or any other property of the Company.

Protection and proper use of Company Assets

Employees should ensure that all assets of the Company must be used for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

Computer and System Security

All the employees of the Company are required to use computer and information technology system of the Company according to the Company information technology policy and guidelines.

Fair Dealing

All employees must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

Bribery

The payment of bribery and kickbacks in any form is strictly prohibited because the Company does not allow anyone to promote its business by compromising the integrity and ethical practices.

Confidential Information

All the employees must keep the company information on its premises and should not make copies of documents, papers, statements and record for an unauthorized use. Employees are not permitted to share the information about Company business outside the Company unless authorized.

Regulatory Compliance and Corporate governance

The company maintains an environment of good governance. All the employees are required to follow the Company's policies, rules and regulations.

Financial Integrity

No employee should indulge himself in any fraudulent activity. If he believes and finds anyone engaged in a fraudulent activity he should inform about it to his seniors.

Alcohol, Drugs and Gambling

The use of alcohol, drugs other than for medication and gambling is prohibited on the location or premises of the Company.

Insider Trading

No employee or his spouse will transact in the shares of the Company after the start of close period prior to the announcement of financial results. Employees categorized as executives according to the requirements of Code of Corporate Governance 2012 should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

Board Committees

Audit Committee

Members

1	Mr. Khalid Qadeer Qureshi	Chairman
2	Mr. Muhammad Azam	Member
3	Ms. Nabiha Shahnawaz Cheema	Member

During the year under review, seven meetings of the Audit Committee of the Company were held and the attendance position is as follows:

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Khalid Qadeer Qureshi	6
2	Mr. Muhammad Azam	4
3	Ms. Nabiha Shahnawaz Cheema	7

Terms of Reference

The terms of reference of the Audit Committee shall include the following:

(a) recommending to the Board of Directors the appointment of external auditors, their remuneration and audit fees;

(b) determination of appropriate measures to safeguard the Company's assets;

(c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- significant related party transactions.

(d) review of preliminary announcements of results prior to publication;

(e) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

(f) review of management letter issued by external auditors and management's response thereto;

(g) ensuring coordination between the internal and external auditors of the Company;

(h) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

(i) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power; and management's response thereto;

(j) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

(k) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

(l) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;

(m) determination of compliance with relevant statutory requirements;

(n) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

(o) consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource & Remuneration (HR & R) Committee

Members

1	Mian Hassan Mansha	Chairman
2	Mian Umer Mansha	Member
3	Mr. Khalid Qadeer Qureshi	Member

Terms of Reference

During the year, the Human Resource and Remuneration Committee was constituted on June 15, 2012 and its terms of reference were defined as follows:

The Committee shall be responsible for recommending the following to the Board: -

- Human Resource Management Policies
- Selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit.
- Key management positions who directly report to CEO or COO.

Pleasure in work...pleasure in its results... and pleasure in value extracted from the results for the whole community...

Directors of Nishat Mills Limited ("the Company") are pleased to present the annual report of the Company for the year ended June 30, 2012 along with the financial statements and auditors' report thereon.

Financial Review

Financial Performance

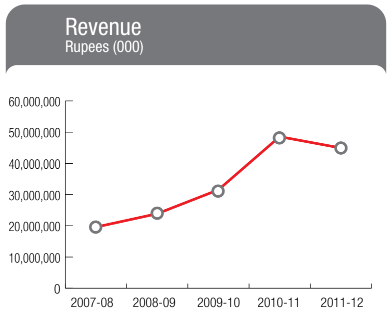
Company's net profit in this year has decreased as compared to the last year mainly because of the hike in fuel and power cost and decrease in profitability of spinning division.

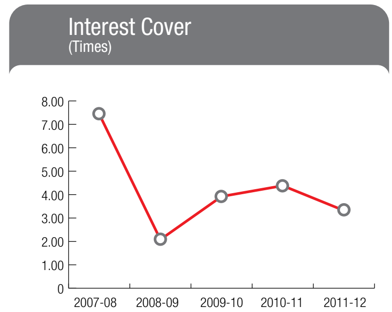
Frequent loadshedding of gas has forced us to generate electricity and steam on furnace oil and diesel which is 2 to 3 times more expensive than generating from gas. Directly, it results in increase in the cost of production, which shows itself in the form of decline in Gross Profit Percentage. Indirectly it also affects the future business by hampering the Company's ability to compete for business in the international market.

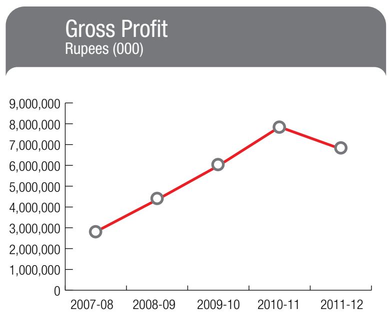
Profitability of spinning division has declined in the current year as compared to the corresponding year owing to reduction in gross margins on yarn sales. Yarn sale prices were sky high in the second half of last year due to the highest ever cotton prices in that period. Nishat spinning division reaped the benefit of timely buying of cotton at low prices which resulted in low cotton consumption rates as against high yarn sales rates. This yielded high gross margins for our Spinning division in the last year resulting in huge profits.

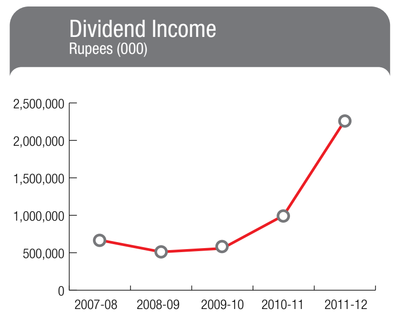
Financial highlights

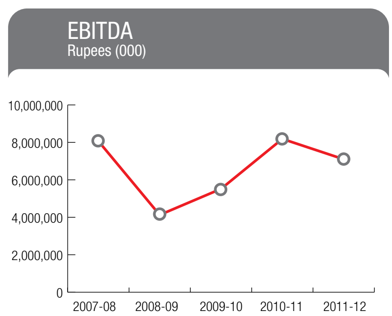
	2012 Rupees(000)	2011 Rupees(000)
Net sales	44,924,101	48,565,144
Gross profit	6,789,191	7,846,447
EBITDA	7,101,295	8,186,974
Depreciation	1,259,185	1,174,014
Finance cost	1,760,543	1,601,048
Dividend Income	2,266,279	998,675
Pre-tax profit	4,081,567	5,411,912
After tax profit	3,528,567	4,843,912

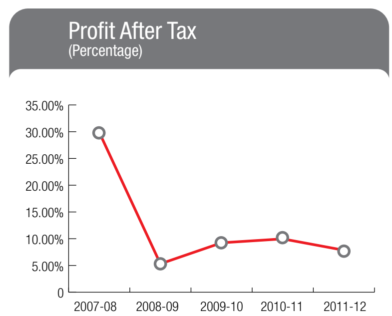












A glance over the revenue figures of Company over the last five years reveals constant increase in the revenues of Company which reflects tremendous and extra ordinary growth of the Company over the years and its contribution towards the foreign exchange earnings for the country since the major portion of revenue comes from exports.

The Company has achieved new heights in recording an extra ordinary increase in its gross profits over the last five years. We have progressed from Rs. 2.8 billion gross profit in 2008 to Rs. 6.8 billion gross profit in 2012 (increase of 143%). Earnings growth is our target, our goal and our objective. This is what we strive for every minute of every day. Recent tough times have made us even stronger, pushed us to focus on our core competencies and made us look for out of the box solutions. We are in a position to compete and can grow even better now, regardless of how tough the times are.

While the gross profits have increased by 143% over the past 5 years in monetary terms, the Company has successfully kept its Gross Profit % within the range of 14% - 20%. The fact highlights effectiveness and efficiency of marketing strategies across different business divisions of the Company.

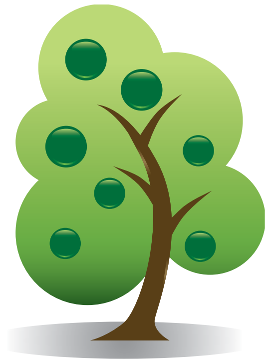
As a measure of performance, Company's EBITDA has always stayed very close to the Gross Profit which shows that the the Distribution and Administrative Expenses (other than depreciation) consume only a small portion of expenses and has never been more than 3% - 5% of revenue.

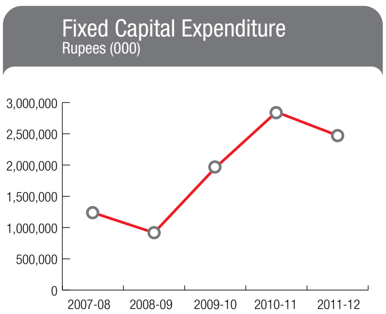
As part of its long term strategy, the Company has gradually established a strong portfolio of investments in various companies. Dividend income has risen sharply as a result, providing support to the operating results of the Company.

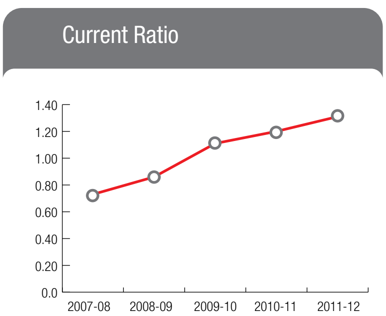
Finance cost has increased mainly because of the increase in long term borrowings during the year to finance fixed capital expenditure and make equity investment in subsidiary companies. Interest cover currently stands at 3.32 and has remained steady around 4 for the last three years. This shows company's ability to generate enough profits to easily cover its cost of debt. It also highlights our long term strategy to make effective utilisation of borrowing facilities available to the company.

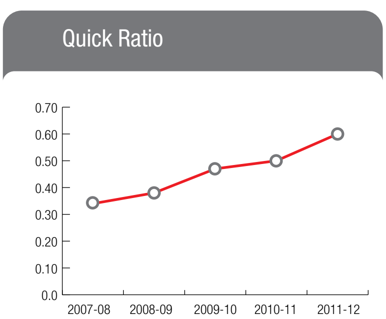
Financial year 2007- 08 was a year of abnormal gain for the Company since huge capital gains were realized by the Company in that year from sale of shares. Other than that, over the past 5 years, company's bottom line has remained steady between 5% -10%. Textile industry was not expected to perform well during the current year because of the energy crises faced by the industry and financial crises faced by some of European countries. The Company was able to rise above all these challenges, compete with high cost in international market and still manage to put in profits.

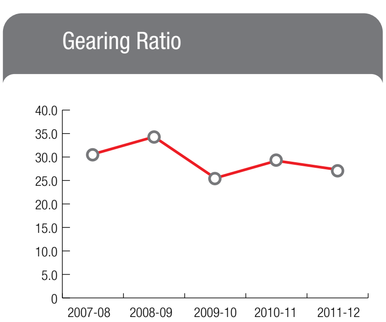
Financial Review











Financial Strength

Financial performance shows itself in the financial strength of any organization. Our fixed assets, primarily plant and machinery, currently stand at Rs. 14.5 billion. It is part of company's strategy to reinvest a portion of the profits earned by the Company in expansion projects and in BMR of existing plant and machinery. In our quest to look for alternate energy solutions, huge investment has been made in the new Power plant for generating electricity and steam from coal and biomass. This plant is already in trial production stage. Significant investments have been made in machinery for all business divisions of the company during the current year.

Working Capital Management

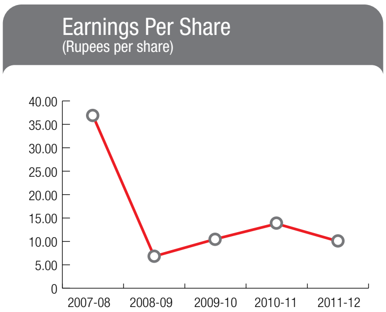
Efficient working capital management shows itself in our current ratio and quick ratio which respectively stand at 1.31 and 0.60. A substantial amount of working capital is required to manage affairs for such a huge company especially when a substantial sum is required for investment in raw material. Even then, there is a continuous growth trend which has seen the current ratio increase by 80% in the past five years.

Capital Structure

Our strategy is to make effective and efficient utilisation of borrowing facilities available. Gearing percentage has been brought down from 34.3 in 2008-09 to 27.3 in 2011-12. Our strategy of exploiting long term borrowings for investment in plant & machinery (when required) and using the short term borrowings for working capital allows us to make effective use of debts, be able to pay off the principal and related finance cost through incremental operating cash flows hence, maintaining a healthy capital structure of the Company at the same time.

Appropriations

The Board of Directors of the Company has recommended 35% cash dividend (2011: 33%) and transferring of Rupees 2,297 million (2011: Rupees 3,683 million) to general reserve.



Earnings per Share

The Company has maintained a steady stream of earnings per share over the last five years which is an indication of success in the achievement of operational and financial strategy.

Risk Management

The Company's activities expose it to a variety of risks. We broadly classify risks as follows:

Raw Material: Cotton is the basic raw material of a textile company. We face a never ending business risk of non-availability or high price of cotton. This may be caused for reasons within our control or beyond our control e.g. floods affecting the crop. This basic business risk is managed by bulk procurement of high quality of cotton at the start of the harvesting season through ensuring availability of enough funds.

Export Demand and Price: Being an export oriented company, we face the risk of decrease in demand and increased competition in the export market across the world. There are certain variables which are beyond our control e.g. economic recession, we cover the risk by making strong and long standing business relationships with our customers which result in repeat orders to ensure that our sales volumes and margins remain steady. In addition, we continuously strive to expand our customer base as well. Increased emphasis is paid to innovation and product development in all our various business divisions to broaden our product base as well.

Energy Availability and Cost: Energy (electricity and gas) shortage and high cost of in-house energy production on furnace oil and diesel poses us the greatest threat in the current economic scenario. Energy non-availability risk is mitigated through maintenance of in-house power generation facilities on alternate fuels to meet the demands of all our production facilities. In house power generation based on furnace oil and diesel is 2 to 3 times more expensive as compared to the generation on gas. High cost risk is now being mitigated through utilisation of cheap alternate fuels like coal and biomass. Power plants are being planned in various production facilities of the Company which have the flexibility to run on biomass and coal. LPG based Synthetic Natural Gas generation facility is also being established.

Financial Risks

The company's overall financial 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.

Currency risk: The Company is exposed to currency risk arising from various currency exposures, primarily with respect to United States Dollar (USD), Arab Emirates Dirham (AED) and Euro. Company's foreign exchange risk exposure is restricted to the bank balances and the amounts receivable/payable from/to the foreign entities.

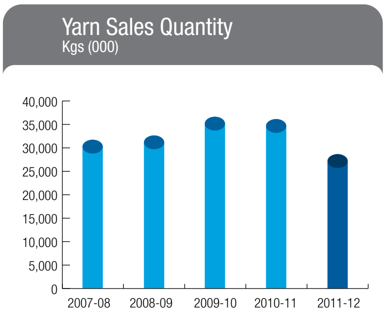
Interest rate risk: Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipts, bank balances in saving accounts and loans and advances to subsidiary companies. Fair value sensitivity analysis and cash flow sensitivity analysis shows that company's profitability is not materially exposed to the interest rate risk.

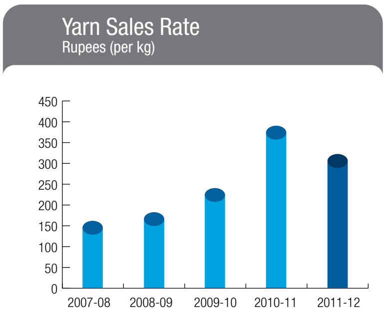
Credit risk: The Company's credit exposure to credit risk and impairment losses relates to its trade debts. This risk is mitigated by the fact that majority of our customers have a strong financial standing and we have a long standing business relationship with all our customers. We do not expect non-performance by these counter parties; hence, the credit risk is minimal.

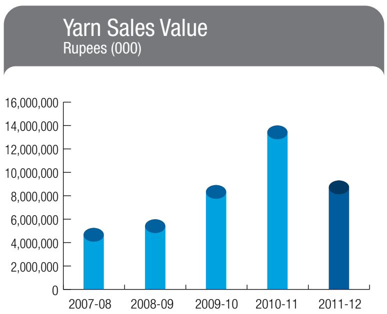
Liquidity risk: It is at the minimum due to the availability of funds through committed credit facilities from the Banks and Financial institutions.

Capital risk: When managing capital, it is our objective 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. We monitor the capital structure on the basis of gearing ratio. Our strategy is to keep the gearing ratio at the maximum of 40% equity and 60% debt.

Segment Analysis







Spinning

Profitability in spinning division depends on how the cotton and yarn prices fluctuate in the market. Cotton prices reached their peak in March last year, but the prices have been on a declining trend since then till the end of this year.

Yarn prices though somewhat steady throughout have also followed the declining trend. Average sale rate has reduced in this year compared to last year. A small surge in price was observed towards the end of second quarter. However, the severe outage of power did not let us enjoy this rise in yarn prices. Spinning division made extraordinary profits in the last year owing to highest ever margin in yarn prices.

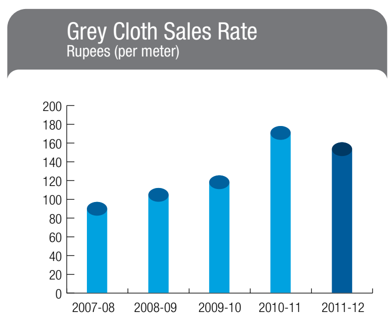
Volume sold has decreased mainly because of decrease in local sale. The demand of carded yarn increased as compared to combed yarn. For exports, Hong Kong and China remained the main markets whereas demand of cotton yarn from Europe and USA was negligible. Research and development is underway to further increase efficiencies through machinery up-gradation and replacements.

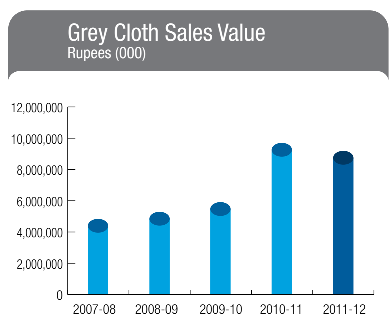
Weaving

Weaving division's business remained under pressure during this year due to several reasons. Massive power and gas shutdowns caused reduction in supply of good quality yarn prompting a surge in price toward the end of half year which halted the business activity for a while. The non-implementation of import duties abolition decision of WTO by European Union has put us at a disadvantage for business from Europe. In the last quarter, fabric prices remained high in spite of relatively stable cotton prices which resulted in diversion of work-wear business to countries like Indonesia and Thailand.

Sale price has dropped this year which was somewhat compensated by the greater volume sold. Increasing business with Far Eastern clients has also compensated for the reduction of business from Europe.

Machinery up-gradation has always remained our primary focus. Our new 30 Airjet looms (replacement of Sulzer / Jacquard looms) are now fully operational thus giving us more flexibility in running new and complex designs. On the product development front, we are trying to get business in special blends i.e. polyester / viscose / modal etc. We are also targeting the technical fabrics area i.e. abrasive and protective fabric, in various European markets.





Processing and Home Textile

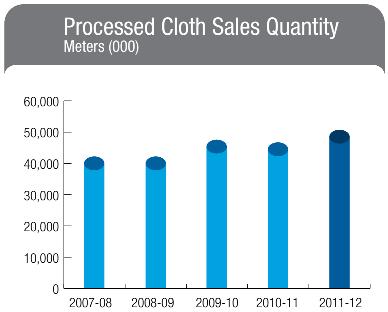
Our processing division performed extremely well and achieved high sales figure in this year. First and fourth quarters were relatively slow but we did really well in the second and third quarters. Our biggest success was to utilize the additional one million meters production capacity and to still attain better profit margins. Customer base was efficiently expanded to achieve this extraordinary feat.

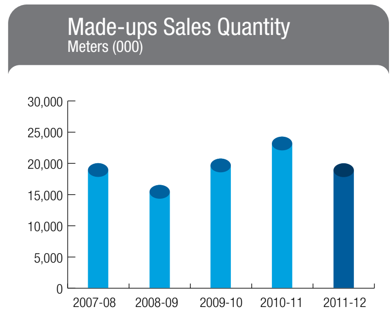
A new sub-department was established which exclusively handled the technical fabric section. This ensured additional sales volume throughout the year. Exploiting new dimensions of business with existing customers has been an ever present strategy. We were able to achieve our target with close monitoring of ever changing market and by taking proactive measures.

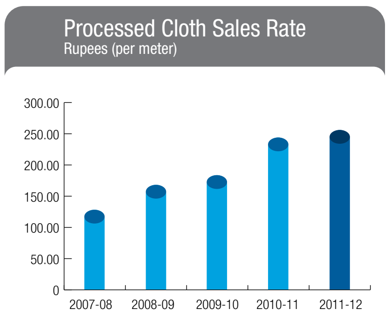
Times were tough for our home textile division this year. Due to high cotton prices coupled with slowdown in American and European economies, overall order influx shrunk down. Despite the fact, we remained a key player in the home textile business. After a thorough phase of relentless development, we have been able to establish new businesses with some of America's very prestigious retailers. Another prestigious and world renowned brand 'Lacoste' has been added to our clientele list which is a sparkling addition to our long list of well reputed brand oriented clients.

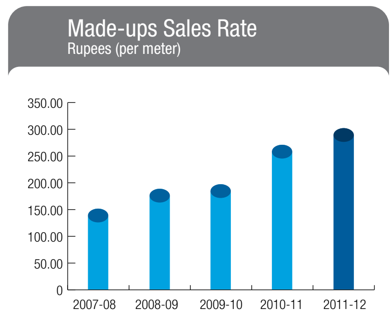
Cost optimization and efficient utilization of resources have been areas of prime focus in the home textile division this year. In this context, two stitching units of the division are being relocated in the same premises, adjacent to each other and close to the processing production mill. This will rationalize a number of duplicate services in the stitching units; significantly reduce the overhead costs and the lead times without compromising on productivity, capacity and quality. We have continued to provide exceptional services and on time deliveries during these tough times despite serious hardship due to unprecedented power and gas shortages which have caused major disruptions for our competitors. We can proudly claim to be a preferred supplier for more major players in the western world than ever before.

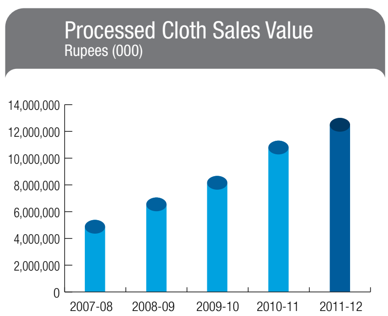
This division has been successful in developing new lines of business and adding new clients to make up for reduced volumes coming from our traditional customer base. As a component of up-gradation of our product mix, we are concentrating more towards up-market designer articles where margins are better and competition continues to falter. We have had significant success in this endeavor and it showed immense growth opportunities. We expect this strategy to yield a more consistent and profitable product mix for us in the near future.

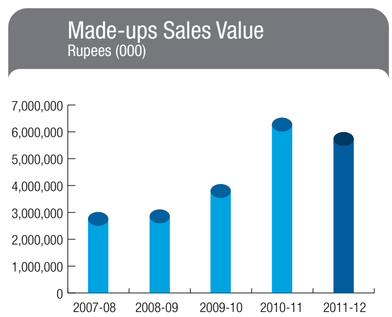


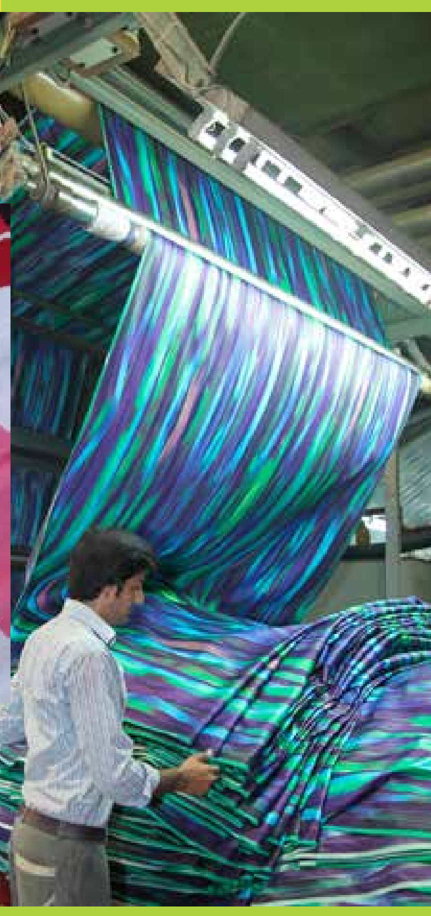


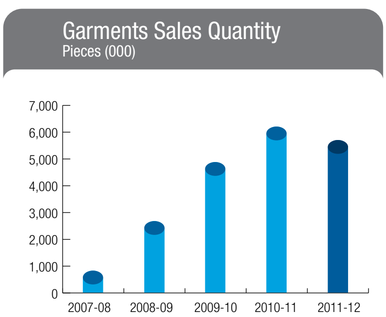


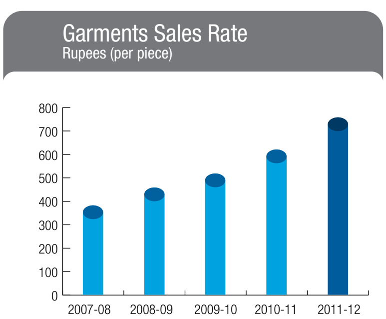


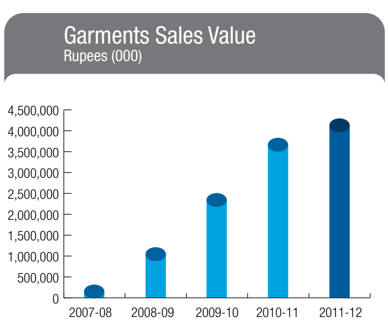












Garments

Nishat Apparel is a purpose built, state of the art apparel manufacturing plant of the Company. This financial year can be termed as a highly successful year for the apparel division and the results speak for the strength of this value added business. This division has been on a continuous growth right from its start. The fundamental core business gained further momentum through research, development and technological innovation.

With the addition of two new sewing lines, we now have a total capacity of 22 production lines producing 700,000 pieces of pants every month. This year, our focus remained on product development and innovation that resulted in greater margins and better product positioning.

Power Generation

Energy crisis have increased exponentially in the country. Gas supply and demand gap is widening consistently. Industrial growth in the textile sector shows negative signs as compared to the preceding years as most of the textile industry is shutting down due to power and gas supply shortages.

Nishat Mills Limited has lived up to its promise to be a vanguard in use of alternative fuels for energy requirements in the absence of fossil fuels. We have put up a new Combined Heat and Power plant at our site in Lahore which will produce 6 M.W. of electricity and 65 tons/hour of steam. Coal will be the primary fuel but special aspect of this plant is its flexibility to use alternative input mix up-to 70% of solid fuels with 30% of coal. The plant is already in trial production stage. Two high performance, high efficiency, low pressure steam generating boilers are already in operation using rice husk, wood chips and corn cobs etc. as main source of locally available agri-waste fuels at two sites of our company.

Having studied the expected viability and success of the project generating electricity and steam from coal and solid fuels, we are now planning to establish similar project for our weaving division at Sheikhupura. This plant will have the production capacity to cater for entire power and energy requirements of this division.

Installation of Synthetic Natural

Power Plants	Generation Capacity (MW)	Diesel/Furnace Oil Engines	Gas Engines	Gas/Steam Turbines
Faisalabad	38.57	4	4	1
Bhikki	16.24	4	4	1
Lahore	24.97	9	9	2
Ferozewatwan	11.70	3	4	-

Gas (SNG) Plant is in its completion phase. This plant will use LPG as raw material to produce synthetic gas. This synthetic gas will be used to run processing machines which are solely dependent on natural gas for their running and are non operational during gas loadshedding days. A sizeable storage of LPG has also been established in the Company.

At the same time, a watchful attention is also being paid to the idea of utilizing solar energy to produce power for stitching and finishing facilities against their on line standardized day light requirement.

Information Technology

We at Nishat Mills, recognize that in this rapidly changing business environment, it is of utmost importance to establish and maintain an efficient, robust and effective Information Technology (IT) Infrastructure. IT infrastructure is a combined set of hardware, software, network facilities and the people who are staffed to maintain this. We have all the ingredients in place to claim that our IT infrastructure is second to none.

On the hardware and networks front, investments have been made to increase the bandwidth and reliability of networks. We have the most advanced integrated servers for web, email and data. A major target achieved during the current year was to implement a wireless connection network for all Nishat Linen retail outlets across the country and link them to the ERP system for online financial reporting and inventory control. Significant improvements have been made in other components of the IT infrastructure e.g. windows migration, green storage initiative and the WIFI upgrade. These improvements will better address primary user needs and lay the foundation for a superior IT environment.

On the software front, optimization of operational modules of ERP continues as ever. Development of ERP for apparel / garments division and the Business Intelligence Project remained our focus areas throughout the year. Another important step taken during the current year was centralization of systems such as payroll, gate entry and inventory systems etc. for various production facilities of the Company. Almost 70% of the project has been completed. We believe that an efficient ERP system is the key to better management.

