Nishat (Chunian) Limited

Annual Report 2012

Brief Profile

Nishat (Chunian) Limited was incorporated in 1990 as a public limited company with an equity investment of Rupees 100 million. A spinning mill having a capacity of 14,400 spindles was established at Bhai Pheru, Tehsil Chunian. It started commercial production on 10 March 1991. The capacity was enhanced to 19,200 spindles in 1998. In 1998, the Company diversified its business interest by venturing into a weaving project with the installation of 99 air jet looms. A new state of art spinning unit started production in November 2000, increasing the total spinning capacity to about 40,872 spindles. Subsequently weaving capacity was increased to 212 air jet looms while the spinning capacity was increased to 50,952 spindles. During the period ended 30 June 2005, the Company enhanced its spinning capacity substantially by acquiring the operating assets of Umer Fabrics Limited comprising of 38,544 spindles and by addition of a new spinning unit with 40,128 spindles. In 2006, the Company also diversified into Home Textile Business. The Company is currently operating with 149,948 spindles, 293 looms, a modern dyeing and finishing plant having capacity of 101,370 meters per day and captive power plants with a total capacity of 29MW.

Nishat Chunian Power Limited (NCPL) incorporated on 23 February 2007, is a subsidiary of Nishat (Chunian) Limited. The gross capacity of the NCPL is 200MW and is operating as an independent power producer, selling its electricity to National Transmission & Dispatch Company Limited. The Company successfully commenced commercial operations on 21 July 2010.

Contents

Company Information

Board of Directors:	Mr. Shahzad Saleem Ms. Farhat Saleem Mr. Yahya Saleem Mr. Manzoor Ahmed Mr. Aftab Ahmad Khan Mr. Mushtaq Ahmad Mr. Manzar Mushtaq	Chief Executive/Chairman Nominee NIT
Audit Committee:	Mr. Aftab Ahmad Khan Mr. Shahzad Saleem Mr. Manzar Mushtaq	Chairman Member Member
HR&R Committee:	Mr. Mushtaq Ahmad Mr. Shahzad Saleem Mr. Manzar Mushtaq	Chairman Member Member
Company Secretary & CFO:	Mr. Ahmad Subhani	
Head of Internal Audit:	Mr. Saqib Riaz	
Bankers to the Company:	Allied Bank Limited Askari Bank Limited Al Barka Bank (Pakistan) Limited Bank Alfalah Limited Barclays Bank plc, Pakistan Bank Islami Pakistan Limited Bank AlHabib Limited Burj Bank Limited Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited HSBC Bank Middle East Limited Habib Metropolitan Bank Limited JS Bank Limited KASB Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Pak Brunei Investment Company Limited Pak Kuwait Investment Company (Private) Limited Standard Chartered Bank Pakistan Limited Saudi Pak Industrial and Agriculture Investment Company Limited SAMBA Bank Limited Summit Bank Limited Soneri Bank Limited The Bank of Punjab United Bank Limited	
Auditors:	Riaz Ahmad & Company Chartered Accountants	
Registered & Head Office:	31-Q, Gulberg-II, Lahore, Pakistan. Phone : 35761730-39 Fax : 35878696-97 Web : http://nishat.net & www.nishatchunian.com	
Share Registrar:	Hameed Majeed Associates (Pvt) Limited 1st Floor, H.M. House 7-Bank Square, Lahore Ph: 042 37235081-2 Fax: 042 37358817	
Mills:	Spinning 1, 4 & 5 49th Kilometre, Multan Road, Bhai Pheru, Tehsil Chunian, District Kasur. Dyeing & Printing 4th Kilometre, Manga Road, Raiwind.	Spinning 2, 3 & Weaving 49th Kilometre, Multan Road, Kamogal, Tehsil Pattoki, District Kasur.

Notice of Annual General Meeting

Notice is hereby given that the 23rd Annual General Meeting of the Shareholders of Nishat (Chunian) Limited will be held at the Registered Office of the Company, 31-Q, Gulberg II, Lahore on 30 October 2012 (Tuesday) at 11.00 a.m. to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on 31 March 2012.

2. To receive and adopt audited accounts of the Company and Group for the year ended 30 June 2012 together with Directors' and Auditors' reports thereon.

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

4. To appoint auditors for the year ending 30 June 2013 and to fix their remuneration. The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

SPECIAL BUSINESS:

5. (i) Increase in authorized capital

To consider and pass, with or without modification(s), the following resolution as Special Resolution:

"Resolved that the authorized capital of the company be and is hereby increased by Rupees 550 million divided into 55 million Ordinary Shares of Rupees 10 each. The new shares shall rank pari passu with the existing shares in all respect.

Further resolved, the relevant clause No. V of Memorandum of Association of the company is amended and accordingly to read as under:

Clause "V" of the Memorandum of Association
The authorized share capital of the Company is Rupees 2,500,000,000 (Rupees Two Billion Five Hundred Million Only) divided into 230,000,000 (Two Hundred Thirty Million) ordinary shares and 20,000,000 (Twenty Million) preference shares of Rupees 10 each (Ten Only) with the power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association or the Regulations of the Company for the time being, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association or Regulations of the Company.

Further resolved, Mr. Shahzad Saleem, Chief Executive/Chairman and / or Secretary of the Company be and is/are hereby authorized to comply with the formalities relating to increase of the authorized capital of the Company."

(ii) Donation to charitable institution(s)/trust(s)

To consider and pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that the Board of Directors of the Company be and is hereby authorized to contribute out of the profits of the Company by way of donations of upto PKR 150 million to the proposed Saleem Memorial Trust Hospital, Lahore. This donation shall be in addition to the other contributions to be made by the Company for social causes and welfare of the society to such charitable institution(s) including Saleem Memorial Trust Hospital as may be approved by the Board of Directors in future in accordance with the Company's Corporate Social Responsibility Initiative (CSR).

RESOLVED FURTHER that the Board of Directors be and are hereby authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary and incidental as they may consider appropriate for effecting the charitable donation to Saleem Memorial Trust Hospital for and on behalf of the Company at such time as they may deemed fit".

OTHER BUSINESS:

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

By Order of the Board

Ahmad Subhani
Company Secretary

Lahore: 09 October 2012

Notes:

1. The Members' Register will remain closed from 20-10-2012 to 26-10-2012 (both days inclusive).Transfers received at Hameed Majeed Associate (Pvt) Limited, H.M. House, 7-Bank Square, Lahore, the Registrar and share transfer office of the Company by the close of business on 19-10-2012 will be considered in time for attending the AGM and for above entitlement.

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

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

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

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

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

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

This Statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting.

Increase in authorized capital

Item 5(i) of the Agenda - increase in authorized capital, the authorized capital of the Company is being amended / increased in order to cater the future capital requirement of the Company.

Donation to charitable institution(s)/trust(s)

(A) Item 5(ii) of the Agenda - Donation to Saleem Memorial Trust Hospital

The Board of Directors of the Company while considering the Corporate Social Responsibility Initiative (CSR), have resolved that in the larger interest of the business of the Company and to fulfill its social responsibility as a responsible corporate citizen, it is imperative that certain donations are made by the Company from time to time to charitable institution(s)/trust(s) to further the charity work carried on by such Charitable institutions(s)/trust(s). With an ongoing focus of charitable activities on education and health, the Board of Directors has decided to earmark funds for its Social Responsibility Initiative in the area of health services. In that direction, the Board of Directors has decided to contribute a specific donation of up to PKR 150 million to the proposed Saleem Memorial Trust Hospital.

Saleem Memorial Trust Hospital, Lahore (proposed) has recently been granted licence by the Securities and Exchange Commission of Pakistan (SECP) under Section 42 of the Companies Ordinance, 1984 and the Company is in the process of registration as a public limited company not having share capital. The subscribers to Memorandum, among others, are Mr. Shahzad Saleem, Mr. Yahya Saleem and Ms. Farhat Saleem and each one of them will contribute not less than PKR 75 million as start up donation in terms of the condition imposed by the SECP for grant of licence to Saleem Memorial Trust Hospital. The Hospital - 150 beds (Approximately) - a model hospital with state of the art technologies will be built at a cost of PKR 1 Billion approximately and will have OPD, IPD, 24 Hours emergency facility, operations theaters, consultation rooms and other facilities and will provide quality health care to the peoples.

The above donation shall be in addition to the other contributions to be made by the Company for social causes and welfare of the society to such charitable institution(s) including Saleem Memorial Trust Hospital as may be approved by the Board of Directors in accordance with the Company's Corporate Social Responsibility Initiative (CSR).

It may be added that this activity is within the sphere of the Company's powers under the Memorandum of Association of the Company.

The Directors recommend that the resolution as set out in the notice of the meeting may be passed as an ordinary resolution, with or without any modification(s), empowering the Board of Directors to make charitable donations for fulfillment of the Company's obligation towards the society at large and for strengthening the health services in the country.

Mr. Shahzad Saleem, Ms. Farhat Saleem and Mr. Yahya Saleem, Directors of the Company are the subscribers and first directors of the proposed Saleem Memorial Trust Hospital and they are interested or concerned in the proposed special business to the extent of their shareholdings. No other director of the Company is, directly or indirectly, concerned or interested in the said special business.

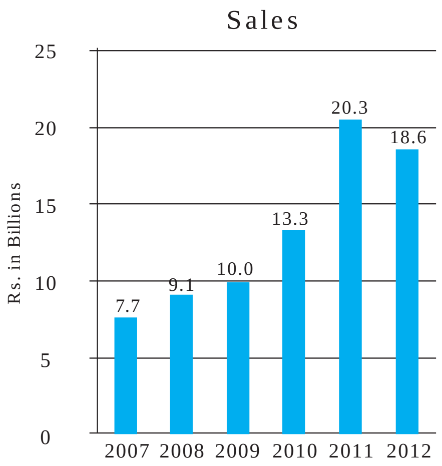
Directors' Report

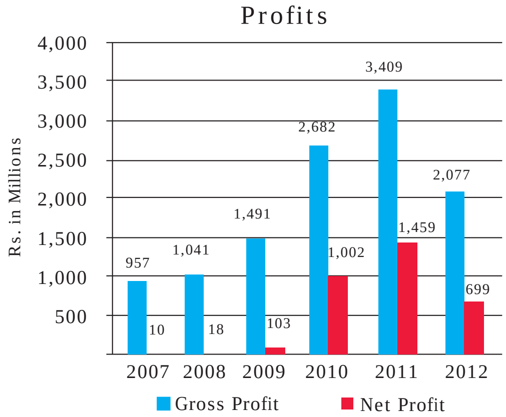
We are pleased to present the Annual Report of your Company for the year ended 30 June 2012.

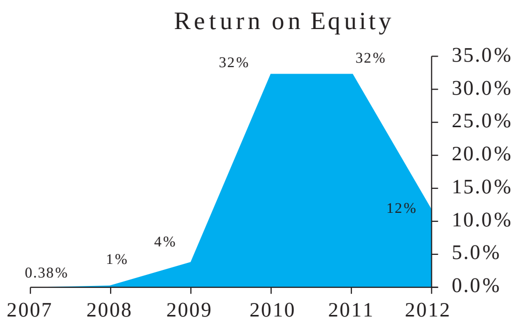
Sales during the year were recorded at Rs. 18.62 billion as compared to Rs. 20.32 billion last year, registering a decrease of 8%. Gross profit margin of the Company has decreased to 11.16% from 16.77% last year. This drop in margins is mainly due to decrease in margins in spinning and increase in power and fuel expenses, as your Company has had to use furnace and diesel oil to generate electricity and steam due to gas and electricity load-shedding. Keeping with this trend, your Company's net profit margin have also decreased to 3.76% from 7.18% last year. In absolute terms, Company's net profit decreased by 52.1% to Rs. 699.31 million from Rs. 1,458.58 million last year. This decrease in profit has also caused decrease in return on equity from 32% last year to 12% in the current year.

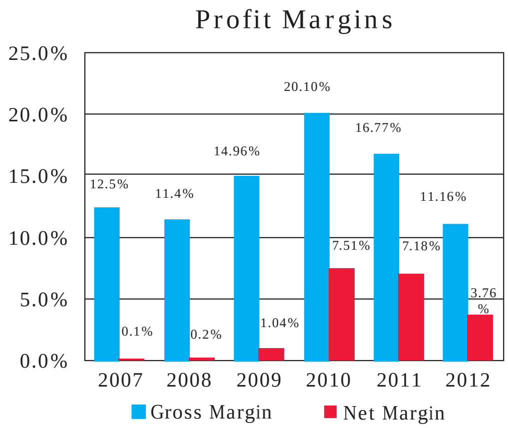
A look at the 6 year performance shows that your Company has achieved great heights in achieving record profits. We have progressed from Rs. 7.7 billion sales in 2007 to Rs 18.6 billion in the current year (an increase of 104%). Keeping with this trends your Company's gross profits have increased from Rs.0.96 billion in 2007 to Rs. 2.08 billion in 2012 (an increase of 113%), whereas the net profits have increased from Rs. 10.2 million in 2007 to Rs. 699.3 million in 2012.

Gross profit margins have remained stable in the previous 6 years. After increasing to a record 20.10% in 2010, gross profit margins have decreased to 11.12% in 2012 due to increase in fuel and power costs as stated above. However, net profits margins in the same period have increased from 0.1% in 2007 to 3.8% in 2012, which shows that Administrative and Distribution expenses consume only a small portion of expenses, and finance expenses are also under control.







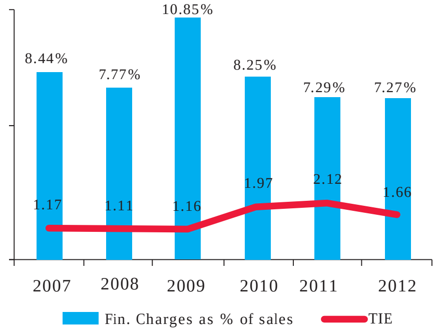


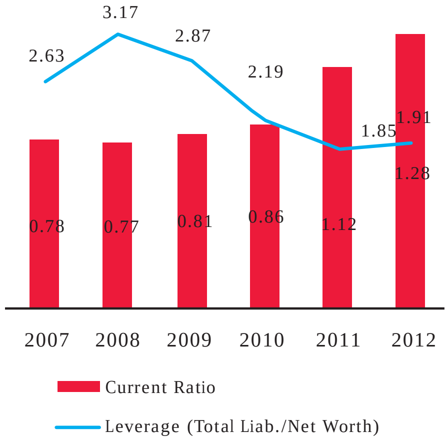
Financial Cost and Capital Structure

Company's financial charges decreased to Rs. 1.35 billion from Rs. 1.48 billion last year. Your Company's average utilisation of bank borrowings during the year, decreased to approximately Rs. 10.4 billion as compared to Rs. 11.0 billion last year. As your Company is focused on exports, the average SBP Export Refinance Loans utilization remained fairly constant during the year at approximately Rs. 2.01 billion as compared to Rs. 2.08 billion last year.

A review of finance cost as a percentage of sales shows that the finance cost has been slowly decreasing from 8.44% in 2007 to 7.27% in the current year, more importantly the Company's ability to repay future obligations appears brighter, as the times interest earned ratio has been steadily increasing from 1.17 times in 2007 to 1.66 times in the current year.

Leverage ratios have significantly decreased from 2.63 in 2007 to 1.91 in the current year, whereas current ratio has been steadily increasing from 0.78 in 2007 to 1.28 in the current. Both of these show that your Company has effectively managed its resources and is increasingly growing from internally generated funds; which is in line with your Company's policy to maintain a conservative capital structure by raising capital from time to time to meet its funding requirements and to keep the leverage ratios at the desired level.



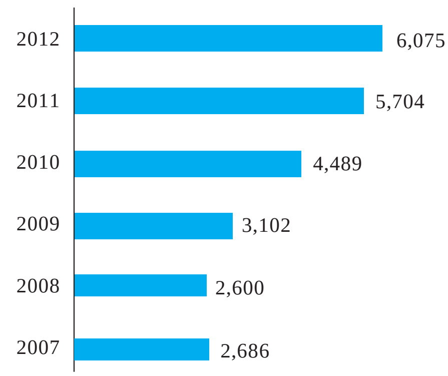


Investments

During the year an investment of Rs. 137 million was made in Home Textile machinery, Rs. 75 million in Spinning machinery, Rs. 40 million in Weaving and power machinery, on account of balancing modernization and restructuring.

The company is presently operating with 149,948 spindles, 293 wider width air jet looms, a dyeing, stitching and printing plant, and captive power plants with total capacity of 29 MW.

Shareholder's Equity (Millions)



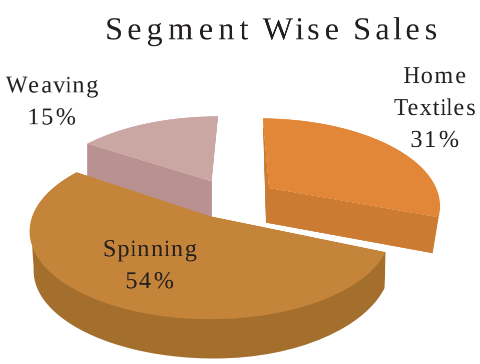
Nishat Chunian Power Limited (NCPL)

NCL's total investment in NCPL (at cost) stands at Rs. 1,876 million (2011: Rs. 1,943 million) and NCL currently holds 51.07% (2011: 52.89%) shares of NCPL.

Dividends

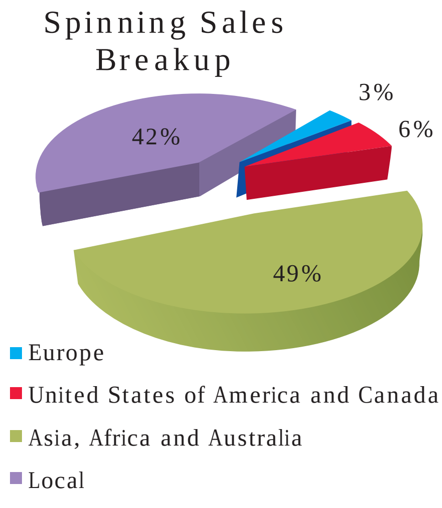
Directors of the company have proposed to pay 20% cash dividend and 10% bonus shares on existing ordinary shares.