Textile Industry Overview

During the year 2011-2012, our textile industry has spent time and money tackling the energy crisis. Had this problem not posed this bigger challenge, we would have seen a rise in textile industry's contribution to GDP. Problem has been so grave that businesses have closed and jobs have been lost. Those who survived achieved it at the expense of their profitability. High energy cost means high cost of production which, in the current highly competitive business environment, means lower profits.

Pakistan as a country is becoming expensive compared to other countries. Huge greige fabric business has already moved outside. Home textile business has suffered because of lack of export demand and high cost of production. Textile industry's target of only to maintain USD 13 billion export mark of financial year 2010-2011, speaks to the challenges faced by the industry.

In conditions where global economy is still under immense pressure and where renowned financial institutions are facing sheer downfall of their capital value, overall textile industry was not expected to perform this year. While oil prices and cotton prices have started to settle down, serious slowdown in North American and European economies is still leading the overall decline in the textile industry.

Textile exports as percentage of total exports

Source: Ministry of Textile

Subsidiary Companies

The company has annexed its consolidated financial statements along with its separate financial statements in accordance with the requirements of International Accounting Standard – 27 (Consolidated and Separate Financial Statements).

Following is a brief description of all subsidiary companies of Nishat Mills Limited:

Nishat Power Limited

The Company owns and controls 51.01% shares of this subsidiary. The subsidiary is listed on Karachi Stock Exchange Limited and Lahore Stock Exchange Limited in Pakistan. The principle business of the subsidiary is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. The subsidiary commenced its commercial production from June 09, 2010.

Nishat Linen (Private) Limited

This is a wholly owned subsidiary of the Company. The principal business of this subsidiary is to operate retail outlets for sale of textile and other products along with manufacturing, production and sale of all types of textile goods and products. The subsidiary started its operations in July 2011.

Nishat Linen Trading L.L.C

This subsidiary is a limited liability company incorporated in Dubai, UAE. It is a wholly owned subsidiary of the Company. The subsidiary is principally engaged in trading of textile products, blankets, towels, linens, ready-made garments, garments accessories and leather products along with ancillaries thereto through retail outlets and warehouses across United Arab Emirates.

Nishat USA Inc.

The subsidiary is a corporation service company incorporated in the State of New York. It is a wholly owned subsidiary of the Company. The corporation is a liaison office of the Company's marketing department providing access, information and other services relating to US Market.

Nishat Hospitality (Private) Limited

This is a wholly owned subsidiary of the Company. Subsidiary's object is to run a chain of hotels across the country. Currently it is constructing a four star hotel in Lahore on international standards under the name of "Nishat Botique Hotel". The hotel is expected to start its operations in 2013.

Corporate Social Responsibility

Our Corporate Social Responsibility guidelines are integrated to our vision and mission for a sustainable and equitable growth which we believe is possible only if we contribute towards the betterment of society, protection of environment, empowerment of women and uplift of underprivileged.

Environment Protection

Effluent Water Treatment Plant has been in operation for the past 10 years at the Company's dyeing and finishing facility in Lahore. This plant treats the water used in production process for contamination and other impurities before its final drainage. A new effluent treatment plant with an estimated cost of Rs. 36 million is under construction at our newly upgraded yarn dyeing facility located at Faisalabad.

We have created an employee/ management partnership to plant estimated 20,000 trees inside and outside the Company Premises (places such as highways, roads & other public places). The scheme is being operated under the name and style of "Rupee for tree". Under this scheme, the company allocated resources which are being supplemented by the contribution of Re. 1 per month per employee, from willing employees.

Waste Recycling

The caustic soda recovery plant had been in operation for the last 10 years at our dyeing and finishing plant. The plant has been refurbished and upgraded recently. Resultantly, the capacity of the plant has increased by 25 %. Other waste recovery plants which are operational in our company include sizing recovery plant, cotton recovery plant and lube oil recovery plant.

Occupational Safety and Health

Our occupational safety and health measures are of international standards. We believe in prevention rather than treatment. The company has established dispensaries with a full time working doctor at or near all its production facilities. We have a company owned and operated ambulance service for all production facilities in Lahore. We took strict dengue prevention measure during the outbreak of the disease in the past two years.

Most of the production facilities of the Company are ISO-9001 and SA-8000 certified ensuring excellent working conditions for employees.

Equal Opportunity Employer

The Company has been offering employment opportunities to people from various ethnicities and both the genders without any prejudice or bias. Equal Opportunity Employer is a label we are proud to claim for ourselves.

We employ thousands of skilled and semi skilled workforce with ongoing training courses to increase the efficiencies. Women empowerment is our hallmark. Our apparel division and stitching units of home textile division employ hundreds of women.

Community Welfare Schemes

We are committed to contribute towards community welfare schemes. The company has established and maintained mosques for communities in the vicinity of its production facilities. The Company performs repair and maintenance work of roads outside its premises near all its production facilities.

Corporate Governance

Best Corporate Practices

On promulgation of new Code of Corporate Governance (COCG) 2012, at the instructions from the Audit Committee and the Board of Directors of the Company, a detailed exercise was carried out to determine the following:

1. Changes in requirements of the new COCG 2012.
2. Company's status of compliance with the requirements of the new COCG 2012.
3. Identification of gaps in the compliance and action plan to fill the gaps.

Findings of this exercise were presented to the Audit Committee and the Board of Directors in their respective meetings. The action plan was duly approved by the Board and we are in a position to proudly state that the Company is now in compliance with those requirements of COCG 2012 which were required to be implemented immediately by the listed companies.

Board Committees

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 committee is as follows:

Mr. Khalid Qadeer Qureshi	Chairman/Member
Mr. Muhammad Azam	Member
Ms. Nabiha Shahnawaz Cheema	Member

Human Resource & Remuneration (HR&R) Committee

The Board of Directors of the Company in compliance with the Code of Corporate Governance 2012 has established a Human Resource and Remuneration Committee. Composition of the Committee is as follows:

Mian Hassan Mansha	Chairman/Member
Mian Umer Mansha	Member
Mr. Khalid Qadeer Qureshi	Member

Meetings of the Board of Directors

During the year under review, five meetings of the Board of Directors of the Company were held and the attendance position is as follows:

Sr. No.	Name of Director	No. of Meetings Attended
1.	Mian Umer Mansha (Chairman / Chief Executive Officer)	5
2.	Mian Hassan Mansha	4
3.	Syed Zahid Hussain (Nominee NIT)	5
4.	Mr. Khalid Qadeer Qureshi	4
5.	Mr. Muhammad Azam	3
6.	Ms. Nabiha Shahnawaz Cheema	5
7.	Mr. Maqsood Ahmad	4

Directors' Statement

In compliance of 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 result of its operations, cash flows and changes in equity.
2. Proper books of account 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.
8. Value of investments in respect of retirement benefits fund: June 30, 2012: Rs. 1,669.7 Million Un-audited (2011: Rs. 1,440.6 Million-Audited).

Trading in shares by Directors, CEO, CFO, Company Secretary and Executives

Pursuant to the requirements of sub clause (I) of clause (xvi) of the Code of Corporate Governance, 2012, the Board of Directors has set following threshold to determine the status of 'Executive' for all employees for the purpose of the said clause:

"For the purpose of clause (I) of clause (xvi) of the Code of Corporate Governance, 2012, 'Executive' means an employee with the annual remuneration of Rs. 3 million or above and shall also include all employees of the Accounts Department, Finance Department, Shares Department and Internal Audit Department, regardless of their annual remuneration."

In compliance with the requirement of sub clause (I) of clause (xvi), we state that there is no trading in the shares of the Company, carried out by its Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary their spouses and minor children and Other Employees of the Company for whom the Board of Directors have set the threshold during the period July 1, 2011 to June 30, 2012.

Transactions with related parties

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

Auditors

The present auditors of the Company M/s Riaz Ahmed & Company Chartered Accountants have

completed the annual audit for the year ended June 30, 2012, and have issued an unqualified audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending June 30, 2013.

Future Prospects

We believe that there is only way up from here. We are keeping a watchful eye on how the events unfold. Our strength lies in our strategic planning and marketing capabilities along with our vertically integrated production facilities that can turn raw cotton to a final finished consumer product which has always attracted customers' attention all across the world.

Our strategy is to expand and diversify our product range by increasing the value added products and systems. Enhanced production capacity of apparel division will be utilized to take full advantage of the growing export demand for garments. In addition to that, special confection and up-market designer articles will also be added to our Home Textile product range. In weaving division, future plans include further replacement of old Airjet looms. Coming winter season seems very promising as a lot of customers are giving good forecasts for uncut Corduroy business which is our strong point in this season.

Our early adoption of alternative fuels as well as bold investments to reduce reliance on expensive fossil fuels has left us even more competitive than before. One such initiative is of setting up a biomass / coal based power plant at our production facility in Lahore. We plan to double the production capacity of this power plant and establish another such plant at our production facility in Bhikki, Sheikhupura. Utilization of LPG and solar energy to produce SNG and power respectively is part of our multi-dimensional strategy to tackle the energy crisis.

Acknowledgement

The Board is pleased with the continued dedication and efforts of the employees of the Company.

For and on behalf of the Board of Directors

Mian Umer Mansha
Chairman / Chief Executive Officer

October 05, 2012
Lahore

Financial Highlights

		2012	2011	2010	2009	2008	2007
							(Rupees in thousand)
Summarized Balance Sheet							
Non-Current Assets							
Property, plant and equipment		14,318,639	13,303,514	11,841,667	11,199,635	11,470,608	10,586,159
Long term investments		21,912,790	21,337,889	21,959,543	11,952,949	19,969,449	15,672,980
Other Non-Current Assets		547,283	1,005,542	648,176	65,264	18,853	18,865
Current Assets							
Stores, spares and loose tools		1,019,041	955,136	688,832	561,251	513,114	422,428
Stock in trade		9,695,133	9,846,680	6,060,441	4,092,512	4,163,194	3,106,436
Short term investments		1,589,093	1,781,471	1,554,543	1,414,310	1,855,827	8,118,459
Other current assets		7,544,404	5,858,672	3,429,112	2,226,765	2,286,244	1,661,764
Total Assets		56,626,383	54,088,904	46,182,314	31,512,686	40,277,289	39,587,091
Shareholders' Equity		37,762,749	35,393,959	31,376,313	19,330,767	26,492,070	30,163,898
Non-Current liabilities							
Long term financing		3,426,578	2,861,956	2,980,694	2,334,411	1,321,912	1,773,820
Deferred tax		310,305	510,640	1,256,892	245,243	409,381	-
Current Liabilities							
Short term borrowings		9,665,849	10,471,685	6,649,447	7,342,600	9,338,574	5,018,664
Current portion of long term liabilities		1,106,902	1,283,865	1,128,632	433,313	1,028,925	1,341,565
Other current liabilities		4,354,000	3,566,799	2,790,336	1,826,352	1,686,427	1,289,144
Total equity and liabilities		56,626,383	54,088,904	46,182,314	31,512,686	40,277,289	39,587,091
Profit & Loss							
Sales		44,924,101	48,565,144	31,535,647	23,870,379	19,589,804	17,180,192
Gross profit		6,789,191	7,846,447	5,980,185	4,351,541	2,811,746	2,844,938
EBITA		7,101,295	8,186,974	5,518,864	4,127,816	8,069,375	3,158,243
Operating profit		2,683,685	2,444,985	981,650	599,006	5,808,092	671,275
Profit before tax		4,081,567	5,411,912	3,286,069	1,561,501	6,118,687	1,356,208
Profit after tax		3,528,567	4,843,912	2,915,461	1,268,001	5,857,587	1,211,208
Cash Flows							
Cash Flow from Operating Activities		2,750,542	260,523	988,193	2,138,364	(161,175)	2,413,477
Cash Flow from Investing Activities		47,346	(2,222,501)	(5,520,869)	(2,128,400)	(2,695,030)	(932,578)
Cash Flow from Financing Activities		(1,572,033)	2,984,094	4,531,767	24,981	2,851,214	(1,461,542)
Changes in Cash & Cash Equivalents		1,225,855	1,022,116	(909)	34,945	(4,991)	19,357
Cash and cash equivalent-year end		2,358,556	1,132,701	110,585	111,494	76,549	69,607
Profitability Ratios							
Gross profit	%	15.11	16.16	18.96	18.23	14.35	16.56
EBITDA to sales	%	15.81	16.86	17.50	17.29	41.19	18.38
Pre tax Profit	%	9.09	11.14	10.42	6.54	31.23	7.89
After tax profit	%	7.85	9.97	9.24	5.31	29.90	7.05
Return on Equity	%	9.65	14.51	11.50	5.53	20.68	4.77
Return on Capital Employed	%	14.56	18.86	15.34	12.00	23.50	7.83
Operating Leverage Ratio		2.23	1.09	1.45	2.28	(0.04)	(6.29)

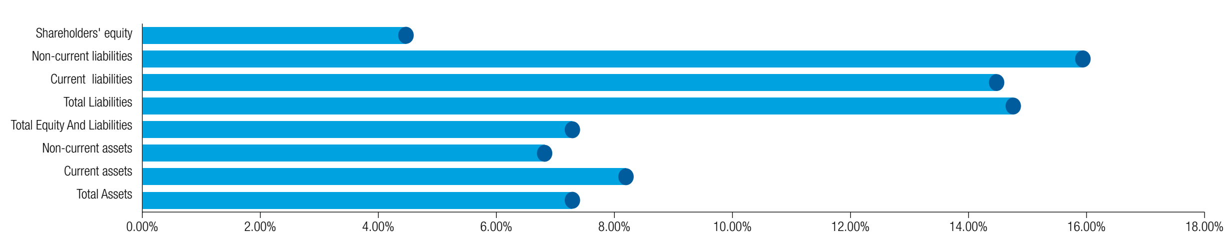
		2012	2011	2010	2009	2008	2007
Liquidity Ratios							
Current ratio		1.31	1.20	1.11	0.86	0.73	1.74
Quick ratio		0.60	0.50	0.47	0.38	0.34	1.28
Cash to current liabilities	Times	0.16	0.07	0.01	0.01	0.01	0.01
Cash flows from operations to sales	Times	0.06	0.01	0.03	0.09	(0.01)	0.14
Activity / Turnover Ratios							
Inventory Turnover Ratio	Times	3.90	5.12	5.03	4.73	4.62	4.69
No. of Days in Inventory	Days	93.85	71.29	72.56	77.17	79.22	77.83
Debtors Turnover Ratio	Times	15.05	21.48	18.87	17.76	17.66	18.49
No. Of Days in Receivables	Days	24.32	16.99	19.34	20.55	20.72	19.74
Creditors Turnover Ratio	Times	11.51	8.46	10.55	9.05	10.91	9.39
No. of Days in Creditors	Days	31.81	43.24	34.60	40.31	33.56	38.86
Operating Cycle	Days	86.36	74.92	57.30	57.41	66.38	58.71
Total Assets Turnover Ratio	Times	0.79	0.90	0.68	0.76	0.49	0.43
Fixed Assets turnover Ratio	Times	3.14	3.65	2.66	2.13	1.71	1.62
Investment / Market Ratios							
Earnings per share	Rs.	10.04	13.78	10.50	6.23	36.86	7.58
Price earnings ratio	Times	4.74	3.65	4.11	6.07	2.33	17.21
Dividend yield ratio	%	7.36	6.56	5.80	5.29	2.91	1.92
Dividend payout ratio	%	34.86	23.95	23.81	32.10	6.78	32.98
Dividend cover ratio	Times	2.87	4.17	3.32	2.61	14.66	3.03
Dividend per share	Rs.	3.50	3.30	2.50	2.00	2.50	2.50
Break-up Value	Rs.	107.40	100.67	89.24	79.72	165.80	188.78
Proposed dividend	%	35	33	25	20	25	25
Bonus	%	-	-	-	-	-	10
Right issue per share	Rs.	-	-	45% at Rs. 40	50% at Rs. 45	-	-
Market Value per share							
Closing	Rs.	47.58	50.34	43.12	37.82	85.97	130.45
High	Rs.	60.49	71.89	75.20	85.12	135.95	135.00
Low	Rs.	38.10	40.81	37.80	21.12	74.34	76.60
Capital Structure Ratios							
Financial leverage ratio	%	38.00	41.00	34.00	52.00	44.00	27.00
Weighted average cost of debt	%	12.22	12.62	10.80	13.27	9.59	9.75
Debt to equity ratio	%	9.07	8.09	9.50	12.08	4.99	5.88
Interest cover ratio	Times	3.32	4.38	3.92	2.08	7.44	2.66
Gearing ratio	%	27.33	29.23	25.53	34.34	30.62	21.24
Production machines							
No. of Spindles		198,096	199,536	199,502	198,120	189,960	189,960
No. of Sulzar Looms		12	40	44	64	60	108
No. of Airjet Looms		653	604	619	565	565	532
No. of Thermosole Dyeing machines		5	5	5	5	5	5
No. of Rotary Printing machines		3	3	3	3	3	3
No. of Stitching Machines		2,683	2,536	2,456	1,821	1,693	1,712

Horizontal Analysis

	2012	2011	2010	2009	2008	2007
Balance Sheet						
Total Equity	125%	117%	104%	64%	83%	100%
Non-Current Liabilities	211%	190%	239%	145%	59%	100%
Current Liabilities	198%	200%	138%	126%	153%	100%
Total Liabilities	200%	198%	157%	129%	136%	100%
Total Equity And Liabilities	143%	137%	117%	80%	96%	100%
Assets						
Non-Current Assets	140%	136%	131%	88%	91%	100%
Current Assets	149%	139%	88%	62%	105%	100%
Total Assets	143%	137%	117%	80%	96%	100%
Profit And Loss Account						
Sales	261%	283%	184%	139%	112%	100%
Cost of Sales	266%	284%	178%	136%	114%	100%
Gross Profit	239%	276%	210%	153%	104%	100%
Distribution Cost	275%	236%	185%	142%	104%	100%
Administrative Expenses	229%	205%	170%	136%	125%	100%
Other Operating Expenses	375%	470%	315%	209%	121%	100%
	271%	245%	190%	145%	110%	100%
	210%	304%	228%	160%	100%	100%
Other Operating Income	400%	364%	146%	89%	865%	100%
Profit from Operations	269%	322%	203%	138%	336%	100%
Finance Cost	215%	195%	138%	177%	111%	100%
Profit before Taxation	301%	399%	242%	115%	472%	100%
Provision for Taxation	381%	392%	256%	202%	178%	100%
Profit after Taxation	291%	400%	241%	105%	507%	100%

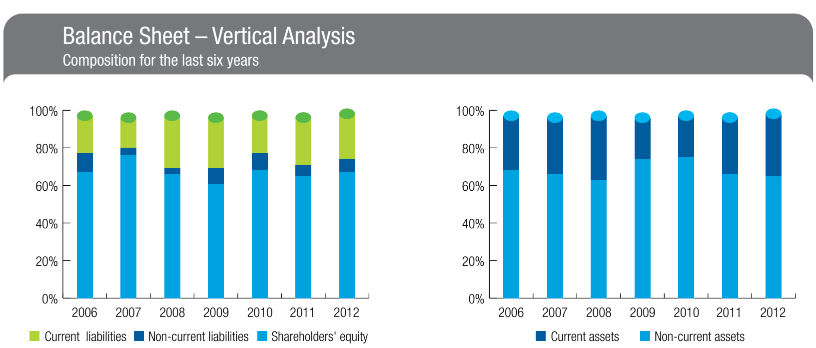
Balance Sheet - Horizontal Analysis

Cumulative Average Growth Rate for the Last Six Year - Annualised



Vertical Analysis

	2012	2011	2010	2009	2008	2007
Balance Sheet						
Total Equity	67%	65%	68%	61%	66%	76%
Non-Current Liabilities	7%	6%	9%	8%	3%	4%
Current Liabilities	27%	28%	23%	30%	31%	19%
Total Liabilities	33%	35%	32%	39%	34%	24%
Total Equity And Liabilities	100%	100%	100%	100%	100%	100%
Assets						
Non-Current Assets	65%	66%	75%	74%	63%	66%
Current Assets	35%	34%	25%	26%	37%	34%
Total Assets	100%	100%	100%	100%	100%	100%
Profit And Loss Account						
Sales	100%	100%	100%	100%	100%	100%
Cost of Sales	85%	84%	81%	82%	85%	83%
Gross Profit	15%	16%	19%	18%	15%	17%
Distribution Cost	6%	5%	5%	6%	5%	5%
Administrative Expenses	2%	1%	2%	2%	2%	2%
Other Operating Expenses	1%	1%	1%	1%	1%	1%
	8%	7%	8%	8%	8%	8%
	7%	9%	11%	10%	8%	9%
Other Operating Income	6%	5%	3%	3%	30%	4%
Profit from Operations	13%	14%	14%	13%	38%	13%
Finance Cost	4%	3%	4%	6%	5%	5%
Profit before Taxation	9%	11%	10%	7%	33%	8%
Provision for Taxation	1%	1%	1%	1%	1%	1%
Profit after Taxation	8%	10%	9%	5%	32%	7%



Statement of Compliance

with the Code of Corporate Governance (COCG 2012)
For the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange (G) Ltd, Lahore Stock Exchange (G) Ltd and Islamabad Stock Exchange (G) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the COCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Syed Zahid Hussain
Executive Directors	Mian Umer Mansha Mr. Muhammad Azam Mr. Maqsood Ahmed
Non-Executive Directors	Mian Hassan Mansha Mr. Khalid Qadeer Qureshi Ms. Nabiha Shahnawaz Cheema

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

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

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

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

4. No casual vacancy on the board occurred 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/shareholders.

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

9. Orientation Course:

   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

   Directors' Training Programs:

   Four (4) Directors of the Company are exempt due to 14 years of education and 15 years of experience on the board of a listed company.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made by the Board during the year. The remuneration of CFO, Head of Internal Audit and Company Secretary was revised during the year after due approval of the Board.

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

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 COCG 2012.

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

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

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

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

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

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

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

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

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

Umer Mansha

Mian Umer Mansha
Chairman / Chief Executive Officer
NIC Number: 35202-0842523-5

October 05, 2012
Lahore

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of NISHAT MILLS LIMITED ("the Company") for the year ended 30 June 2012, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

Riaz Ahmad & Company
Chartered Accountants

Name of Engagement Partner:
Sarfraz Mahmood

October 05, 2012
Lahore

Financial Statements of

Nishat Mills Limited

For the year ended June 30, 2012

Auditors' Report to the Members

We have audited the annexed balance sheet of **NISHAT MILLS LIMITED** as at 30 June 2012 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 2012 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:
Sarfraz Mahmood

05 October 2012
Lahore

Balance Sheet
As at June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,100,000,000 (2011: 1,100,000,000) ordinary shares of Rupees 10 each		11,000,000	11,000,000
Issued, subscribed and paid-up share capital	3	3,515,999	3,515,999
Reserves	4	34,246,750	31,877,960
Total equity		37,762,749	35,393,959
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	3,289,538	2,659,328
Liabilities against assets subject to finance lease	6	137,040	202,628
Deferred income tax liability	7	310,305	510,640
		3,736,883	3,372,596
CURRENT LIABILITIES			
Trade and other payables	8	3,397,640	2,577,020
Accrued mark-up	9	269,579	358,454
Short term borrowings	10	9,665,849	10,471,685
Current portion of non-current liabilities	11	1,106,902	1,283,865
Provision for taxation		686,781	631,325
		15,126,751	15,322,349
TOTAL LIABILITIES		18,863,634	18,694,945
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		56,626,383	54,088,904

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

Umer Mansha

Chief Executive Officer

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	14,318,639	13,303,514
Investment properties	14	241,969	126,834
Long term investments	15	21,912,790	21,337,889
Long term loans	16	268,330	849,206
Long term deposits and prepayments	17	36,984	29,502
		36,778,712	35,646,945
CURRENT ASSETS			
Stores, spare parts and loose tools	18	1,019,041	955,136
Stock in trade	19	9,695,133	9,846,680
Trade debts	20	3,489,070	2,481,259
Loans and advances	21	867,631	756,351
Short term deposits and prepayments	22	41,008	47,211
Other receivables	23	758,077	1,406,890
Accrued interest	24	30,062	34,260
Short term investments	25	1,589,093	1,781,471
Cash and bank balances	26	2,358,556	1,132,701
		19,847,671	18,441,959
TOTAL ASSETS		56,626,383	54,088,904

Director

Profit and Loss Account

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
SALES	27	44,924,101	48,565,144
COST OF SALES	28	(38,134,910)	(40,718,697)
GROSS PROFIT		6,789,191	7,846,447
DISTRIBUTION COST	29	(2,555,327)	(2,190,496)
ADMINISTRATIVE EXPENSES	30	(731,740)	(656,756)
OTHER OPERATING EXPENSES	31	(343,699)	(431,220)
		(3,630,766)	(3,278,472)
		3,158,425	4,567,975
OTHER OPERATING INCOME	32	2,683,685	2,444,985
PROFIT FROM OPERATIONS		5,842,110	7,012,960
FINANCE COST	33	(1,760,543)	(1,601,048)
PROFIT BEFORE TAXATION		4,081,567	5,411,912
TAXATION	34	(553,000)	(568,000)
PROFIT AFTER TAXATION		3,528,567	4,843,912
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	35	10.04	13.78

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

Umer Mansha

Chief Executive Officer

Director

Statement of Comprehensive Income
For the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
PROFIT AFTER TAXATION	3,528,567	4,843,912
OTHER COMPREHENSIVE INCOME		
Deficit arising on remeasurement of available for sale investments to fair value	(199,833)	(584,488)
Reclassification adjustment for gains included in profit or loss	–	(109,030)
Deferred income tax liability relating to surplus on available for sale investment	200,335	746,252
Other comprehensive income for the year - net of tax	502	52,734
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,529,069	4,896,646

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

Umer Mansha

Chief Executive Officer

Director

Cash Flow Statement

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	5,004,678	1,614,622
Finance cost paid		(1,849,418)	(1,474,841)
Income tax paid		(630,328)	(561,819)
Exchange gain on forward exchange contracts received		256,023	706,160
Net increase in long term loans to employees		(22,931)	(9,690)
Net increase in long term deposits and prepayments		(7,482)	(13,909)
Net cash generated from operating activities		2,750,542	260,523
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(2,472,182)	(2,848,115)
Proceeds from sale of property, plant and equipment		109,988	275,447
Investments made		(572,581)	(710,655)
Proceeds from sale of investment		-	301,282
Loans and advances to subsidiary companies		(3,533,904)	(350,096)
Repayment of loans from subsidiary companies		4,129,276	4,761
Interest received		120,470	106,200
Dividends received		2,266,279	998,675
Net cash from / (used in) investing activities		47,346	(2,222,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,941,842	1,152,150
Repayment of long term financing		(1,493,513)	(1,078,628)
Repayment of liabilities against assets subject to finance lease		(60,670)	(37,027)
Short term borrowings - net		(805,836)	3,822,238
Dividend paid		(1,153,856)	(874,639)
Net cash (used in) / from financing activities		(1,572,033)	2,984,094
Net increase in cash and cash equivalents		1,225,855	1,022,116
Cash and cash equivalents at the beginning of the year		1,132,701	110,585
Cash and cash equivalents at the end of the year		2,358,556	1,132,701

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

Umer Mansha

Chief Executive Officer

Director

Statement of Changes in Equity
For the year ended June 30, 2012

(Rupees in thousand)

	Share Capital	Reserves							Total Equity
		Capital Reserves			Revenue Reserves			Total	
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Unappropriated profit	Sub Total		
Balance as at 30 June 2010	3,515,999	5,499,530	5,651,352	11,150,882	13,792,028	2,917,404	16,709,432	27,860,314	31,376,313
Final dividend for the year ended 30 June 2010 @ Rupees 2.5 per share	-	-	-	-	-	(879,000)	(879,000)	(879,000)	(879,000)
Transferred to general reserve	-	-	-	-	2,036,000	(2,036,000)	-	-	-
Profit for the year	-	-	-	-	-	4,843,912	4,843,912	4,843,912	4,843,912
Other comprehensive income for the year	-	-	52,734	52,734	-	-	-	52,734	52,734
Total comprehensive income for the year	-	-	52,734	52,734	-	4,843,912	4,843,912	4,896,646	4,896,646
Balance as at 30 June 2011	3,515,999	5,499,530	5,704,086	11,203,616	15,828,028	4,846,316	20,674,344	31,877,960	35,393,959
Final dividend for the year ended 30 June 2011 @ Rupees 3.30 per share	-	-	-	-	-	(1,160,279)	(1,160,279)	(1,160,279)	(1,160,279)
Transferred to general reserve	-	-	-	-	3,683,000	(3,683,000)	-	-	-
Profit for the year	-	-	-	-	-	3,528,567	3,528,567	3,528,567	3,528,567
Other comprehensive income for the year	-	-	502	502	-	-	-	502	502
Total comprehensive income for the year	-	-	502	502	-	3,528,567	3,528,567	3,529,069	3,529,069
Balance as at 30 June 2012	3,515,999	5,499,530	5,704,588	11,204,118	19,511,028	3,531,604	23,042,632	34,246,750	37,762,749

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

Chief Executive Officer

Director

1. THE COMPANY AND ITS OPERATIONS

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

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at balance sheet date.

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

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.

Provision for doubtful debts

The Company reviews its receivable 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 subsidiaries and equity method accounted for associated companies

In making an estimate of recoverable amount of the Company's investments in subsidiaries and equity method accounted for associated 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 2011:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board (IASB) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. However, this amendment has no material impact on these financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. However, this amendment has no material impact on these financial statements.

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

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

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

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2012 or later periods:

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

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

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

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

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

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is not expected to have a material impact on the Company's financial statements.

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

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

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

2.2 Employee benefit

The Company operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the Company and employees at the rate of 9.5 percent of the basic salary to the fund. The Company's contributions to the fund are charged to profit and loss account.

2.3 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 recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.4 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 recorded in the profit and loss account.

2.5 Property, plant, equipment and depreciation

Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land and capital work-in- progress are stated at cost less any recognized 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 the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Leased

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying 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. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.6 Investment properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties except land, are stated at cost less accumulated depreciation and any recognized impairment loss. Land is stated at cost less any recognized impairment loss. Depreciation on buildings is charged to profit and loss account applying the reducing balance method so as to write off the cost of buildings over their estimated useful lives at a rate of 10% per annum.

2.7 Operating leases

Assets leased out under operating leases are included in investment properties. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

2.8 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 initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in subsidiaries and equity method accounted for associates, 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

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

b) Held-to-maturity

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

c) Investment in subsidiaries

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

d) Investment in associates - (with significant influence)

The Company is required to prepare separate financial statements, hence, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements', the investments in associated undertakings are accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and are classified as available for sale.

e) 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 other 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 other 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'.

2.9 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.10 Trade 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.

2.11 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 method.

2.12 Borrowing cost

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

2.13 Share capital

Ordinary shares are classified as share capital.

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 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Revenue from sale of electricity is recognized at the time of transmission.
- Dividend on equity investments is recognized when right to receive the dividend is established.
- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.16 Financial instruments

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

2.17 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.

2.18 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 with 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 non-financial 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.

2.19 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.20 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.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer 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 officer 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 can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has five 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), Garments (Manufacturing garments using processed fabric) and Power Generation (Generating and distributing power).

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

2.23 Dividend and other appropriations

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

3 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
256,772,316	256,772,316	Ordinary shares of Rupees 10 each fully paid-up in cash	2,567,723	2,567,723
2,804,079	2,804,079	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited under the Scheme of Amalgamation	28,041	28,041
37,252,280	37,252,280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	372,523	372,523
54,771,173	54,771,173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	547,712	547,712
351,599,848	351,599,848		3,515,999	3,515,999

	2012	2011
	(Number of shares)	
3.1 Ordinary shares of the Company held by the associated companies:		
D.G. Khan Cement Company Limited	30,289,501	30,289,501
Adamjee Insurance Company Limited	1,258,650	1,258,650
	31,548,151	31,548,151

4 RESERVES

	Note	2012	2011
		(Rupees in thousand)	
Composition of reserves is as follows:			
Capital reserves			
Premium on issue of right shares		5,499,530	5,499,530
Fair value reserve - net of deferred income tax	4.1	5,704,588	5,704,086
		11,204,118	11,203,616
Revenue reserves			
General reserve		19,511,028	15,828,028
Unappropriated profit		3,531,604	4,846,316
		23,042,632	20,674,344
		34,246,750	31,877,960

4.1 This represents the unrealized gain on re-measurement of available for sale equity investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization. Reconciliation of fair value reserve - net of deferred tax is as under:

	2012	2011
Balance as on 01 July	6,214,726	6,908,244
Less: Fair value adjustment during the year	199,833	584,488
Less: Reclassification adjustment for gains included in profit or loss	–	109,030
	6,014,893	6,214,726
Less: Deferred income tax liability on unquoted equity investment	310,305	510,640
Balance as on 30 June	5,704,588	5,704,086

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
5	**LONG TERM FINANCING**			
	From banking companies - secured			
	Long term loans	5.1	3,281,178	3,157,849
	Long term musharika	5.2	1,050,000	725,000
			4,331,178	3,882,849
	Less: Current portion shown under current liabilities	11	1,041,640	1,223,521
			3,289,538	2,659,328

Lender	2012 (Rupees in thousand)	2011 (Rupees in thousand)	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
5.1 Long term loans							
Allied Bank Limited	-	75,000	SBP rate for LTF - EOP +2%	Sixteen equal quarterly installments commenced on 24 January 2007 and ended on 25 October 2011.	-	Quarterly	First joint pari passu hypothecation charge on plant and machinery of the Company for an amount of Rupees 800 million.
Saudi Pak Industrial and Agricultural Investment Company Limited	87,500	137,500	SBP rate for LTF - EOP +2%	Sixteen equal quarterly installments commenced on 30 April 2010 and ending on 31 January 2014.	-	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.
HSBC Bank Middle East Limited	-	50,000	SPB rate for LTF - EOP +2%	Ten equal half yearly installments commenced on 01 December 2006 and ended on 01 June 2012.	-	Quarterly	First pari passu hypothecation charge of Rupees 334 million on plant and machinery of the Company.
Habib Bank Limited							
Loan provided by the bank from own sources	-	537,755	6 Month offer KIBOR +2.5%	Five unequal installments commenced on 10 May 2010 and ended on 03 January 2012.	Half yearly	Quarterly	First pari passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
Refinanced by SBP under scheme of LTFF	52,347	87,245	SBP rate for LTFF +2.5%	Eight equal half yearly installments commenced on 09 May 2010 and ending on 09 November 2013.	-	Quarterly	
	52,347	625,000					
Habib Bank Limited	-	200,000	SBP rate for LTF - EOP +2%	Eight equal half yearly installments commenced on 07 July 2007 and ended on 09 January 2012.	-	Quarterly	
Allied Bank Limited	-	49,023	SBP rate for LTF - EOP +2%	Eight equal half yearly installments commenced on 14 November 2007 and ended on 14 May 2012.	-	Quarterly	First pari passu charge of Rupees 267 million on all present and future fixed assets of the Company excluding land and building.
Allied Bank Limited	-	25,000	6 Month offer KIBOR +1.50%	Eight equal half yearly installments commenced on 07 October 2008 and ended on 02 April 2012.	Half yearly	Quarterly	First pari passu charge of Rupees 133 million on all present and future fixed assets of the Company excluding land and building.
Askari Bank Limited	43,316	72,193	SBP rate for LTF - EOP +2%	Ninety unequal installments commenced on 17 January 2008 and ending on 01 November 2013.	-	Quarterly	First pari passu charge of Rupees 213.33 million on all present and future fixed assets of the Company.
Samba Bank Limited							
Loan provided by the bank from own sources	315,961	368,622	6 Month offer KIBOR +1.25%	Eight equal half yearly installments commenced on 30 June 2011 and ending on 31 December 2014.	Half yearly	Half yearly	First pari passu hypothecation charge on all present and future plant and machinery of the Company (excluding land and building and any other fixed assets under exclusive charge of any other bank) to the extent of Rupees 667 million with 25% margin.
Refinanced by SBP under scheme of LTFF	59,039	78,718	SBP rate for LTFF +2.5%	Eight equal half yearly installments commenced on 27 July 2011 and ending on 27 January 2015.	-	Quarterly	
	375,000	447,340					
Silk Bank Limited	63,868	89,415	SBP rate for LTFF +2.5%	Sixteen equal quarterly installments commenced on 30 March 2011 and ending on 30 December 2014.	-	Quarterly	First pari passu charge on plant and machinery of the Company (excluding those assets on which the company has provided first exclusive charge to its various lenders) for Rupees 135 million.

Lender	2012	2011	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
Pak Brunei Investment Company Limited	196,023	235,227	SBP rate for LTFF +2.25%	Twelve half yearly installments commenced on 19 July 2011 and ending on 19 January 2017.	-	Quarterly	First pari passu charge of Rupees 323 million over all the present and future plant and machinery of the Company excluding those assets (part of the plant and machinery) on which the Company has created exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company Limited	283,539	283,539	SBP rate for LTFF +2.50%	Twenty two equal quarterly installments commencing on 05 July 2012 and ending on 05 October 2017.	-	Quarterly	First pari passu hypothecation charge over all present and future plant and machinery of the Company (net of exclusive hypothecation charge on specific plant and machinery) with 25% margin.
The Bank of Punjab	463,036	493,905	3 Month offer KIBOR +1.25%	Sixteen equal quarterly installments commenced on 04 April 2012 and ending on 04 January 2016.	Quarterly	Quarterly	First pari passu charge of Rupees 666.667 million on all present and future fixed assets of the Company excluding land and building.
Faysal Bank Limited	292,753	224,707	SBP rate for LTFF +1.50%	Ninety four unequal installments commencing on 29 September 2012 and ending on 26 Septembers 2016.	-	Quarterly	First joint pari passu charge of Rupees 400 million on all present and future plant and machinery of the Company (excluding those on which charge has already been created).
Standard Chartered Bank (Pakistan) Limited	223,796	150,000	SBP rate for LTFF +1.50%	Forty three unequal quarterly installments commencing on 12 September 2012 and ending on 12 June 2016.	-	Quarterly	First pari passu charge of Rupees 334 million on all present and future plant and machinery of the Company.
Pak Oman Investment Company Limited	200,000	-	SBP rate for LTFF +1.75%	Fifty four unequal quarterly installments commencing on 24 February 2013 and ending on 27 July 2017.	-	Quarterly	First pari passu hypothecation charge of Rupees 267 million over all the present and future plant and machinery of the Company.
Citi Bank N.A.	1,000,000	-	3 Month offer KIBOR + 1.00 %	Sixteen equal quarterly installments commencing on 08 March 2013 and ending on 08 December 2016,	Quarterly	Quarterly	Hypothecation charge of Rupees 1,333.333 million over all present and future plant and machinery of the Company (excluding machinery over which exclusive charges already exists in favour of other creditors).
	3,281,178	3,157,849					

5.2 **Long term musharika**

Lender	2012	2011	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
Meezan Bank Limited	75,000	225,000	3 Month offer KIBOR + 1.25 %	Eight equal quarterly installments commenced on 29 March 2011 and ending on 29 December 2012	Quarterly	Quarterly	Exclusive charge on specific plant and machinery at least equal to outstanding facility amount plus 25% margin thereof.
Standard Chartered Bank (Pakistan) Limited	375,000	500,000	6 Month offer KIBOR + 1.25 % margin for first two years and 1.75 % margin for remaining period	Eight equal half yearly installments commenced on 16 October 2011 and ending on 16 April 2015.	Half Yearly	Half Yearly	Registered first charge amounting to Rupees 667 million on specific fixed assets of the Company.
Meezan Bank Limited	300,000	-	3 Month offer KIBOR + 1.25 %	Sixteen equal quarterly installments commencing on 14 March 2013 and ending on 14 December 2016.	Quarterly	Quarterly	First exclusive charge of Rupees 400 million over specific plant and machinery of the Company.
Burj Bank Limited	300,000	-	3 Month offer KIBOR + 1.00 %	Sixteen equal quarterly installments commencing on 30 March 2013 and ending on 30 December 2016.	Quarterly	Quarterly	Ranking hypothecation charge of Rupees 400 million over all the present and future plant and machinery of the Company.
	1,050,000	725,000					

		Note	2012	2011
			(Rupees in thousand)	
6	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Future minimum lease payments		242,580	337,928
	Less: Un-amortized finance charge		40,278	74,956
	Present value of future minimum lease payments		202,302	262,972
	Less: Current portion shown under current liabilities	11	65,262	60,344
			137,040	202,628

6.1 This represents sale and leaseback arrangement with Pak Kuwait Investment Company (Private) Limited. According to the lease agreement, leasing company has contributed Rupees 150.047 million from its own sources and the remaining amount of Rupees 149.953 million has been financed under Long Term Finance Facility (LTFF) scheme of State Bank of Pakistan. Minimum lease payments have been discounted using implicit interest rate ranging from 9.70% to 15.78% (2011: 9.70% to 15.62%) per annum. Balance rentals are payable in quarterly installments. Taxes, repairs and insurance costs are borne by the Company. These are secured against the leased assets and demand promissory notes.

6.2 Minimum lease payments and their present values are regrouped as under:

	2012		2011	
	Not later than one year	Later than one year and not later than five years	Not Later than one year	Later than one year and not later than five years
	(Rupees in thousand)			
Future minimum lease payments	87,020	155,560	91,678	246,250
Less: Un-amortized finance charge	21,758	18,520	31,334	43,622
Present value of future minimum lease payments	65,262	137,040	60,344	202,628

7 DEFERRED INCOME TAX LIABILITY

This represents deferred income tax liability on surplus on revaluation of unquoted equity investment available for sale. Provision for deferred income tax on other temporary differences was not considered necessary as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001.

		Note	2012	2011
			(Rupees in thousand)	
8	**TRADE AND OTHER PAYABLES**			
	Creditors	8.1	1,827,231	1,374,519
	Accrued liabilities		781,086	523,954
	Advances from customers		206,420	141,720
	Securities from contractors - Interest free, repayable on completion of contracts		22,232	23,856
	Retention money payable		4,096	5,965
	Income tax deducted at source		-	1,386
	Dividend payable		42,559	36,136
	Payable to employees' provident fund trust		10,041	11,903
	Fair value of forward exchange contracts		23,625	-
	Workers' profit participation fund	8.2	219,543	280,071
	Workers' welfare fund		260,807	177,510
			3,397,640	2,577,020

		Note	2012	2011
			(Rupees in thousand)	
8.1	**This includes amounts due to following related parties:**			
	Nishat USA Inc. - subsidiary company		2,173	2,563
	Nishat Hospitality (Private) Limited - subsidiary company		170	-
	Nishat Linen Trading LLC - subsidiary company		395	-
	D.G Khan Cement Company Limited - associated company		994	12,152
	Security General Insurance Company Limited - associated company		6,797	6,466
	Adamjee Insurance Company Limited - associated company		28,274	29,534
	Nishat Paper Products Company Limited - associated company		-	535
	Nishat (Chunian) Limited - related party		21	2,037
			38,824	53,287
8.2	**Workers' profit participation fund**			
	Balance as on 01 July		280,071	173,101
	Add: Provision for the year	31	219,543	280,071
	Interest for the year	33	6,457	2,757
			506,071	455,929
	Less: Payments during the year		286,528	175,858
	Balance as on 30 June		219,543	280,071

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.

9 ACCRUED MARK-UP

		2012	2011
Long term financing		87,236	124,251
Short term borrowings		182,343	234,203
		269,579	358,454

10 SHORT TERM BORROWINGS

From banking companies - secured

	Note	2012	2011
Short term running finances	10.1 and 10.2	82,247	79,842
State Bank of Pakistan (SBP) refinance	10.1 and 10.3	9,065,039	9,855,153
Other short term finances	10.1 and 10.4	-	296,812
Temporary bank overdrafts	10.1 and 10.2	518,563	239,878
		9,665,849	10,471,685

10.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, other instruments, ranking hypothecation charge on plant and machinery of the Company. These form part of total credit facility of Rupees 28,221 million (2011: Rupees 24,754 million).

10.2 The rates of mark-up range from 12.22% to 15.65% (2011: 12.69% to 15.59%) per annum on the balance outstanding.

10.3 The rates of mark up range from 10.25% to 11.00% (2011: 8.50% to 11.00%) per annum on the balance outstanding.

10.4 The rates of mark up on Pak Rupee finances and US Dollar finances ranged from 10.50% to 12.93% (2011: 11.99% to 13.60%) per annum and 1.0962% to 1.7540% (2011: 1.0962% to 2.0595%) per annum respectively on the balance outstanding.

		Note	2012	2011
			(Rupees in thousand)	
11	CURRENT PORTION OF NON-CURRENT LIABILITIES			
	Current portion of long term financing	5	1,041,640	1,223,521
	Current portion of liabilities against assets subject to finance lease	6	65,262	60,344
			1,106,902	1,283,865

12 CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) The Company is contingently liable for Rupees 0.631 million (2011: Rupees 0.631 million) on account of central excise duty not acknowledged as debt as the case is pending before Court.

ii) Guarantees of Rupees 539.902 million (2011: Rupees 590.321 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited and Pakistan State Oil Limited against purchase of furnace oil, Director Excise and Taxation, Karachi against infrastructure cess and Collector of Customs against import duties.

iii) Post dated cheques of Rupees 1,591.201 million (2011: Rupees 911.545 million) are issued to customs authorities in respect of duties on imported items availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

iv) The Company has not recognised fuel adjustment charges amounting to Rupees 44.144 million (2011: Rupees Nil) notified by National Electric Power Regulatory Authority (NEPRA) for the period from November 2011 to June 2012, as the Company has obtained stay against payment of such charges from Honorable Islamabad High Court, Islamabad. The management based on advice of the legal counsel, believes that it has strong grounds of appeal and payment / accrual of such charges will not be required.

b) Commitments

i) Contracts for capital expenditure are approximately of Rupees 639.874 million (2011: Rupees 65.057 million).

ii) Letters of credit other than for capital expenditure are of Rupees 613.976 million (2011: Rupees 401.140 million).

		Note	2012	2011
			(Rupees in thousand)	
13	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets	13.1		
	Owned		12,250,991	12,107,389
	Leased		246,378	273,105
	Capital work-in-progress	13.2	1,821,270	923,020
			14,318,639	13,303,514

13.1 Operating fixed assets

	Owned Assets									Leased Assets
	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture, fixtures & office equipment	Computer equipment	Vehicles	Total	Plant and machinery
	(Rupees in thousand)									
At 01 July 2010										
Cost	561,815	3,679,141	14,863,196	657,455	195,829	267,486	123,688	332,598	20,681,208	-
Accumulated depreciation	-	(1,820,609)	(6,580,756)	(361,756)	(85,901)	(128,384)	(85,027)	(142,770)	(9,205,203)	-
Net book value	561,815	1,858,532	8,282,440	295,699	109,928	139,102	38,661	189,828	11,476,005	-
Year ended 30 June 2011										
Opening net book value	561,815	1,858,532	8,282,440	295,699	109,928	139,102	38,661	189,828	11,476,005	-
Additions	13,206	183,719	1,932,168	10,206	16,461	25,362	9,042	100,664	2,290,828	300,000
Disposals:										
Cost	-	-	(912,799)	(538)	(175)	(213)	(55)	(55,136)	(968,916)	-
Accumulated depreciation	-	-	418,473	327	47	99	27	31,973	450,946	-
	-	-	(494,326)	(211)	(128)	(114)	(28)	(23,163)	(517,970)	-
Depreciation charge	-	(191,841)	(840,783)	(29,585)	(11,726)	(14,212)	(12,848)	(40,479)	(1,141,474)	(26,895)
Closing net book value	575,021	1,850,410	8,879,499	276,109	114,535	150,138	34,827	226,850	12,107,389	273,105
At 30 June 2011										
Cost	575,021	3,862,860	15,882,565	667,123	212,115	292,635	132,675	378,126	22,003,120	300,000
Accumulated depreciation	-	(2,012,450)	(7,003,066)	(391,014)	(97,580)	(142,497)	(97,848)	(151,276)	(9,895,731)	(26,895)
Net book value	575,021	1,850,410	8,879,499	276,109	114,535	150,138	34,827	226,850	12,107,389	273,105
Year ended 30 June 2012										
Opening net book value	575,021	1,850,410	8,879,499	276,109	114,535	150,138	34,827	226,850	12,107,389	273,105
Additions	44,433	381,732	995,021	18,883	30,193	14,990	7,530	81,150	1,573,932	-
Transferred to investment properties:										
Cost	(120,279)	-	-	-	-	-	-	-	(120,279)	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	(120,279)	-	-	-	-	-	-	-	(120,279)	-
Disposals:										
Cost	-	-	(190,379)	-	-	(720)	(219)	(41,399)	(232,717)	
Accumulated depreciation	-	-	123,800	-	-	289	172	25,719	149,980	
	-	-	(66,579)	-	-	(431)	(47)	(15,680)	(82,737)	-
Depreciation charge	-	(186,813)	(924,360)	(28,311)	(12,745)	(15,974)	(11,423)	(47,688)	(1,227,314)	(26,727)
Closing net book value	499,175	2,045,329	8,883,581	266,681	131,983	148,723	30,887	244,632	12,250,991	246,378
At 30 June 2012										
Cost	499,175	4,244,592	16,687,207	686,006	242,308	306,905	139,986	417,877	23,224,056	300,000
Accumulated depreciation	-	(2,199,263)	(7,803,626)	(419,325)	(110,325)	(158,182)	(109,099)	(173,245)	(10,973,065)	(53,622)
Net book value	499,175	2,045,329	8,883,581	266,681	131,983	148,723	30,887	244,632	12,250,991	246,378
Annual rate of depreciation (%)	-	10	10	10	10	10	30	20		10

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 in thousand)						
Plant and Machinery								
Murata Mach Coner	1	8,440	7,345	1,095	3,000	1,905	Negotiation	Bismillah Textiles Limited
Bale Plucker and Condesor	2	3,140	2,263	877	1,121	244	Negotiation	Mr. Shahbaz Ali
Rieter Drawing Machine	2	4,632	3,878	754	968	214	Negotiation	Hina Sana Textile Mills (Private) Limited
Ring Frame China	6	11,773	9,968	1,805	4,050	2,245	Negotiation	Bismillah Textiles Limited
Ring Frame China	6	8,259	6,262	1,997	3,031	1,034	Negotiation	Chaudhary Industries
Knotting Machine With Frames	3	1,929	1,500	429	569	140	Negotiation	Mr. Muhammad Ikram
Luwa Overhead Cleaner	4	8,000	6,055	1,945	1,000	(945)	Negotiation	Sapphire Textile Mills Limited
Sulzer Looms	16	39,875	27,325	12,550	31,732	19,182	Negotiation	Deira Trading Centre LLC
Jacquard and Rapier Looms	12	76,615	43,338	33,277	20,456	(12,821)	Negotiation	Deira Trading Centre LLC
Monfort Stenter With Bianco	1	9,954	5,601	4,353	3,448	(905)	Negotiation	J.R. Raising
Babcok Ager	1	7,467	5,333	2,134	2,155	21	Negotiation	Haroon Textile Industries
Diesel Generators	2	10,217	4,881	5,336	9,000	3,664	Negotiation	Allied Rental Modaraba
		190,301	123,749	66,552	80,530	13,978		
Vehicles								
Suzuki Alto LED-07-3896	1	519	305	214	218	4	Company Policy	Mr. Kamran Shafique Hashmi (Company's Employee)
BMW LOG-9333	1	1,238	1,177	61	400	339	Negotiation	Mr. Khurram Bashir
Suzuki Cultus LEF-3590	1	677	388	289	295	6	Company Policy	Mr. Abdul Rehman (Company's Employee)
Honda City LEJ-6071	1	903	504	399	407	8	Negotiation	Ms. Shagufta Begum
Suzuki Cultus LEJ-6068	1	689	350	339	343	4	Company Policy	Mr. Ali Asghar (Company's Employee)
Mercedes Benz S-500 LWL-500	1	12,605	8,286	4,319	11,500	7,181	Negotiation	Fazal Cloth Mills Limited
Honda Civic LEA-07-6912	1	1,402	917	485	488	3	Negotiation	Mr. Imran Masood
Suzuki Bolan Van LWJ-1602	1	479	334	145	551	406	Negotiation	Sheikh Muhammad Shahid Aziz
Honda Civic LEC-10-3699	1	1,766	602	1,164	1,210	46	Company Policy	Mr. Pervez-ul-Islam Mir (Company's Ex-employee)
Suzuki Cultus LZT-1133	1	605	449	156	495	339	Negotiation	Mr. Abdul Majeed Akhtar
Suzuki Cultus LEA-06-1506	1	617	396	221	225	4	Company Policy	Malik Muhammad Hussain Azeem (Company's Employee)
Suzuki Cultus LEA-06-9391	1	664	436	228	602	374	Negotiation	Mirza Ashgar Ali
Suzuki Alto LWG-1314	1	518	359	159	162	3	Company Policy	Mr. Ikhlaq Ahmad (Company's Employee)
Suzuki Alto LEH-9936	1	520	302	218	222	4	Company Policy	Mr. Bilal Ahmad (Company's Employee)
Honda City LWO-9449	1	884	419	465	476	11	Company Policy	Mr. Zia-ur-Rehman (Company's Employee)
Honda City LED-07-7473	1	897	535	362	370	8	Company Policy	Mr. Abdul Waheed (Company's Employee)
Suzuki Alto LZU-7224	1	513	375	138	147	9	Company Policy	Mr. Fiaz Mohi-ud-Din (Company's Employee)
Hyundai Shehzore LZB-5707	1	657	488	169	610	441	Negotiation	Mr. Muhammad Farhan
Toyota Corolla LEE-09-2162	1	1,323	364	959	1,261	302	Negotiation	Argosy Enterprises
Toyota Corolla LEB-07-1589	1	947	562	385	392	7	Company Policy	Mr. Muhammad Shoaib Alam (Company's Employee)
Coure CX LEB-06-6482	1	505	312	193	195	2	Company Policy	Mr. Mumtaz Hussain (Company's Employee)
Suzuki Cultus LED-6639	1	600	362	238	241	3	Company Policy	Mr. Abrar Ahmad Sayyal (Company's Employee)
Toyota Hilux LZJ-3533	1	1,993	1,556	437	1,142	705	Negotiation	Mr. Abdul Qadar
Mitsubishi Lancer LEB-06-5303	1	973	591	382	383	1	Company Policy	Mr. Khalid Mahmood (Company's Employee)
Suzuki Cultus LEC-3910	1	677	413	264	652	388	Negotiation	Mr. Jalal Mirza
Honda Civic LEE-07-8885	1	1,418	859	559	565	6	Company Policy	Mr. Asif Abdullah (Company's Employee)
Suzuki Cultus LEB-08-2414	1	689	391	298	302	4	Company Policy	Mr. Kashif Naeem (Company's Employee)
Honda City LEA-2351	1	712	385	327	750	423	Negotiation	Mr. Arif Khan
Suzuki Cultus LEB-6220	1	619	362	257	261	4	Company Policy	Mr. Tahir Aleem (Company's Employee)
Suzuki Cultus LEB-2756	1	619	410	209	637	428	Negotiation	Mr. Muhammad Naeem Ahmad
Mitsubishi Lancer LZX-06-4547	1	1,190	837	353	751	398	Negotiation	Mr. Nadeem Ahmad
Suzuki Cultus LEC-09-7870	1	871	343	528	750	222	Negotiation	Mr. Farhat Abbas
Toyota Hiace Van LEA-3290	1	1,987	1,296	691	1,888	1,197	Negotiation	Mr. Khawar Aleem Ahmad
		41,276	25,665	15,611	28,891	13,280		
Furniture, Fixture and Office Equipment								
Used Furniture	1	475	181	294	298	4	Company Policy	Mr. Faisal Naseem Kari (Company's Employee)
Air Conditioner	1	98	45	53	44	(9)	Negotiation	Mr. Habib-ur-Rehman
		573	226	347	342	(5)		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		567	340	227	225	(2)	Negotiation	
		232,717	149,980	82,737	109,988	27,251		

		Note	2012	2011
			(Rupees in thousand)	
13.1.2	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	28	1,172,565	1,100,805
	Distribution cost	29	13,400	3,941
	Administrative expenses	30	68,076	63,552
	Capital work-in-progress		-	71
			1,254,041	1,168,369

13.1.3 Operating fixed assets having cost of Rupees 2.436 million (2011: Rupees 1.860 million) have been fully depreciated and are still in use of the Company.

		2012	2011
13.2	**Capital work-in-progress**		
	Buildings on freehold land	533,345	219,295
	Plant and machinery	1,246,125	691,655
	Electric installations	912	-
	Unallocated expenses	33,619	1,964
	Letters of credit against machinery	1,048	144
	Advances against furniture and office equipment	448	-
	Advances against vehicles	5,773	9,962
		1,821,270	923,020

13.3 Borrowing cost of Rupees 19.027 million (2011: Rupees 2.315 million) was capitalized during the year using the capitalization rate ranging from 11.45% to 14.08% (2011: 9.70% to 14.37%) per annum.

14 INVESTMENT PROPERTIES

	Land	Buildings	Total
	(Rupees in thousand)		
At 01 July 2010			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(34,976)	(34,976)
Net book value	75,388	57,162	132,550
Year ended 30 June 2011			
Opening net book value	75,388	57,162	132,550
Depreciation charge	-	(5,716)	(5,716)
Closing net book value	75,388	51,446	126,834
At 30 June 2011			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(40,692)	(40,692)
Net book value	75,388	51,446	126,834
Year ended 30 June 2012			
Opening net book value	75,388	51,446	126,834
Transferred from operating fixed assets	120,279	-	120,279
Depreciation charge	-	(5,144)	(5,144)
Closing net book value	195,667	46,302	241,969
At 30 June 2012			
Cost	195,667	92,138	287,805
Accumulated depreciation	-	(45,836)	(45,836)
Net book value	195,667	46,302	241,969

14.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 5.144 million (2011: Rupees 5.716 million) charged during the year is allocated to other operating expenses. No expenses directly related to investment properties were incurred during the year. The market value of land and buildings is estimated at Rupees 549.427 million (2011: Rupees 377.705 million). The valuation has been carried out by an independent valuer.