BUSINESS SEGMENTS REVIEW



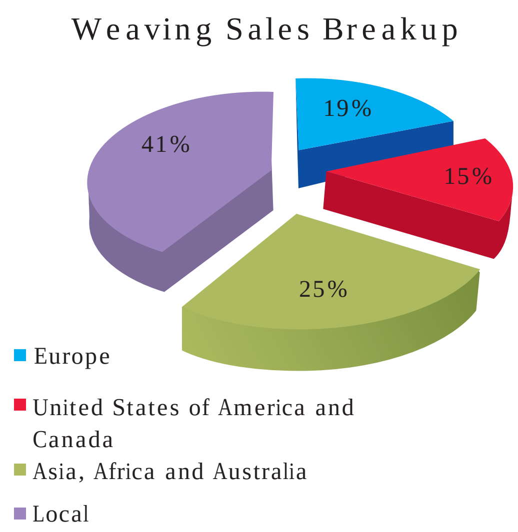
Spinning

Last year Spinning division of your Company set record profits due to record high cotton and yarn prices particularly in the second half and timely procurement of cotton at low rates. In the current year a decreasing trend in cotton and yarn prices has resulted in lower profit margins. Major sales were to a very strong and growing market in the Far East, with China being the key customer, whereas the local market witnessed a slight decrease in sales during the year. A look at segmental profit margins shows that spinning division, despite lower earnings, has still got the highest profit margins. This along with stabilization of cotton and yarn prices and exceptional growth of demand of spinning products being witnessed in China, your Company has decided to significantly invest in the spinning division in the coming year to substantially increase production capacity.



Weaving

Weaving division business remained under pressure during the year under review mainly due to electricity and gas load-shedding and fluctuating yarn prices resulting in decrease in profitability. Business from the EU cannot progress due to the non-implementation of import duties elimination decision of WTO. To counter this decreased demand from EU, the management is making efforts to increase volume of sales in the growing Chinese and Korean markets as well as to capture a greater portion of the local market. Main source of exports for the weaving segments was China and Korea whereas demand from USA was stable; however sales to the EU have decreased significantly.



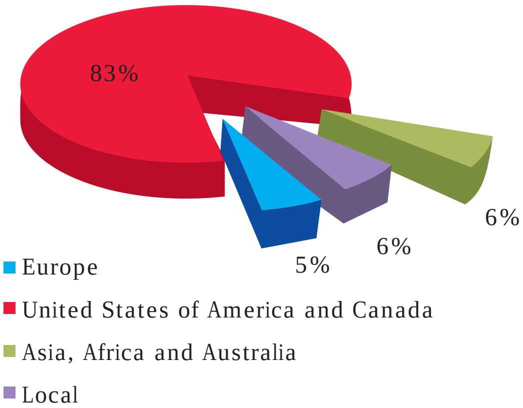
Home Textiles

Home textiles division has shown improvement and registered an increase in its gross margin percentage in the current year. The profits experienced a setback in the first two quarters of the year owing to expensive raw material, increased energy cost and narrow margins on the home textile products but recovered in the third and fourth quarters.

To achieve this profitability, your company is continuously taking steps to curb the increasing costs with specific focus on impact of energy crises. These ongoing endeavors have led the company to invest in the multi-fuel Steam Boiler and Thermo-Oil Heater, thus minimizing the after effects of the deteriorating situation with respect to gas availability in the year under review.

Despite many challenges being faced in the international market, the increased profitability shows effective and timely decision making, coupled with efficient utilization of resources, on part of the Company.

Home Textiles
Sales Breakup



Future Outlook

Pakistan's textile industry is facing number of challenges at the moment. In the coming year domestic law and order and political situation, due to upcoming elections is posing serious threat to business climate of Pakistan. Gas and electricity load shedding is worsening day by day without any solution in sight. Further increases in gas and electricity prices will jeopardize the profitability margins.

The management of your Company continues to make best efforts, through strategy of expanding and diversifying product range and targeting new and growing markets. Recently due to the increasing demand in spinning from China and expected favourable prices of cotton, the Directors have decided to invest in a new state of the art automated spinning unit of 22,000 spindles. Your Company has also, subsequent to the year end, initiated acquisition of assets of Taj Textile Mills Ltd relating to spinning production. The Company believes due to the proximity, this acquisition is effectively an expansion of current facilities and will result in economies of scales.

To combat the energy crisis and reduce reliance on expensive fossil fuels, your Company has invested in two multi fuel based boilers in Home Textile division which were commissioned in April 2012 and a grid station of 14MW, whose construction is under progress and is expected to be commissioned by the end of October 2012. Management believes that these measures will substantially improve the profitability of your Company in coming years.

Corporate Social Responsibility

Your Company understands and is committed to its vision and mission for a sustainable and equitable growth of our society. This, we believe is only possible through our contributions for the betterment of the society at large, protection of the environment, empowerment of women and the underprivileged.

Your Company regularly donates to hospitals and schools though trusts constituted for dealing in philanthropic activities.

Your Company is committed to providing a healthy, safe and learning work environment to its employees. Your Company has been offering employment opportunities to people from various ethnicities and genders without any bias or prejudice. We offer apprenticeship to fresh graduates, post graduates and engineers on a regular basis, to elevate their professional and technical skills. During the year, your Company contributed a significant amount to the National exchequer by way of payment of various duties, levies and taxes, and through our export focused strategy has contributed significantly in stabilizing the country's foreign exchange position.

Corporate Governance

During the year a new Code of Corporate Governance (COCG) 2012 was promulgated. On the instruction of the Audit Committee and Board of Directors of your Company, an exercise was carried out to determine the changes in requirement of COCG 2012, company's status of compliance with the new requirements and identification of gaps, if any, in compliance and steps that need to be taken to fill such gaps.

Board Committees

MEETINGS OF THE BOARD OF DIRECTORS

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

Sr.No	Name of Director	No. of Meetings Attended
1	Mr. Shahzad Saleem (Chairman/Chief Executive)	5
2	Mr. Yahya Saleem	1
3	Ms. Farhat Saleem	5
4	Mr. Manzoor Ahmad	3
5	Mr. Aftab Ahmad Khan	4
6	Mr. Manzar Mushtaq	5
7	Mr. Mushtaq Ahmed	5
8	Mr. Muhammad Saleem (Deceased)	0
9	Ms. Sehar Adil (Resigned)	0

Audit Committee

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

Mr. Aftab Ahmad Khan	Chairman
Mr. Shahzad Saleem	Member
Mr. Manzar Mushtaq	Member

Human Resource and Remuneration (HR&R) Committee

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

Mr. Mushtaq Ahmad	Chairman
Mr. Shahzad Saleem	Member
Mr. Manzar Mushtaq	Member

Pattern of Shareholding

Pattern of shareholding as on 30 June 2012 is annexed.

Pursuant to the requirement of sub-clause (l) of clause (xvi) of The Code of Corporate Governance, 2012, the Board of Directors has set Rs. 3 million or more annual remuneration as threshold for determination of an "Executive".

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 results of its operation, cash flows and changes in equity.

2. Proper books of accounts of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Acknowledgment

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

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

On behalf of the Board

Shahzad Saleem
Chief Executive / Chairman

Lahore: 04 October 2012

Financial Highlights

	2003	2004	2005 *	2006	2007	2008	2009	2010 (Restated)	2011	2012
					(Rupees in thousand)					
Capital	443,520	443,520	683,644	752,008	752,008	752,008	1,240,814	1,654,418	1,654,418	1,654,418
Reserves	919,106	1,444,303	1,992,547	2,036,835	1,934,191	1,848,186	1,861,657	2,834,299	4,050,023	4,420,576
Net Worth	1,362,626	1,886,823	2,676,191	2,788,843	2,686,199	2,600,194	3,102,471	4,488,717	5,704,441	6,074,994
Long Term Liabilities	589,642	1,116,667	2,780,833	3,413,020	2,984,127	2,591,030	3,183,458	2,729,938	3,333,932	3,985,590
Current Liabilities	1,110,277	1,355,126	2,790,559	3,263,315	4,083,538	5,646,893	5,730,881	7,089,429	7,191,922	7,622,371
Total Equity & Liabilities	3,062,545	4,358,616	8,247,583	9,465,178	9,753,863	10,838,116	12,016,810	14,308,086	16,230,295	17,682,955
Fixed Assets	1,954,767	2,837,084	5,778,293	6,903,335	6,544,227	6,259,570	5,927,348	5,970,253	6,215,030	6,076,549
Investment in Subsidiary Company						211,733	1,437,892	1,873,469	1,942,768	1,875,858
Long Term Deposits & Advances	426	386	1,800	4,828	7,829	9,026	4,621	391,208	4,385	5,653
Current Assets	1,107,352	1,521,146	2,467,490	2,557,015	3,201,807	4,357,788	4,646,949	6,073,156	8,068,112	9,724,895
Total Assets	3,062,545	4,358,616	8,247,583	9,465,178	9,753,863	10,626,384	10,578,918	14,308,086	16,230,295	17,682,955
Sales	4,226,715	6,516,226	5,454,231	6,550,782	7,677,539	9,138,298	9,964,545	13,343,539	20,322,002	18,616,943
Gross Profit	742,242	968,808	1,225,206	1,168,532	957,209	1,040,880	1,491,183	2,682,206	3,408,524	2,076,797
Operating Profit plus Other Income	519,004	796,705	947,262	834,845	759,303	782,001	1,249,880	2,236,669	3,145,188	2,247,418
Financial & Other charges	143,586	111,014	187,899	494,045	648,146	705,822	1,081,536	1,101,054	1,482,399	1,353,445
Taxation	48,000	50,614	37,542	90,000	101,000	58,000	65,000	133,783	204,209	194,642
Net Profit	327,418	635,077	721,822	250,800	10,157	18,180	103,344	1,001,832	1,458,580	699,331
Gross Margin	17.6%	14.9%	22.5%	17.8%	12.47%	11.39%	14.96%	20.1%	16.77%	11.16%
Net Margin	7.7%	9.7%	13.2%	3.8%	0.13%	0.20%	1.04%	7.5%	7.18%	3.76%
Current Ratio	1.00	1.12	0.88	0.78	0.78	0.77	0.81	0.85	1.12	1.28
Leverage (Total Liab./Net Worth)	1.25	1.31	2.08	2.39	2.63	3.17	2.87	2.19	1.85	1.91
Long Term Debt : Equity	30:70	37:63	51:49	55:45	53:47	50:50	51:49	38:62	37:63	40:60
EPS **	4.35	8.45	9.60	3.34	0.14	0.22	1.19	8.49	9.07	4.28

* Performance figures for 2005 are for the period of nine months.

** Restated as per IAS 33 (Earnings per share)

Statement of Compliance

with the Code of Corporate Governance for the year ended 30 June 2012

This statement is being presented to comply with the Code of Corporate Governance 2012 (COCG) contained in Regulation No.35 of Listing Regulations of Karachi Stock Exchange (Guarantee) Ltd and Lahore Stock Exchange (Guarantee) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Directors	Mr. Manzoor Ahmed
Executive Directors	Mr. Shahzad Saleem Mr. Yahya Saleem Ms. Farhat Saleem
Non Executive Directors	Mr. Mushtaq Ahmed Mr. Aftab Ahmad Khan Mr. Manzar Mushtaq

   The requirement of Executive Directors in composition of Board under COCG 2012 will be fulfilled at the time of next election of directors, scheduled to be held on 31 March 2015.

   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 stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurring on the Board on 13 March 2012 and 05 April 2012 were filled within eighteen days and one day respectively.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board in accordance with the Articles of Association of the Company.

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

9. 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:
   One director of the company obtained certification under directors' training program offered by Pakistan Institute of Corporate Governance.

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

11. The Directors' Report for this year has been prepared in compliance with the requirements of the 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. The Chairman of the committee is not an independent director and will be changed on next election date to bring the composition of the 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 as required by the Code of Corporate Governance. 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 that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and they are involved in the internal audit function on full time basis.

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

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

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

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

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

Shahzad Saleem
Chief Executive / Chairman

Lahore: 04 October 2012

Statement of Compliance

with the Best Practices on Transfer Pricing

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

Shahzad Saleem
Chief Executive / Chairman

Lahore: 04 October 2012

Review Report

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of NISHAT (CHUNIAN) LIMITED ("the Company") for the year ended 30 June 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 and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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:
Syed Mustafa Ali

Date: 04 October 2012

LAHORE

Auditors' Report to the Members

We have audited the annexed balance sheet of NISHAT (CHUNIAN) 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:
Syed Mustafa Ali

Date: 04 October 2012

LAHORE

Balance Sheet as at

	NOTE	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	3	1,950,000,000	1,950,000,000
Issued, subscribed and paid-up share capital	4	1,654,418,440	1,654,418,440
Reserves	5	4,420,575,587	4,050,022,531
Total equity		6,074,994,027	5,704,440,971
NON-CURRENT LIABILITIES			
Long term financing	6	3,985,589,955	3,333,932,201
CURRENT LIABILITIES			
Trade and other payables	7	1,105,047,161	892,831,127
Accrued mark-up	8	144,471,269	191,413,429
Short term borrowings	9	5,349,510,524	4,608,615,759
Current portion of long term financing	6	1,023,341,772	1,499,061,615
		7,622,370,726	7,191,921,930
Total liabilities		11,607,960,681	10,525,854,131
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		17,682,954,708	16,230,295,102

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

CHIEF EXECUTIVE

30 June 2012

	NOTE	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	11	6,076,549,160	6,215,029,724
Investment in subsidiary company	12	1,875,858,200	1,942,768,220
Long term loans to employees	13	3,365,003	3,289,666
Long term security deposits		2,286,909	1,095,442
		7,958,059,272	8,162,183,052
CURRENT ASSETS			
Stores, spare parts and loose tools	14	523,273,790	448,513,103
Stock-in-trade	15	4,010,713,332	4,513,058,916
Trade debts	16	3,027,856,152	2,144,644,013
Loans and advances	17	172,732,886	209,627,063
Short term loans to subsidiary company	18	1,132,500,000	-
Short term prepayments		266,428	379,188
Accrued interest	19	5,965,255	1,975,178
Other receivables	20	771,096,062	614,891,305
Short term investments	21	32,494,520	-
Cash and bank balances	22	47,997,011	135,023,284
		9,724,895,436	8,068,112,050
TOTAL ASSETS		17,682,954,708	16,230,295,102

DIRECTOR

Profit and Loss Account
for the year ended 30 June 2012

	NOTE	2012 Rupees	2011 Rupees
SALES	23	18,616,942,561	20,322,001,699
COST OF SALES	24	(16,540,145,218)	(16,913,477,416)
GROSS PROFIT		2,076,797,343	3,408,524,283
DISTRIBUTION COST	25	(499,834,017)	(599,586,283)
ADMINISTRATIVE EXPENSES	26	(135,995,989)	(126,091,916)
OTHER OPERATING EXPENSES	27	(50,169,183)	(141,287,624)
		(685,999,189)	(866,965,823)
		1,390,798,154	2,541,558,460
OTHER OPERATING INCOME	28	856,620,344	603,629,611
PROFIT FROM OPERATIONS		2,247,418,498	3,145,188,071
FINANCE COST	29	(1,353,445,371)	(1,482,399,433)
PROFIT BEFORE TAXATION		893,973,127	1,662,788,638
TAXATION	30	(194,642,398)	(204,208,921)
PROFIT AFTER TAXATION		699,330,729	1,458,579,717
EARNINGS PER SHARE - BASIC	31	4.28	9.07
EARNINGS PER SHARE - DILUTED	31	4.28	8.82

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Comprehensive Income
for the year ended 30 June 2012

	NOTE	2012 Rupees	2011 Rupees
PROFIT AFTER TAXATION		699,330,729	1,458,579,717
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		699,330,729	1,458,579,717

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement
for the year ended 30 June 2012

	NOTE	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	1,950,568,174	1,485,199,724
Net increase in long term security deposits		(1,191,467)	-
Finance cost paid		(1,407,121,962)	(1,542,771,727)
Income tax paid		(242,117,706)	(291,257,866)
Net increase in long term loans to employees		(1,906,913)	(604,471)
Net cash generated from / (used in) operating activities		298,230,126	(349,434,340)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(420,047,261)	(855,047,733)
Capital expenditure on intangible asset		-	(672,373)
Proceeds from sale of property, plant and equipment		26,301,460	56,620,192
Proceeds from sale of shares of subsidiary company		92,838,536	279,936,623
Long term loan made to subsidiary company		-	(85,000,000)
Repayment of long term loan by subsidiary company		-	471,638,960
Short term loans made to subsidiary company		(3,299,394,249)	-
Repayment of short term loans by subsidiary company		2,166,894,249	-
Dividend received from subsidiary company		468,964,551	196,980,439
Short term investments made		(30,000,000)	-
Profit on bank deposits received		25,234,597	73,842,691
Net cash (used in) / from investing activities		(969,208,117)	138,298,799
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		3,050,000,000	2,754,963,500
Repayment of long term financing		(2,874,062,089)	(2,194,775,000)
Short term borrowings - net		740,894,765	(59,181,913)
Dividends paid		(332,880,958)	(245,622,283)
Net cash from financing activities		583,951,718	255,384,304
Net (decrease) / increase in cash and cash equivalents		(87,026,273)	44,248,763
Cash and cash equivalents at the beginning of the year		135,023,284	90,774,521
Cash and cash equivalents at the end of the year		47,997,011	135,023,284

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

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity
for the year ended 30 June 2012

	SHARE CAPITAL			REVENUE RESERVES			TOTAL EQUITY
	Ordinary shares	Preference shares	TOTAL	General reserve	Unappropr-iated profit	TOTAL	
	.... Rupees						
Balance as at 30 June 2010	1,585,526,670	68,891,770	1,654,418,440	1,629,221,278	1,205,077,780	2,834,299,058	4,488,717,498
Final dividend for the year ended 30 June 2010 @ Rupees 1.5 per ordinary share	-	-	-	-	(237,829,001)	(237,829,001)	(237,829,001)
Preference shares converted into ordinary shares	35,376,820	(35,376,820)	-	-	-	-	-
Preference dividend for the year ended 30 June 2011	-	-	-	-	(5,027,243)	(5,027,243)	(5,027,243)
Profit for the year	-	-	-	-	1,458,579,717	1,458,579,717	1,458,579,717
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,458,579,717	1,458,579,717	1,458,579,717
Balance as at 30 June 2011	1,620,903,490	33,514,950	1,654,418,440	1,629,221,278	2,420,801,253	4,050,022,531	5,704,440,971
Final dividend for the year ended 30 June 2011 @ Rupees 2 per ordinary share	-	-	-	-	(324,180,698)	(324,180,698)	(324,180,698)
Preference shares converted into ordinary shares	33,514,950	(33,514,950)	-	-	-	-	-
Preference dividend for the year ended 30 June 2012	-	-	-	-	(4,596,975)	(4,596,975)	(4,596,975)
Profit for the year	-	-	-	-	699,330,729	699,330,729	699,330,729
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	699,330,729	699,330,729	699,330,729
Balance as at 30 June 2012	1,654,418,440	-	1,654,418,440	1,629,221,278	2,791,354,309	4,420,575,587	6,074,994,027

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements
for the year ended 30 June 2012

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and 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.

Accumulating compensated absences

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

Taxation

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

Provisions for doubtful debts

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

Impairment of investment in subsidiary company

In making an estimate of recoverable amount of the Company's investment in subsidiary company, 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 (IASBs) 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 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 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 Taxation

Current

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

Deferred

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

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

2.3 Employee benefits

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

Provident fund

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

Accumulating compensated absences

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

2.4 Fixed assets

Property, plant, equipment and depreciation

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

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

Depreciation

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

Derecognition

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

Intangible asset

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

2.5 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Investment in subsidiary company

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

d) Available-for-sale

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

Quoted

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

Unquoted

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

2.6 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.7 Foreign currencies

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

2.8 Borrowing cost

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

2.9 Revenue recognition

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

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

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

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

2.10 Share capital

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

2.11 Financial instruments

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

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

a) Trade debts and other receivables

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

b) Borrowings

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

c) Trade and other payables

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

2.12 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.