14.2 Land and building having book value of Rupees 186.020 million and Rupees 30.142 million respectively have been given on operating lease to Nishat Hospitality (Private) Limited - subsidiary company.

		Note	2012	2011
			(Rupees in thousand)	
15	**LONG TERM INVESTMENTS**			
	Subsidiary companies			
	Nishat Power Limited - quoted 180,632,955 (2011: 180,632,955) fully paid ordinary shares of Rupees 10 each. Equity held 51.01% (2011: 51.01%)	15.1	1,806,329	1,806,329
	Nishat USA Inc. - unquoted 200 (2011: 200) fully paid shares with no par value per share		3,547	3,227
	Nishat Linen (Private) Limited - unquoted 700,000 (2011: 700,000) fully paid ordinary shares of Rupees 10 each. Equity held 100% (2011: 100%)		7,000	7,000
	Nishat Linen Trading L.L.C - unquoted 2,940 (2011: 1,470) fully paid shares of UAE Dirhams 1,000 each	15.2	152,400	69,990
	Nishat Hospitality (Private) Limited - unquoted 19,995,000 (2011: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 100% (2011: Nil)		199,950	-
	Available for sale			
	Associated companies (with significant influence)			
	D.G. Khan Cement Company Limited - quoted 137,574,201 (2011: 137,574,201) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (2011: 31.40%)	15.3	3,418,145	3,418,145
	Nishat Paper Products Company Limited - unquoted 11,634,199 (2011:11,634,199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (2011: 25%)	15.4	116,342	116,342
	Lalpir Power Limited -unquoted 110,498,540 (2011: 110,498,540) fully paid ordinary shares of Rupees 10 each. Equity held 32% (2011: 32%)	15.5 & 15.6	1,822,629	1,822,629
	Pakgen Power Limited - quoted 102,524,728 (2011: 102,524,728) fully paid ordinary shares of Rupees 10 each. Equity held 27.55% (2011: 27.55%)	15.6	1,272,194	1,272,194
	Associated companies (others)			
	MCB Bank Limited - quoted 66,611,481 (2011: 58,790,392) fully paid ordinary shares of Rupees 10 each. Equity held 7.24% (2011: 7.03%)		8,430,672	8,129,753
	Advance for purchase of 5,000 shares		-	998
			8,430,672	8,130,751
	Adamjee Insurance Company Limited - quoted 36,337 (2011: 36,337) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (2011: 0.03%)		2,774	2,774

	Note	2012	2011
		(Rupees in thousand)	
LONG TERM INVESTMENTS			
Available for Sale			
Other			
Habib Bank Limited - quoted 174 (2011: 159) fully paid ordinary shares of Rupees 10 each		12	12
		17,231,994	16,649,393
Less: Impairment loss recognized	15.7	(658)	(413)
Add: Fair value adjustment		4,681,454	4,688,909
		21,912,790	21,337,889

15.1 The Company has to maintain at least 51% holding in the share capital of Nishat Power Limited (NPL) during the period of first six years from the date of commercial operations of NPL i.e. 09 June 2010. Moreover, the Company has pledged its 180,585,155 (2011: 180,585,155) shares to lenders of NPL for the purpose of securing finance.

15.2 The Company is also the beneficial owner of remaining 3,060 (2011: 1,530) shares of UAE Dirham 1,000 each of Nishat Linen Trading LLC held under Nominee Agreement dated 30 December 2010, whereby the Company has right over all dividends, interests, benefits and other distributions on liquidation. The Company through the powers given to it under Article 11 of the Memorandum of Association of the investee company, exercises full control on the management of Nishat Linen Trading L.L.C.

15.3 The Company has pledged Nil (2011: 52 million) shares of D.G. Khan Cement Company Limited as security against short term borrowings.

15.4 The investment of the Company in Nishat Paper Products Limited has been valued at Rupees 10.64 (2011: Rupees 12.35) per share by an independent valuer on the basis of net assets based method applied on unaudited financial statements of the investee company for the year ended 30 June 2012. However, the net assets based value per share has been adjusted by Rupees 0.64 per share to value this investment at fair value of Rupees 10 (2011: Rupees 10) per share.

15.5 The investment of the Company in Lalpir Power Limited has been valued at Rupees 25.95 (2011: Rupees 22.66) per share by an independent valuer on the basis of dividend stream method applied on unaudited financial statements of the investee company for the year ended 30 June 2012. However , the dividend stream based value per share has been adjusted by Rupees 9.46 per share to value this investment at fair value of Rupees 16.49 (2011: Rupees 22.66) per share.

15.6 Investments in Lalpir Power Limited and Pakgen Power Limited include 500 shares each, held in the name of nominee director of the Company.

		Note	2012	2011
			(Rupees in thousand)	
15.7	**Impairment loss recognized**			
	Balance as on 01 July		413	-
	Add: Impairment loss recognised during the year	31	245	413
	Balance as on 30 June		658	413

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
16	**LONG TERM LOANS**			
	Considered good:			
	Executives - secured	16.1 & 16.2	57,771	35,226
	Other employees - secured	16.2	15,882	15,496
	Subsidiary company - unsecured	16.4	218,220	818,220
			291,873	868,942
	Less: Current portion shown under current assets	21		
	Executives		17,178	13,435
	Other employees		6,365	6,301
			23,543	19,736
			268,330	849,206

16.1 Reconciliation of carrying amount of loans to executives:

	2012	2011
Balance as on 01 July	35,226	26,819
Add: Disbursements	39,175	19,989
Transferred from other employees during the year	2,616	522
	77,017	47,330
Less: Repayments	19,246	12,104
Balance as on 30 June	57,771	35,226

16.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 58.597 million (2011: Rupees 37.494 million).

16.2 These represent interest free house construction loans given to executives and employees and are secured against balance to the credit of employees in the provident fund trust. These are recoverable in equal monthly installments.

16.3 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.

16.4 This represents subordinated long term loan given to Nishat Power Limited - subsidiary company. This loan carry markup at the rate of 3 month KIBOR plus 2% per annum payable on quarterly basis. During the year ended 30 June 2012, the subsidiary company has repaid Rupees 600 million to the Company and the balance amount will be repaid in bullet payment on 05 July 2015.

		2012 (Rupees in thousand)	2011 (Rupees in thousand)
17	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Security deposits	36,677	27,964
	Prepayments	1,537	2,768
		38,214	30,732
	Less: Current portion shown under current assets	1,230	1,230
		36,984	29,502

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
18	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores	18.1	826,535	746,896
	Spare parts		204,545	224,568
	Loose tools		1,270	1,661
			1,032,350	973,125
	Less: Provision for slow moving, obsolete and damaged store items	18.2	13,309	17,989
			1,019,041	955,136

18.1 This includes stores in transit of Rupees 157.307 million (2011: Rupees 95.387 million).

18.2 Provision for slow moving, obsolete and damaged store items

	2012	2011
Balance as on 01 July	17,989	27,057
Less: Provision reversed during the year	4,680	9,068
Balance as on 30 June	13,309	17,989

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

		Note	2012	2011
19	**STOCK IN TRADE**			
	Raw materials		2,981,727	1,611,113
	Work-in-process		4,405,629	5,432,669
	Finished goods	19.2 & 19.4	2,307,777	2,802,898
			9,695,133	9,846,680

19.1 Stock in trade of Rupees 274.935 million (2011: Rupees 1,804.906 million) is being carried at net realizable value.

19.2 Finished goods include stock in transit of Rupees 514.326 million (2011: Rupees 271.818 million).

19.3 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 19.967 million (2011: Rupees 395.345 million).

19.4 Finished goods include stock of Rupees 52.421 million (2011: Rupees 94.189 million) which is in the possession of franchisees of the Company.

		Note	2012	2011
20	**TRADE DEBTS**			
	Considered good:			
	Secured (against letters of credit)		1,172,820	883,851
	Unsecured	20.1	2,316,250	1,597,408
			3,489,070	2,481,259
	Considered doubtful:			
	Others - unsecured		131,758	131,758
	Less: Provision for doubtful debts			
	Balance as on 01 July		131,758	119,460
	Add: Provision for the year	31	-	12,298
	Balance as on 30 June		131,758	131,758
			-	-

20.1 This includes an amount of Rupees 80.818 million (2011: Rupees 45.809 million) due from Nishat Linen Trading LLC - subsidiary company.

20.2 As at 30 June 2012, trade debts of Rupees 13.664 million (2011: Rupees 52.204 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	Note	2012	2011
		(Rupees in thousand)	
Upto 1 month		4,529	46,465
1 to 6 months		7,251	1,379
More than 6 months		1,884	4,360
		13,664	52,204

20.3 As at 30 June 2012, trade debts of Rupees 131.758 million (2011: Rupees 131.758 million) were impaired and provided for. The ageing of these trade debts was more than 5 years.

21 LOANS AND ADVANCES

	Note	2012	2011
Considered good:			
Employees - interest free:			
– Executives		147	484
– Other employees		8,114	5,018
		8,261	5,502
Current portion of long term loans	16	23,543	19,736
Advances to suppliers		94,607	83,679
Letters of credit		1,208	1,554
Income tax		713,366	580,582
Other advances	21.1	26,646	65,298
		867,631	756,351
Considered doubtful:			
Others		108	108
Less: Provision for doubtful debts		108	108
		-	-
		867,631	756,351

21.1 This includes amount of Rupees 4.628 million (2011: Rupees Nil) due from Nishat Linen (Private) Limited - subsidiary company.

22 SHORT TERM DEPOSITS AND PREPAYMENTS

	Note	2012	2011
Deposits		1,117	1,117
Prepayments - including current portion		39,891	46,094
		41,008	47,211

23 OTHER RECEIVABLES

	Note	2012	2011
Considered good:			
Export rebate and claims		411,300	505,556
Sales tax refundable		280,243	240,569
Fair value of forward exchange contracts		-	267,218
Markup rate support receivable from financial institutions		31,666	58,372
Receivable against sale of investment		-	299,811
Miscellaneous receivables	23.1	34,868	35,364
		758,077	1,406,890

23.1 This includes amount of Rupees 0.030 million (2011: Rupees 0.030 million) due from Nishat Linen (Private) Limited - subsidiary company.

24 ACCRUED INTEREST

This includes interest receivable on long term loan given to subsidiary company and term deposit receipts.

		Note	2012	2011
			(Rupees in thousand)	
25	**SHORT TERM INVESTMENTS**			
	Available for sale			
	Associated company (Other)			
	Security General Insurance Company Limited - unquoted 10,226,244 (2011: 10,226,244) fully paid ordinary shares of Rupees 10 each. Equity held 15.02% (2011: 15.02%)	25.1	11,188	11,188
	Others			
	Nishat (Chunian) Limited - quoted 22,513,321 (2011: 22,513,321) fully paid ordinary shares of Rupees 10 each. Equity held 13.89% (2011: 13.89 %)		242,750	242,750
	Pakistan Strategic Allocation Fund - quoted 500,000 (2011: 500,000) fully paid certificates of Rupees 10 each		1,715	1,715
			255,653	255,653
	Add: Fair value adjustment		1,333,440	1,525,818
			1,589,093	1,781,471

25.1 Fair value per share of Rupees 116.69 (2011: Rupees 124.70) has been calculated by an independent valuer on the basis of dividend stream method. Security General Insurance Company Limited is associated company due to common directorship.

		Note	2012	2011
26	**CASH AND BANK BALANCES**			
	With banks:			
	On current accounts Including US$ 76,370 (2011: US$ 68,089)	26.1	151,582	48,708
	Term deposit receipts	26.2 & 26.3	2,195,020	1,073,000
	On PLS saving accounts Including US$ 11,280 (2011: US$ 17,200)	26.4	1,069	1,480
			2,347,671	1,123,188
	Cash in hand		10,885	9,513
			2,358,556	1,132,701

26.1 Cash at banks includes balance of Rupees 9.835 million (2011: Rupees 5.115 million) with MCB Bank Limited - associated company.

26.2 These represent deposits with banking companies having maturity period ranging from one month to three months and carry rate of profit ranging from 11.50% to 13.50% (2011: 13.05% to 13.50%) per annum.

26.3 These include term deposit receipt of Rupees 292.020 million having maturity period of 84 days and carrying profit at the rate of 11.87% (2011: Rupees Nil) per annum with MCB Bank Limited - associated company.

26.4 Rate of profit on Pak Rupees bank deposits and US Dollar bank deposit ranges from 4.56% to 6.00% (2011: 5.00% to 5.17%) and 0.08% to 0.15% (2011: 0.08%) per annum respectively.

		Note	2012	2011
			(Rupees in thousand)	
27	**SALES**			
	Export	27.3	34,651,145	36,014,677
	Local	27.1	10,116,320	12,084,595
	Duty draw back		-	316,341
	Export rebate		156,636	149,531
			44,924,101	48,565,144

		Note	2012	2011
27.1	**Local sales**			
	Sales	27.2	9,295,961	12,123,124
	Less: Sales tax		59,779	24,664
	Less: Discount		84,148	75,335
			9,152,034	12,023,125
	Processing income		962,826	60,048
	Doubling income		1,460	1,422
			10,116,320	12,084,595

27.2 This includes sale of Rupees 1,415.287 million (2011: Rupees 2,609.550 million) made to direct exporters against special purchase orders (SPO). Further, local sales includes waste sales of Rupees 1,216.028 million (2011: Rupees 1,442.026 million).

27.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 162.952 million (2011: Rupees 400.985 million) has been included in export sales.

		Note	2012	2011
			(Rupees in thousand)	
28	**COST OF SALES**			
	Raw materials consumed	28.1	8,757,141	13,801,336
	Cloth and yarn purchased / used		15,155,787	19,276,624
	Processing charges		168,787	201,522
	Salaries, wages and other benefits	28.2	2,437,610	2,301,801
	Stores, spare parts and loose tools consumed		3,445,386	3,402,585
	Packing materials consumed		764,188	759,545
	Repair and maintenance		334,737	236,532
	Fuel and power		4,058,676	3,118,911
	Insurance		36,011	33,131
	Other factory overheads		281,861	253,916
	Depreciation	13.1.2	1,172,565	1,100,805
			36,612,749	44,486,708
	Work-in-process			
	Opening stock		5,432,669	2,921,946
	Closing stock		(4,405,629)	(5,432,669)
			1,027,040	(2,510,723)
	Cost of goods manufactured		37,639,789	41,975,985
	Finished goods			
	Opening stock		2,802,898	1,545,610
	Closing stock		(2,307,777)	(2,802,898)
			495,121	(1,257,288)
	Cost of sales		38,134,910	40,718,697

		2012	2011
28.1	**Raw materials consumed**		
	Opening stock	1,611,113	1,595,668
	Add: Purchased during the year	10,127,755	13,816,781
		11,738,868	15,412,449
	Less: Closing stock	2,981,727	1,611,113
		8,757,141	13,801,336

28.2 Salaries, wages and other benefits include provident fund contribution of Rupees 66.475 million (2011: Rupees 61.518 million) by the Company.

		Note	2012	2011
29	**DISTRIBUTION COST**			
	Salaries and other benefits	29.1	187,801	139,597
	Outward freight and handling		1,423,813	1,098,833
	Commission to selling agents		624,197	653,925
	Rent, rates and taxes		28,425	23,119
	Insurance		15,337	16,168
	Traveling and conveyance		86,004	68,179
	Vehicles' running		16,672	7,498
	Entertainment		3,970	2,975
	Advertisement		51,590	85,927
	Postage, telephone and telegram		80,108	75,015
	Electricity and gas		6,903	3,318
	Printing and stationery		2,774	1,879
	Repair and maintenance		14,171	10,058
	Fee and subscription		162	64
	Depreciation	13.1.2	13,400	3,941
			2,555,327	2,190,496

29.1 Salaries and other benefits include provident fund contribution of Rupees 9.410 million (2011: Rupees 7.139 million) by the Company.

		Note	2012	2011
			(Rupees in thousand)	
30	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	30.1	471,041	408,699
	Rent, rates and taxes		2,992	11,632
	Legal and professional		12,589	13,137
	Insurance		4,585	4,702
	Traveling and conveyance		29,407	24,067
	Vehicles' running		42,787	37,571
	Entertainment		17,466	13,905
	Auditors' remuneration	30.2	2,755	2,505
	Advertisement		113	133
	Postage, telephone and telegram		7,000	6,324
	Electricity and gas		16,857	19,945
	Printing and stationery		14,304	13,876
	Repair and maintenance		17,306	19,191
	Fee and subscription		4,013	3,726
	Depreciation	13.1.2	68,076	63,552
	Miscellaneous		20,449	13,791
			731,740	656,756

30.1 Salaries and other benefits include provident fund contribution of Rupees 19.063 million (2011: Rupees 16.236 million) by the Company.

		2012	2011
30.2	**Auditors' remuneration**		
	Audit fee	2,204	2,004
	Half yearly review	461	419
	Reimbursable expenses	90	82
		2,755	2,505

		Note	2012	2011
31	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	8.2	219,543	280,071
	Workers' welfare fund		83,297	110,447
	Provision for doubtful debts	20	-	12,298
	Offer for sale expenses of Pakgen Power Limited		-	14,475
	Impairment loss on equity investment	15.7	245	413
	Depreciation on investment properties	14.1	5,144	5,716
	Net exchange loss including gain on forward contracts		34,820	-
	Donation	31.1	650	7,800
			343,699	431,220

31.1 There is no interest of any director or his spouse in donees' fund.

		Note	2012	2011
			(Rupees in thousand)	
32	OTHER OPERATING INCOME			
	Income from financial assets			
	Dividend income	32.1	2,266,279	998,675
	Profit on deposits with banks		112,257	41,227
	Net exchange gain including loss on forward contracts		-	871,569
	Gain on sale of investments		-	203,756
	Interest income on loans and advances to subsidiary companies		96,534	120,954
			2,475,070	2,236,181
	Income from non-financial assets			
	Gain on sale of property, plant and equipment		27,251	57,477
	Scrap sales		127,057	119,635
	Rental income from investment properties		38,286	31,331
	Other		16,021	361
			208,615	208,804
			2,683,685	2,444,985

		2012	2011
32.1	Dividend income		
	From related parties / associated companies		
	MCB Bank Limited	735,750	655,998
	Adamjee Insurance Company Limited	36	91
	Security General Insurance Company Limited	30,679	25,566
	Nishat (Chunian) Limited	45,027	33,770
	Nishat Power Limited	180,633	-
	Pakgen Power Limited	666,411	89,300
	Lalpir Power Limited	607,742	193,372
		2,266,278	998,097
	Others		
	Pakistan Strategic Allocation Fund	-	577
	Habib Bank Limited	1	1
		2,266,279	998,675

		Note	2012	2011
33	FINANCE COST			
	Mark-up on:			
	Long term financing		491,512	429,371
	Liabilities against assets subject to finance lease		30,466	36,805
	Short term borrowings		1,014,608	927,304
	Interest on workers' profit participation fund	8.2	6,457	2,757
	Bank charges and commission		217,500	204,811
			1,760,543	1,601,048
34	TAXATION			
	Current	34.1	553,000	568,000

34.1 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. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001.

34.2 Provision for deferred income 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 except for deferred tax liability as explained in note 7.

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

			2012	2011
35	EARNINGS PER SHARE - BASIC AND DILUTED			
	There is no dilutive effect on the basic earnings per share which is based on:			
	Profit attributable to ordinary shares	(Rupees in thousand)	3,528,567	4,843,912
	Weighted average number of ordinary shares	(Numbers)	351,599,848	351,599,848
	Earnings per share	(Rupees)	10.04	13.78

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
36	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		4,081,567	5,411,912
	Adjustments for non-cash charges and other items:			
	Depreciation		1,259,185	1,174,014
	Provision for doubtful debts		-	12,298
	Gain on sale of property, plant and equipment		(27,251)	(57,477)
	Gain on sale of investments		-	(203,756)
	Exchange difference on translation of investments in foreign subsidiaries		(10,020)	(361)
	Dividend income		(2,266,279)	(998,675)
	Impairment loss on equity investment		245	413
	Net exchange (gain) / loss on forward contracts		34,820	(871,569)
	Interest income on loans and advances to subsidiary companies		(96,534)	(120,907)
	Finance cost		1,760,543	1,601,048
	Working capital changes	36.1	268,402	(4,332,318)
			5,004,678	1,614,622
36.1	**Working capital changes**			
	(Increase) / decrease in current assets:			
	- Stores, spare parts and loose tools		(63,905)	(266,304)
	- Stock in trade		151,547	(3,786,239)
	- Trade debts		(1,007,811)	(452,301)
	- Loans and advances		29,939	(41,307)
	- Short term deposits and prepayments		6,203	(14,069)
	- Other receivables		361,857	(205,436)
			(522,170)	(4,765,656)
	Increase in trade and other payables		790,572	433,338
			268,402	(4,332,318)

37 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2012 of Rupees 3.5 per share (2011: Rupees 3.30 per share) at their meeting held on October 05, 2012.The Board of Directors also proposed to transfer Rupees 2,297 million (2011: Rupees 3,683 million) from un-appropriated profit to general reserve. 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.

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration	8,691	7,557	4,931	2,319	191,311	129,678
Allowances						
Cost of living allowance	-	-	7	7	756	529
House rent	3,476	3,023	807	571	51,125	33,477
Conveyance	-	-	-	-	316	215
Medical	869	756	398	231	14,817	9,351
Utilities	-	-	779	355	18,915	11,674
Special allowance	-	-	2	1	408	271
Contribution to provident fund	-	-	379	221	15,209	10,994
Leave encashment	-	-	-	-	4,107	2,882
	13,036	11,336	7,303	3,705	296,964	199,071
Number of persons	1	1	2	2	188	136

38.1 Chief executive, two directors and certain executives of the Company are provided with Company maintained vehicles and certain executives are also provided with free housing facility alongwith utilities.

38.2 Aggregate amount charged in the financial statements for meeting fee to one director (2011: one director) was Rupees 50,000 (2011: Rupees 30,000).

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

39 TRANSACTIONS WITH RELATED PARTIES

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

	2012	2011
	(Rupees in thousand)	
Subsidiary companies		
Sale of operating fixed assets	-	2,386
Investment made	272,660	76,646
Long term loan payment received	600,000	-
Dividend income	180,633	-
Purchase of goods and services	169,291	18,470
Sale of goods and services	1,247,238	-
Purchase of operating fixed assets	-	215
Long term loans made	-	345,335
Interest income	96,534	120,954
Rental income	10,725	-
Short term loans made	3,533,904	4,761
Short term loans payment received	3,529,276	4,761
Associated companies		
Investment made	-	458,581
Purchase of goods and services	45,841	22,624
Sale of goods	4,431	598
Rental income	3,112	10,372
Purchase of operating fixed assets	900	23,862
Sale of operating fixed assets	479	2,057
Dividend income	2,040,618	964,327
Dividend paid	104,115	78,870
Insurance premium paid	78,684	78,093
Insurance claims received	18,229	13,519
Profit on saving accounts	-	7
Profit on term deposit receipt	2,945	-
Subscription paid	1,525	750
Other related parties		
Dividend income	45,027	33,770
Purchase of goods and services	17,204	102,728
Sale of goods and services	13,829	100,899
Company's contribution to provident fund trust	94,981	84,914

40 SEGMENT INFORMATION

	Spinning 2012	Spinning 2011	Weaving 2012	Weaving 2011	Processing and Home Textile 2012	Processing and Home Textile 2011	Garments 2012	Garments 2011	Power Generation 2012	Power Generation 2011	Elimination of Inter-segment transactions 2012	Elimination of Inter-segment transactions 2011	Total - Company 2012	Total - Company 2011
	(Rupees in thousand)													
Sales														
External	11,383,166	15,682,109	9,551,518	10,132,061	19,568,628	18,681,894	4,387,922	4,009,924	32,867	59,156	-	-	44,924,101	48,565,144
Intersegment	2,331,952	3,319,869	7,124,400	7,317,334	671,088	528,039	1,449	5,833	4,054,431	3,020,781	(14,183,320)	(14,191,856)	-	-
	13,715,118	19,001,978	16,675,918	17,449,395	20,239,716	19,209,933	4,389,371	4,015,757	4,087,298	3,079,937	(14,183,320)	(14,191,856)	44,924,101	48,565,144
Cost of sales	(12,525,537)	(16,268,378)	(14,627,447)	(15,550,671)	(17,660,533)	(16,707,775)	(3,436,056)	(3,307,533)	(4,068,657)	(3,076,196)	14,183,320	14,191,856	(38,134,910)	(40,718,697)
Gross profit	1,189,581	2,733,600	2,048,471	1,898,724	2,579,183	2,502,158	953,315	708,224	18,641	3,741	-	-	6,789,191	7,846,447
Distribution cost	(322,474)	(327,669)	(478,245)	(455,895)	(1,492,032)	(1,175,411)	(258,264)	(231,521)	(4,312)	-	-	-	(2,555,327)	(2,190,496)
Administrative expenses	(201,139)	(198,166)	(175,679)	(159,039)	(271,380)	(228,388)	(58,484)	(52,773)	(25,058)	(18,390)	-	-	(731,740)	(656,756)
	(523,613)	(525,835)	(653,924)	(614,934)	(1,763,412)	(1,403,799)	(316,748)	(284,294)	(29,370)	(18,390)	-	-	(3,287,067)	(2,847,252)
Profit / (loss) before taxation and unallocated income and expenses	665,968	2,207,765	1,394,547	1,283,790	815,771	1,098,359	636,567	423,930	(10,729)	(14,649)	-	-	3,502,124	4,999,195
Unallocated income and expenses:														
Other operating expenses													(343,699)	(431,220)
Other operating income													2,683,685	2,444,985
Finance cost													(1,760,543)	(1,601,048)
Taxation													(553,000)	(568,000)
Profit after taxation													3,528,567	4,843,912

40.1 Reconciliation of reportable segment assets and liabilities

	Spinning 2012	Spinning 2011	Weaving 2012	Weaving 2011	Processing and Home Textile 2012	Processing and Home Textile 2011	Garments 2012	Garments 2011	Power Generation 2012	Power Generation 2011	Total - Company 2012	Total - Company 2011
	(Rupees in thousand)											
Total assets for reportable segments:	8,301,318	7,072,828	5,072,193	4,617,050	9,850,474	10,628,062	2,290,564	2,108,078	3,563,078	2,379,218	29,077,627	26,805,236
Unallocated assets:												
Long term investments											21,912,790	21,337,889
Other receivables											758,077	1,406,890
Cash and bank balances											2,358,556	1,132,701
Other corporate assets											2,519,333	3,406,188
Total assets as per balance sheet											56,626,383	54,088,904
Total liabilities for reportable segments	658,371	695,690	335,568	683,520	1,060,130	758,906	298,414	317,211	432,359	788,013	2,784,842	3,243,340
Unallocated liabilities:												
Deferred income tax liability											310,305	510,640
Provision for taxation											686,781	631,325
Other corporate liabilities											15,081,706	14,309,640
Total liabilities as per balance sheet											18,863,634	18,694,945

40.2 Geographical information

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

	2012	2011
	(Rupees in thousand)	
Europe	13,065,129	13,331,136
Asia, Africa and Australia	16,912,304	16,999,046
United States of America and Canada	4,830,348	6,150,367
Pakistan	10,116,320	12,084,595
	44,924,101	48,565,144

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

40.4 Revenue from major customers

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

			2012	2011
			(Figures in thousand)	
41	**PLANT CAPACITY AND ACTUAL PRODUCTION**			
	Spinning			
	100 % plant capacity converted to 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Kgs.)	67,265	67,635
	Actual production converted to 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Kgs.)	57,868	56,856
	Weaving			
	100 % plant capacity at 50 picks based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Sq.Mtr.)	235,840	230,010
	Actual production converted to 50 picks based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Sq.Mtr.)	226,014	221,714
	Dyeing and Finishing			
	Production capacity for 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Mtr.)	54,000	48,000
	Actual production on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Mtr.)	51,696	47,227
	Power Plant			
	Generation capacity	(MWH)	488	501
	Actual generation	(MWH)	297	306

Processing, Stitching and Apparel

The plant capacity of these divisions are indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

41.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity for spinning, weaving, dyeing and finishing is mainly due to normal maintenance. Actual power generation in comparison to installed is low due to periodical scheduled and unscheduled maintenance and low demand.

42 FINANCIAL RISK MANAGEMENT

42.1 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), Arab Emirates Dirham (AED) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2012	2011
Cash at banks - USD	87,650	85,289
Trade debts - USD	26,803,777	21,354,052
Trade debts - Euro	2,278,161	1,297,983
Trade debts - AED	3,262,500	-
Trade and other payables - USD	4,723,664	1,291,530
Trade and other payables - Euro	97,984	221,680
Trade and other payables - AED	15,535	-
Short term borrowings - FE-25 - USD	-	3,450,000
Net exposure - USD	22,167,763	16,697,811
Net exposure - Euro	2,180,177	1,076,303
Net exposure - AED	3,246,965	-

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per US Dollar		
Average rate	89.92	85.76
Reporting date rate	94.58	86.05
Rupees per Euro		
Average rate	119.01	117.96
Reporting date rate	117.58	124.89
Rupees per AED		
Average rate	24.41	-
Reporting date rate	25.40	-

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and AED with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 96.226 million, Rupees 11.786 million and Rupees 3.793 million (2011: Rupees 65.895 million, Rupees 6.169 million and Rupees Nil) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation		Statement of other comprehensive income (fair value reserve)	
	2012	2011	2012	2011
	(Rupees in thousand)			
KSE 100 (5% increase)	98	109	573,465	611,160
KSE 100 (5% decrease)	(98)	(109)	(573,465)	(611,160)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(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 interest-bearing assets except for term deposit receipts, bank balances in saving accounts and loans and advances to subsidiary companies. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipts, bank balances in saving accounts and loans and advances to subsidiary companies. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2012	2011
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	1,502,181	1,732,567
Liabilities against assets subject to finance lease	91,636	124,960
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	1,069	1,480
Term deposit receipts	2,195,020	1,073,000
Loans and advance to subsidiary companies	222,848	818,220
Financial liabilities		
Long term financing	2,828,997	2,150,282
Liabilities against assets subject to finance lease	110,666	138,012
Short term borrowings	9,665,849	10,471,685

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 94.735 million (2011: Rupees 101.066 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

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

	2012	2011
	(Rupees in thousand)	
Investments	12,664,721	13,501,772
Loans and advances	326,780	939,742
Deposits	37,794	29,081
Trade debts	3,489,070	2,481,259
Other receivables	34,868	602,393
Accrued interest	30,062	34,260
Bank balances	2,347,671	1,123,188
	18,930,966	18,711,695

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			2012	2011
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5,092	409
Allied Bank Limited	A1+	AA	PACRA	916	1
Askari Bank Limited	A1+	AA	PACRA	500,866	293,863
Bank Alfalah Limited	A1+	AA	PACRA	12	1,419
Faysal Bank Limited	A1+	AA	PACRA	2,236	205
Habib Bank Limited	A-1+	AA+	JCR-VIS	222	703
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	109	410
JS Bank Limited	A1	A	PACRA	250,011	200,010
KASB Bank Limited	A3	BBB	PACRA	24	7
MCB Bank Limited	A1+	AA+	PACRA	301,855	5,115
NIB Bank Limited	A1+	AA -	PACRA	172	216
Samba Bank Limited	A-1	A+	JCR-VIS	54,109	71
Silkbank Limited	A-2	A -	JCR-VIS	54	347
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	5,118	2,256
United Bank Limited	A-1+	AA+	JCR-VIS	2,784	121
Al-Baraka Bank (Pakistan) Limited	A2	A	PACRA	391	382
Citibank N.A.	P-1*	A1*	Moody's	25,355	31,192
Deutsche Bank AG	P-1	Aa3	Moody's	18,361	339
HSBC Bank Middle East Limited	P-1	A1	Moody's	8,633	107
Bank Islami Pakistan Limited	A1	A	PACRA	294	710
Meezan Bank Limited	A-1+	AA -	JCR-VIS	6,124	3,913
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	582	89
The Bank of Punjab	A1+	AA-	PACRA	1,164,201	580,534
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody's	-	761
Soneri Bank Limited	A1+	AA-	PACRA	114	8
Summit Bank Limited	A-2	A	JCR-VIS	7	-
Burj Bank Limited	A-2	A	JCR-VIS	29	-
				2,347,671	1,123,188

Investments	Rating: Short term	Rating: Long term	Rating: Agency	2012	2011
				(Rupees in thousand)	
Adamjee Insurance Company Limited		AA	PACRA	2,116	2,361
Security General Insurance Company Limited		A+	JCR-VIS	1,193,300	1,275,213
Habib Bank Limited	A-1+	AA+	JCR-VIS	20	18
Pakistan Strategic Allocation Fund	3 Star	4 Star	PACRA	4,285	4,435
Nishat (Chunian) Limited	A-	A-2	JCR-VIS	391,506	501,822
MCB Bank Limited	A1+	AA+	PACRA	11,073,494	11,717,922
				12,664,721	13,501,771
				15,012,392	14,624,959

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the 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 2012, the Company had Rupees 18,555 million (2011: Rupees 14,282 million) available borrowing limits from financial institutions and Rupees 2,358.556 million (2011: Rupees 1,132.701 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 2012

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	4,331,178	5,461,430	660,479	764,182	1,390,275	2,646,494
Liabilities against assets subject to finance lease	202,302	242,580	43,964	43,056	83,626	71,934
Trade and other payables	2,700,829	2,700,829	2,700,829	-	-	-
Short term borrowings	9,665,849	10,696,759	10,184,890	511,869	-	-
Accrued mark-up	269,579	269,579	269,579	-	-	-
	17,169,737	19,371,177	13,859,741	1,319,107	1,473,901	2,718,428

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	3,882,849	4,843,866	862,365	779,425	1,193,863	2,008,213
Liabilities against assets subject to finance lease	262,972	337,928	46,305	45,373	88,243	158,007
Trade and other payables	1,964,430	1,964,430	1,964,430	-	-	-
Short term borrowings	10,471,685	11,044,315	10,700,664	343,650	-	-
Accrued mark-up	358,454	358,454	358,454	-	-	-
	16,940,390	18,548,993	13,932,218	1,168,448	1,282,106	2,166,220

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 5, note 6 and note 10 to these financial statements.

42.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at 30 June 2012				
Assets				
Available for sale financial assets	11,471,421	-	1,193,300	12,664,721
As at 30 June 2011				
Assets				
Available for sale financial assets	12,226,559	-	1,275,213	13,501,772

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 June 2012.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

42.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2012			
Assets as per balance sheet			
Investments	-	12,664,721	12,664,721
Loans and advances	326,780	-	326,780
Deposits	37,794	-	37,794
Trade debts	3,489,070	-	3,489,070
Other receivables	34,868	-	34,868
Accrued interest	30,062	-	30,062
Cash and bank balances	2,358,556	-	2,358,556
	6,277,130	12,664,721	18,941,851

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	4,331,178
Liabilities against assets subject to finance lease	202,302
Accrued mark-up	269,579
Short term borrowings	9,665,849
Trade and other payables	2,700,829
	17,169,737

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	13,501,772	13,501,772
Loans and advances	939,742	-	939,742
Deposits	29,081	-	29,081
Trade debts	2,481,259	-	2,481,259
Other receivables	602,393	-	602,393
Accrued interest	34,260	-	34,260
Cash and bank balances	1,132,701	-	1,132,701
	5,219,436	13,501,772	18,721,208

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	3,882,849
Liabilities against assets subject to finance lease	262,972
Accrued mark-up	358,454
Short term borrowings	10,471,685
Trade and other payables	1,964,430
	16,940,390

42.4 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, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 5, note 6 and note 10 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity.

		2012	2011
Borrowings	Rupees in thousand	14,199,329	14,617,506
Total equity	Rupees in thousand	37,762,749	35,393,959
Total capital employed	Rupees in thousand	51,962,078	50,011,465
Gearing ratio	Percentage	27.33	29.23

The decrease in the gearing ratio resulted primarily from increase in total equity of the Company.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 05 October 2012 by the Board of Directors of the Company.

44 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

45 GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Chief Executive Officer

Director

Consolidated Financial Statements of

Nishat Mills Limited

For the year ended June 30, 2012

Directors' Report

The Directors are pleased to present their report together with the consolidated financial statements of Nishat Mills Limited and its Subsidiary Companies for the year ended 30 June, 2012. The consolidated results comprise of financial statements of Nishat Mills Limited ("the Holding Company"), Nishat Power Limited, Nishat Linen (Private) Limited, Nishat Linen Trading L.L.C, Nishat USA Inc. and Nishat Hospitality (Private) Limited. The Holding Company has annexed its consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Accounting Standard 27 (Consolidated and Separate Financial Statements). The Directors' Report, giving a commentary on the performance of Nishat Mills Limited for the year ended 30 June, 2012 has been presented separately. It includes a brief description of all the subsidiary companies of the Holding Company.

Clarification to Qualifications in Audit Report

In their Report to the Members, Auditors have stated that consolidated financial statements include un-audited figures pertaining to a subsidiary company, Nishat USA Incorporation ("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 have also stated that an adjustment in the carrying amount of investment in Lalpir Power Limited ("the Associated Company"), accounted for under equity method, is based on un-audited financial statements of the Associated Company. The Associated Company is an unlisted public company with financial year starting from 1st January and ending on 31st of December. As the financial year of the Associated Company does not correspond to that of Nishat Mills Limited, we have used un-audited financial statements of the Associated Company for its accounting under equity method.

For and on behalf of the Board of Directors

Mian Umer Mansha
Chairman/Chief Executive Officer

October 05, 2012
Lahore

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Nishat Mills Limited (the Holding Company) and its Subsidiary Companies (together referred to as Group) as at 30 June 2012 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 Mills Limited and Nishat Linen (Private) Limited. The financial statements of the Subsidiary Companies, Nishat Power Limited, Nishat Hospitality (Private) Limited and Nishat Linen Trading LLC were audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements of Nishat USA, Inc. (Subsidiary Company) for the year ended 30 June 2012 were un-audited. Hence, total assets and total liabilities of Rupees 4,363,739 and Rupees 403,859 respectively as at 30 June 2012 and net profit of Rupees 111,704 for the year ended 30 June 2012 pertaining to such Subsidiary Company have been incorporated in these consolidated financial statements by the management using the un-audited financial statements.

Adjustments of Rupees 345,793,000 made during the year ended 30 June 2012 in the carrying amount of investment in Lalpir Power Limited (Associated Company), accounted for under equity method, are based on un-audited financial statements of that Associated Company.

In our opinion, except for any adjustments that may have been required due to the un-audited figures in respect of Nishat USA, Inc. (Subsidiary Company) and Lalpir Power Limited (Associated Company) as referred to in above paragraphs of the report, the consolidated financial statements present fairly the financial position of Nishat Mills Limited and its Subsidiary Companies as at 30 June 2012 and the results of their operations for the year then ended.

Riaz Ahmad & Company
Chartered Accountants

Name of engagement partner:
Sarfraz Mahmood

05 October 2012
Lahore

Consolidated Balance Sheet
As at June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1,100,000,000 (2011: 1,100,000,000) ordinary shares of Rupees 10 each		11,000,000	11,000,000
Issued, subscribed and paid-up share capital	3	3,515,999	3,515,999
Reserves	4	46,187,508	43,718,037
Equity attributable to equity holders of the Holding Company		49,703,507	47,234,036
Non-controlling interest		3,516,083	2,691,679
Total equity		53,219,590	49,925,715
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	15,062,966	15,264,443
Liabilities against assets subject to finance lease	6	137,040	202,628
Long term security deposit	7	11,000	3,000
Retirement benefit obligation		730	123
Deferred income tax	8	310,455	331,807
		15,522,191	15,802,001
CURRENT LIABILITIES			
Trade and other payables	9	4,346,047	2,947,811
Accrued mark-up	10	908,865	971,414
Short term borrowings	11	16,289,529	13,665,483
Current portion of non-current liabilities	12	1,938,589	1,900,853
Provision for taxation		746,726	658,893
		24,229,756	20,144,454
TOTAL LIABILITIES		39,751,947	35,946,455
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		92,971,537	85,872,170

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

Umer Mansha

Chief Executive Officer

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	29,469,622	29,136,666
Investment properties	15	241,969	126,834
Long term investments	16	29,853,657	30,168,316
Long term loans	17	50,110	30,986
Long term deposits and prepayments	18	42,645	30,127
		59,658,003	59,492,929
CURRENT ASSETS			
Stores, spare parts and loose tools	19	1,424,420	1,377,790
Stock in trade	20	10,549,271	10,906,622
Trade debts	21	14,196,364	8,809,977
Loans and advances	22	1,958,525	768,836
Short term deposits and prepayments	23	75,324	66,136
Other receivables	24	969,638	1,506,773
Accrued interest	25	50,233	2,690
Short term investments	26	1,589,093	1,781,471
Cash and bank balances	27	2,500,666	1,158,946
		33,313,534	26,379,241
TOTAL ASSETS		92,971,537	85,872,170

Director

Consolidated Profit and Loss Account

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
SALES	28	68,238,110	69,476,556
COST OF SALES	29	(56,145,680)	(56,793,348)
GROSS PROFIT		12,092,430	12,683,208
DISTRIBUTION COST	30	(2,725,390)	(2,195,083)
ADMINISTRATIVE EXPENSES	31	(871,412)	(717,977)
OTHER OPERATING EXPENSES	32	(1,311,172)	(1,223,892)
		(4,907,974)	(4,136,952)
		7,184,456	8,546,256
OTHER OPERATING INCOME	33	1,173,846	4,617,049
PROFIT FROM OPERATIONS		8,358,302	13,163,305
FINANCE COST	34	(4,573,546)	(4,394,486)
		3,784,756	8,768,819
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	16.3	2,042,125	1,717,456
PROFIT BEFORE TAXATION		5,826,881	10,486,275
TAXATION	35	(592,670)	(581,739)
PROFIT AFTER TAXATION		5,234,211	9,904,536
SHARE OF PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF HOLDING COMPANY		4,236,352	9,007,003
NON-CONTROLLING INTEREST		997,859	897,533
		5,234,211	9,904,536
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	36	12.05	25.62

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

Umer Mansha

Chief Executive Officer

Director

Consolidated Statement of Comprehensive Income
For the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
PROFIT AFTER TAXATION	5,234,211	9,904,536
OTHER COMPREHENSIVE INCOME		
(Deficit) / surplus arising on remeasurement of available for sale investments	(192,377)	226,803
Reclassification adjustment on loss of significant influence		
on associated company	-	(191,771)
Share of other comprehensive (loss) / income of associates	(437,957)	757,939
Exchange differences on translating foreign operations	2,230	991
Deferred income tax relating to surplus on available for sale investment	21,502	(20,831)
Other comprehensive (loss) / income for the year - net of tax	(606,602)	773,131
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,627,609	10,677,667
SHARE OF PROFIT ATTRIBUTABLE TO:		
Equity holders of holding company	3,629,750	9,780,134
Non-controlling interest	997,859	897,533
	4,627,609	10,677,667

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

Umer Mansha

Chief Executive Officer

Director

Consolidated Cash Flow Statement
For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	6,068,022	3,263,812
Finance cost paid		(4,636,095)	(4,239,508)
Income tax paid		(646,577)	(567,470)
Long term security deposits received		8,000	3,000
Exchange gain on forward exchange contracts received		256,023	706,160
Net increase in retirement benefit obligation		607	-
Net increase in long term loans		(22,931)	(9,690)
Net increase in long term deposits and prepayments		(12,518)	(14,191)
Net cash generated from / (used) in operating activities		1,014,531	(857,887)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		111,752	274,889
Dividends received		2,085,646	998,675
Investments made		(299,921)	(634,010)
Interest received		130,473	-
Capital expenditure on property, plant and equipment		(2,772,852)	(3,255,248)
Net cash used in investing activities		(744,902)	(2,615,694)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,941,842	1,152,150
Proceeds from disposal of interest to non-controlling interest		-	301,282
Repayment of long term financing		(2,110,501)	(2,020,066)
Repayment of liabilities against assets subject to finance lease		(60,670)	(37,027)
Exchange difference on translation of net investments in foreign subsidiaries		2,230	991
Short term borrowings - net		2,624,046	4,223,510
Dividend paid		(1,324,856)	(874,639)
Net cash from financing activities		1,072,091	2,746,201
Net increase / (decrease) in cash and cash equivalents		1,341,720	(727,380)
Cash and cash equivalents at the beginning of the year		1,158,946	1,886,326
Cash and cash equivalents at the end of the year		2,500,666	1,158,946

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

Chief Executive Officer

Director

Consolidated Statement of Changes in Equity

For the year ended June 30, 2012

	Share capital	Attributable to equity holders of the holding company												Non-controlling interest	Total equity
		Capital reserves						Revenue reserves			Total reserves	Shareholders' equity		
		Premium on issue of right shares	Fair value reserve	Exchange translation reserve	Capital redemption reserve fund	Statutory reserve	Sub total	General reserve	Unappropriated profit	Sub total				
	(Rupees in thousand)													
Balance as at 30 June 2010	3,515,999	5,499,530	5,115,208	9,051	111,002	133,573	10,868,364	15,723,882	8,170,043	23,893,925	34,762,289	38,278,288	1,559,986	39,838,274
Final dividend for the year ended 30 June 2010 @ Rupees 2.50 per share	-	-	-	-	-	-	-	-	(879,000)	(879,000)	(879,000)	(879,000)	-	(879,000)
Transfer to general reserve	-	-	-	-	-	-	-	7,335,000	(7,335,000)	-	-	-	-	-
Share in reserves of associated companies under equity method	-	-	-	-	-	62,556	62,556	-	(75,827)	(75,827)	(13,271)	(13,271)	-	(13,271)
Share in surplus on revaluation of fixed assets relating to incremental depreciation- net of tax - under equity method	-	-	-	-	-	-	-	-	763	763	763	763	-	763
Transferred to unappropriated profit on loss of significant influence on an associate	-	-	-	-	-	(196,129)	(196,129)	-	196,129	196,129	-	-	-	-
Disposal of interest to non-controlling interest	-	-	-	-	-	-	-	-	67,122	67,122	67,122	67,122	234,160	301,282
Profit for the year	-	-	-	-	-	-	-	-	9,007,003	9,007,003	9,007,003	9,007,003	897,533	9,904,536
Other comprehensive income for the year	-	-	780,922	(7,791)	-	-	773,131	-	-	-	773,131	773,131	-	773,131
Total comprehensive income for the year	-	-	780,922	(7,791)	-	-	773,131	-	9,007,003	9,007,003	9,780,134	9,780,134	897,533	10,677,667
Balance as at 30 June 2011	3,515,999	5,499,530	5,896,130	1,260	111,002	-	11,507,922	23,058,882	9,151,233	32,210,115	43,718,037	47,234,036	2,691,679	49,925,715
Final dividend for the year ended 30 June 2011 @ Rupees 3.30 per share	-	-	-	-	-	-	-	-	(1,160,279)	(1,160,279)	(1,160,279)	(1,160,279)	-	(1,160,279)
Transferred to general reserve	-	-	-	-	-	-	-	7,846,000	(7,846,000)	-	-	-	-	-
Dividend relating to 2011 paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(173,455)	(173,455)
Profit for the year	-	-	-	-	-	-	-	-	4,236,352	4,236,352	4,236,352	4,236,352	997,859	5,234,211
Other comprehensive income for the year	-	-	(608,832)	2,230	-	-	(606,602)	-	-	-	(606,602)	(606,602)	-	(606,602)
Total comprehensive income for the year	-	-	(608,832)	2,230	-	-	(606,602)	-	4,236,352	4,236,352	3,629,750	3,629,750	997,859	4,627,609
Balance as at 30 June 2012	3,515,999	5,499,530	5,287,298	3,490	111,002	-	10,901,320	30,904,882	4,381,306	35,286,188	46,187,508	49,703,507	3,516,083	53,219,590

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

Chief Executive Officer

Director

Notes to the Consolidated Financial Statements
For the year ended June 30, 2012

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

- Nishat Mills Limited

Subsidiary Companies

- Nishat Power Limited
- Nishat Linen (Private) Limited
- Nishat Hospitality (Private) Limited
- Nishat USA, Inc.
- Nishat Linen Trading L.L.C

NISHAT MILLS LIMITED

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

NISHAT POWER LIMITED

Nishat Power Limited is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 and listed on Karachi Stock Exchange Limited and Lahore Stock Exchange Limited in Pakistan. The Company is a subsidiary of Nishat Mills Limited. The principal activity of the Company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW ISO in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan. Its registered office is situated at 53-A, Lawrence Road, Lahore.

NISHAT LINEN (PRIVATE) LIMITED

Nishat Linen (Private) Limited, a wholly owned subsidiary of Nishat Mills Limited, is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984 on 15 March 2011. The registered office of Nishat Linen (Private) Limited is situated at 3-Yahya Block Nishatabad, Faisalabad. The principal objects of the Company are to operate retail outlets for sale of textile and other products and to manufacture and sale the textile products by processing the textile goods in own or outside manufacturing facility.

NISHAT HOSPITALITY (PRIVATE) LIMITED

Nishat Hospitality (Private) Limited, a wholly owned subsidiary of Nishat Mills Limited, is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984 on 01 July 2011. The registered office of Nishat Hospitality (Private) Limited is situated at 1-B Aziz Avenue, Canal Bank, Gulberg-V, Lahore. The principal activity of the Company is to carry on the business of hotels, cafes, restaurants and lodging or apartment houses, bakers and confectioners in Pakistan and outside Pakistan.

NISHAT USA, INC.

Nishat USA, Inc. is a foreign subsidiary incorporated under the Business Corporation Laws of the State of New York. The registered office of Nishat USA, Inc. is situated at 676 Broadway, New York, NY 10012, U.S.A. The principal business of the Subsidiary Company is to provide marketing services to Nishat Mills Limited - Holding Company. Nishat Mills Limited acquired 100% shareholding of Nishat USA, Inc. on 01 October 2008.

NISHAT LINEN TRADING L.L.C

Nishat Linen Trading L.L.C is a limited liability company formed in pursuance to statutory provisions of the United Arab Emirates (UAE) Federal Law No. (8) of 1984 as amended and registered with the Department of

Economic Development, Government of Dubai. Nishat Linen Trading L.L.C is a subsidiary of Nishat Mills Limited as Nishat Mills Limited, through the powers given to it under Article 11 of the Memorandum of Association, exercise full control on the management of Nishat Linen Trading L.L.C. Date of incorporation of the Company was 29 December 2010. The registered office of Nishat Linen Trading L.L.C is situated at P.O. Box 28189 Dubai, UAE. The principal business of the Subsidiary Company is to operate retail outlets in UAE for sale of textile and related products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying 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 consolidated financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management. Further, the Group 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.

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.

Provision for doubtful debts

The Group reviews its receivable 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 equity method accounted for associated companies

In making an estimate of recoverable amount of the Group's investments in equity method accounted for associated companies, the management considers future cash flows.

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 2011:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board (IASB) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. However, this amendment has no material impact on these consolidated financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. However, this amendment has no material impact on these consolidated financial statements.

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

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

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

Following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2012 or later periods:

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

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

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

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

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

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the Group's consolidated financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is not expected to have a material impact on the Group's consolidated financial statements.

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

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

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

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

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

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

	2012	2011
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(14,848,898)	(15,769,284)
Recognition of lease debtor	15,405,793	16,089,788
Increase in unappropriated profit at the beginning of the year	227,752	3,931
Increase in profit for the year	236,391	223,821
Increase in unappropriated profit at the end of the year	464,143	227,752

2.2 **Consolidation**

(a) **Subsidiaries**

Subsidiaries are those entities in which 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 Subsidiary Companies have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Companies.

Intragroup balances and transactions have been eliminated.

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

(b) Associates

Associates are the entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated profit and loss account, consolidated statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

(c) Translation of the financial statements of foreign subsidiary

The financial statements of foreign subsidiaries 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 Employee benefit

The Group operates an approved funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the employer and employees at the rate of 9.5 percent of the basic salary to the fund. The employer's contributions to the fund are charged to profit and loss account.

2.4 Taxation

Current

Holding Company

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

Subsidiary Companies

The profits and gains of Nishat Power Limited - Subsidiary Company derived from electric power generation are exempt from tax in terms of Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein. Under clause 11(v) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Subsidiary Company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Provision of current tax of Nishat Linen (Private) Limited – Subsidiary Company and Nishat Hospitality (Private) Limited – Subsidiary Company is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted.

Provision for income tax on the income of foreign subsidiary - Nishat 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 balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Nishat 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 Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

2.5 Goodwill

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

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

2.6 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.

2.7 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 accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land and capital work-in-progress are stated at cost less any recognized 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 Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated profit and loss account during the period in which they are incurred.

Leased

Leases where the Group has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to consolidated profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to consolidated profit and loss account.

Depreciation

Depreciation on property, plant and equipment is charged to consolidated profit and loss account applying the reducing balance method, except in case of Nishat 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 14.1. The depreciation is charged on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated profit and loss account in the year the asset is de-recognized.

2.8 Investment properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties except land, are stated at cost less accumulated depreciation and any recognized impairment loss. Land is stated at cost less any recognized impairment loss (if any). Depreciation is charged to consolidated profit and loss account applying the reducing balance method so as to write off the cost of buildings over its estimated useful lives at a rate of 10% per annum.

2.9 Leases

The Group Companies are the lessee:

a) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated profit and loss account on a straight line basis over the lease term.

2.10 Investments

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

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

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

a) **Investment at fair value through profit or loss**

Investments 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 there is 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 other 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 other 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 with 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'.

2.11 **Inventories**

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.12 Trade 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 consolidated profit and loss account over the period of the borrowings using the effective interest method.

2.14 Borrowing cost

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

2.15 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, if any.

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 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.

- Revenue on account of energy is recognized at the time of transmission whereas on account of capacity is recognized when due.

- The share of profits or losses of the associated companies after tax is included in the consolidated profit and loss account to recognize the post acquisition changes in the share of the net assets of the investees. Dividend from associated companies is recognized as reduction in cost of investments as prescribed by International Accounting Standard (IAS) 28 'Investments in Associates'.

- Dividend on other equity investments is recognized when right to receive the dividend is established.

- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

- Revenue from hotel business is generally recognized as services are performed. Hotel revenue primarily represents room rentals and other minor hotel revenues.

2.18 Financial instruments

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

2.19 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.

2.20 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 with 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 non-financial 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.

2.21 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognized in the consolidated balance sheet at estimated fair value with corresponding effect to consolidated profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.22 Off setting

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.

2.23 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.24 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 can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has six 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), Garments (Manufacturing garments using processed fabric), Power Generation (Generating, transmitting and distributing power) and Hotel (Business of hotel and allied services).

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

2.25 Dividend and other appropriations

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

3 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
256,772,316	256,772,316	Ordinary shares of Rupees 10 each fully paid-up in cash	2,567,723	2,567,723
2,804,079	2,804,079	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited under the Scheme of Amalgamation	28,041	28,041
37,252,280	37,252,280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	372,523	372,523
54,771,173	54,771,173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	547,712	547,712
351,599,848	351,599,848		3,515,999	3,515,999

	2012	2011
	(Number of shares)	
3.1 Ordinary shares of the Holding Company held by the associated companies:		
D.G. Khan Cement Company Limited	30,289,501	30,289,501
Adamjee Insurance Company Limited	1,258,650	1,258,650
	31,548,151	31,548,151

4 RESERVES

	Note	2012	2011
		(Rupees in thousand)	
Composition of reserves is as follows:			
Capital			
Premium on issue of right shares		5,499,530	5,499,530
Fair value reserve - net of deferred tax	4.1	5,287,298	5,896,130
Exchange translation reserve		3,490	1,260
Capital redemption reserve fund		111,002	111,002
		10,901,320	11,507,922
Revenue			
General		30,904,882	23,058,882
Unappropriated profit		4,381,306	9,151,233
		35,286,188	32,210,115
		46,187,508	43,718,037

4.1 This represents the unrealized gain on re-measurement of available for sale investments at fair value and is not available for distribution. This will be transferred to consolidated profit and loss account on realization. Reconciliation of fair value reserve net off deferred tax is as under:

	Note	2012	2011
		(Rupees in thousand)	
Balance as on 01 July		6,227,937	5,426,184
Fair value adjustment during the year		(192,377)	226,803
Share of fair value reserve of associates		(437,957)	754,641
Reclassification adjustment on loss of significant influence on associated company		-	(179,691)
		5,597,603	6,227,937
Less: Deferred tax liability on unquoted equity investment		(310,305)	(331,807)
Balance as on 30 June		5,287,298	5,896,130

5 LONG TERM FINANCING

From banking companies - secured

	Note	2012	2011
Long term loans	5.1	15,886,293	16,379,952
Long term musharika	5.2	1,050,000	725,000
		16,936,293	17,104,952
Less: Current portion shown under current liabilities	12	1,873,327	1,840,509
		15,062,966	15,264,443

5.1 Long term loans

Lender	2012	2011	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
Nishat Mills Limited - Holding Company							
Allied Bank Limited	-	75,000	SBP rate for LTF - EOP +2%	Sixteen equal quarterly installments commenced on 24 January 2007 and ended on 25 October 2011.	-	Quarterly	First joint pari passu hypothecation charge on plant and machinery of the Company for an amount of Rupees 800 million.
Saudi Pak Industrial and Agricultural Investment Company Limited	87,500	137,500	SBP rate for LTF - EOP +2%	Sixteen equal quarterly installments commenced on 30 April 2010 and ending on 31 January 2014.	-	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.
HSBC Bank Middle East Limited	-	50,000	SPB rate for LTF - EOP +2%	Ten equal half yearly installments commenced on 01 December 2006 and ended on 01 June 2012.	-	Quarterly	First pari passu hypothecation charge of Rupees 334 million on plant and machinery of the Company.
Habib Bank Limited							
Loan provided by the bank from own sources	-	537,755	6 Month offer KIBOR +2.5%	Five unequal installments commenced on 10 May 2010 and ended on 03 January 2012.	Half yearly	Quarterly	First pari passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
Refinanced by SBP under scheme of LTFF	52,347	87,245	SBP rate for LTFF +2.5%	Eight equal half yearly installments commenced on 09 May 2010 and ending on 09 November 2013.	-	Quarterly	
	52,347	625,000					
Habib Bank Limited	-	200,000	SBP rate for LTF - EOP +2%	Eight equal half yearly installments commenced on 07 July 2007 and ended on 09 January 2012.	-	Quarterly	
Allied Bank Limited	-	49,023	SBP rate for LTF - EOP +2%	Eight equal half yearly installments commenced on 14 November 2007 and ended on 14 May 2012.	-	Quarterly	First pari passu charge of Rupees 267 million on all present and future fixed assets of the Company excluding land and building.
Allied Bank Limited	-	25,000	6 Month offer KIBOR +1.50%	Eight equal half yearly installments commenced on 07 October 2008 and ended on 02 April 2012.	Half yearly	Quarterly	First pari passu charge of Rupees 133 million on all present and future fixed assets of the Company excluding land and building.