2.13 Cash and cash equivalents

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

2.14 Non-current assets held for sale

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

2.15 Derivative financial instruments

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

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

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

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

2.16 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.

2.17 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

2.18 Segment reporting

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

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

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

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

2.19 Dividend to ordinary shareholders and other appropriations

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

3. AUTHORIZED SHARE CAPITAL

2012 (Number of shares)	2011 (Number of shares)		2012 Rupees	2011 Rupees
175,000,000	175,000,000	Ordinary shares of Rupees 10 each	1,750,000,000	1,750,000,000
20,000,000	20,000,000	15% non-voting cumulative convertible preference shares of Rupees 10 each	200,000,000	200,000,000
195,000,000	195,000,000		1,950,000,000	1,950,000,000

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2012 (Number of shares)	2011 (Number of shares)		2012 Rupees	2011 Rupees
Ordinary shares				
94,720,922	91,369,427	Ordinary shares of Rupees 10 each fully paid in cash	947,209,220	913,694,270
69,496,657	69,496,657	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	694,966,570	694,966,570
1,224,265	1,224,265	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of Arrangement as approved by the Honourable Lahore High Court, Lahore	12,242,650	12,242,650
165,441,844	162,090,349		1,654,418,440	1,620,903,490
Preference shares				
-	3,351,495	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	-	33,514,950
165,441,844	165,441,844		1,654,418,440	1,654,418,440

4.1 Ordinary shares of the Company held by related parties :

	2012 (Number of Shares)	2011 (Number of Shares)
Nishat Mills Limited	22,513,321	22,513,321
D.G. Khan Cement Company Limited	5,010,059	5,010,059
	27,523,380	27,523,380

4.2 Movement during the year

2012 (Number of shares)	2011 (Number of shares)		2012 Rupees	2011 Rupees
Ordinary shares				
162,090,349	158,552,667	At 01 July	1,620,903,490	1,585,526,670
3,351,495	3,537,682	Preference shares converted into ordinary shares of Rupees 10 each at par	33,514,950	35,376,820
165,441,844	162,090,349	At 30 June	1,654,418,440	1,620,903,490
Preference shares				
3,351,495	6,889,177	At 01 July	33,514,950	68,891,770
(3,351,495)	(3,537,682)	Preference shares converted into ordinary shares of Rupees 10 each at par	(33,514,950)	(35,376,820)
-	3,351,495	At 30 June	-	33,514,950

4.3 During the year ended 30 June 2012, at the expiry of three years from the date of issue of preference shares, all outstanding non-voting cumulative convertible preference shares of Rupees 10 each were converted into ordinary shares of Rupees 10 each at conversion price of Rupees 10 per ordinary share.

	2012 Rupees	2011 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	2,791,354,309	2,420,801,253
	4,420,575,587	4,050,022,531
6. LONG TERM FINANCING		
From banking companies / financial institutions - secured		
Long term loans (Note 6.1)	4,160,181,727	3,747,993,816
Long term musharaka (Note 6.2)	442,500,000	585,000,000
Privately placed term finance certificates - secured (Note 6.3)	406,250,000	500,000,000
	5,008,931,727	4,832,993,816
Less: Current portion shown under current liabilities		
Long term loans	720,841,772	1,262,811,615
Long term musharaka	177,500,000	142,500,000
Privately placed term finance certificates	125,000,000	93,750,000
	1,023,341,772	1,499,061,615
	3,985,589,955	3,333,932,201

6.1 Long term loans

Lender	2012 Rupees	2011 Rupees	Rate of mark up per annum	Number of installments	Mark up repricing	Mark up payable
Standard Chartered Bank (Pakistan) Limited	400,000,000	-	1-month KIBOR + 1.40%	Six equal half yearly instalments commencing on 12 July 2013 and ending on 12 January 2016.	Monthly	Monthly
United Bank Limited-1	-	62,500,000	SBP rate for LTF-EOP + 2%	Eight equal half yearly instalments commenced on 28 February 2007 and ended on 31 July 2011.	-	Quarterly
United Bank Limited-2	-	40,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 27 December 2007 and ended on 27 June 2012.	Half Yearly	Half Yearly
United Bank Limited-3	50,000,000	150,000,000	6-month KIBOR + 0.95%	Ten equal half yearly instalments commenced on 24 June 2008 and ending on 24 December 2012.	Half Yearly	Half Yearly
United Bank Limited-4	-	312,500,000	6-month KIBOR + 1.75%	Eight equal half yearly instalments commenced on 31 March 2010 and ending on 30 September 2013. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
United Bank Limited-5	-	23,333,334	6-month KIBOR + 2.40%	Six equal half yearly instalments commenced on 31 December 2010 and ending on 30 June 2013. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
United Bank Limited-6	17,875,000	25,025,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014.	-	Quarterly
United Bank Limited-7	24,000,000	33,600,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 08 June 2011 and ending on 08 December 2014.	-	Quarterly
United Bank Limited-8	6,600,000	8,800,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 28 July 2011 and ending on 28 January 2015.	-	Quarterly
United Bank Limited-9	66,450,000	88,600,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 18 July 2011 and ending on 18 January 2015.	-	Quarterly
United Bank Limited-10	19,875,000	26,500,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 26 January 2015.	-	Quarterly
United Bank Limited-11	500,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 31 May 2013 and ending on 28 February 2017.	Quarterly	Quarterly
Habib Bank Limited-1	-	9,155,796	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 24 May 2007 and ended on 24 November 2011.	-	Quarterly
Habib Bank Limited-2	-	15,238,408	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 03 August 2007 and ended on 03 February 2012.	-	Quarterly
Allied Bank Limited-1	-	100,000,000	6-month KIBOR + 1.05%	Six equal half yearly instalments commenced on 23 December 2009 and ended on 23 June 2012.	Half Yearly	Half Yearly
Allied Bank Limited-2	-	150,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 28 March 2008 and ending on 28 September 2012. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
Allied Bank Limited-3	-	210,000,000	6-month KIBOR + 0.85%	Ten equal half yearly instalments commenced on 15 June 2008 and ending on 15 December 2012. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
Allied Bank Limited-4	500,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 01 June 2013 and ending on 01 March 2017.	Quarterly	Quarterly
Allied Bank Limited-5	1,200,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 28 February 2013 and ending on 29 November 2016.	Quarterly	Quarterly
Pak Kuwait Investment Company (Private) Limited-1	-	177,777,778	6-month KIBOR + 2.50%	Eighteen equal quarterly instalments commenced on 14 January 2011 and ending on 14 April 2015. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
Pak Kuwait Investment Company (Private) Limited-2	194,444,448	250,000,000	6-month KIBOR + 2.45%	Eighteen equal quarterly instalments commenced on 21 September 2011 and ending on 21 December 2015.	Half Yearly	Quarterly
Summit Bank Limited	30,000,000	75,000,000	6-month KIBOR + 1.05%	Twenty equal quarterly instalments commenced on 01 January 2008 and ending on 01 October 2012.	Half Yearly	Quarterly
National Bank of Pakistan	-	125,000,000	6-month KIBOR + 2.50%	Eight equal half yearly instalments commenced on 30 September 2009 and ending on 31 March 2013. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
The Bank of Punjab-1	236,250,000	270,000,000	SBP rate for LTFF+ 2.5%	Sixteen equal quarterly instalments commenced on 15 January 2012 and ending on 15 October 2015.	-	Quarterly
The Bank of Punjab-2	187,500,001	250,000,000	6-month KIBOR + 1.35%	Twelve equal quarterly instalments commenced on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly
Faysal Bank Limited	-	1,000,000,000	6-month KIBOR + 2.15%	Eight equal half yearly instalments commenced on 23 June 2012 and ending on 23 December 2015. However, the Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
SAMBA Bank Limited	187,500,000	250,000,000	3-month KIBOR + 1.50%	Eight equal quarterly instalments commenced on 31 January 2012 and ending on 31 October 2013.	Quarterly	Quarterly
Saudi Pak Industrial and Agricultural Investment Company Limited	89,687,278	94,963,500	SBP rate for LTFF+ 3%	Eighteen equal quarterly instalments commenced on 31 May 2012 and ending on 31 August 2016.	-	Quarterly
Soneri Bank Limited	250,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 30 April 2013 and ending on 31 January 2017.	Quarterly	Quarterly
Pak Brunei Investment Company Limited	200,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 02 July 2013 and ending on 02 April 2017.	Quarterly	Quarterly
	4,160,181,727	3,747,993,816				

6.2 Long term musharaka

Lender	2012 Rupees	2011 Rupees	Rate of mark up per annum	Number of installments	Mark up repricing	Mark up payable
Burj Bank Limited -1	62,500,000	125,000,000	6-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 30 September 2009 and ending on 30 June 2013.	Half Yearly	Quarterly
Burj Bank Limited -2	140,000,000	140,000,000	6-month KIBOR + 1.50%	Sixteen equal quarterly instalments commencing on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Dubai Islamic Bank (Pakistan) Limited	240,000,000	320,000,000	6-month KIBOR + 1.15%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
	442,500,000	585,000,000				
6.3 Privately placed term finance certificates	406,250,000	500,000,000	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commenced on 30 December 2011 and ending on 30 September 2015.	Quarterly	Quarterly

6.4 Long term loans and privately placed term finance certificates are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 7,640 million (2011: Rupees 7,345 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees 1,267 million (2011: Rupees 1,999 million).

6.5 Long term musharaka are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Company to the extent of Rupees 801.667 million (2011: Rupees 783.333 million) and ranking charge on all present and future fixed assets of the Company to the extent of Rupees NIL (2011: Rupees 187 million).

7. TRADE AND OTHER PAYABLES

	2012 Rupees	2011 Rupees
Creditors (Note 7.1)	596,705,241	402,905,346
Accrued liabilities	243,695,897	218,616,063
Advances from customers	106,464,326	129,439,569
Securities from contractors - interest free and repayable on completion of contracts	2,935,959	2,311,761
Retention money	5,844,343	4,722,582
Income tax deducted at source	5,970,928	3,064,730
Unclaimed dividend	16,622,165	15,883,004
Unclaimed preference dividend	342,137	5,184,583
Workers' profit participation fund (Note 7.2)	45,795,817	82,364,547
Workers' welfare fund	21,681,803	21,681,803
Fair value of forward exchange contracts	47,606,647	-
Others (Note 7.3)	11,381,898	6,657,139
	1,105,047,161	892,831,127

7.1 It includes Rupees 3.649 million (2011: Rupees 0.229 million) due to related parties.

7.2 Workers' profit participation fund

	2012 Rupees	2011 Rupees
Balance as on 01 July	82,364,547	57,112,696
Add: Interest for the year (Note 29)	2,075,907	2,457,472
Add: Provision for the year (Note 27)	45,795,817	82,364,547
	130,236,271	141,934,715
Less : Payments during the year	84,440,454	59,570,168
Balance as on 30 June	45,795,817	82,364,547

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

7.3 It includes Rupees 0.904 million (2011: Rupees 0.464 million) due to Nishat Chunian Power Limited - subsidiary company, which is in the ordinary course of business and is interest free.

	2012 Rupees	2011 Rupees
8. ACCRUED MARK-UP		
Long term financing	70,616,125	141,057,648
Short term borrowings	73,855,144	50,355,781
	144,471,269	191,413,429
9. SHORT TERM BORROWINGS		
From banking companies - secured		
Short term running finances (Notes 9.1 and 9.2)	1,027,745,981	1,401,961,600
Export finances - Preshipment / SBP refinance (Notes 9.1 and 9.3)	2,378,764,543	2,432,805,740
Other short term finances (Notes 9.1 and 9.4)	1,943,000,000	773,848,419
	5,349,510,524	4,608,615,759

9.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Company and lien on export bills to the extent of Rupees 15,941 million (2011: Rupees 13,738 million). These form part of total credit facility of Rupees 10,480 million (2011: Rupees 9,225 million).

9.2 The rates of mark-up range from 13.04% to 14.54% (2011: 2.15% to 16.16%) per annum on the balance outstanding.

9.3 The rates of mark-up range from 2.39% to 12.77% (2011: 1.9% to 14.53%) per annum on the balance outstanding.

9.4 The rates of mark-up range from 12.52% to 12.84% (2011: 14.35% to 14.74%) per annum on the balance outstanding.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

i) Guarantees of Rupees 200.639 million (2011: Rupees 200.639 million) have been issued by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Shell Pakistan Limited against purchase of furnace oil.

ii) Guarantees of Rupees 58 million (2011: Rupees 48 million) are given by banks of the Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

iii) The Company preferred appeal against the Government of Punjab in the Honourable Lahore High Court, Lahore against imposition of electricity duty on internal generation and the writ petition has been accepted. However, Government of Punjab has moved to the Honourable Supreme Court of Pakistan against the order of Honourable Lahore High Court, Lahore. The Company has fully provided its liability in respect of electricity duty on internal generation. As at the reporting date, an amount of Rupees 18.792 (2011: Rupees 9.120 million) is payable on this account but the management of the Company is confident that payment of electricity duty will not be required.

iv) The Company has not recognised fuel adjustment charges amounting to Rupees 20.867 million notified by National Electric Power Regulatory Authority (NEPRA), as the Company has obtained stay against payment of such charges from Honourable 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) The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2011: Rupees 9.482 million) on blended grey fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Company has not submitted Appendix-1 as per Rule 297-A of the above referred scheme. The Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal Inland Revenue (ATIR) Karachi Bench which is still pending. The Company also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Company and forwarded the case to FBR. The matter is still pending at FBR's end.

vi) Order was issued by the Assistant Commissioner Inland Revenue (ACIR) under section 122(1) of the Income Tax Ordinance, 2001 for tax year 2008 as a result of audit of the Company under section 177 of the Income Tax Ordinance, 2001 whereby a demand has been raised against the Company on various grounds. The Company's appeal against the order of ACIR was disposed off by the Commissioner Inland Revenue (Appeals) [CIR(A)] through order dated 23 April 2011. Through such order, a significant relief was extended to the Company, however, the Company has further assailed the matter before ATIR so as the issues decided by CIR(A) against the Company are further contested. The Company's appeal has not yet been taken up for hearing by ATIR. The Company considers that its stance is based on reasonable grounds and appeal is likely to succeed. Hence, no provision for taxation amounting to Rupees 26.613 million (2011: Rupees 43.739 million) has been recognized in these financial statements based on advice of the tax counsel. Further, the Company has also impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.

vii) While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) which was decided in Company's favour against which the department preferred an appeal to Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances and addition has been made in the financial statements as the management is confident that the matter would be settled in the Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million (2011: Rupees 17.157 million) would be required.

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

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

x) Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 58.709 million (2011: Rupees 927.402 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheque issued as security shall be encashable.

10.2 Commitments

i) Contracts for capital expenditure amounting to Rupees 282.462 million (2011: Rupees 39.329 million).

ii) Letters of credit other than for capital expenditure amounting to Rupees 29.113 million (2011: Rupees 171.715 million).

iii) Outstanding foreign currency forward contracts of Rupees 2,892.672 million (2011: Rupees 1,461.410 million).

11. FIXED ASSETS

	2012 Rupees	2011 Rupees
Property, plant and equipment		
Operating fixed assets (Note 11.1)	5,972,783,496	6,152,148,025
Capital work-in-progress (Note 11.2)	101,499,938	58,916,678
	6,074,283,434	6,211,064,703
Intangible asset:		
Computer software (Note 11.1)	2,265,726	3,965,021
	6,076,549,160	6,215,029,724

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

Description	Operating fixed assets									Intangible asset
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total	Computer software
	--Rupees--									
At 30 June 2010										
Cost	188,776,332	1,617,603,002	7,815,497,793	168,770,901	63,269,485	40,659,605	137,254,426	113,405,522	10,145,237,066	1,319,000
Accumulated depreciation / amortization	-	(690,232,536)	(3,593,277,017)	(95,845,115)	(41,322,056)	(20,452,310)	(54,219,946)	(56,550,980)	(4,551,899,960)	(791,400)
Net book value	188,776,332	927,370,466	4,222,220,776	72,925,786	21,947,429	20,207,295	83,034,480	56,854,542	5,593,337,106	527,600
Year ended 30 June 2011										
Opening net book value	188,776,332	927,370,466	4,222,220,776	72,925,786	21,947,429	20,207,295	83,034,480	56,854,542	5,593,337,106	527,600
Additions	-	78,835,068	1,067,176,440	5,248,385	6,868,621	6,256,770	5,161,455	33,323,277	1,202,870,016	5,664,316
Reclassification adjustments:										
Cost	-	153,314	9,712,955	7,721,818	68,356,368	9,132,897	(95,077,390)	38	-	-
Accumulated depreciation	-	211,422	(14,818,598)	(94,621)	(25,030,063)	(3,400,586)	40,354,963	2,777,483	-	-
	-	364,736	(5,105,643)	7,627,197	43,326,305	5,732,311	(54,722,427)	2,777,521	-	-
Disposals:										
Cost	-	-	(258,009,907)	-	-	-	(93,000)	(35,385,017)	(293,487,924)	-
Accumulated depreciation	-	-	163,785,050	-	-	-	27,882	21,545,727	185,358,659	-
	-	-	(94,224,857)	-	-	-	(65,118)	(13,839,290	(108,129,265)	-
Depreciation / amortization charge	-	(46,773,384)	(454,764,800)	(8,146,161)	(6,627,688)	(2,778,366)	(3,085,183)	(13,754,250)	(535,929,832)	(2,226,895)
Closing net book value	188,776,332	959,796,886	4,735,301,916	77,655,207	65,514,667	29,418,010	30,323,207	65,361,800	6,152,148,025	3,965,021
At 30 June 2011										
Cost	188,776,332	1,696,591,384	8,634,377,281	181,741,104	138,494,474	56,049,272	47,245,491	111,343,820	11,054,619,158	6,983,316
Accumulated depreciation / amortization	-	(736,794,498)	(3,899,075,365)	(104,085,897)	(72,979,807)	(26,631,262)	(16,922,284)	(45,982,020)	(4,902,471,133)	(3,018,295)
Net book value	188,776,332	959,796,886	4,735,301,916	77,655,207	65,514,667	29,418,010	30,323,207	65,361,800	6,152,148,025	3,965,021
Year ended 30 June 2012										
Opening net book value	188,776,332	959,796,886	4,735,301,916	77,655,207	65,514,667	29,418,010	30,323,207	65,361,800	6,152,148,025	3,965,021
Additions	20,833,541	35,857,024	252,310,076	21,556,542	20,343,941	2,731,495	5,470,590	25,095,223	384,198,432	-
Disposals:										
Cost	-	-	(22,796,425)	-	-	-	(359,122)	(14,130,173)	(37,285,720)	(1,319,000)
Accumulated depreciation	-	-	15,392,925	-	-	-	126,584	7,261,891	22,781,400	1,319,000
	-	-	(7,403,500)	-	-	-	(232,538)	(6,868,282)	(14,504,320)	-
Depreciation / amortization charge	-	(48,639,855)	(463,599,093)	(8,930,885)	(7,366,797)	(3,057,931)	(3,319,123)	(14,144,957)	(549,058,641)	(1,699,295)
Closing net book value	209,609,873	947,014,055	4,516,609,399	90,280,864	78,491,811	29,091,574	32,242,136	69,443,784	5,972,783,496	2,265,726
At 30 June 2012										
Cost	209,609,873	1,732,448,408	8,863,890,932	203,297,646	158,838,415	58,780,767	52,356,959	122,308,870	11,401,531,870	5,664,316
Accumulated depreciation / amortization	-	(785,434,353)	(4,347,281,533)	(113,016,782)	(80,346,604)	(29,689,193)	(20,114,823)	(52,865,086)	(5,428,748,374)	(3,398,590)
Net book value	209,609,873	947,014,055	4,516,609,399	90,280,864	78,491,811	29,091,574	32,242,136	69,443,784	5,972,783,496	2,265,726
Annual rate of depreciation / amortization (%)	-	5	10	10	10	10	10	20		30