Lender	2012	2011	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
Askari Bank Limited	43,316	72,193	SBP rate for LTF - EOP +2%	Ninety unequal installments commenced on 17 January 2008 and ending on 01 November 2013.	-	Quarterly	First pari passu charge of Rupees 213.33 million on all present and future fixed assets of the Company.
Samba Bank Limited							
Loan provided by the bank from own sources	315,961	368,622	6 Month offer KIBOR +1.25%	Eight equal half yearly installments commenced on 30 June 2011 and ending on 31 December 2014.	Half yearly	Half yearly	First pari passu hypothecation charge on all present and future plant and machinery of the Company (excluding land and building and any other fixed assets under exclusive charge of any other bank) to the extent of Rupees 667 million with 25% margin.
Refinanced by SBP under scheme of LTFF	59,039	78,718	SBP rate for LTFF +2.5%	Eight equal half yearly installments commenced on 27 July 2011 and ending on 27 January 2015.	-	Quarterly	
	375,000	447,340					
Silk Bank Limited	63,868	89,415	SBP rate for LTFF +2.5%	Sixteen equal quarterly installments commenced on 30 March 2011 and ending on 30 December 2014.	-	Quarterly	First pari passu charge on plant and machinery of the Company (excluding those assets on which the company has provided first exclusive charge to its various lenders) for Rupees 135 million.
Pak Brunei Investment Company Limited	196,023	235,227	SBP rate for LTFF +2.25%	Twelve half yearly installments commenced on 19 July 2011 and ending on 19 January 2017.	-	Quarterly	First pari passu charge of Rupees 323 million over all the present and future plant and machinery of the Company excluding those assets (part of the plant and machinery) on which the Company has created exclusive charges.
Saudi Pak Industrial and Agricultural Investment Company Limited	283,539	283,539	SBP rate for LTFF +2.50%	Twenty two equal quarterly installments commencing on 05 July 2012 and ending on 05 October 2017.	-	Quarterly	First pari passu hypothecation charge over all present and future plant and machinery of the Company (net of exclusive hypothecation charge on specific plant and machinery) with 25% margin.
The Bank of Punjab	463,036	493,905	3 Month offer KIBOR +1.25%	Sixteen equal quarterly installments commenced on 04 April 2012 and ending on 04 January 2016.	Quarterly	Quarterly	First pari passu charge of Rupees 666.667 million on all present and future fixed assets of the Company excluding land and building.
Faysal Bank Limited	292,753	224,707	SBP rate for LTFF +1.50%	Ninety four unequal installments commencing on 29 September 2012 and ending on 26 Septembers 2016.	-	Quarterly	First joint pari passu charge of Rupees 400 million on all present and future plant and machinery of the Company (excluding those on which charge has already been created).
Standard Chartered Bank (Pakistan) Limited	223,796	150,000	SBP rate for LTFF +1.50%	Forty three unequal quarterly installments commencing on 12 September 2012 and ending on 12 June 2016.	-	Quarterly	First pari passu charge of Rupees 334 million on all present and future plant and machinery of the Company.
Pak Oman Investment Company Limited	200,000	-	SBP rate for LTFF +1.75%	Fifty four unequal quarterly installments commencing on 24 February 2013 and ending on 27 July 2017.	-	Quarterly	First pari passu hypothecation charge of Rupees 267 million over all the present and future plant and machinery of the Company.
Citi Bank N.A.	1,000,000	-	3 Month offer KIBOR + 1.00 %	Sixteen equal quarterly installments commencing on 08 March 2013 and ending on 08 December 2016,	Quarterly	Quarterly	Hypothecation charge of Rupees 1,333.333 million over all present and future plant and machinery of the Company (excluding machinery over which exclusive charges already exists in favour of other creditors).
	3,281,178	3,157,849					
Nishat Power Limited - Subsidiary Company							
Consortium of bank (Note 5.1.1)	12,605,115	13,222,103	3 Month KIBOR + 3.00 %	Thirty three quarterly installments ending on 01 July 2020.	Quarterly	Quarterly	First joint pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of Nishat Power Limited - Subsidiary company (excluding the mortgaged immovable property), lien over project bank account and pledge of shares of the holding company in Nishat Power Limited
	12,605,115	13,222,103					
	15,886,293	16,379,952					

5.1.1 This represents long term financing obtained by Nishat Power Limited - subsidiary company from a consortium of five banks led by Habib Bank Limited (agent bank) and includes National Bank of Pakistan, Allied Bank Limited, United Bank Limited and Faysal Bank Limited. The portion of long term financing from Faysal Bank Limited is on murabaha basis. The effective markup rate charged during the year ranges from 14.91% to 16.53% (2011: 15.29% to 16.52% per annum)

	Lender	2012	2011	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
		(Rupees in thousand)						
5.2	Long term musharika - Nishat Mills Limited - Holding Company							
	Meezan Bank Limited	75,000	225,000	3 Month offer KIBOR + 1.25 %	Eight equal quarterly installments commenced on 29 March 2011 and ending on 29 December 2012	Quarterly	Quarterly	Exclusive charge on specific plant and machinery at least equal to outstanding facility amount plus 25% margin thereof.
	Standard Chartered Bank (Pakistan) Limited	375,000	500,000	6 Month offer KIBOR + 1.25 % margin for first two years and 1.75 % margin for remaining period	Eight equal half yearly installments commenced on 16 October 2011 and ending on 16 April 2015.	Half Yearly	Half Yearly	Registered first charge amounting to Rupees 667 million on specific fixed assets of the Company.
	Meezan Bank Limited	300,000	-	3 Month offer KIBOR + 1.25 %	Sixteen equal quarterly installments commencing on 14 March 2013 and ending on 14 December 2016.	Quarterly	Quarterly	First exclusive charge of Rupees 400 million over specific plant and machinery of the Company.
	Burj Bank Limited	300,000	-	3 Month offer KIBOR + 1.00 %	Sixteen equal quarterly installments commencing on 30 March 2013 and ending on 30 December 2016.	Quarterly	Quarterly	Ranking hypothecation charge of Rupees 400 million over all the present and future plant and machinery of the Company.
		1,050,000	725,000					

		Note	2012	2011
			(Rupees in thousand)	
6	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	Future minimum lease payments		242,580	337,928
	Less: Un-amortized finance charge		40,278	74,956
	Present value of future minimum lease payments		202,302	262,972
	Less: Current portion shown under current liabilities	12	65,262	60,344
			137,040	202,628

6.1 This represents sale and leaseback arrangement between the Holding Company and Pak Kuwait Investment Company (Private) Limited. According to the lease agreement, leasing company has contributed Rupees 150.047 million from its own sources and the remaining amount of Rupees 149.953 million has been financed under Long Term Finance Facility (LTFF) scheme of State Bank of Pakistan. Minimum lease payments have been discounted using implicit interest rate ranging from 9.70% to 15.78% (2011: 9.70% to 15.62%) per annum. Balance rentals are payable in quarterly installments. Taxes, repairs and insurance costs are borne by the Holding Company. These are secured against the leased assets and demand promissory notes.

6.2 Minimum lease payments and their present values are regrouped as under:

	2012		2011	
	Not later than one year	Later than one year and not later than five years	Not Later than one year	Later than one year and not later than five years
	(Rupees in thousand)			
Future minimum lease payments	87,020	155,560	91,678	246,250
Less: Un-amortized finance charge	21,758	18,520	31,334	43,622
Present value of future minimum lease payments	65,262	137,040	60,344	202,628

7. LONG TERM SECURITY DEPOSIT

This represents long term security deposits received by Nishat Linen (Private) Limited - Subsidiary Company.

		Note	2012	2011
			(Rupees in thousand)	
8.	DEFERRED INCOME TAX			
	The liability for deferred taxation originated due to temporary difference relating to:			
	Taxable temporary difference on:			
	Unquoted equity investments		310,305	331,807
	Accelerated tax depreciation	8.2	150	-
			310,455	331,807

8.1 Provision for deferred tax on other temporary differences of the Holding Company was not considered necessary as it is chargeable to tax under section 169 of the Income Tax Ordinance, 2001. Temporary differences of Nishat Power Limited - Subsidiary Company are not expected to reverse in the foreseeable future due to the fact that the profits and gains derived from electric power generation are exempt from tax.

8.2 It relates to Nishat Hospitality (Private) Limited and Nishat Linen (Private) Limited - Subsidiary Companies.

		Note	2012	2011
			(Rupees in thousand)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors	9.1	2,570,905	1,573,248
	Accrued liabilities		803,017	533,111
	Advances from customers	9.2	214,341	141,720
	Securities from contractors-Interest free, repayable on completion of contracts		22,232	23,856
	Retention money payable		10,881	6,170
	Income tax deducted at source		144	2,200
	Sales tax payable		54,906	67,217
	Dividend payable		45,014	36,136
	Payable to employees provident fund trust		10,062	11,903
	Fair value of forward exchange contracts		23,625	-
	Workers' profit participation fund	9.3	327,699	374,740
	Workers' welfare fund		263,221	177,510
			4,346,047	2,947,811

9.1 **This includes amounts due to following related parties:**

	2012	2011
D.G Khan Cement Company Limited - associated company	3,770	12,152
Security General Insurance Company Limited - associated company	6,797	6,466
Adamjee Insurance Company Limited - associated company	28,274	39,731
Nishat Paper Products Company Limited - associated company	-	535
Nishat (Chunian) Limited - related party	21	2,037
	38,862	60,921

9.2 This includes an amount of Rupees 0.031 million received from D.G Khan Cement Company Limited, associated company.

9.3 **Workers' profit participation fund**

	Note	2012	2011
Balance as on 01 July		374,740	176,711
Add: Provision for the year		327,664	374,713
Interest for the year	34	6,492	2,790
		708,896	554,214
Less: Payments during the year		381,197	179,474
		327,699	374,740

9.3.1 Workers' profit participation fund is retained for 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 till the date of allocation to workers.

		2012	2011
10	**ACCRUED MARK-UP**		
	Long term financing	561,288	603,231
	Short term borrowings	347,577	368,183
		908,865	971,414

		Note	2012	2011
			(Rupees in thousand)	
11	**SHORT TERM BORROWINGS**			
	From banking companies - secured			
	Nishat Mills Limited - Holding Company			
	Short term running finances	11.1 and 11.2	82,247	79,842
	State Bank of Pakistan (SBP) refinance	11.1 and 11.3	9,065,039	9,855,153
	Other short term finances	11.1 and 11.4	-	296,812
	Temporary bank overdrafts	11.1 and 11.2	518,563	239,878
			9,665,849	10,471,685
	Nishat Power Limited - Subsidiary Company			
	Short term running finances	11.5	3,713,638	1,267,196
	Short term finances	11.6	2,910,042	1,926,602
			6,623,680	3,193,798
			16,289,529	13,665,483

11.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, other instruments, ranking hypothecation charge on plant and machinery of the Holding Company. These form part of total credit facility of Rupees 28,221 million (2011: Rupees 24,754 million).

11.2 The rates of mark-up range from 12.22% to 15.65% (2011: 12.69% to 15.59%) per annum on the balance outstanding.

11.3 The rates of mark up range from 10.25% to 11.00% (2011: 8.50% to 11.00%) per annum on the balance outstanding.

11.4 The rates of mark up on Pak Rupee finances and US Dollar finances ranged from 10.50% to 12.93% (2011: 11.99% to 13.60%) per annum and 1.0962% to 1.7540% (2011: 1.0962% to 2.0595%) per annum respectively on the balance outstanding.

11.5 Short term running finance facilities available from a consortium of commercial banks under mark up arrangements amount to Rupees 4,868 million (2011: Rupees 4,823 million) at mark up rate of 3 months KIBOR plus 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against first pari passu assignment of the present or future energy payment price of the tariff, first pari passu hypothecation charge on the fuel stock / inventory, ranking charge over all present and future project assets (including moveable / immoveable assets) of the Subsidiary Company. The effective mark-up rate charged during the year on the outstanding balance ranges from 13.91% to 15.53% (2011: 14.29% to 15.62%) per annum.

11.6 This represents murabaha and term finance facilities aggregating Rupees 3,250 million (2011: Rupees 2,050 million) under mark up arrangements from commercial banks at mark up rates ranging from three to six months KIBOR plus 1.5% to 2% per annum, to finance the procurement of multiple oils from the fuel suppliers. Mark up is payable at the maturity of the respective murabaha transaction / term finance facility. The aggregate facilities are secured against first pari passu charge on current assets comprising of fuel stocks, inventories and assignment of energy payment receivables from NTDCL. The effective mark up rate charged during the year on the outstanding balance ranges from 13.25% to 15.81% (2011: 14.24% to 15.79%) per annum.

11.7 Of the aggregate facility of Rupees 1,845 million (2011: Rupees 1,100 million) for opening letters of credit and guarantees, the amount utilized at 30 June 2012 was Rupees 246.16 million (2011: Rupees 84.33 million). The aggregate facilities for opening letters of credit and guarantees are secured by ranking charge on current assets comprising of fuel stocks and inventories of the Subsidiary Company.

		Note	2012	2011
			(Rupees in thousand)	
12	CURRENT PORTION OF NON-CURRENT LIABILITIES			
	Current portion of long term financing	5	1,873,327	1,840,509
	Current portion of liabilities against assets subject to finance lease	6	65,262	60,344
			1,938,589	1,900,853

13 CONTINGENCIES AND COMMITMENTS

Contingencies

i) Nishat Mills Limited - Holding Company is contingently liable for Rupees 0.631 million (2011: Rupees 0.631 million) on account of central excise duty not acknowledged as debt as the cases are pending before Court.

ii) Guarantees of Rupees 539.902 million (2011: Rupees 590.321 million) are given by the banks of the Nishat Mills Limited - Holding Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited and Pakistan State Oil Limited against purchase of furnace oil, Director Excise and Taxation, Karachi against infrastructure cess and collector of customs against import duties.

iii) Post dated cheques of Rupees 1,591.201 million (2011: Rupees 911.545 million) are issued by the Nishat Mills Limited - Holding Company to customs authorities in respect of duties on imported items availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

iv) The Holding Company has not recognised fuel adjustment charges amounting to Rupees 44.144 million (2011: Rupees Nil) notified by National Electric Power Regulatory Authority (NEPRA) for the period from November 2011 to June 2012, as the Company has obtained stay against payment of such charges from Honorable Islamabad High Court, Islamabad. The management based on advice of the legal counsel, believes that it has strong grounds of appeal and payment / accrual of such charges will not be required.

v) Holding Company's share in contingencies of associated companies' accounted for under equity method is Rupees 1,865 million (2011: Rupees 1,435 million).

vi) The bank of Nishat Power Limited - Subsidiary Company has issued an irrevocable standby letter of credit on behalf of Subsidiary Company in favour of Wartsila Pakistan (Private) Limited for Rupees 45 million (2011: Rupees 45 million) as required under the terms of the Operation and Maintenance agreement.

vii) Guarantees of Rupees 200.5 million (2011: Nil) are given by the banks of Nishat Power Limited - Subsidiary Company to Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess, Chevron Pakistan Limited and Pak Arab Refinery Limited (PARCO) for procurement of multiple fuel / oils.

Commitments

i) Contracts for capital expenditure of the Group are approximately of Rupees 717.498 million (2011: Rupees 65.057 million).

ii) Letters of credit other than for capital expenditure of the Group are of Rupees 615.133 million (2011: Rupees 440.468 million).

iii) Nishat Power Limited - Subsidiary Company has also commitments in respect of other contractors of Rupees Nil (2011: Rupees 2.670 million)

iv) The amount of future payments under operating lease and the period in which these payments will become due from Nishat Power Limited - Subsidiary Company are as follows:

	2012	2011
	(Rupees in thousand)	
Not later than one year	12,461	7,269
Later than one year and not later than five years	49,846	-
	62,307	7,269

v) Nishat Power Limited - Subsidiary Company has entered into a contract for purchase of fuel oil from Shell Pakistan Limited ('SPL') for a period of ten years starting from the commercial operations date of the power station i.e. 09 June 2010. Under the terms of the Fuel Supply Agreement, the Subsidiary Company is not required to buy any minimum quantity of oil from SPL.

vi) Nishat Power Limited - Subsidiary Company has also entered into an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance (O&M) of the power station for a five years period starting from the commercial operations date of the power station i.e. 09 June 2010. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output, both of which are adjustable according to the Wholesale Price Index.

		Note	2012	2011
			(Rupees in thousand)	
14	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	14.1		
	Owned		27,187,410	27,938,481
	Leased		246,378	273,105
	Capital work in progress	14.2	2,035,834	925,080
			29,469,622	29,136,666

14.1 Operating fixed assets

	Owned Assets									Leased Assets
	Freehold land	Buildings on freehold land	Plant and machinery	Electric Installations	Factory equipment	Furniture, fixtures & office equipment	Computer equipment	Vehicles	Total	Plant and machinery
	(Rupees in thousand)									
At 30 June 2010										
Cost	642,501	3,857,577	31,268,092	657,610	195,829	269,858	124,940	340,946	37,357,353	-
Accumulated depreciation	-	(1,821,039)	(6,619,767)	(361,789)	(85,901)	(128,708)	(85,642)	(146,295)	(9,249,141)	-
Net book value	642,501	2,036,538	24,648,325	295,821	109,928	141,150	39,298	194,651	28,108,212	-
Year ended 30 June 2011										
Opening net book value	642,501	2,036,538	24,648,325	295,821	109,928	141,150	39,298	194,651	28,108,212	-
Additions	13,206	245,002	2,236,659	10,712	16,461	55,430	10,118	108,313	2,695,901	300,000
Disposals:										
Cost	-	-	(912,799)	(538)	(175)	(213)	(27)	(54,231)	(967,983)	-
Accumulated depreciation	-	-	418,473	327	47	99	13	31,844	450,803	-
	-	-	(494,326)	(211)	(128)	(114)	(14)	(22,387)	(517,180)	-
Depreciation charge	-	(200,895)	(2,035,083)	(29,618)	(11,726)	(15,295)	(13,301)	(42,534)	(2,348,452)	(26,895)
Closing net book value	655,707	2,080,645	24,355,575	276,704	114,535	181,171	36,101	238,043	27,938,481	273,105
At 30 June 2011										
Cost	655,707	4,102,579	32,591,952	667,784	212,115	325,075	135,031	395,028	39,085,271	300,000
Accumulated depreciation	-	(2,021,934)	(8,236,377)	(391,080)	(97,580)	(143,904)	(98,930)	(156,985)	(11,146,790)	(26,895)
Net book value	655,707	2,080,645	24,355,575	276,704	114,535	181,171	36,101	238,043	27,938,481	273,105
Year ended 30 June 2012										
Opening net book value	655,707	2,080,645	24,355,575	276,704	114,535	181,171	36,101	238,043	27,938,481	273,105
Additions	44,433	415,550	1,028,748	19,098	30,193	28,632	9,023	84,737	1,660,414	-
Transferred to investment properties:										
Cost	(120,279)	-	-	-	-	-	-	-	(120,279)	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	
	(120,279)	-	-	-	-	-	-	-	(120,279)	
Disposals:										
Cost	-	-	(227,698)	-	-	(720)	(339)	(44,155)	(272,912)	-
Accumulated depreciation	-	-	161,119	-	-	289	274	26,755	188,437	-
	-	-	(66,579)	-	-	(431)	(65)	(17,400)	(84,475)	-
Depreciation charge	-	(206,698)	(1,877,820)	(28,378)	(12,745)	(19,751)	(12,323)	(50,700)	(2,208,415)	(26,727)
Currency retranslation	-	1,274	-	-	-	232	20	158	1,684	
Closing net book value	579,861	2,290,771	23,439,924	267,424	131,983	189,853	32,756	254,838	27,187,410	246,378
At 30 June 2012										
Cost	579,861	4,518,129	33,393,002	686,882	242,308	352,987	143,715	435,610	40,352,494	300,000
Currency retranslation	-	1,694	-	-	-	253	54	182	2,183	-
	579,861	4,519,823	33,393,002	686,882	242,308	353,240	143,769	435,792	40,354,677	300,000
Accumulated depreciation	-	(2,228,632)	(9,953,078)	(419,458)	(110,325)	(163,366)	(110,979)	(180,930)	(13,166,768)	(53,622)
Currency retranslation	-	(420)	-	-	-	(21)	(34)	(24)	(499)	-
	-	(2,229,052)	(9,953,078)	(419,458)	(110,325)	(163,387)	(111,013)	(180,954)	(13,167,267)	(53,622)
Net book value	579,861	2,290,771	23,439,924	267,424	131,983	189,853	32,756	254,838	27,187,410	246,378
Annual rate of depreciation (%)	-	4-10	4-32	10	10	10	30-33	20		10

14.1.1 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 in thousand)						
Plant and Machinery								
Murata Mach Coner	1	8,440	7,345	1,095	3,000	1,905	Negotiation	Bismillah Textiles Limited
Bale Plucker and Condesor	2	3,140	2,263	877	1,121	244	Negotiation	Mr. Shahbaz Ali
Rieter Drawing Machine	2	4,632	3,878	754	968	214	Negotiation	Hina Sana Textile Mills (Private) Limited
Ring Frame China	6	11,773	9,968	1,805	4,050	2,245	Negotiation	Bismillah Textiles Limited
Ring Frame China	6	8,259	6,262	1,997	3,031	1,034	Negotiation	Chaudhary Industries
Knotting Machine With Frames	3	1,929	1,500	429	569	140	Negotiation	Mr. Muhammad Ikram
Luwa Overhead Cleaner	4	8,000	6,055	1,945	1,000	(945)	Negotiation	Sapphire Textile Mills Limited
Sulzer Looms	16	39,875	27,325	12,550	31,732	19,182	Negotiation	Deira Trading Centre LLC
Jacquard and Rapier Looms	12	76,615	43,338	33,277	20,456	(12,821)	Negotiation	Deira Trading Centre LLC
Monfort Stenter With Bianco	1	9,954	5,601	4,353	3,448	(905)	Negotiation	J.R. Raising
Babcok Ager	1	7,467	5,333	2,134	2,155	21	Negotiation	Haroon Textile Industries
Diesel Generators	2	10,217	4,881	5,336	9,000	3,664	Negotiation	Allied Rental Modaraba
		190,301	123,749	66,552	80,530	13,978		
Vehicles								
Suzuki Alto LED-07-3896	1	519	305	214	218	4	Holding Company Policy	Mr. Kamran Shafique Hashmi (Holding Company's Employee)
BMW LOG-9333	1	1,238	1,177	61	400	339	Negotiation	Mr. Khurram Bashir
Suzuki Cultus LEF-3590	1	677	388	289	295	6	Holding Company Policy	Mr. Abdul Rehman (Holding Company's Employee)
Honda City LEJ-6071	1	903	504	399	407	8	Negotiation	Ms. Shagufta Begum
Suzuki Cultus LEJ-6068	1	689	350	339	343	4	Holding Company Policy	Mr. Ali Asghar (Holding Company's Employee)
Mercedes Benz S-500 LWL-500	1	12,605	8,286	4,319	11,500	7,181	Negotiation	Fazal Cloth Mills Limited
Honda Civic LEA-07-6912	1	1,402	917	485	488	3	Negotiation	Mr. Imran Masood
Suzuki Bolan Van LWJ-1602	1	479	334	145	551	406	Negotiation	Sheikh Muhammad Shahid Aziz
Honda Civic LEC-10-3699	1	1,766	602	1,164	1,210	46	Holding Company Policy	Mr. Pervez-ul-Islam Mir (Holding Company's Ex-employee)
Suzuki Cultus LZT-1133	1	605	449	156	495	339	Negotiation	Mr. Abdul Majeed Akhtar
Suzuki Cultus LEA-06-1506	1	617	396	221	225	4	Holding Company Policy	Malik Muhammad Hussain Azeem (Holding Company's Employee)
Suzuki Cultus LEA-06-9391	1	664	436	228	602	374	Negotiation	Mirza Ashgar Ali
Suzuki Alto LWG-1314	1	518	359	159	162	3	Holding Company Policy	Mr. Ikhlaq Ahmad (Holding Company's Employee)
Suzuki Alto LEH-9936	1	520	302	218	222	4	Holding Company Policy	Mr. Bilal Ahmad (Holding Company's Employee)
Honda City LWO-9449	1	884	419	465	476	11	Holding Company Policy	Mr. Zia-ur-Rehman (Holding Company's Employee)
Honda City LED-07-7473	1	897	535	362	370	8	Holding Company Policy	Mr. Abdul Waheed (Holding Company's Employee)
Suzuki Alto LZU-7224	1	513	375	138	147	9	Holding Company Policy	Mr. Fiaz Mohi-ud-Din (Holding Company's Employee)
Hyundai Shehzore LZB-5707	1	657	488	169	610	441	Negotiation	Mr. Muhammad Farhan
Toyota Corolla LEE-09-2162	1	1,323	364	959	1,261	302	Negotiation	Argosy Enterprises
Toyota Corolla LEB-07-1589	1	947	562	385	392	7	Holding Company Policy	Mr. Muhammad Shoaib Alam (Holding Company's Employee)
Coure CX LEB-06-6482	1	505	312	193	195	2	Holding Company Policy	Mr. Mumtaz Hussain (Holding Company's Employee)
Suzuki Cultus LED-6639	1	600	362	238	241	3	Holding Company Policy	Mr. Abrar Ahmad Sayyal (Holding Company's Employee)
Toyota Hilux LZJ-3533	1	1,993	1,556	437	1,142	705	Negotiation	Mr. Abdul Qadar
Mitsubishi Lancer LEB-06-5303	1	973	591	382	383	1	Holding Company Policy	Mr. Khalid Mahmood (Holding Company's Employee)
Suzuki Cultus LEC-3910	1	677	413	264	652	388	Negotiation	Mr. Jalal Mirza
Honda Civic LEE-07-8885	1	1,418	859	559	565	6	Holding Company Policy	Mr. Asif Abdullah (Holding Company's Employee)
Suzuki Cultus LEB-08-2414	1	689	391	298	302	4	Holding Company Policy	Mr. Kashif Naeem (Holding Company's Employee)
Honda City LEA-2351	1	712	385	327	750	423	Negotiation	Mr. Arif Khan
Suzuki Cultus LEB-6220	1	619	362	257	261	4	Holding Company Policy	Mr. Tahir Aleem (Holding Company's Employee)
Suzuki Cultus LEB-2756	1	619	410	209	637	428	Negotiation	Mr. Muhammad Naeem Ahmad
Mitsubishi Lancer LZX-06-4547	1	1,190	837	353	751	398	Negotiation	Mr. Nadeem Ahmad
Suzuki Cultus LEC-09-7870	1	871	343	528	750	222	Negotiation	Mr. Farhat Abbas
Toyota Hiace Van LEA-3290	1	1,987	1,296	691	1,888	1,197	Negotiation	Mr. Khawar Aleem Ahmad
Suzuki Cultus LE-10-3504	1	979	177	802	856	54	Negotiation	Mr. Nadeem Ahmad
Suzuki Cultus LEC-2139	1	701	510	191	191	-	Subsidiary Company Policy	Mr. Ahmad Salman (Subsidiary Company's Employee)
Suzuki Cultus LZU-8359	1	452	289	163	163	-	Subsidiary Company Policy	Mr. Khurram Khan (Subsidiary Company's Employee)
Toyota Corolla LEC-07-4565	1	557	58	499	487	(12)	Subsidiary Company Policy	Mr. Mushtaq Ahmad (Subsidiary Company's Employee)
Honda CD 70 LEP-12-5702	1	67	2	65	67	2	Insurance Claim	Security General Insurance Company
		44,032	26,701	17,331	30,655	13,324		
Furniture, Fixture and Office Equipment								
Used Furniture	1	475	181	294	298	4	Holding Company Policy	Mr. Faisal Naseem Kari (Holding Company's Employee)
Air Conditioner	1	98	45	53	44	(9)	Negotiation	Mr. Habib-ur-Rehman
		573	226	347	342	(5)		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		38,006	37,761	245	225	(20)	Negotiation	
		272,912	188,437	84,475	111,752	27,277		

		Note	2012	2011
			(Rupees in thousand)	
14.1.2	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	29	2,135,478	2,303,829
	Distribution cost	30	13,475	3,961
	Administrative expenses	31	86,189	67,486
	Capital work-in-progress		-	71
			2,235,142	2,375,347

14.1.3 Operating fixed assets having cost of Rupees 2.436 million (2011: Rupees 1.860 million) have been fully depreciated and are still in use of the Holding Company.