11.1.1 Detail of operating assets disposed off during the year is as follows:

Description	Qty.	Cost	Accumulated depreciation	Net Book Value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal	Particulars of Purchaser
			.... Rupees					
Plant and machinery								
Simplex Frame	5	12,939,203	(7,998,698)	4,940,505	13,959,974	9,019,469	Negotiation	Sercomtex, South Africa
Compressor	1	9,857,222	(7,394,227)	2,462,995	2,005,000	(457,995)	Insurance claim	Adamjee Insurance Company Limited, Lahore
Office equipment								
Note Book - IBM	1	90,000	(38,789)	51,211	10,000	(41,211)	Company policy	Ms. Sonia Karim (Employee of subsidiary company), Lahore
Note Book - Sony	1	90,000	(37,453)	52,547	20,000	(32,547)	Company policy	Mr. Ali Ghafoor (Ex-Employee), Lahore
Motor vehicles								
Suzuki Swift LEC-11-9815	1	1,007,880	(94,992)	912,888	984,000	71,112	Company policy	Mr. Javaid Iqbal on behalf of Mr. Ahmad Subhani (Employee), Sialkot
Toyota Hilux LES-11-7562	1	1,609,990	(101,966)	1,508,024	1,665,222	157,198	Negotiation	Mian Muhammad Yahya Trust, Lahore
Honda Civic LEC-07-1708	1	1,400,030	(863,939)	536,091	573,452	37,361	Company policy	Mr. Irtaza Hussain on behalf of Ms. Faiza Jabeen (Employee), Lahore
Honda Civic LEB-07-4150	1	1,400,280	(847,445)	552,835	573,555	20,720	Company policy	Mr. Umer Saeed (Ex-Employee), Lahore
Honda Civic LEF-07-2179	1	1,508,350	(873,719)	634,631	672,137	37,506	Company policy	Mr. Farrukh Ifzal (Employee of subsidiary company), Lahore
Suzuki Mehran LEA-06-9307	1	407,850	(252,208)	155,642	164,128	8,486	Company policy	Dr. M. Imran (Ex-Employee), Lahore
Suzuki Alto LEE-08-8539	1	605,550	(274,597)	330,953	605,550	274,597	Company policy	Mr. Abdul Basit Janjua (Ex-Employee), Lahore
Suzuki Alto SV-365	1	676,000	(152,701)	523,299	676,000	152,701	Company policy	Mr. Tahir Nadeem (Ex-Employee), Lahore
Toyota Corolla LEB-07-5847	1	1,306,950	(878,237)	428,713	945,000	516,287	Negotiation	Mr. Abdul Rasheed, Gujrat
Hyundai Shehzore LZJ-6912	1	611,623	(451,179)	160,444	425,000	264,556	Negotiation	Mr. Shahzad Iqbal, Lahore
Toyota Corolla LEB-07-9613	1	1,316,700	(991,002)	325,698	820,000	494,302	Negotiation	Mr. Asim Mumtaz, Lahore
Suzuki Cultus LEB-07-5804	1	615,170	(407,982)	207,188	600,000	392,812	Negotiation	Mr. Asim Mumtaz, Lahore
Suzuki Mehran LEA-07-7746	1	401,060	(310,023)	91,037	163,322	72,285	Company policy	Mr. Ghazanfar Ali (Employee), Lahore
Suzuki Cultus LEJ-07-7493	1	647,620	(363,237)	284,383	647,620	363,237	Company policy	Mr. Munir Hassan (Ex-Employee), Karachi
Suzuki Cultus LEC-07-3795	1	615,120	(398,664)	216,456	700,000	483,544	Negotiation	Mr. Mushtaq Ahmad, Lahore
Aggregate of other items of fixed assets with individual book values not exceeding Rupees 50,000	7	1,498,122	(1,369,342)	128,780	91,500	(37,280)		
		38,604,720	(24,100,400)	14,504,320	26,301,460	11,797,140		

11.1.2 The depreciation charge for the year has been allocated as follows:

	2012 Rupees	2011 Rupees
Cost of sales (Note 24)	537,248,634	523,963,792
Administrative expenses (Note 26)	11,810,007	11,966,040
	549,058,641	535,929,832

11.1.3 Amortization on intangible asset amounting to Rupees 1.699 million (2011: Rupees 2.227 million) has been allocated to administrative expenses.

	2012 Rupees	2011 Rupees
11.2 CAPITAL WORK-IN-PROGRESS		
Plant and machinery	-	4,119,409
Civil works on freehold land	17,946,371	18,758,137
Mobilization advance	634,823	-
Letters of credit	40,226	35,364,132
Advances for capital expenditure	82,878,518	675,000
	101,499,938	58,916,678

11.3 Borrowing cost capitalized amounted to Rupees 6.734 million (2011: Rupees 35.343 million) using the capitalization rate ranging from 13.52% to 15.28% (2011: 9.70% to 15.82%) per annum.

	2012 Rupees	2011 Rupees
12. INVESTMENT IN SUBSIDIARY COMPANY - AT COST		
Nishat Chunian Power Limited - quoted (Note 12.1) 187,585,820 (2011: 194,276,822) fully paid ordinary shares of Rupees 10 each. Equity held 51.07% (2011: 52.89%)	1,875,858,200	1,942,768,220

12.1 The Company has to maintain at least 51% holding in the share capital of Nishat Chunian Power Limited (NCPL) during the period of first six years from the date of commercial operations of NCPL which is 21 July 2010. Moreover, the Company has pledged its 187,346,939 (2011: 187,346,939) ordinary shares to lenders of NCPL for the purpose of securing finance.

	2012 Rupees	2011 Rupees
13. LONG TERM LOANS TO EMPLOYEES		
Considered good:		
Executives (Notes 13.1 and 13.2)	4,693,327	1,907,898
Other employees (Note 13.2)	1,678,496	2,557,012
	6,371,823	4,464,910
Less: Current portion shown under current assets (Note 17)		
Executives	2,435,202	890,108
Other employees	571,618	285,136
	3,006,820	1,175,244
	3,365,003	3,289,666

	2012 Rupees	2011 Rupees
13.1 Reconciliation of carrying amount of loans to executives:		
Opening balance as at 01 July	1,907,898	1,541,913
Disbursements	8,215,314	3,389,685
Less: Repayments	5,429,885	3,023,700
Closing balance as at 30 June	4,693,327	1,907,898

13.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 5.157 million (2011: Rupees 4.605 million).

13.2 These represent motor vehicle loans and personal loans to executives and employees, payable in 48 to 60 and 12 to 23 monthly instalments respectively. Interest on long term loans ranged from 13% to 14.50% per annum (2011: 13.60% to 14.50% per annum) while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of the Company, whereas personal loan is secured against balance standing to the credit of employee in the provident fund trust account.

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

14. STORES, SPARE PARTS AND LOOSE TOOLS

	2012 Rupees	2011 Rupees
Stores	356,017,902	293,387,298
Spare parts	152,426,004	150,116,143
Loose tools	14,829,884	5,009,662
	523,273,790	448,513,103

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

15. STOCK-IN-TRADE

	2012 Rupees	2011 Rupees
Raw materials	3,184,718,270	3,072,621,338
Work-in-process	380,749,192	629,297,302
Finished goods	412,367,556	770,989,076
Waste	32,878,314	40,151,200
	4,010,713,332	4,513,058,916

15.1 Stock-in-trade of Rupees 65.524 million (2011: Rupees 1,567.893 million) is being carried at net realizable value.

16. TRADE DEBTS

	2012 Rupees	2011 Rupees
Considered good:		
Secured	1,820,671,886	1,264,841,819
Unsecured (Note 16.2)	1,207,184,266	879,802,194
	3,027,856,152	2,144,644,013

16.1 As at 30 June 2012, trade debts of Rupees 4.402 million (2011: Rupees 8.709 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:

	2012 Rupees	2011 Rupees
1 to 6 months	1,583,912	1,336,629
More than 6 months	2,817,978	7,371,885
	4,401,890	8,708,514

16.2 Trade debts include Rupees 0.063 million (2011: Rupees 0.725 million) due from Nishat Mills Limited - related party.

	2012 Rupees	2011 Rupees
17. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
- Executives	1,409,858	566,630
- Other employees	2,048,623	6,045,786
	3,458,481	6,612,416
Current portion of long term loans to employees (Note 13)	3,006,820	1,175,244
Advances to suppliers	136,150,010	178,803,707
Advances to contractors	851,263	76,608
Letters of credit	29,266,312	22,959,088
	172,732,886	209,627,063

18. SHORT TERM LOANS TO SUBSIDIARY COMPANY

These represent short term loans made to Nishat Chunian Power Limited - subsidiary company during the year. These loans are unsecured, repayable on demand and carry mark-up at the rate of 3-month KIBOR + 2% per annum. Mark-up on short term loans made during the year ranged from 13.91% to 15.54% per annum.

19. ACCRUED INTEREST

This includes accrued interest of Rupees 5.921 million (2011: Rupees Nil) on short term loans made to Nishat Chunian Power Limited - subsidiary company.

	2012 Rupees	2011 Rupees
20. OTHER RECEIVABLES		
Considered good:		
Sales tax recoverable	482,104,019	307,626,857
Advance income tax - net	173,847,268	126,371,960
Export rebate and claims	94,300,179	143,091,327
Fair value of forward exchange contracts	-	13,188,828
Mark-up rate support receivable from financial institutions	4,497,759	6,397,828
Receivable from employees' provident fund trust	8,092,179	4,765,297
Others	8,254,658	13,449,208
	771,096,062	614,891,305

	2012 Rupees	2011 Rupees
21. SHORT TERM INVESTMENTS		
Held-to-maturity		
Term deposit receipts (Note 21.1)	30,000,000	-
Add: Accrued interest	2,494,520	-
	32,494,520	-

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

	2012 Rupees	2011 Rupees
22. CASH AND BANK BALANCES		
Cash with banks:		
On saving accounts (Note 22.1) Including US$ 12,952 (2011: US$ 55,172)	6,124,430	5,926,945
Term deposit receipt (Note 22.2)	2,000,000	22,000,000
On current accounts (Note 22.3) Including US$ 82,381 (2011: US$ 25,157)	33,064,089	100,217,740
	41,188,519	128,144,685
Cash in hand	6,808,492	6,878,599
	47,997,011	135,023,284

22.1 Rate of profit on saving accounts ranges from 5% to 6% (2011: 5% to 5.5%) per annum.

22.2 It represents deposit under lien with the bank of the Company against bank guarantee of the same amount issued by the bank to the Director, Excise and Taxation against disputed amount of infrastructure cess. Interest on term deposit receipt is 6 % (2011: 6 % to 11%) per annum. The maturity period of this term deposit receipt is one month.

22.3 Included in cash with banks on current accounts are Rupees 10.128 million (2011: Rupees 48.364 million) with MCB Bank Limited - associated company.

	2012 Rupees	2011 Rupees
23. SALES		
Export	12,946,558,366	13,825,571,075
Local (Notes 23.1 and 23.2)	5,645,638,269	6,361,093,097
Export rebate and duty draw back	24,745,926	135,337,527
	18,616,942,561	20,322,001,699
23.1 Local sales		
Sales	5,467,936,875	6,214,052,835
Processing income	177,701,394	147,040,262
	5,645,638,269	6,361,093,097

23.2 This includes sale of Rupees 2,387 million (2011: Rupees 2,444 million) made to direct exporters against special purchase orders (SPOs). Further, local sales includes waste sales of Rupees 514.563 million (2011: Rupees 614.302 million).

	2012 Rupees	2011 Rupees
24. COST OF SALES		
Raw materials consumed (Note 24.1)	11,022,559,424	12,567,113,523
Packing materials consumed	483,404,439	474,520,651
Stores, spare parts and loose tools consumed	809,859,441	802,104,542
Salaries, wages and other benefits (Note 24.2)	972,184,557	916,434,241
Fuel and power	1,955,653,102	1,745,996,402
Insurance	30,762,704	28,092,932
Postage and telephone	506,319	509,082
Travelling and conveyance	13,632,285	11,649,842
Vehicles' running and maintenance	19,483,126	14,577,031
Entertainment	3,284,961	2,316,101
Depreciation on operating fixed assets (Note 11.1.2)	537,248,634	523,963,792
Repair and maintenance	37,572,339	27,800,827
Other factory overheads	39,551,371	54,249,516
	15,925,702,702	17,169,328,482
Work-in-process		
Opening stock	629,297,302	466,561,040
Closing stock	(380,749,192)	(629,297,302)
	248,548,110	(162,736,262)
Cost of goods manufactured	16,174,250,812	17,006,592,220
Finished goods and waste - opening stocks		
Finished goods	770,989,076	681,133,741
Waste	40,151,200	36,816,119
	811,140,276	717,949,860
	16,985,391,088	17,724,542,080
Finished goods and waste - closing stocks		
Finished goods	(412,367,556)	(770,989,076)
Waste	(32,878,314)	(40,151,200)
	(445,245,870)	(811,140,276)
Cost of sales - own manufactured goods	16,540,145,218	16,913,401,804
Cost of sales - purchased finished goods	-	75,612
	16,540,145,218	16,913,477,416
24.1 Raw materials consumed		
Opening stock	3,072,621,338	2,070,078,648
Add: Purchased during the year	11,134,656,356	13,569,656,213
	14,207,277,694	15,639,734,861
Less: Closing stock	3,184,718,270	3,072,621,338
	11,022,559,424	12,567,113,523

24.2 Salaries, wages and other benefits include Rupees 11.142 million (2011: Rupees 14.630 million) and Rupees 22.258 million (2011: Rupees 20.763 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2012 Rupees	2011 Rupees
25. DISTRIBUTION COST		
Salaries and other benefits (Note 25.1)	31,137,775	28,724,393
Ocean freight	97,900,920	110,228,639
Freight and octroi	72,998,662	69,103,860
Forwarding and other expenses	19,400,516	17,623,846
Export marketing expenses	105,062,884	201,410,376
Commission to selling agents	173,333,260	172,495,169
	499,834,017	599,586,283

25.1 Salaries and other benefits include Rupees 0.676 million (2011: Rupees 0.728 million) and Rupees 1.519 million (2011: Rupees 1.422 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2012 Rupees	2011 Rupees
26. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 26.1)	54,871,184	52,989,752
Printing and stationery	3,228,720	3,849,580
Vehicles' running and maintenance	5,760,782	4,212,275
Travelling and conveyance	21,952,213	21,874,537
Postage and telephone	3,740,516	4,201,313
Fee and subscription	4,611,395	4,520,544
Legal and professional	2,487,204	3,030,060
Electricity and sui gas	8,242,668	6,747,972
Insurance	4,083,626	3,232,423
Repair and maintenance	7,731,558	1,505,653
Entertainment	3,068,054	3,161,098
Auditors' remuneration (Note 26.2)	1,357,750	1,338,500
Depreciation on operating fixed assets (Note 11.1.2)	11,810,007	11,966,040
Amortization on intangible asset (Note 11.1.3)	1,699,295	2,226,895
Miscellaneous	1,351,017	1,235,274
	135,995,989	126,091,916

26.1 Salaries and other benefits include Rupees 3.996 million (2011: Rupees 2.128 million) and Rupees 1.954 million (2011: Rupees 1.632 million) in respect of accumulating compensated absences and provident fund contribution by the Company respectively.

	2012 Rupees	2011 Rupees
26.2 Auditors' remuneration		
Audit fee	1,000,000	1,000,000
Half yearly review	197,750	178,500
Certification fees	50,000	50,000
Reimbursable expenses	110,000	110,000
	1,357,750	1,338,500

	2012 Rupees	2011 Rupees

27. OTHER OPERATING EXPENSES

	2012 Rupees	2011 Rupees
Workers' profit participation fund (Note 7.2)	45,795,817	82,364,547
Loss on sale of property, plant and equipment	-	51,509,073
Bad debts written off	-	2,171,737
Donations (Note 27.1)	3,975,000	4,200,000
Expenses on sale of shares of subsidiary company	398,366	1,042,267
	50,169,183	141,287,624

27.1 Donations

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

28. OTHER OPERATING INCOME

	2012 Rupees	2011 Rupees
Income from financial assets		
Return on bank deposits	2,812,136	2,226,575
Net exchange gain	278,025,908	199,265,731
Income from investment in and loans to subsidiary company		
Interest income on loans to subsidiary company	28,907,058	68,019,855
Dividend income	468,964,551	196,980,439
Gain on sale of shares of subsidiary company	25,928,516	100,319,710
Reversal of impairment loss on shares of subsidiary company	-	415,793
Income from non-financial assets		
Gain on sale of property, plant and equipment (Note 11.1.1)	11,797,140	-
Sale of scrap	38,578,517	34,614,252
Miscellaneous	1,606,518	1,787,256
	856,620,344	603,629,611

29. FINANCE COST

	2012 Rupees	2011 Rupees
Mark-up on:		
- long term loans	479,073,644	554,905,972
- privately placed term finance certificates	71,565,929	58,556,986
- long term musharaka	69,583,062	76,509,592
- short term running finances	126,677,573	376,741,845
- export finances - Preshipment / SBP refinances (Note 29.1)	320,394,825	277,894,397
- short term finances	229,002,975	65,540,502
Interest on workers' profit participation fund (Note 7.2)	2,075,907	2,457,472
Bank charges and commission	55,071,456	69,792,667
	1,353,445,371	1,482,399,433

29.1 These are net of mark-up rate support against export finance amounting to Rupees 6.039 million (2011: Rupees 26.214 million).

30. TAXATION

	2012 Rupees	2011 Rupees
Current (Note 30.1)	194,642,398	208,513,359
Prior year adjustment	-	(4,304,438)
	194,642,398	204,208,921

30.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly.

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

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

31. EARNINGS PER SHARE - BASIC AND DILUTED

	2012	2011
Basic		
Profit after taxation (Rupees)	699,330,729	1,458,579,717
Less: Preference dividend (Rupees)	4,596,975	5,027,243
Profit after taxation attributable to ordinary shareholders (Rupees)	694,733,754	1,453,552,474
Weighted average number of ordinary shares outstanding during the year (Number)	162,384,744	160,192,070
Basic earnings per share (Rupees)	4.28	9.07
Diluted (Note 31.1)		
Profit after taxation (Rupees)		1,458,579,717
Weighted average number of ordinary shares outstanding during the year (Number)		160,192,070
Impact of dilutive potential preference shares (Number)		5,249,774
		165,441,844
Diluted earnings per share (Rupees)	4.28	8.82

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

32. CASH GENERATED FROM OPERATIONS

	2012 Rupees	2011 Rupees
Profit before taxation	893,973,127	1,662,788,638
Adjustment for non - cash charges and other items:		
Depreciation on operating fixed assets	549,058,641	535,929,832
Amortization on intangible asset	1,699,295	2,226,895
(Gain) / loss on sale of property, plant and equipment	(11,797,140)	51,509,073
Gain on sale of shares of subsidiary company	(25,928,516)	(100,319,710)
Dividend income	(468,964,551)	(196,980,439)
Finance cost	1,353,445,371	1,482,399,433
Reversal of impairment loss for write-down of non-current asset held for sale	-	(415,793)
Interest income on loans to subsidiary company	(28,907,058)	(68,019,855)
Return on bank deposits	(2,812,136)	(2,226,575)
Bad debts written off	-	2,171,737
Working capital changes (Note 32.1)	(309,198,859)	(1,883,863,512)
	1,950,568,174	1,485,199,724

	2012 Rupees	2011 Rupees
32.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(74,760,687)	(69,662,730)
Stock-in-trade	502,345,584	(1,258,393,756)
Trade debts	(883,212,139)	(628,091,242)
Loans and advances	38,725,753	25,225,947
Short term prepayments	112,760	(184,484)
Other receivables	(108,729,449)	(186,032,592)
	(525,518,178)	(2,117,138,857)
Increase in current liabilities:		
Trade and other payables	216,319,319	233,275,345
	(309,198,859)	(1,883,863,512)

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Director		Executives	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
Managerial remuneration	2,379,341	1,840,092	41,547,522	33,768,355
Contribution to provident fund	-	-	3,342,330	2,812,904
House rent	951,451	735,816	16,614,023	15,503,290
Utilities	238,041	184,092	4,156,622	3,378,355
Others	559,692	445,440	4,841,074	4,813,587
	4,128,525	3,205,440	70,501,571	60,276,491
Number of persons	3	1	39	32

33.1 No expense was charged in these financial statements against salary to Chief Executive of the Company. The Company provides to Chief Executive, Directors and certain Executives with free use of Company maintained cars and residential telephones.

33.2 Aggregate amount charged in these financial statements for meeting fee to one Director was Rupees 30,000 (2011: Rupees 40,000).

33.3 No remuneration was paid to Non-Executive Directors of the Company.

34. TRANSACTIONS WITH RELATED PARTIES

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

	2012 Rupees	2011 Rupees
Subsidiary company		
Subordinated loan made during the year	-	85,000,000
Repayment of subordinated loan by the subsidiary company	-	471,638,960
Short term loans made during the year	3,299,394,249	-
Repayment of short term loans by the subsidiary company	2,166,894,249	-
Common facilities cost charged	1,800,000	1,800,000
Associated company		
Insurance premium paid	53,091,755	-
Insurance claims received	17,493,303	-
Other related parties		
Purchase of goods	24,295,732	99,983,926
Sales of goods	17,204,091	101,265,882
Ordinary dividend paid	55,046,760	41,285,070
Contribution to employees' provident fund	25,731,106	23,816,982

35. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Power Generation		'Elimination of inter-segment transactions		Total - Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
						-----Rupees-----						
Sales												
- External	10,007,815,423	11,796,321,772	2,869,313,903	2,766,427,851	5,739,813,235	5,759,252,076	-	-	-	-	18,616,942,561	20,322,001,699
- Inter-segment	2,428,743,165	3,197,904,919	3,099,186,165	3,811,449,125	-	-	1,082,814,180	1,126,532,539	(6,610,743,510)	(8,135,886,583)	-	-
	12,436,558,588	14,994,226,691	5,968,500,068	6,577,876,976	5,739,813,235	5,759,252,076	1,082,814,180	1,126,532,539	(6,610,743,510)	(8,135,886,583)	18,616,942,561	20,322,001,699
Cost of sales	(10,640,855,488)	(12,077,962,032)	(5,615,508,415)	(6,094,288,144)	(5,258,156,726)	(5,370,166,966)	(1,636,368,099)	(1,506,946,857)	6,610,743,510	8,135,886,583	(16,540,145,218)	(16,913,477,416)
Gross profit / (loss)	1,795,703,100	2,916,264,659	352,991,653	483,588,832	481,656,509	389,085,110	(553,553,919)	(380,414,318)	-	-	2,076,797,343	3,408,524,283
Distribution cost	(243,657,174)	(295,322,305)	(93,597,601)	(92,570,836)	(162,579,242)	(211,693,142)	-	-	-	-	(499,834,017)	(599,586,283)
Administrative expenses	(61,321,261)	(69,744,974)	(33,168,156)	(23,383,752)	(35,272,240)	(27,356,650)	(6,234,332)	(5,606,540)	-	-	(135,995,989)	(126,091,916)
	(304,978,435)	(365,067,279)	(126,765,757)	(115,954,588)	(197,851,482)	(239,049,792)	(6,234,332)	(5,606,540)	-	-	(635,830,006)	(725,678,199)
Profit / (loss) before taxation and unallocated income and expenses	1,490,724,665	2,551,197,380	226,225,896	367,634,244	283,805,027	150,035,318	(559,788,251)	(386,020,858)	-	-	1,440,967,337	2,682,846,084
Unallocated income and expenses												
Other operating expenses											(50,169,183)	(141,287,624)
Other operating income											856,620,344	603,629,611
Finance cost											(1,353,445,371)	(1,482,399,433)
Taxation											(194,642,398)	(204,208,921)
Profit after taxation											699,330,729	1,458,579,717

35.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Power Generation		Total - Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
					-----Rupees-----					
Total assets for reportable segments	6,714,562,194	6,685,083,743	2,090,539,826	2,221,645,903	3,804,791,067	3,627,551,305	1,177,194,299	980,234,252	13,787,087,386	13,514,515,203
Unallocated assets:										
Long term investment									1,875,858,200	1,942,768,220
Short term loans to subsidiary company									1,132,500,000	-
Other receivables									771,096,062	614,891,305
Short term investments									32,494,520	-
Cash and bank balances									47,997,011	135,023,284
Other corporate assets									35,921,529	23,097,090
Total assets as per balance sheet									17,682,954,708	16,230,295,102
Total liabilities for reportable segments	202,563,722	22,767,665	83,605,072	101,660,656	255,693,426	161,988,376	19,744,836	98,969,476	561,607,056	385,386,173
Unallocated liabilities:										
Long term financing									5,008,931,727	4,832,993,816
Accrued mark-up									144,471,269	191,413,429
Short term borrowings									5,349,510,524	4,608,615,759
Other corporate liabilities									543,440,105	507,444,954
Total liabilities as per balance sheet									11,607,960,681	10,525,854,131

	2012 Rupees	2011 Rupees
35.2 Geographical information		
The Company's revenue from external customers by geographical location is detailed below:		
Europe	1,139,462,161	2,328,998,462
Asia, Africa and Australia	5,832,868,986	7,172,231,442
United States of America and Canada	5,974,227,219	4,324,341,171
Pakistan	5,670,384,195	6,496,430,624
	18,616,942,561	20,322,001,699

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

35.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers. However, revenue from transactions with a single external customer of the Processing and Home Textile business segment of the Company amounted to Rupees 2,772.315 million (2011: Rupees 2,560.892 million).

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
Spinning		
Number of spindles installed	149,948	149,744
Number of spindles worked	141,257	142,324
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	48,018,514	51,481,595
Actual production of yarn after conversion into 20/1 count (Kgs.)	47,314,060	49,932,454

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

	2012	2011
Weaving		
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	197,629,114	199,417,592

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

	2012	2011
Power plant		
Number of engines installed	10	10
Number of engines worked	10	10
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	317,698,920
Actual generation (KWh)	166,738,810	172,000,823

Under utilization of available capacity was due to normal maintenance.

	2012	2011
Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	3	3
Number of shifts per day	3	3
Capacity in meters	30,800,000	30,800,000
Actual processing of fabrics - meters	22,725,754	20,900,000

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

	2012	2011
Printing		
Number of stenter machine	1	1
Number of shifts per day	2	2
Capacity in meters	6,200,000	6,200,000
Actual processing of fabrics - meters	2,534,590	1,732,000

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

Stitching

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

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2012	2011
Cash at banks - USD	95,333	80,329
Trade debts - USD	28,661,429	18,844,028
Trade and other payable - USD	(598,131)	(344,618)
Short term borrowings as FE 25 import / export loans - USD	(1,757,564)	(7,128,535)
Accrued mark-up on FE 25 import / export loans - USD	(11,603)	(73,908)
Net exposure - USD	26,389,464	11,377,296
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	89.54	85.63
Reporting date rate	94.10	85.95

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 116.606 million (2011: Rupees 45.639 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2012 Rupees	2011 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	460,737,278	634,382,704
Short term borrowings	1,613,202,000	1,803,457,060
Financial assets		
Term deposit receipts	22,034,510	-
Floating rate instruments		
Financial assets		
Short term loans to subsidiary company	1,132,500,000	-
Bank balances - saving accounts	6,124,430	5,926,945
Term deposit receipts	12,460,010	22,000,000
Financial liabilities		
Long term financing	4,548,194,449	4,198,611,112
Short term borrowings	3,736,308,524	2,805,158,699

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 67.702 million (2011: Rupees 66.271 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

	2012 Rupees	2011 Rupees
Long term security deposits	2,286,909	1,095,442
Trade debts	3,027,856,152	2,144,644,013
Loans and advances	9,830,304	11,077,326
Short term loans to subsidiary company	1,132,500,000	-
Accrued interest	5,965,255	1,975,178
Other receivables	8,254,658	26,638,036
Short term investments	32,494,520	-
Bank balances	41,188,519	128,144,685
	4,260,376,317	2,313,574,680

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:

Banks	Rating: Short term	Rating: Long term	Rating: Agency	2012 Rupees	2011 Rupees
Askari Bank Limited	A1+	AA	PACRA	2,065,015	22,059,379
Al-Baraka Bank (Pakistan) Limited	A1	A-	PACRA	29	2,242
Allied Bank Limited	A1+	AA+	PACRA	-	15,019,848
Bank Alfalah Limited	A1+	AA	PACRA	984,935	322,708
Bank Al-Habib Limited	A1+	AA	PACRA	-	2,007,873
Bank Islami Pakistan Limited	A1	A	PACRA	2,849,143	153,961
Barclays Bank Plc	P-1	A-2	Moody's	895,184	2,534,397
Citibank N.A.	P-1	A1	Moody's	2,502	2,285
Deutsche Bank AG	P-1	Aa3	Moody's	75,584	119,876
Dubai Islamic Bank (Pakistan) Limited	A-1	A	JCR-VIS	503,221	427,391
Faysal Bank Limited	A1+	AA	PACRA	5,939,904	15,119,622
Habib Bank Limited	A-1+	AA+	JCR-VIS	232,581	4,413,818
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	1,148,433
HSBC Bank Middle East Limited	P-1	A1	Moody's	757,303	691,644
MCB Bank Limited	A1+	AA+	PACRA	10,127,683	48,364,037
Meezan Bank Limited	A-1+	AA-	JCR-VIS	209,130	2,855,727
NIB Bank Limited	A1+	AA -	PACRA	5,896,966	441,612
Samba Bank Limited	A-1+	A+	JCR-VIS	-	90,761
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	8,992,419	10,918,668
Summit Bank Limited	A-2	A	JCR-VIS	6,942	12,490
The Bank of Punjab	A1+	AA -	PACRA	1,107,303	1,041,509
United Bank Limited	A-1+	AA+	JCR-VIS	542,675	396,404
				41,188,519	128,144,685
Short term investments					
Askari Bank Limited	A1+	AA	PACRA	22,034,510	-
BankIslami Pakistan Limited	A1	A	PACRA	10,460,010	-
				32,494,520	-
				73,683,039	128,144,685

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

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2012, the Company had Rupees 5,130 million available borrowing limits from financial institutions and Rupees 47.997 million cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2012:

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

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 -------------------------					
Non-derivative financial liabilities:						
Long term financing	4,832,993,816	6,228,163,807	979,945,058	1,147,639,915	1,797,515,971	2,303,062,863
Short term borrowings	4,608,615,759	4,712,750,694	4,339,278,557	373,472,137	-	-
Trade and other payables	656,280,478	656,280,478	656,280,478	-	-	-
Accrued mark-up	191,413,429	191,413,429	191,413,429	-	-	-
	10,289,303,482	11,788,608,408	6,166,917,522	1,521,112,052	1,797,515,971	2,303,062,863

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

37.2 Fair values of financial assets and liabilities

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

37.3 Financial instruments by categories

	Loans and receivables	At amortized cost	Total
	------------------------- Rupees -------------------------		
As at 30 June 2012			
Assets as per balance sheet			
Long term security deposits	2,286,909	-	2,286,909
Trade debts	3,027,856,152	-	3,027,856,152
Loans and advances	9,830,304	-	9,830,304
Short term loans to subsidiary company	1,132,500,000	-	1,132,500,000
Accrued interest	5,965,255	-	5,965,255
Other receivables	8,254,658	-	8,254,658
Short term investments	-	32,494,520	32,494,520
Cash and bank balances	47,997,011	-	47,997,011
	4,234,690,289	32,494,520	4,267,184,809

	Loans and receivables
	Rupees
As at 30 June 2011	
Long term security deposits	1,095,442
Loans and advances	11,077,326
Trade debts	2,144,644,013
Accrued interest	1,975,178
Other receivables	26,638,036
Cash and bank balances	135,023,284
	2,320,453,279

	Financial liabilities at amortized cost	
	2012 Rupees	2011 Rupees
Liabilities as per balance sheet		
Long term financing	5,008,931,727	4,832,993,816
Accrued mark-up	144,471,269	191,413,429
Short term borrowings	5,349,510,524	4,608,615,759
Trade and other payables	925,134,287	656,280,478
	11,428,047,807	10,289,303,482

38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 6 and note 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's strategy was to maintain a gearing ratio of 65% debt and 35% equity (2011: 75% debt and 25% equity).

		2012	2011
Borrowings	Rupees	10,358,442,251	9,441,609,575
Total equity	Rupees	6,074,994,027	5,704,440,971
Total capital employed	Rupees	16,433,436,278	15,146,050,546
Gearing ratio	Percentage	63.03	62.34

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

39. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 10,480 million (2011: Rupees 9,225 million) out of which Rupees 5,130 million (2011: Rupees 4,616 million) remained unutilized at the end of the year.

40. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on 04 October 2012 has proposed 10% (2011: NIL) bonus issue and cash dividend of Rupees 2 per ordinary share (2011: Rupees 2 per ordinary share) in respect of the year ended 30 June 2012. 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 statments.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 October 2012 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

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

43. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR

Categories of Shareholders
as on 30 June 2012

	Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
A)	Associated Companies, Undertakings and related parties			
	Nishat Mills Limited	1	22,513,321	13.61
	D.G Khan Cement Company Limited	1	5,010,059	3.03
	Total:-	2	27,523,380	16.64
B)	Mutual Funds	9	13,663,630	8.26
C)	Directors/Chief Executive Officer and their spouse and minor Children			
	Mr. Shahzad Saleem - Chief Executive / Chairman	1	14,727,668	8.90
	Ms. Farhat Saleem - Director	1	7,110,858	4.30
	Mr. Yahya Saleem - Director	1	14,221,714	8.60
	Spouse:			
	Ms. Ayesha Shahzad w/o Mr. Shahzad Saleem	1	164,222	0.10
	TOTAL: -	4	36,224,462	21.90
D)	Executives	-	-	0.00
E)	Public Sectors Companies & Corporations	2	400	0.00
F)	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	40	40,487,925	24.47
G)	*Shareholding 5% or more	*6	*84,677,904	*51.18
H)	Joint Stock Companies	84	1,318,834	0.80
I)	Investment Companies	2	2,238,000	1.34
J)	Others	23	690,717	0.42
K)	General Public	6,208	43,294,496	26.17
	TOTAL: -	6,374	165,441,844	100.00

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

Name of Shareholder	Shares held	%
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPT NI(U)T FUND	8,268,543	5.00
NATIONAL BANK OF PAKISTAN	8,982,473	5.43
MR. SHAHZAD SALEEM	14,727,668	8.90
MR. YAHYA SALEEM	14,221,714	8.60
ALLIED BANK LIMITED	15,964,185	9.65
NISHAT MILLS LIMITED	22,513,321	13.61
TOTAL :-	84,677,904	51.18

INFORMATION UNDER CLAUSE XIX(i) OF THE CODE OF CORPORATE GOVERNANCE
All trade in the Company's shares, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor childern during the year July 01, 2011 to June 30, 2012

	Sale	Purchase
Ms. Farhat Saleem	10,000	10,000

Pattern of Shareholding

as at 30 June 2012

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held	% of Capital
2588	1	100	59,003	0.04
1136	101	500	312,602	0.19
835	501	1000	604,462	0.37
1219	1001	5000	2,986,570	1.81
264	5001	10000	1,913,554	1.16
76	10001	15000	927,068	0.56
50	15001	20000	893,674	0.54
34	20001	25000	783,452	0.47
18	25001	30000	501,437	0.30
18	30001	35000	577,979	0.35
7	35001	40000	268,185	0.16
6	40001	45000	251,555	0.15
16	45001	50000	793,671	0.48
7	50001	55000	366,994	0.22
5	55001	60000	281,695	0.17
5	60001	65000	304,598	0.18
4	65001	70000	264,138	0.16
6	70001	75000	436,136	0.26
4	75001	80000	308,934	0.19
4	80001	85000	331,985	0.20
2	85001	90000	173,240	0.10
1	90001	95000	91,000	0.06
6	95001	100000	599,410	0.36
1	105001	110000	110,000	0.07
2	110001	115000	226,000	0.14
1	115001	120000	120,000	0.07
4	120001	125000	495,525	0.30
2	125001	130000	256,324	0.15
2	140001	145000	282,039	0.17
2	145001	150000	298,027	0.18
1	150001	155000	152,000	0.09
1	180001	185000	180,283	0.11
1	185001	190000	190,000	0.11
2	195001	200000	400,000	0.24
1	205001	210000	206,747	0.12
1	220001	225000	224,996	0.14
1	230001	235000	231,043	0.14
2	285001	290000	576,094	0.35
1	315001	320000	316,500	0.19
1	325001	330000	330,000	0.20
2	410001	415000	826,830	0.50
1	505001	510000	505,954	0.31
2	540001	545000	1,088,552	0.66
1	655001	660000	658,254	0.40
1	745001	750000	750,000	0.45
1	885001	890000	888,832	0.54
1	1120001	1125000	1,122,318	0.68
1	1180001	1185000	1,182,000	0.71
1	1380001	1385000	1,383,740	0.84
2	1495001	1500000	3,000,000	1.81
1	1505001	1510000	1,510,000	0.91
1	1585001	1590000	1,587,840	0.96
1	1630001	1635000	1,630,264	0.99
1	1690001	1695000	1,692,848	1.02
1	1695001	1700000	1,697,412	1.03
1	1730001	1735000	1,734,532	1.05
1	1805001	1810000	1,809,240	1.09
1	1895001	1900000	1,900,000	1.15
1	2055001	2060000	2,059,020	1.24
1	2145001	2150000	2,150,000	1.30
1	3355001	3360000	3,355,757	2.03
1	3885001	3890000	3,887,741	2.35
1	4425001	4430000	4,425,692	2.68
1	5470001	5475000	5,470,771	3.31
1	5570001	5575000	5,574,030	3.37
1	6600001	6605000	6,604,903	3.99
1	7035001	7040000	7,036,566	4.25
1	8265001	8270000	8,268,543	5.00
1	8565001	8570000	8,569,023	5.18
1	9770001	9775000	9,770,713	5.91
1	12630001	12635000	12,633,874	7.64
1	12740001	12745000	12,742,608	7.70
1	13330001	13335000	13,332,882	8.06
1	15960001	15965000	15,964,185	9.65
6,374			165,441,844	100.00

NISHAT (CHUNIAN) LIMITED AND ITS SUBSIDIARY COMPANY

CONSOLIDATED FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

30 JUNE 2012

Directors' Report

The Board of Directors is pleased to present their report together with the consolidated audited results of Nishat (Chunian) Limited and its subsidiary for the year ended 30 June 2012. The group results comprise of financial statements of Nishat (Chunian) Limited (NCL) and Nishat Chunian Power Limited (NCPL).