		2012	2011
14.2	**Capital work-in-progress**		
	Building on freehold land	735,805	219,676
	Plant and machinery	1,246,125	691,655
	Electric installations	912	-
	Unallocated expenses	34,079	1,964
	Letters of credit against machinery	1,048	144
	Advances against furniture and office equipment	448	-
	Advances against vehicles	5,773	9,962
	Advances to contractors	11,644	1,679
		2,035,834	925,080

14.3 Borrowing cost of Rupees 19.027 million (2011: Rupees 2.315 million) was capitalized during the year using the capitalization rate ranging from 11.45% to 14.08% (2011: 9.70% to 14.37%) per annum.

15 INVESTMENT PROPERTIES

	Land	Buildings	Total
	(Rupees in thousand)		
At 30 June 2010			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(34,976)	(34,976)
Net book value	75,388	57,162	132,550
Year ended 30 June 2011			
Opening net book value	75,388	57,162	132,550
Depreciation charge	-	(5,716)	(5,716)
Closing net book value	75,388	51,446	126,834
At 30 June 2011			
Cost	75,388	92,138	167,526
Accumulated depreciation	-	(40,692)	(40,692)
Net book value	75,388	51,446	126,834
Year ended 30 June 2012			
Opening net book value	75,388	51,446	126,834
Transferred from operating fixed assets	120,279	-	120,279
Depreciation charge	-	(5,144)	(5,144)
Closing net book value	195,667	46,302	241,969
At 30 June 2012			
Cost	195,667	92,138	287,805
Accumulated depreciation	-	(45,836)	(45,836)
Net book value	195,667	46,302	241,969

15.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 5.144 million (2011: Rupees 5.716 million) charged during the year is allocated to other operating expenses. No expenses directly related to investment properties were incurred during the year. The market value of land and buildings is estimated at Rupees 549.427 million (2011: Rupees 377.705 million). The valuation has been carried out by an independent valuer.

15.2 Land and building having book value of Rupees 186.020 million and Rupees 30.142 million respectively have been given on operating lease by the Holding Company to Nishat Hospitality (Private) Limited - Subsidiary Company.

		Note	2012	2011
			(Rupees in thousand)	
16.	LONG TERM INVESTMENTS			
	Associated companies (with significant influence) - under equity method			
	D.G. Khan Cement Company Limited - quoted 137,574,201 (2011: 137,574,201) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (2011: 31.40%)		10,951,710	10,091,604
	Lalpir Power Limited - unquoted 110,498,540 (2011: 110,498,540) fully paid ordinary shares of Rupees 10 each. Equity held 32% (2011: 32%)		3,896,359	4,158,308
	Pakgen Power Limited - quoted 102,524,728 (2011: 102,524,728) fully paid ordinary shares of Rupees 10 each. Equity held 27.55% (2011: 27.55%)		3,836,929	4,093,765
	Nishat Paper Products Company Limited - unquoted 11,634,199 (2011:11,634,199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (2011: 25%)		93,030	104,336
			18,778,028	18,448,013
	Available for sale			
	Associated companies (Others)			
	Adamjee Insurance Company Limited - quoted 36,337 (2011: 36,337) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (2011: 0.03%)		2,774	2,774
	MCB Bank Limited - quoted 66,611,481 (2011: 58,790,392) fully paid ordinary shares of Rupees 10 each. Equity held 7.24% (2011: 7.03%)		12,476,198	12,175,279
	Advance for purchase of shares		-	998
	Other			
	Habib Bank Limited - quoted 174 (2011: 159) fully paid ordinary shares of Rupees 10 each		12	12
			12,478,984	12,179,063
	Less: Impairment loss recognized	16.2	(1,403,363)	(458,767)
	Add: Fair value adjustment		8	7
			11,075,629	11,720,303
			29,853,657	30,168,316

16.1 Investments in Lalpir Power Limited and Pakgen Power Limited include 500 shares each, held in the name of nominee director of the Holding Company.

		Note	2012	2011
16.2	**Impairment loss recognized**			
	Balance as on 01 July		458,767	-
	Add: Impairment loss recognized during the year	32	944,596	458,767
	Balance as on 30 June		1,403,363	458,767

16.3 Reconciliation of investments in associated companies under equity method:

	D.G. Khan Cement Company Limited 2012	D.G. Khan Cement Company Limited 2011	Nishat Paper Products Company Limited 2012	Nishat Paper Products Company Limited 2011	MCB Bank Limited 2012	MCB Bank Limited 2011	Lalpir Power Limited 2012	Lalpir Power Limited 2011	Pakgen Power Limited 2012	Pakgen Power Limited 2011	Total 2012	Total 2011
	(Rupees in thousand)											
Cost	3,418,145	3,418,145	116,342	116,342	-	8,129,753	1,822,629	1,822,629	1,272,194	1,272,194	6,629,310	14,759,063
Share of post acquisition reserves:												
As at 01 July	6,673,459	6,057,977	(12,006)	(21,450)	-	762,685	2,335,679	1,980,569	2,821,571	2,778,052	11,818,703	11,557,833
Share of profit / (loss) after income tax	1,298,063	(33,464)	(11,306)	9,444	-	622,224	345,793	561,034	409,575	558,218	2,042,125	1,717,456
Share of other comprehensive (loss) / income	(437,957)	648,946	-	-	-	108,993	-	-	-	-	(437,957)	757,939
Share of items directly credited in equity	-	-	-	-	-	763	-	(12,552)	-	(719)	-	(12,508)
Partial disposal of investment	-	-	-	-	-	-	-	-	-	(424,680)	-	(424,680)
Dividend received	-	-	-	-	-	(319,508)	(607,742)	(193,372)	(666,411)	(89,300)	(1,274,153)	(602,180)
As at 30 June	860,106	615,482	(11,306)	9,444	-	412,472	(261,949)	355,110	(256,836)	43,519	330,015	1,436,027
	7,533,565	6,673,459	(23,312)	(12,006)	-	1,175,157	2,073,730	2,335,679	2,564,735	2,821,571	12,148,718	12,993,860
	10,951,710	10,091,604	93,030	104,336	-	9,304,910	3,896,359	4,158,308	3,836,929	4,093,765	18,778,028	27,752,923
Adjustment of carrying amount of investment due to loss of significant influence	-	-	-	-	-	(9,304,910)	-	-	-	-	-	(9,304,910)
As at 30 June	10,951,710	10,091,604	93,030	104,336	-	-	3,896,359	4,158,308	3,836,929	4,093,765	18,778,028	18,448,013

16.3.1 Share of profit after tax and share of other comprehensive income from Lalpir Power Limited - associated company amounting to Rupees 345.793 million and Rupees Nil (2011: Rupees 561.034 million and Rupees Nil) respectively is based on unaudited financial statements of associated company.

16.3.2 Aggregate market value of investments in D. G. Khan Cement Company Limited and Pakgen Power Limited - quoted associated companies as on 30 June 2012 was Rupees 5,418 million (2011: Rupees 3,163 million) and Rupees 1,311 million respectively.

16.3.3 Summarized financial information of associated companies:

Name of associated company	Annual/ Quarterly	Status	Assets	Liabilities	Net assets	Revenues	Profit / (loss)
			(Rupees in thousand)				
30 June 2012							
D. G. Khan Cement Company Limited	Annual	Audited	50,685,198	17,754,566	32,930,632	22,949,853	4,108,118
Nishat Paper Products Company Limited	Annual	Audited	1,774,872	1,403,509	371,363	1,745,412	(45,225)
Lalpir Power Limited	Half yearly	Un-audited	19,879,468	7,703,347	12,176,121	18,458,479	727,079
Pakgen Power Limited	Half yearly	Reviewed	21,542,170	7,614,629	13,927,541	13,998,409	1,225,757
30 June 2011							
D.G Khan Cement Company Limited	Annual	Audited	49,669,607	19,478,163	30,191,444	18,577,198	145,120
Nishat Paper Products Company Limited	Annual	Audited	1,885,943	1,469,355	416,588	1,745,258	48,228
Lalpir Power Limited	Half yearly	Un-audited	19,515,051	6,520,338	12,994,713	14,753,274	1,078,161
Pakgen Power Limited	Half yearly	Reviewed	20,854,000	6,366,671	14,487,329	13,420,700	1,107,320

16.4 Adamjee Insurance Company Limited is associated company due to common directorship.

		Note	2012	2011
			(Rupees in thousand)	
17	LONG TERM LOANS			
	Considered good:			
	Executives - secured	17.1 & 17.2	57,771	35,226
	Other employees - secured	17.2	15,882	15,496
			73,653	50,722
	Less: Current portion shown under current assets	22		
	Executives		17,178	13,435
	Other employees		6,365	6,301
			23,543	19,736
			50,110	30,986

17.1 Reconciliation of carrying amount of loans to executives:

		2012	2011
Balance as on 01 July		35,226	26,819
Add: Disbursements		39,175	19,989
	Transferred from other employees during the year	2,616	522
		77,017	47,330
Less: Repayments		19,246	12,104
Balance as on 30 June		57,771	35,226

17.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 58.597 million (2011: Rupees 37.494 million).

17.2 These represent interest free house construction loans given to executives and employees of Nishat Mills Limited - Holding Company and are secured against balance to the credit of employee in the provident fund trust . These are recoverable in equal monthly installments.

17.3 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.

		Note	2012	2011
18	LONG TERM DEPOSITS AND PREPAYMENTS			
	Security deposits		42,338	28,589
	Prepayments		1,537	2,768
			43,875	31,357
	Less: Current portion shown under current assets	23	1,230	1,230
			42,645	30,127
19	STORES, SPARE PARTS AND LOOSE TOOLS			
	Stores	19.1	830,988	749,325
	Spare parts	19.2	599,180	641,895
	Loose tools		7,561	4,559
			1,437,729	1,395,779
	Less: Provision for slow moving items		13,309	17,989
			1,424,420	1,377,790

19.1 This includes stores in transit of Rupees 157.307 million (2011: Rupees 95.387 million).

19.2 This includes spare in transit of Rupees 0.848 million (2011: Rupees 9.633 million).

	Note	2012	2011
		(Rupees in thousand)	
19.3 Provision for slow moving, obsolete and damaged store items			
Balance as on 01 July		17,989	27,057
Less: Provision reversed during the year		4,680	9,068
Balance as on 30 June		13,309	17,989

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

20 STOCK IN TRADE	Note	2012	2011
Raw materials		3,691,871	2,623,460
Work in process		4,405,629	5,432,669
Finished goods	20.2	2,451,771	2,850,493
		10,549,271	10,906,622

20.1 Stock in trade of Rupees 274.935 million (2011: Rupees 1,804.906 million) is being carried at net realizable value.

20.2 Finished goods include stock in transit of Rupees 522.616 million (2011: Rupees 281.999 million).

20.3 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 19.967 million (2011: Rupees 395.345 million)

20.4 Finished goods include stock of Rupees 99.453 million (2011: Rupees 94.189 million) which is in the possession of franchisees of the Holding Company and Subsidiary Company.

21 TRADE DEBTS	Note	2012	2011
Considered good:			
Secured	21.3	11,896,277	7,258,378
Unsecured		2,300,087	1,551,599
		14,196,364	8,809,977
Considered doubtful:			
Others - unsecured		131,758	131,758
Less: Provision for doubtful debts			
As at 01 July		131,758	119,460
Add: Provision for the year	32	-	12,298
As at 30 June		131,758	131,758
		-	-

21.1 As at 30 June 2012, trade debts of Rupees 10,737 million (2011: Rupees 6,426 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	Note	2012	2011
		(Rupees in thousand)	
Upto 1 month		2,139,937	1,980,667
1 to 6 months		8,595,300	4,441,385
More than 6 months		1,884	4,360
		10,737,121	6,426,412

21.2 As at 30 June 2012, trade debts of Rupees 131.758 million (2011: Rupees 131.758 million) were impaired and provided for. The ageing of these trade debts was more than 5 years.

21.3 Trade debts of Nishat Power Limited - Subsidiary Company are receivables from National Transmission and Despatch Company Limited (NTDCL) and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of 3 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 ranges from 16.28% to 18.06% (2011: 16.75% to 18.22%) per annum.

21.4 Included in trade debts of Nishat Power Limited - Subsidiary Company is an amount of Rupees 599.749 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.

21.5 Since management of the Subsidiary Company 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 the Subsidiary Company cannot be penalized in the form of payment deductions due to NTDCL's default of making timely payments under the Power Purchase Agreement. Hence, the Subsidiary Company has taken up this issue at appropriate forums including Supreme Court of Pakistan. Based on the advice of the Subsidiary Company's legal counsel, management of Subsidiary Company 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 financial statements.

22 LOANS AND ADVANCES

	Note	2012	2011
Considered good:			
Employees - interest free:			
– Executives		147	484
– Other employees		8,581	5,467
		8,728	5,951
Current portion of long term loans	17	23,543	19,736
Advances to suppliers		1,178,706	95,555
Letters of credit		1,208	1,659
Income tax		722,527	580,637
Other advances		23,813	65,298
		1,958,525	768,836
Considered doubtful:			
Others		108	108
Less: Provision for doubtful debts		108	108
		-	-
		1,958,525	768,836

		Note	2012	2011
			(Rupees in thousand)	
23	SHORT TERM DEPOSITS AND PREPAYMENTS			
	Deposits		8,667	6,578
	Prepayments - including current portion	18	66,657	59,558
			75,324	66,136
24	OTHER RECEIVABLES			
	Considered good:			
	Export rebate and claims		411,300	505,556
	Sales tax refundable		284,832	240,572
	Fair value of forward exchange contracts		-	267,218
	Markup rate support receivable from financial institutions		31,666	58,372
	Receivable against sale of investment		-	299,811
	Workers' Profit Participation Fund and Workers' Welfare Fund receivable	24.1	200,018	98,251
	Miscellaneous receivables		41,822	36,993
			969,638	1,506,773

24.1 Under section 9.3(a) of the Power Purchase Agreement (PPA) between Nishat Power Limited - Subsidiary Company and National Transmission and Despatch Company Limited, payments to Workers' Profit Participation Fund are recoverable from NTDCL as a pass through item.

25 ACCRUED INTEREST

This represents interest receivable on term deposit receipts and saving accounts.

		Note	2012	2011
26	SHORT TERM INVESTMENTS			
	Available for sale			
	Associated company (Other)			
	Security General Insurance Company Limited - unquoted 10,226,244 (2011: 10,226,244) fully paid ordinary shares of Rupees 10 each. Equity held 15.02% (2011: 15.02%)	26.1	11,188	11,188
	Others			
	Nishat (Chunian) Limited - quoted 22,513,321 (2011: 22,513,321) fully paid ordinary shares of Rupees 10 each. Equity held 13.89% (2011: 13.89%)		242,750	242,750
	Pakistan Strategic Allocation Fund - quoted 500,000 (2011: 500,000) fully paid certificates of Rupees 10 each		1,715	1,715
			255,653	255,653
	Add: Fair value adjustment		1,333,440	1,525,818
			1,589,093	1,781,471

26.1 Fair value per share of Rupees 116.69 (2011: Rupees 124.70) has been calculated by an independent valuer on the basis of dividend stream method. Security General Insurance Company Limited is associated company due to common directorship.

		Note	2012	2011
			(Rupees in thousand)	
27	CASH AND BANK BALANCES			
	With banks:			
	On current accounts Including US$ 85,870 (2011: US$ 70,089), Euro 980.1 (2011: Euro 980.1) and UAE Dirham 1,181,902 (2011: UAE Dirham 251)	27.1	231,747	63,455
	Term deposit receipts	27.2 & 27.3	2,195,020	1,073,000
	On PLS saving accounts Including US$ 11,280 (2011: US$ 17,200)	27.4 & 27.5	61,840	11,941
			2,488,607	1,148,396
	Cash in hand			
	Including UAE Dirham 13,988 (2011: 41,388)		12,059	10,550
			2,500,666	1,158,946

27.1 Cash at bank includes balance of Rupees 58.721 million (2011: Rupees 5.129 million) with MCB Bank Limited - associated company.

27.2 These represent deposits with banking companies having maturity period of one month to three months and carry rate of profit ranging from 11.50% to 13.50% (2011: 13.05% to 13.50%).

27.3 These include term deposit receipt of Rupees 292.020 million having maturity period of 84 days and carrying profit at the rate of 11.87% (2011: Rupees Nil) per annum with MCB Bank Limited - associated company.

27.4 Rate of profit on Pak Rupees bank deposits and US Dollar bank deposit ranges from 4.56% to 10.00% (2011: 5.00% to 10.00%) and 0.08% to 0.15% (2011: 0.08%) per annum respectively.

27.5 These include deposits of Rupees 50.344 million (2011: Rupees 3.548 million) with MCB Bank Limited - associated company.

			Note	2012	2011
28	SALES				
	Export		28.3	34,708,340	35,937,069
	Local		28.1	33,373,134	33,073,615
	Duty drawback			-	316,341
	Export rebate			156,636	149,531
				68,238,110	69,476,556
	28.1	**Local sales**			
		Sales	28.2	35,987,664	35,801,519
		Less: Sales tax		2,605,376	2,714,039
		Less: Discount		96,692	75,335
				33,285,596	33,012,145
		Processing income		86,078	60,048
		Doubling income		1,460	1,422
				33,373,134	33,073,615

28.2 This includes sale of Rupees 1,415.287 million (2011: Rupees 2,609.550 million) made to direct exporters against special purchase order (SPO). Further, local sales includes waste sale of Rupees 1,216.028 million (2011: Rupees 1,442.026 million).

28.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 162.952 million (2011: Rupees 369.206 million) has been included in export sales.

		Note	2012	2011
			(Rupees in thousand)	
29	**COST OF SALES**			
	Raw material consumed	29.1	25,322,218	28,202,431
	Cloth and yarn purchased / used		15,042,822	19,276,624
	Processing charges		168,787	201,522
	Salaries, wages and other benefits	29.2	2,464,311	2,323,858
	Stores, spare parts and loose tools consumed		3,630,066	3,469,041
	Electricity consumed in-house		3,218	2,059
	Packing materials consumed		764,188	759,545
	Repair and maintenance		643,051	507,910
	Fuel and power		4,059,130	3,118,911
	Insurance		191,463	178,077
	Other factory overheads		295,186	265,147
	Depreciation	14.1.2	2,135,478	2,303,829
			54,719,918	60,608,954
	Work-in-process			
	Opening stock		5,432,669	2,921,946
	Closing stock		(4,405,629)	(5,432,669)
			1,027,040	(2,510,723)
	Cost of goods manufactured		55,746,958	58,098,231
	Finished goods			
	Opening stock		2,850,493	1,545,610
	Closing stock		(2,451,771)	(2,850,493)
			398,722	(1,304,883)
			56,145,680	56,793,348

			2012	2011
29.1	**Raw material consumed**			
	Opening stock		2,623,460	1,950,146
	Add: Purchased during the year		26,390,629	28,875,745
			29,014,089	30,825,891
	Less: Closing stock		3,691,871	2,623,460
			25,322,218	28,202,431

29.2 Salaries, wages and other benefits include provident fund contribution of Rupees 67.820 million (2011: Rupees 62.539 million).

		Note	2012	2011
30	**DISTRIBUTION COST**			
	Salaries and other benefit	30.1	203,086	151,782
	Outward freight and handling		1,430,496	1,081,936
	Commission to selling agents		660,509	654,031
	Rent, rates and taxes		36,755	25,177
	Insurance		15,934	16,329
	Traveling and conveyance		90,718	70,246
	Vehicles' running		17,736	7,498
	Entertainment		4,621	3,213
	Advertisement		70,927	90,076
	Postage, telephone and telegram		82,816	75,310
	Electricity and gas		13,320	3,318
	Printing and stationery		2,932	1,879
	Repair and maintenance		79,746	10,245
	Fee and subscription		2,319	82
	Depreciation	14.1.2	13,475	3,961
			2,725,390	2,195,083

30.1 Salaries and other benefits include provident fund contribution of Rupees 9.425 million (2011: Rupees 7.139 million).

		Note	2012	2011
			(Rupees in thousand)	
31	ADMINISTRATIVE EXPENSES			
	Salaries and other benefits	31.1	515,642	431,310
	Rent, rates and taxes		46,066	20,195
	Legal and professional		20,746	17,580
	Insurance		4,585	4,702
	Traveling and conveyance		37,039	30,748
	Vehicles' running		44,490	38,609
	Entertainment		18,162	14,293
	Auditors' remuneration	31.2	6,217	4,570
	Advertisement		478	190
	Postage, telephone and telegram		7,994	6,856
	Electricity and gas		16,857	19,945
	Printing and stationery		14,866	14,485
	Repair and maintenance		17,509	19,191
	Fee and subscription		10,890	5,586
	Depreciation	14.1.2	86,189	67,486
	Miscellaneous		23,682	22,231
			871,412	717,977

31.1 Salaries and other benefits include provident fund contribution of Rupees 20.288 million (2011: Rupees 16.753 million).

31.2 **Auditors' remuneration**

	2012	2011
Riaz Ahmad and Company		
Audit fee	2,604	2,079
Half yearly review	461	419
Reimbursable expenses	90	82
	3,155	2,580
A.F. Ferguson and Company		
Statutory audit fee	1,200	1,000
Half yearly review	600	500
Tax services	615	100
Other certification services	100	270
Reimbursable expenses	169	120
	2,684	1,990
Griffin Nagda and Company		
Audit fee	366	-
Reimbursable expenses	12	-
	378	
	6,217	4,570

		Note	2012	2011
			(Rupees in thousand)	
32	OTHER OPERATING EXPENSES			
	Workers' profit participation fund		225,897	280,071
	Workers' welfare fund		85,711	110,447
	Provision for doubtful debts	21	-	12,298
	Bad debts written off		13,759	-
	Offer for sale expenses		-	14,475
	Impairment loss on equity investments	16.2	944,596	458,767
	Depreciation on investment properties		5,144	5,716
	Net exchange loss including gain on forward contracts		34,820	-
	Loss on disposal of investment in associate		-	315,650
	Interest on delayed payment		-	16,668
	Exchange loss		595	-
	Donation	32.1	650	9,800
			1,311,172	1,223,892

32.1 There is no interest of any director or his spouse in donees' fund.

		Note	2012	2011
33	OTHER OPERATING INCOME			
	Income from financial assets			
	Dividend income	33.1	811,493	396,495
	Profit on deposits with banks		178,016	67,717
	Net exchange gain including loss on forward contracts		-	871,569
	Gain on loss of significant influence over investee company		-	3,062,140
			989,509	4,397,921
	Income from non financial assets			
	Gain on sale of property, plant and equipment		27,277	57,709
	Scrap sales		129,499	130,298
	Rental income from investment properties		27,561	31,121
			184,337	219,128
			1,173,846	4,617,049

33.1 **Dividend income**

	2012	2011
From related parties / associated companies		
MCB Bank Limited	735,750	336,490
Nishat (Chunian) Limited	45,027	33,770
Adamjee Insurance Company Limited	36	91
Security General Insurance Company Limited	30,679	25,566
	811,492	395,917
Others		
Pakistan Strategic Allocation Fund	-	577
Habib Bank Limited	1	1
	811,493	396,495

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
34	FINANCE COST			
	Mark-up on:			
	Long term financing		2,526,613	2,664,822
	Liabilities against assets subject to finance lease		30,466	
	Short term borrowings		1,784,949	1,513,403
	Interest on workers' profit participation fund	9.3	6,492	2,790
	Bank charges and commission		225,026	213,471
			4,573,546	4,394,486
35	TAXATION			
	Current - for the year		617,543	581,739
	Deferred		150	-
	Prior year adjustment		(25,023)	-
			592,670	581,739

35.1 Provision for income tax is made in accordance with the relevant provisions of Income Tax Ordinance, 2001.

35.2 The provision for income tax of foreign subsidiary- Nishat USA Inc., is computed in accordance with the tax legislation in force in the country where the income is taxable.

36	EARNINGS PER SHARE - BASIC AND DILUTED		2012	2011
	There is no dilutive effect on the basic earnings per share which is based on:			
	Profit attributable to ordinary shareholders of Holding Company	(Rupees in thousand)	4,236,352	9,007,003
	Weighted average number of ordinary shares	(Numbers)	351,599,848	351,599,848
	Earnings per share	(Rupees)	12.05	25.62

		Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
37	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		5,826,881	10,486,275
	Adjustments for non-cash charges and other items:			
	Depreciation		2,240,286	2,380,992
	Provision for doubtful debts		-	12,298
	Offer for sale expenses		-	14,475
	Gain on loss of significant influence over investee company		-	(3,062,140)
	Net exchange (gain) / loss on forward contracts		34,820	(871,569)
	Gain on sale of property, plant and equipment		(27,277)	(57,709)
	Loss on disposal of investment in associate		-	315,650
	Dividend Income		(811,493)	(396,495)
	Profit on deposits with banks		(178,016)	(2,690)
	Share of profit from associated companies		(2,042,125)	(1,717,456)
	Impairment loss on investment		944,596	458,767
	Finance cost		4,573,546	4,394,486
	Working capital changes	37.1	(4,493,196)	(8,691,072)
			6,068,022	3,263,812

		2012	2011
		(Rupees in thousand)	
37.1	**Working capital changes**		
	(Increase) / decrease in current assets:		
	- Stores, spare parts and loose tools	(46,630)	(473,474)
	- Stock in trade	357,351	(4,491,703)
	- Trade debts	(5,386,387)	(4,112,422)
	- Loans and advances	(1,043,992)	587,114
	- Short term deposits and prepayments	(9,188)	(32,476)
	- Other receivables	269,917	(201,989)
		(5,858,929)	(8,724,950)
	Increase in trade and other payables	1,365,733	33,878
		(4,493,196)	(8,691,072)

38 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Nishat Mills Limited - Holding Company has proposed a cash dividend for the year ended June 30, 2012 of Rupees 3.5 per share (2011: Rupees 3.30 per share) at their meeting held on October 05, 2012. The Board of Directors also proposed to transfer Rupees 3,005 million (2011: Rupees 7,846 million) from un-appropriated profit to general reserve. 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.

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements for remuneration including all benefits to Chief Executive, Directors and Executives of the Holding Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration	8,691	7,557	4,931	2,319	191,311	129,678
Allowances						
Cost of living allowance	-	-	7	7	756	529
House rent	3,476	3,023	807	571	51,125	33,477
Conveyance	-	-	-	-	316	215
Medical	869	756	398	231	14,817	9,351
Utilities	-	-	779	355	18,915	11,674
Special allowance	-	-	2	1	408	271
Contribution to provident fund	-	-	379	221	15,209	10,994
Leave encashment	-	-	-	-	4,107	2,882
	13,036	11,336	7,303	3,705	296,964	199,071
Number of persons	1	1	2	2	188	136

39.1 Chief executive, two directors and certain executives of the Holding Company are provided with free maintained vehicles and certain executives are also provided with free housing facility alongwith utilities.

39.2 Aggregate amount charged in these consolidated financial statements for fee to one director of the Holding Company was Rupees 50,000 (2011: Rupees 30,000).

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

40 TRANSACTIONS WITH RELATED PARTIES

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

	2012	2011
	(Rupees in thousand)	
Associated companies		
Investment made	-	458,581
Purchase of goods and services	60,165	30,656
Sale of goods and services	6,373	598
Rental income	3,112	10,372
Sale of operating fixed assets	479	2,057
Purchase of operating fixed assets	900	23,862
Rent paid	-	4,154
Dividend paid	104,115	78,870
Insurance premium paid	78,684	223,482
Insurance claim received	18,229	13,819
Profit on saving accounts	-	127
Profit on term deposit receipt	2,945	-
Subscription paid	1,525	750
Other related parties		
Purchase of goods and services	17,204	102,728
Sale of goods and services	13,829	100,899
Group's contribution to provident fund trust	97,568	86,452

41 PLANT CAPACITY AND ACTUAL PRODUCTION

		2012	2011
		(Figures in thousand)	
a) Holding Company - Nishat Mills Limited			
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Kgs.)	67,265	67,635
Actual production converted to 20s count based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Kgs.)	57,868	56,856
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Sq.Mt.)	235,840	230,010

			2012	2011
			(Figures in thousand)	
	Actual production converted to 50 picks based on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Sq.Mt.)	226,014	221,714
	Dyeing and Finishing			
	Production capacity for 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Mt.)	54,000	48,000
	Actual production on 3 shifts per day for 1,098 shifts (2011: 1,095 shifts)	(Mt.)	51,696	47,227
	Power Plant			
	Generation capacity	MWH	488	501
	Actual generation	MWH	297	306

Processing, Stitching and Apparel

The plant capacity of these divisions are indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

b)	**Subsidiary Company - Nishat Power Limited**			
	Installed capacity [Based on 8,784 hours (2011: 8,760 hours)]	MWH	1,716	1,711
	Actual energy delivered	MWH	1,063	1,473
c)	**Subsidiary Company - Nishat Hospitality (Private) Limited**		No of rooms letable	
	Nishat Suites		12	-

41.1 REASON FOR LOW PRODUCTION

a) Under utilization of available capacity by Holding Company for spinning, weaving, dyeing and finishing is mainly due to normal maintenance. Actual power generation in comparison to installed is low due to periodical scheduled and unscheduled maintenance and low demand.

b) Output produced by the plant of Nishat Power Limited - Subsidiary Company is dependent on the load demanded by NTDCL and plant availability.