Financial Highlights

	2012	2011
	Rupees in millions	
Turnover	40,202	40,675
Gross Profit	7,266	8,012
Profit before Taxation	2,435	2,990
Taxation	206	218
Profit after taxation	2,230	2,772
Earnings per share (basic) - Rupees	7.64	12.79

NCPL incorporated under the Companies Ordinance 1984 on 23 February 2007, is established with the objective of setting-up power generation project having gross capacity of 200 MW under a 25 year 'take or pay' agreement with National Transmission & Dispatch Company Limited (NTDCL). NCPL started its commercial operations on 21 July 2010. The plant is combined cycle with 11 reciprocating engines and a heat recovery steam turbine provided by WÄRTSILÄ. Net output of the project is 195.722 MW. The primary fuel of the plant is Residual Furnace Oil (RFO).

Circular debt remained a major threat to companies working in the power sector. NTDCL remained unable to meet its obligations to make payment to NCPL on time. As of 30 June 2012, total receivables from NTDCL were Rs. 11.711 billion out of which Rs. 7.766 billion was overdue. NCPL continued to take up the matter of overdue receivables with NTDCL and Ministry of Water & Power of the Government of Pakistan through Private Power & Infrastructure Board (PPIB). Due to mounting receivables from the Power Purchaser the NCPL plant was forced to run on partial load for several months.The board of directors of NCPL has recommended 20% cash dividend for the year ended 30 June 2012 in BOD meeting held on 4 October 2012.

Due to ongoing energy crisis in the country, the management expects high capacity utilization and looks forward to profitable consolidated results in the coming years. Nishat (Chunian) Limited currently owns 51.07% shares (2011: 52.89% shares) of Nishat Chunian Power Limited. The Directors' Report giving a commentary on the performance of Nishat (Chunian) Limited for the year ended 30 June 2012 has been presented separately.

On behalf of the Board

Shahzad Saleem

04 October 2012 — Chief Executive / Chairman

Lahore

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Nishat (Chunian) Limited (the Holding Company) and its Subsidiary Company (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 opinion on the financial statements of Nishat (Chunian) Limited. The financial statements of the Subsidiary Company, Nishat Chunian Power Limited were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Nishat (Chunian) Limited and its Subsidiary Company 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:
Syed Mustafa Ali

Date: 04 October 2012

LAHORE

Consolidated Balance Sheet as at

	NOTE	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	3	1,950,000,000	1,950,000,000
Issued, subscribed and paid-up share capital	4	1,654,418,440	1,654,418,440
Reserves	5	5,601,064,258	4,687,597,343
Equity attributable to equity holders of the Holding Company		7,255,482,698	6,342,015,783
Non-controlling interest		2,936,659,488	2,305,932,032
Total equity		10,192,142,186	8,647,947,815
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	16,883,650,748	17,145,214,989
CURRENT LIABILITIES			
Trade and other payables	7	2,128,109,025	1,563,171,399
Accrued mark-up	8	880,447,496	953,708,954
Short term borrowings	9	11,179,263,338	8,219,915,747
Derivative financial instruments	10	35,090,368	-
Current portion of long term financing	6	1,936,563,768	2,533,783,675
		16,159,473,995	13,270,579,775
Total liabilities		33,043,124,743	30,415,794,764
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		43,235,266,929	39,063,742,579

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

CHIEF EXECUTIVE

30 June 2012

	NOTE	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	12	21,885,703,745	22,963,097,004
Long term loans to employees	13	4,220,799	5,382,191
Long term security deposits		2,391,909	1,200,442
		21,892,316,453	22,969,679,637
CURRENT ASSETS			
Stores, spare parts and loose tools	14	941,317,825	694,943,360
Stock-in-trade	15	4,387,426,935	5,178,429,523
Trade debts	16	14,738,386,180	9,053,785,203
Loans and advances	17	176,328,163	284,807,263
Short term deposit and prepayments		1,361,373	7,899,639
Accrued interest		70,511	2,660,798
Other receivables	18	977,770,869	694,150,949
Derivative financial instrument		-	3,061,396
Short term investments	19	32,494,520	-
Cash and bank balances	20	87,794,100	174,324,811
		21,342,950,476	16,094,062,942
TOTAL ASSETS		43,235,266,929	39,063,742,579

DIRECTOR

Consolidated Profit and Loss Account

for the year ended 30 June 2012

	NOTE	2012 Rupees	2011 Rupees
SALES	21	40,202,334,544	40,675,056,941
COST OF SALES	22	(32,936,664,905)	(32,662,974,975)
GROSS PROFIT		7,265,669,639	8,012,081,966
DISTRIBUTION COST	23	(499,834,017)	(599,586,283)
ADMINISTRATIVE EXPENSES	24	(193,314,268)	(171,037,680)
OTHER OPERATING EXPENSES	25	(98,261,076)	(145,331,249)
		(791,409,361)	(915,955,212)
		6,474,260,278	7,096,126,754
OTHER OPERATING INCOME	26	366,442,790	250,861,668
PROFIT FROM OPERATIONS		6,840,703,068	7,346,988,422
FINANCE COST	27	(4,405,316,849)	(4,357,248,680)
PROFIT BEFORE TAXATION		2,435,386,219	2,989,739,742
TAXATION	28	(205,849,914)	(217,788,642)
PROFIT AFTER TAXATION		2,229,536,305	2,771,951,100
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE HOLDING COMPANY		1,245,129,919	2,054,484,551
NON-CONTROLLING INTEREST		984,406,386	717,466,549
		2,229,536,305	2,771,951,100
EARNINGS PER SHARE - BASIC	29	7.64	12.79
EARNINGS PER SHARE - DILUTED	29	7.64	12.42

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
PROFIT AFTER TAXATION	2,229,536,305	2,771,951,100
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,229,536,305	2,771,951,100
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE HOLDING COMPANY	1,245,129,919	2,054,484,551
NON-CONTROLLING INTEREST	984,406,386	717,466,549
	2,229,536,305	2,771,951,100

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Cash Flow Statement
for the year ended 30 June 2012

	NOTE	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	3,713,572,481	2,002,020,603
Net increase in long term security deposits		(1,191,467)	-
Finance cost paid		(4,485,312,738)	(4,327,408,491)
Income tax paid		(249,398,363)	(296,368,564)
Net increase in long term loans to employees		(690,697)	(2,585,646)
Net cash used in operating activities		(1,023,020,784)	(2,624,342,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(437,387,050)	(690,039,678)
Capital expenditure on intangible asset		-	(672,373)
Proceeds from sale of property, plant and equipment		27,655,460	56,620,192
Short term investments made		(30,000,000)	131,890,238
Profit on bank deposits received		2,968,060	14,270,278
Net cash used in investing activities		(436,763,530)	(487,931,343)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		3,050,000,000	2,754,963,500
Repayment of long term financing		(3,908,784,148)	(2,750,551,103)
Short term borrowings - net		2,959,347,591	1,727,176,098
Dividend paid to non-controlling interest		(449,402,797)	(170,367,208)
Proceeds from disposal of interest to non-controlling interest		92,838,536	279,936,623
Dividends paid		(370,745,579)	(206,556,568
Net cash from financing activities		1,373,253,603	1,634,601,342
Net decrease in cash and cash equivalents		(86,530,711)	(1,477,672,099)
Cash and cash equivalents at the beginning of the year		174,324,811	1,651,996,910
Cash and cash equivalents at the end of the year		87,794,100	174,324,811

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

CHIEF EXECUTIVE

DIRECTOR

Consolidated Statement of Changes in Equity
for the year ended 30 June 2012

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY							NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL			REVENUE RESERVES			SHARE-HOLDERS' EQUITY		
	Ordinary shares	Preference shares	Total	General reserve	Unappropr-iated profit	Total			
	.... Rupees								
Balance as at 30 June 2010	1,585,526,670	68,891,770	1,654,418,440	1,629,221,278	1,185,316,206	2,814,537,484	4,468,955,924	1,540,327,620	6,009,283,544
Final dividend for the year ended 30 June 2010 @ Rupees 1.5 per ordinary share	-	-	-	-	(237,829,001)	(237,829,001)	(237,829,001)	-	(237,829,001)
Preference shares converted into ordinary shares	35,376,820	(35,376,820)	-	-	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(170,367,208)	(170,367,208)
Preference dividend for the year ended 30 June 2011	-	-	-	-	(5,027,243)	(5,027,243)	(5,027,243)	-	(5,027,243)
Disposal of interest to non-controlling interest	-	-	-	-	61,431,552	61,431,552	61,431,552	218,505,071	279,936,623
Profit for the year	-	-	-	-	2,054,484,551	2,054,484,551	2,054,484,551	717,466,549	2,771,951,100
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,054,484,551	2,054,484,551	2,054,484,551	717,466,549	2,771,951,100
Balance as at 30 June 2011	1,620,903,490	33,514,950	1,654,418,440	1,629,221,278	3,058,376,065	4,687,597,343	6,342,015,783	2,305,932,032	8,647,947,815
Final dividend for the year ended 30 June 2011 @ Rupees 2 per ordinary share	-	-	-	-	(324,180,698)	(324,180,698)	(324,180,698)	-	(324,180,698)
Preference shares converted into ordinary shares	33,514,950	(33,514,950)	-	-	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(449,402,797)	(449,402,797)
Preference dividend for the year ended 30 June 2012	-	-	-	-	(4,596,975)	(4,596,975)	(4,596,975)	-	(4,596,975)
Disposal of interest to non-controlling interest	-	-	-	-	(2,885,331)	(2,885,331)	(2,885,331)	95,723,867	92,838,536
Profit for the year	-	-	-	-	1,245,129,919	1,245,129,919	1,245,129,919	984,406,386	2,229,536,305
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,245,129,919	1,245,129,919	1,245,129,919	984,406,386	2,229,536,305
Balance as at 30 June 2012	1,654,418,440	-	1,654,418,440	1,629,221,278	3,971,842,980	5,601,064,258	7,255,482,698	2,936,659,488	10,192,142,186

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

CHIEF EXECUTIVE

DIRECTOR

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company	-	Nishat (Chunian) Limited
Subsidiary Company	-	Nishat Chunian Power Limited

Nishat (Chunian) Limited

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

Nishat Chunian Power Limited

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Accumulating compensated absences

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

Taxation

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

Provisions for doubtful debts

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

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

The following amendments to published approved standards are mandatory for the Group's accounting periods beginning on or after 01 July 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 (IASBs) 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 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 Group is in the process of evaluating the impacts of the aforesaid standard 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 Group'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 Producer (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 legal form of lease should, nonetheless, be accounted for as lease in accordance with International Accounting Standard (IAS) 17 'Lease'.

Consequently, the Subsidiary Company is not required to account for a portion of its Power Purchase Agreement (PPA) with National Transmission and Despatch Company Limited (NTDCL) as 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 Rupees	2011 Rupees
De-recognition of property, plant and equipment	(15,790,973,077)	(16,739,391,252)
Recognition of lease debtor	16,816,544,994	17,471,933,383
Increase in un-appropriated profit at the beginning of the year	732,542,131	-
Increase in profit for the year	293,029,786	732,542,131
Increase in un-appropriated profit at the end of the year	1,025,571,917	732,542,131

2.2 Consolidation

Subsidiary

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

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

Intra group balances and transactions have been eliminated.

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

2.3 Taxation

Current

Holding Company

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

Subsidiary Company

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

Deferred

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

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

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

2.4 Employee benefits

The main features of the schemes operated are as follows:

Provident fund

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

Accumulating compensated absences

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

2.5 Fixed assets

Property, plant, equipment and depreciation

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

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

Depreciation

Depreciation on all operating fixed assets is charged to income on the reducing balance method, except in case of the 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 12.1. Depreciation on additions is charged from the month in which the assets are available for use upto the month prior to disposal. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

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

Intangible asset

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

2.6 Goodwill

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

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

2.7 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Available-for-sale

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

Quoted

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

Unquoted

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

2.8 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.9 Foreign currencies

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

2.10 Borrowing cost

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

2.11 Revenue recognition

Revenue from different sources is recognized as under:

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

2.12 Share capital

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

2.13 Financial instruments

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

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

a) Trade debts and other receivables

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

b) Borrowings

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

c) Trade and other payables

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

2.14 Offsetting of financial assets and financial liabilities

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

2.15 Cash and cash equivalents

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

2.16 Derivative financial instruments

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

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

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

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

2.17 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.

2.18 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 by reference to its current fair value.

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

b) Non-financial assets

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

2.19 Segment reporting

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

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

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

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

2.20 Dividend to ordinary shareholders and other appropriations

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

3. AUTHORIZED SHARE CAPITAL

2012 (Number of Shares)	2011 (Number of Shares)		2012 Rupees	2011 Rupees
175,000,000	175,000,000	Ordinary shares of Rupees 10 each	1,750,000,000	1750,000,000
20,000,000	20,000,000	15% non-voting cumulative convertible preference shares of Rupees 10 each	200,000,000	200,000,000
195,000,000	195,000,000		1,950,000,000	1,950,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012 (Number of shares)	2011 (Number of shares)		2012 Rupees	2011 Rupees
Ordinary shares				
94,720,922	91,369,427	Ordinary shares of Rupees 10 each fully paid in cash	947,209,220	913,694,270
69,496,657	69,496,657	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	694,966,570	694,966,570
1,224,265	1,224,265	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash to members of Umer Fabrics Limited as per the Scheme of arrangement as approved by the Honourable Lahore High Court, Lahore	12,242,650	12,242,650
165,441,844	162,090,349		1,654,418,440	1,620,903,490
Preference shares				
-	3,351,495	15% non-voting cumulative convertible preference shares of Rupees 10 each fully paid in cash	-	33,514,950
165,441,844	165,441,844		1,654,418,440	1,654,418,440

	2012 (Number of Shares)	2011 (Number of Shares)
4.1 Ordinary shares of the Holding Company held by related parties:		
Nishat Mills Limited	22,513,321	22,513,321
D.G. Khan Cement Company Limited	5,010,059	5,010,059
	27,523,380	27,523,380

4.2 Movement during the year

2012 (Number of shares)	2011 (Number of shares)		2012 Rupees	2011 Rupees
Ordinary shares				
162,090,349	158,552,667	At 01 July	1,620,903,490	1,585,526,670
3,351,495	3,537,682	Preference shares converted into ordinary shares of Rupees 10 each at par	33,514,950	35,376,820
165,441,844	162,090,349	At 30 June	1,654,418,440	1,620,903,490
Preference shares				
3,351,495	6,889,177	At 01 July	33,514,950	68,891,770
(3,351,495)	(3,537,682)	Preference shares converted into ordinary shares of Rupees 10 each at par	(33,514,950)	(35,376,820)
-	3,351,495	At 30 June	-	33,514,950

4.3 During the year ended 30 June 2012, at the expiry of three years from the date of issue of preference shares, all outstanding non-voting cumulative convertible preference shares of Rupees 10 each were converted into ordinary shares of Rupees 10 each at conversion price of Rupees 10 per ordinary share.

	2012 Rupees	2011 Rupees
5. RESERVES		
Composition of reserves is as follows:		
Revenue reserves		
General reserve	1,629,221,278	1,629,221,278
Unappropriated profit	3,971,842,980	3,058,376,065
	5,601,064,258	4,687,597,343
6. LONG TERM FINANCING		
From banking companies / financial institutions - secured		
Long term loans (Note 6.1)	17,971,464,516	18,593,998,664
Long term musharaka (Note 6.2)	442,500,000	585,000,000
Privately placed term finance certificates - secured (Note 6.3)	406,250,000	500,000,000
	18,820,214,516	19,678,998,664
Less: Current portion shown under current liabilities		
Long term loans	1,634,063,768	2,297,533,675
Long term musharaka	177,500,000	142,500,000
Privately placed term finance certificates	125,000,000	93,750,000
	1,936,563,768	2,533,783,675
	16,883,650,748	17,145,214,989

6.1 Long term loans

Lender	2012 Rupees	2011 Rupees	Rate of mark-up per annum	Number of instalments	Mark-up repricing	Mark-up payable
Nishat (Chunian) Limited - Holding Company						
Standard Chartered Bank (Pakistan) Limited	400,000,000	-	1-month KIBOR + 1.40%	Six equal half yearly instalments commencing on 12 July 2013 and ending on 12 January 2016.	Monthly	Monthly
United Bank Limited-1	-	62,500,000	SBP rate for LTF-EOP + 2%	Eight equal half yearly instalments commenced on 28 February 2007 and ended on 31 July 2011.	-	Quarterly
United Bank Limited-2	-	40,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 27 December 2007 and ended on 27 June 2012.	Half Yearly	Half Yearly
United Bank Limited-3	50,000,000	150,000,000	6-month KIBOR + 0.95%	Ten equal half yearly instalments commenced on 24 June 2008 and ending on 24 December 2012.	Half Yearly	Half Yearly
United Bank Limited-4	-	312,500,000	6-month KIBOR + 1.75%	Eight equal half yearly instalments commenced on 31 March 2010 and ending on 30 September 2013. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
United Bank Limited-5	-	23,333,334	6-month KIBOR + 2.40%	Six equal half yearly instalments commenced on 31 December 2010 and ending on 30 June 2013. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
United Bank Limited-6	17,875,000	25,025,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 20 May 2011 and ending on 20 November 2014.	-	Quarterly
United Bank Limited-7	24,000,000	33,600,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 08 June 2011 and ending on 08 December 2014.	-	Quarterly
United Bank Limited-8	6,600,000	8,800,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 28 July 2011 and ending on 28 January 2015.	-	Quarterly
United Bank Limited-9	66,450,000	88,600,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 18 July 2011 and ending on 18 January 2015.	-	Quarterly
United Bank Limited-10	19,875,000	26,500,000	SBP rate for LTFF + 2.5%	Eight equal half yearly instalments commenced on 26 July 2011 and ending on 26 January 2015.	-	Quarterly
United Bank Limited-11	500,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 31 May 2013 and ending on 28 February 2017.	Quarterly	Quarterly
Habib Bank Limited-1	-	9,155,796	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 24 May 2007 and ended on 24 November 2011.	-	Quarterly
Habib Bank Limited-2	-	15,238,408	SBP rate for LTF-EOP + 3%	Eight equal half yearly instalments commenced on 03 August 2007 and ended on 03 February 2012.	-	Quarterly
Allied Bank Limited-1	-	100,000,000	6-month KIBOR + 1.05%	Six equal half yearly instalments commenced on 23 December 2009 and ended on 23 June 2012.	Half Yearly	Half Yearly
Allied Bank Limited-2	-	150,000,000	6-month KIBOR + 1.05%	Ten equal half yearly instalments commenced on 28 March 2008 and ending on 28 September 2012. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
Allied Bank Limited-3	-	210,000,000	6-month KIBOR + 0.85%	Ten equal half yearly instalments commenced on 15 June 2008 and ending on 15 December 2012. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
Allied Bank Limited-4	500,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 01 June 2013 and ending on 01 March 2017.	Quarterly	Quarterly
Allied Bank Limited-5	1,200,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 28 February 2013 and ending on 29 November 2016.	Quarterly	Quarterly
Pak Kuwait Investment Company (Private) Limited-1	-	177,777,778	6-month KIBOR + 2.50%	Eighteen equal quarterly instalments commenced on 14 January 2011 and ending on 14 April 2015. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
Pak Kuwait Investment Company (Private) Limited-2	194,444,448	250,000,000	6-month KIBOR + 2.45%	Eighteen equal quarterly instalments commenced on 21 September 2011 and ending on 21 December 2015.	Half Yearly	Quarterly
Summit Bank Limited	30,000,000	75,000,000	6-month KIBOR + 1.05%	Twenty equal quarterly instalments commenced on 01 January 2008 and ending on 01 October 2012.	Half Yearly	Quarterly
National Bank of Pakistan	-	125,000,000	6-month KIBOR + 2.50%	Eight equal half yearly instalments commenced on 30 September 2009 and ending on 31 March 2013. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Half Yearly
The Bank of Punjab-1	236,250,000	270,000,000	SBP rate for LTFF+ 2.5%	Sixteen equal quarterly instalments commenced on 15 January 2012 and ending on 15 October 2015.	-	Quarterly
The Bank of Punjab-2	187,500,001	250,000,000	6-month KIBOR + 1.35%	Twelve equal quarterly instalments commenced on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly
Faysal Bank Limited	-	1,000,000,000	6-month KIBOR + 2.15%	Eight equal half yearly instalments commenced on 23 June 2012 and ending on 23 December 2015. However, the Holding Company made pre-payment of loan in full during the current year.	Half Yearly	Quarterly
SAMBA Bank Limited	187,500,000	250,000,000	3-month KIBOR + 1.50%	Eight equal quarterly instalments commenced on 31 January 2012 and ending on 31 October 2013.	Quarterly	Quarterly
Saudi Pak Industrial and Agricultural Investment Company Limited	89,687,278	94,963,500	SBP rate for LTFF+ 3%	Eighteen equal quarterly instalments commenced on 31 May 2012 and ending on 31 August 2016.	-	Quarterly
Soneri Bank Limited	250,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 30 April 2013 and ending on 31 January 2017.	Quarterly	Quarterly
Pak Brunei Investment Company Limited	200,000,000	-	3-month KIBOR + 1.25%	Sixteen equal quarterly instalments commencing on 02 July 2013 and ending on 02 April 2017.	Quarterly	Quarterly
	4,160,181,727	3,747,993,816				

Lender	2012 Rupees	2011 Rupees	Rate of mark-up per annum	Number of installments	Mark-up repricing	Mark-up payable
Nishat Chunian Power Limited - Subsidiary Company						
Senior facility (Note 6.6)	11,134,874,752	11,969,644,180	3-month KIBOR + 3%	Thirty seven quarterly instalments ending on 01 July 2020.	Quarterly	Quarterly
Term finance facility (Note 6.6)	2,676,408,037	2,876,360,668	3-month KIBOR + 3%	Thirty seven quarterly instalments ending on 01 July 2020.	Quarterly	Quarterly
	13,811,282,789	14,846,004,848				
	17,971,464,516	18,593,998,664				

Nishat (Chunian) Limited - Holding Company

6.2 Long term musharaka

Lender	2012 Rupees	2011 Rupees	Rate of profit per annum	Number of instalments	Profit repricing	Profit payable
Burj Bank Limited -1	62,500,000	125,000,000	6-month KIBOR + 1.25%	Sixteen equal quarterly instalments commenced on 30 September 2009 and ending on 30 June 2013.	Half Yearly	Quarterly
Burj Bank Limited -2	140,000,000	140,000,000	6-month KIBOR + 1.50%	Sixteen equal quarterly instalments commencing on 30 September 2012 and ending on 30 June 2016.	Half Yearly	Quarterly
Dubai Islamic Bank (Pakistan) Limited	240,000,000	320,000,000	6-month KIBOR + 1.15%	Ten equal half yearly instalments commenced on 01 October 2010 and ending on 01 April 2015.	Half Yearly	Half Yearly
	442,500,000	585,000,000				
6.3 Privately placed term finance certificates	406,250,000	500,000,000	3-month KIBOR + 2.25%	Sixteen equal quarterly instalments commenced on 30 December 2011 and ending on 30 September 2015.	Quarterly	Quarterly

6.4 Long term loans and privately placed term finance certificates of the Holding Company are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 7,640 million (2011: Rupees 7,345 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees 1,267 million (2011: Rupees 1,999 million).

6.5 Long term musharaka of the Holding Company are secured by first joint pari passu hypothecation and equitable mortgage on all present and future fixed assets of the Holding Company to the extent of Rupees 801.667 million (2011: Rupees 783.333 million) and ranking charge on all present and future fixed assets of the Holding Company to the extent of Rupees NIL (2011: Rupees 187 million).

6.6 This represents long term financing obtained by the Subsidiary Company from a consortium of banks led by United Bank Limited (Agent Bank). The portion of long term financing from Faysal Bank Limited is on murabaha basis. The overall financing is secured against registered first joint parri passu charge on immovable property, mortgage of project receivables (excluding energy payment receivables), hypothecation of all present and future assets and all properties (excluding working capital hypothecated property), lien over project bank accounts and pledge of shares held by the Holding Company in the Subsidiary Company. It carries mark-up at the rate of three months Karachi Inter-Bank Offered Rate (KIBOR) plus three percent per annum, payable on quarterly basis. The effective mark-up rate charged during the year on the outstanding balance ranges from 14.91% to 16.53% (2011: 15.29% to 16.52%) per annum.

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

	2012 Rupees	2011 Rupees
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	1,506,641,973	775,991,298
Accrued liabilities	252,267,831	308,345,451
Advances from customers	106,464,326	129,439,569
Securities from contractors		
- interest free and repayable on completion of contracts	3,935,959	2,311,761
Retention money	6,742,982	5,536,221
Income tax deducted at source	6,337,600	32,529,534
Sales tax payable	-	56,029,246
Unclaimed dividend	17,823,259	54,948,719
Unclaimed preference dividend	342,137	5,184,583
Workers' profit participation fund (Note 7.2)	147,611,125	163,665,204
Workers' welfare fund	21,681,803	21,681,803
Fair value of forward exchange contracts	47,606,647	-
Others	10,653,383	7,508,010
	2,128,109,025	1,563,171,399

7.1 It includes Rupees 3.649 million (2011: Rupees 0.229 million) due to related parties.

	2012 Rupees	2011 Rupees
7.2 Workers' profit participation fund		
Balance as on 01 July	163,665,204	57,112,696
Add: Interest for the year (Note 27)	2,261,411	2,457,472
Add: Provision for the year	147,611,125	163,665,204
	313,537,740	223,235,372
Less: Payments during the year	165,926,615	59,570,168
Balance as on 30 June	147,611,125	163,665,204

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

	2012 Rupees	2011 Rupees
8. ACCRUED MARK-UP		
Long term financing	591,517,678	755,994,821
Short term borrowings	288,929,818	197,714,133
	880,447,496	953,708,954

	2012 Rupees	2011 Rupees
9. SHORT TERM BORROWINGS		
From banking companies - secured		
Nishat (Chunian) Limited - Holding Company		
Short term running finances (Notes 9.1 and 9.2)	1,027,745,981	1,401,961,600
Export finances - Preshipment / SBP refinance (Notes 9.1 and 9.3)	2,378,764,543	2,432,805,740
Other short term finances (Notes 9.1 and 9.4)	1,943,000,000	773,848,419
Nishat Chunian Power Limited - Subsidiary Company		
Short term running finances (Note 9.5)	4,391,237,614	2,611,299,988
Short term finance (Note 9.6)	1,438,515,200	1,000,000,000
	11,179,263,338	8,219,915,747

9.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of all present and future current assets of the Holding Company and lien on export bills to the extent of Rupees 15,941 million (2011: Rupees 13,738 million). These form part of total credit facility of Rupees 10,480 million (2011: Rupees 9,225 million).

9.2 The rates of mark-up range from 13.04% to 14.54% (2011: 2.15% to 16.16%) per annum on the balance outstanding.

9.3 The rates of mark-up range from 2.39% to 12.77% (2011: 1.9% to 14.53%) per annum on the balance outstanding.

9.4 The rates of mark-up range from 12.52% to 12.84% (2011: 14.35% to 14.74%) per annum on the balance outstanding.

9.5 Short term running finance facilities available from commercial banks under mark-up arrangements amount to Rupees 4,526.06 million (2011: Rupees 4,026.06 million) at mark-up rate of three months KIBOR plus 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against first parri passu assignment of the present and future energy payment price of the tariff, first parri passu hypothecation charge on the fuel stock and inventory, ranking charge over all present and future project assets (including moveable/immoveable assets) of the Subsidiary Company. The effective mark-up rate charged during the year on the outstanding balance ranges from 13.91% to 15.53% (2011: 14.29% to 15.52%) per annum.

9.6 This represents murabaha finance facility of Rupees 1,500 million (2011: Rupees 1,000 million) under mark-up arrangements from commercial banks at mark-up rates ranging from three to nine months KIBOR plus 1.75% 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 13.58% to 16.14% (2011: 14.29% to 15.52%) per annum.

Of the aggregate facilities of Rupees 845 million (2011: Rupees 799.6 million) for opening letters of credit and guarantees, the amount utilised at 30 June 2012 was Rupees 110.528 million (2011: Rupees 336.726 million). The aggregate facilities for opening letters of credit and guarantees are secured by lien over import documents and the facility of issuing standby letter of credit is secured by ranking charge on current assets comprising of fuel stocks and inventories of the Subsidiary Company.

	2012 Rupees	2011 Rupees
10. DERIVATIVE FINANCIAL INSTRUMENTS		
Cross currency swaps (Note 10.1)	34,860,993	-
Interest rate swaps (Note 10.2)	13,142	-
Forward foreign exchange contracts (Note 10.3)	216,233	-
	35,090,368	-

10.1 This represents the derivative cross currency swaps the Subsidiary Company has entered into with a commercial bank. Under the terms of certain cross currency swap arrangements, the Subsidiary Company pays London Inter-Bank Offered Rate (LIBOR) plus bank spread to the arranging bank on the notional USD amount for the purposes of the cross currency swap, and receives KIBOR from the arranging bank. Similarly, under the terms of certain other cross currency swap arrangements the Subsidiary Company pays LIBOR plus bank spread to the arranging bank on the notional USD amount for the purposes of the cross currency swaps, and receives fixed interest at the rate of 11.65% from the arranging bank. There have been no transfers of liabilities under the arrangements, only the nature of the interest payment has changed. The derivative cross currency swaps outstanding as at 30 June 2012 have been marked to market and the resulting loss of Rupees 37.922 million has been charged to consolidated profit and loss account with a corresponding liability.

10.2 During the year, the Subsidiary Company has entered into a derivative interest rate swap with a commercial bank. Under the terms of the interest rate swap arrangement, the Subsidiary Company pays KIBOR to the arranging bank on the notional PKR amount for the purposes of the interest rate swap, and receives a fixed interest at the rate of 12.475% from the arranging bank. There has been no transfer of liability under the arrangement, only the nature of the interest payment has changed. The derivative interest rate swap outstanding as at 30 June 2012 has been marked to market and the resulting loss of Rupees 0.013 million has been recognised in the consolidated profit and loss account.

10.3 During the year, the Subsidiary Company has entered into foreign currency forward options with a commercial bank. The foreign currency forward options outstanding as at 30 June 2012 have been marked to market and the resulting loss of Rupees 0.216 million has been recognised in the consolidated profit and loss account.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

i) Guarantees of Rupees 200.639 million (2011: Rupees 200.639 million) have been issued by the banks of the Holding Company to Sui Northern Gas Pipelines Limited against gas connections and Shell Pakistan Limited against purchase of furnace oil.

ii) Guarantees of Rupees 58 million (2011: Rupees 48 million) are given by banks of the Holding Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

iii) The Holding Company preferred appeal against the Government of Punjab in the Honourable Lahore High Court, Lahore against imposition of electricity duty on internal generation and the writ petition has been accepted. However, Government of Punjab has moved to the Honourable Supreme Court of Pakistan against the order of Honourable Lahore High Court, Lahore. The Holding Company has fully provided its liability in respect of electricity duty on internal generation. As at the reporting date, an amount of Rupees 18.792 (2011: Rupees 9.120 million) is payable on this account but the management of the Holding Company is confident that payment of electricity duty will not be required.

iv) The Holding Company has not recognised fuel adjustment charges amounting to Rupees 20.867 million notified by National Electric Power Regulatory Authority (NEPRA), as the Holding Company has obtained stay against payment of such charges from Honourable 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) The Collectorate of Customs (Export) has issued show cause notices with the intention to reject the duty draw back claims aggregating to Rupees 9.482 million (2011: Rupees 9.482 million) on blended greige fabrics exported under Duty and Tax Remission Rules for Export (DTRE) scheme. The department is of the view that the Holding Company has not submitted Appendix-1 as per Rule 297-A of the above referred scheme. The Holding Company considers that since it has taken benefit of remission of sales tax only, it is entitled to full duty draw back and has filed appeal before Appellate Tribunal Inland Revenue (ATIR) Karachi Bench which is still pending. The Holding Company also applied to Federal Board of Revenue (FBR) to constitute Alternate Dispute Resolution Committee (ADRC) in terms of section 195C of the Custom Act, 1969 to settle the dispute. ADRC vide its order dated 16 April 2008 has recommended the case in favour of the Holding Company and forwarded the case to FBR. The matter is still pending at FBR's end.

vi) Order was issued by the Assistant Commissioner Inland Revenue (ACIR) under section 122(1) of the Income Tax Ordinance, 2001 for tax year 2008 as a result of audit of the Holding Company under section 177 of the Income Tax Ordinance, 2001 whereby a demand has been raised against the Holding Company on various grounds. The Holding Company's appeal against the order of ACIR was disposed off by the Commissioner Inland Revenue (Appeals) [CIR(A)] through order dated 23 April 2011. Through such order, a significant relief was extended to the Holding Company, however, the Holding Company has further assailed the matter before ATIR so as the issues decided by CIR(A) against the Holding Company are further contested. The Holding Company's appeal has not yet been taken up for hearing by ATIR. The Holding Company considers that its stance is based on reasonable grounds and appeal is likely to succeed. Hence, no provision for taxation amounting to Rupees 26.613 million (2011: Rupees 43.739 million) has been recognized in these consolidated financial statements based on advice of the tax counsel. Further, the Holding Company has also impugned selection of its tax affairs for audit in terms of section 177 of the Income Tax Ordinance, 2001 for tax year 2009 in Honourable Lahore High Court, Lahore through writ petition. The tax audit authorities have been restrained from proceeding with the audit.

vii) While framing assessment orders of Umer Fabrics Limited (merged entity) for the assessment years 1998-99, 2000-01, 2001-02 and 2002-03, the Officer Inland Revenue disallowed certain expenses on pro-rata basis and disagreed on certain additions. The Holding Company being aggrieved filed appeals with the Commissioner Inland Revenue (Appeals) which was decided in the Holding Company's favour against which the department preferred an appeal to Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favour of the Holding Company. The department has filed an appeal before Honourable Lahore High Court. No provision against these disallowances and addition has been made in these consolidated financial statements as the management is confident that the matter would be settled in the Holding Company's favour. If the decision of ATIR is not upheld, the provision for taxation amounting to Rupees 17.157 million (2011: Rupees 17.157 million) would be required.

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

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

x) Post dated cheques have been issued by the Holding Company to custom authorities in respect of duties amounting to Rupees 58.709 million (2011: Rupees 927.402 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheque issued as security shall be encashable.

xi) The following have been issued by the banks on behalf of the Subsidiary Company:

(a) Irrevocable standby letter of credit in favour of Wartsila Pakistan (Private) Limited for Rupees 45 million (2011: Rupees 45 million) as required under the terms of the Operations and Maintenance Agreement.

(b) Letter of guarantee of Rupees 1.032 million (2011: Rupees 1.132 million) in favour of Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

11.2 Commitments

i) Contracts for capital expenditure amounting to Rupees 282.462 million (2011: Rupees 40.329 million).

ii) Letters of credit other than for capital expenditure amounting to Rupees 58.798 million (2011: Rupees 462.309 million).

iii) Outstanding foreign currency forward contracts of Rupees 2,892.672 million (2011: Rupees 1,461.410 million).

iv) The 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. July 21, 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.