42 SEGMENT INFORMATION

	Spinning		Weaving		Processing and home textile		Garments		Power generation		Hotel		Elimination of inter-segment transactions		Total - group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)															
Sales																
External	13,524,830	15,682,109	9,551,518	10,132,061	19,639,404	18,638,211	4,387,922	4,009,924	21,120,288	21,014,251	14,148	-	-	-	68,238,110	69,476,556
Intersegment	2,331,952	3,319,869	7,124,400	7,317,334	671,088	528,039	1,449	5,833	4,057,216	3,020,781	402	-	(14,186,507)	(14,191,856)	-	-
	15,856,782	19,001,978	16,675,918	17,449,395	20,310,492	19,166,250	4,389,371	4,015,757	25,177,504	24,035,032	14,550	-	(14,186,507)	(14,191,856)	68,238,110	69,476,556
Cost of sales	(14,449,584)	(16,268,378)	(14,627,447)	(15,550,671)	(17,591,772)	(16,663,032)	(3,436,056)	(3,307,533)	(20,220,856)	(19,195,590)	(6,472)	-	14,186,507	14,191,856	(56,145,680)	(56,793,348)
Gross profit	1,407,198	2,733,600	2,048,471	1,898,724	2,718,720	2,503,218	953,315	708,224	4,956,648	4,839,442	8,078	-	-	-	12,092,430	12,683,208
Distribution cost	(344,444)	(327,669)	(478,245)	(455,895)	(1,640,125)	(1,179,998)	(258,264)	(231,521)	(4,312)	-	-	-	-	-	(2,725,390)	(2,195,083)
Administrative expenses	(201,260)	(198,960)	(175,679)	(159,039)	(330,152)	(241,343)	(58,484)	(52,773)	(100,927)	(65,862)	(4,910)	-	-	-	(871,412)	(717,977)
	(545,704)	(526,629)	(653,924)	(614,934)	(1,970,277)	(1,421,341)	(316,748)	(284,294)	(105,239)	(65,862)	(4,910)	-	-	-	(3,596,802)	(2,913,060)
Profit before taxation and unallocated income and expenses	861,494	2,206,971	1,394,547	1,283,790	748,443	1,081,877	636,567	423,930	4,851,409	4,773,580	3,168	-	-	-	8,495,628	9,770,148
Unallocated income and expenses:																
Other operating expenses															(1,311,172)	(1,223,892)
Other operating income															1,173,846	4,617,049
Finance cost															(4,573,546)	(4,394,486)
Share of profit from associated companies															2,042,125	1,717,456
Taxation															(592,670)	(581,739)
Profit after taxation															5,234,211	9,904,536

42.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and home textile		Garments		Power generation		Hotel		Total - group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)													
Total assets for reportable segments	8,318,490	7,074,788	5,072,193	4,617,050	10,034,118	10,679,109	2,290,564	2,108,076	31,383,994	26,002,802	218,040	-	57,317,399	50,481,825
Unallocated assets:														
Long term investments													29,853,657	30,168,316
Other receivables													969,638	1,506,773
Cash and bank balances													2,500,666	1,158,946
Other corporate assets													2,330,177	2,556,310
Total assets as per balance sheet													92,971,537	85,872,170
Total liabilities for reportable segments	669,175	698,871	335,568	683,520	1,107,878	759,628	298,414	317,211	13,795,049	18,186,884	27,978	-	16,234,062	20,646,114
Unallocated liabilities:														
Deferred income tax													310,455	331,807
Provision for taxation													746,726	658,893
Other corporate liabilities													22,460,704	14,309,641
Total liabilities as per balance sheet													39,751,947	35,946,455

42.2 Geographical information

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

	2012	2011
	(Rupees in thousand)	
Europe	13,065,129	13,320,536
Asia, Africa and Australia	16,969,499	16,944,763
United States of America and Canada	4,830,348	6,139,768
Pakistan	33,373,134	33,071,489
	68,238,110	69,476,556

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

42.4 Revenue from major customers

Nishat Power Limited - Subsidiary Company sells electricity only to NTDCL whereas the Group's revenue from other segments is earned from a large mix of customers

43 FINANCIAL RISK MANAGEMENT

43.1 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 department of the Holding Company and Subsidiary Companies under the policies approved by their respective Board of Directors. The Companies' finance departments evaluates 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), Euro and AED. Currently, the Group's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

	2012	2011
Cash at banks - USD	97,150	90,841
Cash at banks - Euro	980	122
Cash at banks - AED	1,181,902	250,519
Trade debts - USD	26,780,312	21,354,052
Trade debts - Euro	2,278,161	1,297,983
Trade debts - AED	-	13,659
Trade and other payables - USD	4,700,199	1,291,530
Trade and other payables - Euro	97,984	221,680
Short term borrowing - FE-25 - USD	-	3,450,000
Net exposure - USD	22,177,263	16,703,363
Net exposure - Euro	2,181,157	1,076,425
Net exposure - AED	1,181,902	264,178

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per US Dollar		
Average rate	89.92	85.76
Reporting date rate	94.58	86.05
Rupees per Euro		
Average rate	119.01	117.96
Reporting date rate	117.58	124.89
Rupees per AED		
Average rate	24.41	23.46
Reporting date rate	25.40	23.33

Sensitivity Analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and AED with all other variables held constant, the impact on profit after taxation for the year would have been higher / lower by Rupees 96.375 million, Rupees 11.792 million and Rupees 1.501 million (2011: Rupees 65.918 million, Rupees 6.252 million and Rupees 0.308 million) respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

Sensitivity Analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on Group's profit after taxation for the year and on other comprehensive income (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Index	Impact on profit after taxation		Impact on statement of other comprehensive income	
	2012	2011	2012	2011
	(Rupees in thousands)			
KSE 100 (5% increase)	515,016	109	19,791	611,160
KSE 100 (5% decrease)	(515,016)	(109)	(19,791)	(611,160)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(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 interest bearing assets except for term deposit receipts and bank balances in saving accounts. The Group's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipts and bank balances in saving accounts. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

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

	2012	2011
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	1,502,181	1,732,567
Liabilities against assets subject to finance lease	91,636	124,960
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	61,840	11,941
Term deposit receipts	2,195,020	1,073,000
Trade debts - overdue	8,084,833	4,440,006
Financial liabilities		
Long term financing	15,434,112	15,372,385
Liabilities against assets subject to finance lease	110,666	138,012
Short term borrowings	16,289,529	13,665,483

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 207.640 million (2011: Rupees 228.330 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date 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:

	2012	2011
	(Rupees in thousand)	
Investments	12,664,722	13,501,774
Loans and advances	106,194	121,971
Deposits	51,005	35,167
Trade debts	14,196,364	8,809,977
Other receivables	41,822	604,022
Accrued interest	50,233	2,690
Bank balances	2,488,607	1,148,396
	29,598,947	24,223,997

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			2012	2011
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5,263	1,341
Allied Bank Limited	A1+	AA	PACRA	916	1
Askari Bank Limited	A1+	AA	PACRA	501,202	294,194
Bank Alfalah Limited	A1+	AA	PACRA	3,456	1,419
Faysal Bank Limited	A1+	AA	PACRA	2,237	210
Habib Bank Limited	A-1+	AA+	JCR-VIS	6,701	7,574
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	109	410
JS Bank Limited	A1	A	PACRA	250,011	200,010
KASB Bank Limited	A3	BBB	PACRA	24	7
MCB Bank Limited	A1+	AA+	PACRA	401,085	8,813
NIB Bank Limited	A1+	AA -	PACRA	172	216
Samba Bank Limited	A-1	A+	JCR-VIS	54,109	71
Silkbank Limited	A-2	A -	JCR-VIS	54	347
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	5,118	2,256
United Bank Limited	A-1+	AA+	JCR-VIS	2,893	140
Al-Baraka Bank (Pakistan) Limited	A2	A	PACRA	408	382
Citibank N.A.	P-1*	A1*	Moody's	25,375	38,192
Deutsche Bank AG	P-1	Aa3	Moody's	18,361	339
HSBC Bank Middle East Limited	P-1	A1	Moody's	8,633	107
Bank Islami Pakistan Limited	A1	A	PACRA	300	714
Meezan Bank Limited	A-1+	AA -	JCR-VIS	6,125	3,913
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	583	89
The Bank of Punjab	A1+	AA-	PACRA	1,164,577	580,574
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody's	-	761
Soneri Bank Limited	A1+	AA -	PACRA	114	8
Summit Bank Limited	A-2	A	JCR-VIS	7	-
Burj Bank Limited	A-2	A	JCR-VIS	43	-
First Women Bank Limited	A2	BBB+	PACRA	1	-
JP morgan Chase Bank	P-1	Aa1	Moody's	709	463
Habib Bank AG Zurich	Not Available			27,996	4,657
Mashreq Bank	Not Available			2,025	1,188
				2,488,607	1,148,396
Investments					
Adamjee Insurance Company Limited	AA		PACRA	2,116	2,361
Security General Insurance Company Limited	A+		JCR-VIS	1,193,300	1,275,213
Habib Bank Limited	A-1+	AA+	JCR-VIS	20	18
Pakistan Strategic Allocation Fund	3 Star	4 Star	PACRA	4,285	4,435
Nishat (Chunian) Limited	A-	A-2	JCR-VIS	391,506	501,822
MCB Bank Limited	A1+	AA+	PACRA	11,073,494	11,717,922
				12,664,721	13,501,771
				15,153,328	14,650,167

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 21.

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

c) **Liquidity risk**

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2012, the Group had Rupees 21,648 million (2011: Rupees 35,037 million) available borrowing / financing limits from financial institutions and Rupees 2,500.666 million (2011: Rupees 1,158.946 million) cash and bank balances. Management believes the liquidity risk to be low.

Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities as at 30 June 2012:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities						
Long term financing	16,936,293	18,066,544	1,060,680	1,195,667	2,357,071	13,453,126
Liabilities against assets subject to finance lease	202,302	242,580	43,964	43,056	83,626	71,934
Trade and other payables	3,475,674	3,475,674	3,475,674	-	-	-
Short term borrowings	16,289,529	17,320,439	16,808,570	511,869	-	-
Accrued mark-up	908,865	908,865	908,865	-	-	-
	37,812,663	40,014,102	22,297,753	1,750,592	2,440,697	13,525,060

Contractual maturities of financial liabilities as at 30 June 2011:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities						
Long term financing	17,104,952	30,281,435	1,623,848	2,255,216	6,914,441	19,487,930
Liabilities against assets subject to finance lease	262,972	337,928	46,305	45,373	88,243	158,007
Trade and other payables	2,172,644	2,172,644	2,172,644	-	-	-
Short term borrowings	13,665,483	14,302,524	13,958,874	343,650	-	-
Accrued mark-up	971,414	971,414	971,414	-	-	-
	34,177,465	48,065,945	18,773,085	2,644,239	7,002,684	19,645,937

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / markup rates effective as at 30 June. The rates of interest / markup have been disclosed in note 5, note 6 and note 11 to these consolidated financial statements.

43.2 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. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at 30 June 2012				
Assets				
Available for sale financial assets	11,471,421	-	1,193,300	12,664,721
As at 30 June 2011				
Assets				
Available for sale financial assets	12,226,558	-	1,275,213	13,501,771

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Group has no such type of financial instruments as on 30 June 2012.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

43.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2012			
Assets as per balance sheet			
Investments	-	12,664,721	12,664,721
Loans and advances	106,194	-	106,194
Deposits	51,005	-	51,005
Trade debts	14,196,364	-	14,196,364
Other receivables	41,822	-	41,822
Accrued interest	50,233	-	50,233
Cash and bank balances	2,500,666	-	2,500,666
	16,946,284	12,664,721	29,611,005

	Financial liabilities at amortized cost
Liabilities as per balance sheet	(Rupees in thousand)
Long term financing	16,936,293
Liabilities against assets subject to finance lease	202,302
Accrued mark-up	908,865
Short term borrowings	16,289,529
Trade and other payables	3,475,674
	37,812,663

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	13,501,771	13,501,771
Loans and advances	121,971	-	121,971
Deposits	35,167	-	35,167
Trade debts	8,809,977	-	8,809,977
Other receivables	604,022	-	604,022
Accrued interest	2,690	-	2,690
Cash and bank balances	1,158,946	-	1,158,946
	10,732,773	13,501,771	24,234,544

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	17,104,952
Liabilities against assets subject to finance lease	262,972
Accrued mark-up	971,414
Short term borrowings	13,665,483
Trade and other payables	2,172,644
	34,177,465

43.4 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, liabilities against assets subject to finance lease and short term borrowings obtained by the Group as referred to in note 5, note 6 and note 11 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 60% debt and 40% equity.

		2012	2011
Borrowings	Rupees in thousand	33,428,124	31,033,407
Total equity	Rupees in thousand	53,219,590	49,925,715
Total capital employed	Rupees in thousand	86,647,714	80,959,122
Gearing ratio	Percentage	38.58	38.33

44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 05 October 2012 by the Board of Directors.

45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

46. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Chief Executive Officer

Director

Pattern of Holding of the Shares held by the Shareholders of Nishat Mills Limited as at June 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
4,374	1	100	156,900
4,352	101	500	1,127,858
1,376	501	1,000	1,065,948
1,739	1,001	5,000	4,204,356
397	5,001	10,000	3,081,096
129	10,001	15,000	1,651,668
93	15,001	20,000	1,690,618
64	20,001	25,000	1,491,620
36	25,001	30,000	1,002,803
26	30,001	35,000	854,909
17	35,001	40,000	650,469
13	40,001	45,000	562,028
33	45,001	50,000	1,637,203
16	50,001	55,000	849,036
8	55,001	60,000	459,535
12	60,001	65,000	759,451
11	65,001	70,000	748,998
8	70,001	75,000	581,220
7	75,001	80,000	548,480
7	80,001	85,000	578,221
8	85,001	90,000	706,064
5	90,001	95,000	471,500
14	95,001	100,000	1,396,317
5	100,001	105,000	517,071
3	105,001	110,000	323,183
1	110,001	115,000	113,000
3	115,001	120,000	354,150
5	120,001	125,000	624,000
3	125,001	130,000	382,744
2	130,001	135,000	268,624
4	135,001	140,000	553,852
3	140,001	145,000	423,989
2	145,001	150,000	298,008
2	160,001	165,000	325,052
4	165,001	170,000	673,572
1	170,001	175,000	174,562
1	175,001	180,000	179,437
3	185,001	190,000	561,363
4	190,001	195,000	776,772
6	195,001	200,000	1,200,000
1	200,001	205,000	200,259
2	205,001	210,000	415,960
1	215,001	220,000	218,575
1	240,001	245,000	240,450
1	245,001	250,000	250,000
1	250,001	255,000	252,590
1	255,001	260,000	258,000
2	270,001	275,000	543,000
2	275,001	280,000	557,235
1	280,001	285,000	280,021
3	285,001	290,000	864,433
1	290,001	295,000	292,001
1	305,001	310,000	307,092
1	310,001	315,000	313,170
1	315,001	320,000	319,367
1	325,001	330,000	328,000

Number of Shareholders	Shareholding From	To	Total Shares Held
2	345,001	350,000	700,000
2	360,001	365,000	729,741
2	365,001	370,000	734,039
2	370,001	375,000	742,806
1	380,001	385,000	383,097
2	385,001	390,000	777,368
1	395,001	400,000	400,000
2	420,001	425,000	842,713
1	425,001	430,000	429,187
1	430,001	435,000	433,000
1	440,001	445,000	444,000
1	445,001	450,000	450,000
1	460,001	465,000	462,953
1	495,001	500,000	500,000
1	515,001	520,000	520,000
1	525,001	530,000	530,000
1	535,001	540,000	535,500
1	555,001	560,000	556,000
1	585,001	590,000	588,000
2	595,001	600,000	1,198,277
1	600,001	605,000	603,900
1	620,001	625,000	624,240
1	625,001	630,000	629,324
1	630,001	635,000	633,500
2	650,001	655,000	1,300,868
1	670,001	675,000	670,538
1	705,001	710,000	706,617
2	710,001	715,000	1,426,833
1	775,001	780,000	775,895
1	790,001	795,000	791,708
1	795,001	800,000	800,000
1	805,001	810,000	810,000
1	845,001	850,000	850,000
1	920,001	925,000	921,691
1	960,001	965,000	962,360
1	965,001	970,000	968,187
1	990,001	995,000	994,950
1	1,055,001	1,060,000	1,056,603
1	1,060,001	1,065,000	1,061,285
1	1,095,001	1,100,000	1,100,000
1	1,100,001	1,105,000	1,103,845
1	1,175,001	1,180,000	1,177,780
1	1,225,001	1,230,000	1,225,115
1	1,255,001	1,260,000	1,258,650
1	1,365,001	1,370,000	1,369,057
1	1,495,001	1,500,000	1,500,000
1	1,595,001	1,600,000	1,600,000
1	1,660,001	1,665,000	1,662,500
1	1,680,001	1,685,000	1,683,235
1	1,765,001	1,770,000	1,766,303
1	1,795,001	1,800,000	1,798,810
1	1,830,001	1,835,000	1,831,640
1	1,920,001	1,925,000	1,922,980
1	1,995,001	2,000,000	2,000,000
1	2,020,001	2,025,000	2,023,000
1	2,120,001	2,125,000	2,122,706

Pattern of Holding of the Shares held by the Shareholders of Nishat Mills Limited as at June 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	2,255,001	2,260,000	2,259,829
1	2,300,001	2,305,000	2,303,623
1	2,605,001	2,610,000	2,610,000
1	2,835,001	2,840,000	2,839,871
1	3,030,001	3,035,000	3,032,125
1	4,075,001	4,080,000	4,077,012
1	4,780,001	4,785,000	4,785,000
1	4,970,001	4,975,000	4,974,341
1	6,700,001	6,705,000	6,700,913
1	13,130,001	13,135,000	13,131,999
1	13,840,001	13,845,000	13,844,092
1	15,075,001	15,080,000	15,075,149
1	15,465,001	15,470,000	15,467,618
1	18,695,001	18,700,000	18,698,357
1	20,995,001	21,000,000	21,000,000
1	21,190,001	21,195,000	21,191,146
1	23,100,001	23,105,000	23,101,426
1	25,670,001	25,675,000	25,673,659
1	26,245,001	26,250,000	26,248,841
1	29,225,001	29,230,000	29,228,216
12,903		TOTAL	351,599,848

Sr. No.	Categories of Shareholders	Shares Held	Percentage
1.	DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN	88,669,938	25.22
2.	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES (Also included in Joint Stock Companies & Insurance Companies)	31,548,151	8.97
3.	NIT AND ICP (Also included in Financial Institutions)	29,625,256	8.43
4.	Banks Development Financial Institutions, Non banking Financial Institutions	35,764,230	10.17
5.	Insurance Companies	14,372,826	4.09
6.	Modarabas And Mutual Funds	19,524,696	5.55
7.	Share Holders Holding 5% (Also Included in Directors, Financial Institutions, Associated Companies and foreign)	227,084,463	64.58
8.	General Public		
	Local	106,059,200	30.16
	Foreign	39,195,772	11.15
9.	Others		
	Investment Companies	633,694	0.18
	Joint Stock Companies	42,978,048	12.22
	Provident / Pension Funds And Miscellaneous	4,401,444	1.26

Information Under Clause (J)

of Sub-Regulation (XVI) of Regulation 35 of Chapter (XI) of Listing Regulations of the Karachi Stock Exchange Limited As At June 30, 2012

		Shares Held	Percentage
(I)	**Associated Companies, Undertakings And Related Parties**		
	1. D. G. Khan Cement Company Limited	30,289,501	8.61
	2 Adamjee Insurance Company Limited	1,258,650	0.36
(II)	**Mutual Funds**		
	Prudential Stocks Funds Ltd (03360)	23,500	0.01
	Trustee Pak Qatar Family Takaful Limited Balance Fund	100,000	0.03
	Trustee Pak Qatar Family Takaful Limited Aggressive Fund	55,000	0.02
	JS Value Fund Limited	706,617	0.20
	CDC - Trustee JS Large Cap. Fund	520,000	0.15
	CDC - Trustee Pak Strategic Alloc. Fund	21,800	0.01
	CDC - Trustee Atlas Stock Market Fund	1,100,000	0.31
	CDC - Trustee First Dawood Mutual Fund	25,000	0.01
	CDC - Trustee Faysal Balanced Growth Fund	190,000	0.05
	CDC - Trustee Alfalah Ghp Value Fund	194,406	0.06
	CDC - Trustee Unit Trust Of Pakistan	1,056,603	0.30
	CDC - Trustee JS Aggressive Asset Allocation Fund	120,000	0.03
	Asian Stock Fund Limited	712,633	0.20
	CDC - Trustee AKD Index Tracker Fund	20,447	0.01
	Safeway Mutual Fund Limited	810,000	0.23
	MC FSL - Trustee JS KSE-30 Index Fund	14,897	0.00
	CDC - Trustee Faysal Asset Allocation Fund	290,000	0.08
	CDC - Trustee United Stock Advantage Fund	1,500,000	0.43
	Crescent Standard Modaraba	6,500	0.00
	CDC - Trustee KASB Stock Market Fund	89,860	0.03
	CDC - Trustee Askari Asset Allocation	141,767	0.04
	CDC - Trustee Dawood Islamic Fund	25,000	0.01
	CDC - Trustee APF-Equity Sub Fund	61,000	0.02
	CDC - Trustee HBL - Stock Fund	2,259,829	0.64
	MC FSL - Trustee JS Growth Fund	2,303,623	0.66
	CDC - Trustee HBL Multi - Asset Fund	125,000	0.04
	Pak Asian Fund Limited	4,100	0.00
	CDC - Trustee KASB Asset Allocation Fund	55,500	0.02
	B.R.R. Guardian Modaraba	60,505	0.02
	First Capital Mutual Fund Limited	50,000	0.01
	CDC - Trustee Alfalah Ghp Alpha Fund	125,376	0.04
	CDC - Trustee Nit-Equity Market Opportunity Fund	4,974,341	1.41
	MC FSL-Trustee Askari Islamic Asset Allocation Fund	75,040	0.02
	CDC - Trustee First Habib Stock Fund	73,500	0.02
	CDC - Trustee Lakson Equity Fund	87,303	0.02
	CDC - Trustee Crosby Dragon Fund	99,917	0.03
	MCBFSL-Trustee URSF-Equity Sub Fund	50,000	0.01
	MCBFSL-Trustee UIRSF-Equity Sub Fund	14,500	0.00
	CDC-Trustee NAFA Savings Plus Fund - Mt	624,240	0.18
	CDC - Trustee AKD Aggressive Income Fund- Mt	136,771	0.04
	CDC-Trustee HBL Islamic Stock Fund	194,414	0.06
	CDC - Trustee HBL IPF Equity Sub Fund	66,489	0.02
	CDC - Trustee HBL PF Equity Sub Fund	34,000	0.01
	CDC - Trustee Askari Equity Fund	96,400	0.03
	MCBFSL - Trustee Namco Balanced Fund	194,652	0.06

Information Under Clause (J)

of Sub-Regulation (XVI) of Regulation 35 of Chapter of Listing Regulations of the Karachi Stock Exchange (G) Limited As At June 30, 2012

			Shares Held	Percentage
(III)	**Directors, CEO, their Spouse and Minor Children**			
	1. Mian Umer Mansha	Chief Executive Officer / Chairman	44,292,572	12.60
	2. Mian Hassan Mansha	Director	44,372,016	12.62
	3. Mr. Khalid Qadeer Qureshi	Director	725	0.00
	4. Mr. Muhammad Azam	Director	500	0.00
	5. Ms. Nabiha Shahnawaz Cheema	Director	3,625	0.00
	6. Mr. Maqsood Ahmed	Director	500	0.00
(IV)	**Executives**	NIL	-	
(V)	**Public Sector, Companies and Corporations**			
	Joint Stock Companies	42,978,048	12.22	
(VI)	**Shareholders Holding Five Percent or More Voting Intrest In The Listed Company**			
	1. Mrs. Naz Mansha	Shareholder	29,088,712	8.27
	2. Mian Raza Mansha	Shareholder	28,919,241	8.23
	3. Mian Umer Mansha	Chief Executive Officer / Chairman	44,292,572	12.60
	4. Mian Hassan Mansha	Director	44,372,016	12.62
	5. National Bank Of Pakistan	Shareholder	29,122,421	8.28
	6. Mackenzie Cundill Recovery Fund	Shareholder (Foreigner)	21,000,000	5.97
(VII)	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modarabas And Pension Funds**			
	1. Investment Companies		633,694	0.18
	2. Insurance Companies		14,372,826	4.09
	3. Financial Institutions		35,764,230	10.17
	4. Modaraba Companies		57,628	0.02
	5. Pension / Provident Funds		4,376,847	1.26

Information Under Clause (I)

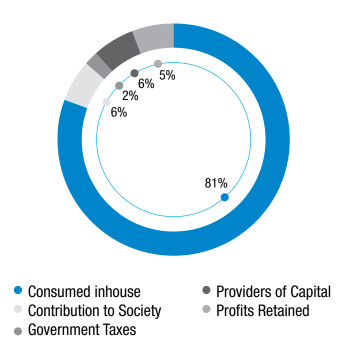
of Sub-Regulation (XVI) of Regulation 35 of Chapter (XI) of Listing Regulations of the Karachi Stock Exchange (G) Limited As At June 30, 2012

There is no trading in the shares of the Company, carried out by its Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary, their spouses and minor children and Other Employees of the Company for whom the Board of Directors have set the threshold during the period July 1, 2011 to June 30, 2012.

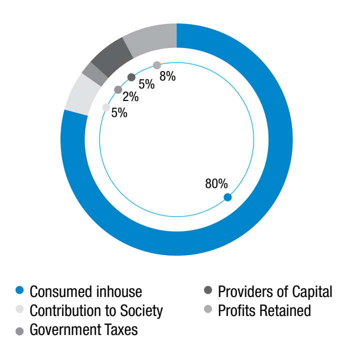
Statement of Value Addition and Distribution

	Year 2012		Year 2011	
	Rs (000)	%	Rs (000)	%
Wealth Addition				
Net Sales	44,924,101	94.36	48,565,144	95.21
Other Operating Income	2,683,685	5.64	2,444,985	4.79
	47,607,786	**100.00**	**51,010,129**	**100.00**
Wealth Distribution				
Consumed inhouse				
Cost of Sales (Excluding Employees Remuneration)	35,697,300	74.98	38,416,896	75.31
Distribution and Admin Expenses (Excluding Employees Remuneration)	2,668,434	5.61	2,331,858	4.57
	38,365,734	80.59	40,748,754	79.88
Contribution to Society				
Employees Remuneration	3,096,452	6.50	2,850,097	5.59
Donations	650	0.00	7,800	0.02
	3,097,102	6.50	2,857,897	5.61
Government Taxes (Including Income Taxes, WPPF and WWF)	855,840	1.80	958,518	1.88
Providers of Capital				
Finance Cost	1,760,543	3.70	1,601,048	3.14
Dividend	1,160,279	2.44	879,000	1.72
	2,920,822	6.14	2,480,048	4.86
Profit Retained	2,368,288	4.97	3,964,912	7.77
	47,607,786	**100.00**	**51,010,129**	**100.00**

Wealth Distribution 2012



Wealth Distribution 2011



Notes

Form of Proxy

I/We ____________________

of ____________________

being a member of Nishat Mills Limited, hereby appoint ____________________

____

of ____________________

or failling him/her ____________________

of ____________________

member(s) of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 31, 2012 (Wednesday), at 11.00 a.m. at Nishat House, 53-A, Lawrence Road, Lahore.

as witness may hand this__________ day of _____ 2012

Signed by the said member ____________________

in presence of ____________________

Please affix revenue stamp Rs. 5

Signature of witness...................................

Name...

Address ....

....

CNIC # ....

Signature(s) of Members(s)

Please quote:

Folio No.	Shares held	CDC A/C. No.

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

AFFIX
CORRECT
POSTAGE

The Company Secretary

NISHAT MILLS LIMITED
Nishat House,
53 - A, Lawrence Road, Lahore.
Tel : 042 - 36360154
UAN : 042 - 111 113 333

Glossary of Terms

AFS	Available For Sale
APTMA	All Pakistan Textile Mills Association
Board	Board of Directors
CDC	Central Depository Company of Pakistan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COCG	Code of Corporate Governance
COO	Chief Operating Officer
CSR	Corporate Social Responsibility
EBIT	Earnings Before Interest and Taxation
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortization
EOBI	Employees' Old Age Benefit Institute
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
FBR	Federal Board of Revenue
GoP	Government of Pakistan
HR	Human Resource
HR & R	Human Resource and Remuneration
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ISO	International Organization for Standards
IT	Information Technology
KG	Kilo Gram
KIBOR	Karachi Interbank Offer Rate
KSE	Karachi Stock Exchange
Lbs	Pounds
NRV	Net Realisable Value
SECP	Securities and Exchange Commission of Pakistan
TFC	Term Finance Certificate
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund

www.nishatmillsltd.com

Nishat Mills Limited

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