	2012 Rupees	2011 Rupees
12. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 12.1)	21,780,507,081	22,898,307,305
Capital work-in-progress (Note 12.2)	101,499,938	58,916,678
	21,882,007,019	22,957,223,983
Intangible assets:		
Computer software (Note 12.1)	3,696,726	5,873,021
	21,885,703,745	22,963,097,004

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

Description	Operating fixed assets									Intangible asset
	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Factory equipment	Furniture, fixture and equipment	Office equipment	Motor vehicles	Total	Computer software
	Rupees									
At 30 June 2010										
Cost	259,793,047	1,617,603,002	7,815,497,793	168,770,901	63,269,485	41,067,105	138,594,143	119,038,173	10,223,633,649	1,319,000
Accumulated depreciation / amortization	-	(690,232,536)	(3,593,277,017)	(95,845,115)	(41,322,056)	(20,460,474)	(54,524,056)	(58,036,210)	(4,553,697,464)	(791,400)
Net book value	259,793,047	927,370,466	4,222,220,776	72,925,786	21,947,429	20,606,631	84,070,087	61,001,963	5,669,936,185	527,600
Year ended 30 June 2011										
Opening net book value	259,793,047	927,370,466	4,222,220,776	72,925,786	21,947,429	20,606,631	84,070,087	61,001,963	5,669,936,185	527,600
Additions	-	248,011,444	18,809,605,252	7,783,924	6,868,621	6,447,022	9,432,615	39,103,464	19,127,252,342	8,049,316
Reclassification adjustments:										
Cost	-	153,314	9,712,955	7,721,818	68,356,368	9,132,897	(95,077,390)	38	-	-
Accumulated depreciation	-	211,422	(14,818,598)	(94,621)	(25,030,063)	(3,400,586)	40,354,963	2,777,483	-	-
	-	364,736	(5,105,643)	7,627,197	43,326,305	5,732,311	(54,722,427)	2,777,521	-	-
Disposals:										
Cost	-	-	(258,009,907)	-	-	-	(93,000)	(35,385,017)	(293,487,924)	-
Accumulated depreciation	-	-	163,785,050	-	-	-	27,882	21,545,727	185,358,659	-
	-	-	(94,224,857)	-	-	-	(65,118)	(13,839,290)	(108,129,265)	-
Depreciation / amortization charge	-	(53,568,359)	(1,699,340,977)	(8,400,757)	(6,627,688)	(2,835,035)	(3,923,428)	(16,055,713)	(1,790,751,957)	(2,703,895)
Closing net book value	259,793,047	1,122,178,287	21,233,154,551	79,936,150	65,514,667	29,950,929	34,791,729	72,987,945	22,898,307,305	5,873,021
At 30 June 2011										
Cost	259,793,047	1,865,767,760	26,376,806,093	184,276,643	138,494,474	56,647,024	52,856,368	122,756,658	29,057,398,067	9,368,316
Accumulated depreciation / amortization	-	(743,589,473)	(5,143,651,542)	(104,340,493)	(72,979,807)	(26,696,095)	(18,064,639)	(49,768,713)	(6,159,090,762)	(3,495,295)
Net book value	259,793,047	1,122,178,287	21,233,154,551	79,936,150	65,514,667	29,950,929	34,791,729	72,987,945	22,898,307,305	5,873,021
Year ended 30 June 2012										
Opening net book value	259,793,047	1,122,178,287	21,233,154,551	79,936,150	65,514,667	29,950,929	34,791,729	72,987,945	22,898,307,305	5,873,021
Additions	20,833,541	37,126,644	252,310,076	21,556,542	20,343,941	3,078,320	13,377,186	32,911,971	401,538,221	-
Disposals:										
Cost	-	-	(22,796,425)	-	-	-	(599,516)	(15,419,879)	(38,815,820)	(1,319,000)
Accumulated depreciation	-	-	15,392,925	-	-	-	244,343	7,573,918	23,211,186	1,319,000
	-	-	(7,403,500)	-	-	-	(355,173)	(7,845,961)	(15,604,634)	-
Depreciation / amortization charge	-	(55,440,807)	(1,406,485,935)	(9,184,439)	(7,366,797)	(3,131,254)	(4,667,922)	(17,456,657)	(1,503,733,811)	(2,176,295)
Closing net book value	280,626,588	1,103,864,124	20,071,575,192	92,308,253	78,491,811	29,897,995	43,145,820	80,597,298	21,780,507,081	3,696,726
At 30 June 2012										
Cost	280,626,588	1,902,894,404	26,606,319,744	205,833,185	158,838,415	59,725,344	65,634,038	140,248,750	29,420,120,468	8,049,316
Accumulated depreciation / amortization	-	(799,030,280)	(6,534,744,552)	(113,524,932)	(80,346,604)	(29,827,349)	(22,488,218)	(59,651,452)	(7,639,613,387)	(4,352,590)
Net book value	280,626,588	1,103,864,124	20,071,575,192	92,308,253	78,491,811	29,897,995	43,145,820	80,597,298	21,780,507,081	3,696,726
Annual rate of depreciation / amortization (%)	-	4 - 5	4 - 32	10	10	10	10	20		20 - 30

12.1.1 Detail of 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 Purchaser
			.... Rupees					
Plant and machinery								
Simplex Frame	5	12,939,203	(7,998,698)	4,940,505	13,959,974	9,019,469	Negotiation	Sercomtex, South Africa
Compressor	1	9,857,222	(7,394,227)	2,462,995	2,005,000	(457,995)	Insurance claim	Adamjee Insurance Company Limited, Lahore
Office equipment								
Note Book - IBM	1	90,000	(38,789)	51,211	10,000	(41,211)	Group policy	Ms. Sonia Karim (Employee of Subsidiary Company), Lahore
Note Book - Sony	1	90,000	(37,453)	52,547	20,000	(32,547)	Group policy	Mr. Ali Ghafoor (Ex-Employee of Holding Company), Lahore
Motor vehicles								
Suzuki Swift LEC-11-9815	1	1,007,880	(94,992)	912,888	984,000	71,112	Group policy	Mr. Javaid Iqbal on behalf of Mr. Ahmad Subhani (Employee of Holding Company), Sialkot
Toyota Hilux LES-11-7562	1	1,609,990	(101,966)	1,508,024	1,665,222	157,198	Negotiation	Mian Muhammad Yahya Trust, Lahore
Honda Civic LEC-07-1708	1	1,400,030	(863,939)	536,091	573,452	37,361	Group policy	Mr. Irtaza Hussain on behalf of Ms. Faiza Jabeen (Employee of Holding Company), Lahore
Honda Civic LEB-07-4150	1	1,400,280	(847,445)	552,835	573,555	20,720	Group policy	Mr. Umer Saeed (Ex-Employee of Holding Company), Lahore
Honda Civic LEF-07-2179	1	1,508,350	(873,719)	634,631	672,137	37,506	Group policy	Mr. Farrukh Ifzal (Employee of Subsidiary Company), Lahore
Suzuki Mehran LEA-06-9307	1	407,850	(252,208)	155,642	164,128	8,486	Group policy	Dr. M. Imran (Ex-Employee of Holding Company), Lahore
Suzuki Alto LEE-08-8539	1	605,550	(274,597)	330,953	605,550	274,597	Group policy	Mr. Abdul Basit Janjua (Ex-Employee of Holding Company), Lahore
Suzuki Alto SV-365	1	676,000	(152,701)	523,299	676,000	152,701	Group policy	Mr. Tahir Nadeem (Ex-Employee of Holding Company), Lahore
Toyota Corolla LEB-07-5847	1	1,306,950	(878,237)	428,713	945,000	516,287	Negotiation	Mr. Abdul Rasheed, Gujrat
Hyundai Shehzore LZJ-6912	1	611,623	(451,179)	160,444	425,000	264,556	Negotiation	Mr. Shahzad Iqbal, Lahore
Toyota Corolla LEB-07-9613	1	1,316,700	(991,002)	325,698	820,000	494,302	Negotiation	Mr. Asim Mumtaz, Lahore
Suzuki Cultus LEB-07-5804	1	615,170	(407,982)	207,188	600,000	392,812	Negotiation	Mr. Asim Mumtaz, Lahore
Suzuki Mehran LEA-07-7746	1	401,060	(310,023)	91,037	163,322	72,285	Group policy	Mr. Ghazanfar Ali (Employee of Holding Company), Lahore
Suzuki Cultus LEJ-07-7493	1	647,620	(363,237)	284,383	647,620	363,237	Group policy	Mr. Munir Hassan (Ex-Employee of Holding Company), Karachi
Suzuki Cultus LEC-07-3795	1	615,120	(398,664)	216,456	700,000	483,544	Negotiation	Mr. Mushtaq Ahmad, Lahore
Suzuki Alto LEA-11-5803	1	725,750	(133,054)	592,696	680,000	87,304	Negotiation	Mr. Muhammad Najeed Iqbal, Lahore
Suzuki Bolan LEA-10-7538	1	563,956	(178,972)	384,984	549,000	164,016	Negotiation	Mr. Buland Akhtar (Employee of Subsidiary Company), Lahore
Aggregate of other items of fixed assets with individual book values not exceeding Rupees 50,000	10	1,738,516	(1,487,102)	251,414	216,500	(34,914)		
		40,134,820	(24,530,186)	15,604,634	27,655,460	12,050,826		

	2012 Rupees	2011 Rupees
12.1.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 22)	1,489,429,806	1,777,324,357
Administrative expenses (Note 24)	14,304,005	13,130,855
Unallocated expenses	-	296,745
	1,503,733,811	1,790,751,957

12.1.3 Amortization on intangible assets amounting to Rupees 2.176 million (2011: Rupees 2.704 million) has been allocated to administrative expenses.

	2012 Rupees	2011 Rupees
12.2 CAPITAL WORK-IN-PROGRESS		
Plant and machinery	-	15,434,574,291
Electric installations	-	2,535,539
Buildings	17,946,371	166,734,416
Mobilization advance	634,823	-
Letters of credit	40,226	35,364,132
Advances for capital expenditure	82,878,518	5,815,364
Unallocated expenses	-	2,332,670,714
	101,499,938	17,977,694,456
Transferred to operating fixed assets	-	(17,918,777,778)
	101,499,938	58,916,678

12.3 The Holding Company has capitalized borrowing cost amounting to Rupees 6.734 million (2011: Rupees 35.343 million) using the capitalization rate ranging from 13.52% to 15.28% (2011: 9.70% to 15.82%) per annum.

	2012 Rupees	2011 Rupees
13. LONG TERM LOANS TO EMPLOYEES		
Considered good:		
Executives (Notes 13.1 and 13.2)	6,149,123	4,579,910
Other employees (Note 13.2)	1,678,496	2,557,012
	7,827,619	7,136,922
Less: Current portion shown under current assets (Note 17)		
Executives	3,035,202	1,469,595
Other employees	571,618	285,136
	3,606,820	1,754,731
	4,220,799	5,382,191
13.1 Reconciliation of carrying amount of loans to executives:		
Opening balance as at 01 July	4,579,910	2,232,750
Disbursements	8,478,876	5,994,599
Less: Repayments	6,909,663	3,647,439
Closing balance as at 30 June	6,149,123	4,579,910

13.1.1 Maximum aggregate balance due from Executives at the end of any month during the year was Rupees 7.832 million (2011: Rupees 7.505 million).

13.2 These represent motor vehicle loans and personal loans to Executives and Employees, payable in 48 to 60 and 12 to 23 monthly instalments respectively. Interest on long term loans ranged from 13% to 14.50% per annum (2011: 13.50% to 14.50% per annum) while some loans are interest free. Motor vehicle loans are secured against registration of cars in the name of the respective Group Company, whereas personal loan is secured against balance standing to the credit of employee in the provident fund trust account.

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

	2012 Rupees	2011 Rupees
14. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	774,061,937	296,831,777
Spare parts	152,426,004	393,101,921
Loose tools	14,829,884	5,009,662
	941,317,825	694,943,360

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

	2012 Rupees	2011 Rupees
15. STOCK-IN-TRADE		
Raw materials	3,561,431,873	3,737,991,945
Work-in-process	380,749,192	629,297,302
Finished goods	412,367,556	770,989,076
Waste	32,878,314	40,151,200
	4,387,426,935	5,178,429,523

15.1 Stock-in-trade of Rupees 65.524 million (2011: Rupees 1,567.893 million) is being carried at net realizable value.

	2012 Rupees	2011 Rupees
16. TRADE DEBTS		
Considered good:		
Secured (Notes 16.3 and 16.4)	13,531,201,914	8,173,983,009
Unsecured (Note 16.2)	1,207,184,266	879,802,194
	14,738,386,180	9,053,785,203

16.1 As at 30 June 2012, trade debts of Rupees 7,770.393 million (2011: Rupees 2,424.668 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:

	2012 Rupees	2011 Rupees
1 to 6 months	7,767,574,802	2,417,296,404
More than 6 months	2,817,978	7,371,885
	7,770,392,780	2,424,668,289

16.2 Trade debts include Rupees 0.063 million (2011: Rupees 0.725 million) due from Nishat Mills Limited - related party.

16.3 This includes trade receivables from 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 three months KIBOR plus 4.5% 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 16.25% to 18.04% (2011 :16.75% to 18.22%) per annum.

16.4 Included in trade debts is an amount of Rupees 558.991 million relating to capacity purchase price not acknowledged by NTDCL as the plant of the Subsidiary Company was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDCL. Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDCL, therefore, management believes that the Subsidiary Company cannot be penalized in the form of payment deductions due to NTDCL's default in 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 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 abovementioned amount has been made in these consolidated financial statements.

	2012 Rupees	2011 Rupees
17. LOANS AND ADVANCES		
Considered good:		
Employees - interest free:		
- Executives	1,409,858	566,630
- Other employees	2,074,224	6,058,375
	3,484,082	6,625,005
Current portion of long term loans to employees (Note 13)	3,606,820	1,754,731
Advances to suppliers	139,119,686	253,340,410
Advances to contractors	851,263	76,608
Letters of credit	29,266,312	23,010,509
	176,328,163	284,807,263
18. OTHER RECEIVABLES		
Considered good:		
Sales tax recoverable	517,588,040	307,626,857
Advance income tax - net	161,910,498	118,362,049
Export rebate and claims	94,300,179	143,091,327
Fair value of forward exchange contracts	-	13,188,828
Mark-up rate support receivable from financial institutions	4,497,759	6,397,828
Receivable from employees' provident fund trust	8,092,179	4,765,297
Claim recoverable from NTDCL for pass through item		
- Workers' Profit Participation Fund (Note 18.1)	183,115,965	81,300,657
Others	8,266,249	19,418,106
	977,770,869	694,150,949
18.1 Workers' profit participation fund		
Balance as on 01 July	81,300,657	-
Add: Provision for the year	101,815,308	81,300,657
Balance as on 30 June	183,115,965	81,300,657

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

	2012 Rupees	2011 Rupees
19. SHORT TERM INVESTMENTS		
Held-to-maturity		
Term deposit receipts (Note 19.1)	30,000,000	-
Add: Accrued interest	2,494,520	-
	32,494,520	-

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

	2012 Rupees	2011 Rupees
20. CASH AND BANK BALANCES		
Cash with banks:		
On saving accounts (Note 20.1) Including US$ 12,952 (2011: US$ 55,172)	6,150,283	6,042,538
Term deposit receipt (Note 20.2)	2,000,000	22,000,000
On current accounts (Note 20.3) Including US$ 82,381 (2011: US$ 25,157)	72,835,325	139,403,674
	80,985,608	167,446,212
Cash in hand	6,808,492	6,878,599
	87,794,100	174,324,811

20.1 Rate of profit on saving accounts ranges from 5% to 6% (2011: 5% to 5.5%) per annum.

20.2 It represents deposit under lien with the bank of the Holding Company against bank guarantee of the same amount issued by the bank to the Director, Excise and Taxation against disputed amount of infrastructure cess. Interest on term deposit receipt is 6 % (2011: 6 % to 11%) per annum. The maturity period of this term deposit receipt is one month.

20.3 Included in cash with banks on current accounts are Rupees 10.241 million (2011: Rupees 48.466 million) with MCB Bank Limited - associated company.

	2012 Rupees	2011 Rupees
21. SALES		
Export	12,946,558,366	13,825,571,075
Local (Notes 21.1)	27,231,030,252	26,714,148,339
Export rebate and duty draw back	24,745,926	135,337,527
	40,202,334,544	40,675,056,941
21.1 Local sales		
Sales (Notes 21.2 and 21.3)	27,053,328,858	26,567,108,077
Processing income	177,701,394	147,040,262
	27,231,030,252	26,714,148,339

21.2 This includes sale of Rupees 2,387 million (2011: Rupees 2,444 million) made to direct exporters against special purchase orders (SPOs). Further, local sales includes waste sales of Rupees 514.563 million (2011: Rupees 614.302 million).

21.3 Local sales is exclusive of sales tax amounting to Rupees 2,577.481 million (2011: Rupees 2,615.294 million).

	2012 Rupees	2011 Rupees
22. COST OF SALES		
Raw materials consumed (Note 22.1)	25,617,786,033	26,593,403,009
Packing materials consumed	483,404,439	474,520,651
Operations and maintenance	290,907,302	262,633,466
Stores, spare parts and loose tools consumed	1,178,127,934	852,764,224
Salaries, wages and other benefits (Note 22.2)	985,183,676	928,129,273
Fuel and power	1,959,895,577	1,749,481,469
Fee and subscription	7,271,933	3,630,535
Insurance	178,678,330	158,194,356
Postage and telephone	2,311,270	2,128,872
Travelling and conveyance	17,246,307	13,929,333
Vehicles' running and maintenance	19,483,126	14,577,031
Entertainment	3,664,675	2,627,113
Depreciation on operating fixed assets (Note 12.1.2)	1,489,429,806	1,777,324,357
Repair and maintenance	40,068,973	29,046,302
Other factory overheads	48,763,008	56,436,050
	32,322,222,389	32,918,826,041
Work-in-process		
Opening stock	629,297,302	466,561,040
Closing stock	(380,749,192)	(629,297,302)
	248,548,110	(162,736,262)
Cost of goods manufactured	32,570,770,499	32,756,089,779
Finished goods and waste - opening stocks		
Finished goods	770,989,076	681,133,741
Waste	40,151,200	36,816,119
	811,140,276	717,949,860
	33,381,910,775	33,474,039,639
Finished goods and waste - closing stocks		
Finished goods	(412,367,556)	(770,989,076)
Waste	(32,878,314)	(40,151,200)
	(445,245,870)	(811,140,276)
Cost of sales - own manufactured goods	32,936,664,905	32,662,899,363
Cost of sales - purchased finished goods	-	75,612
	32,936,664,905	32,662,974,975
22.1 Raw materials consumed		
Opening stock	3,737,991,945	2,375,718,903
Add: Purchased during the year	25,441,225,961	27,955,676,051
	29,179,217,906	30,331,394,954
Less: Closing stock	3,561,431,873	3,737,991,945
	25,617,786,033	26,593,403,009

22.2 Salaries, wages and other benefits include Rupees 11.142 million (2011: Rupees 14.630 million) and Rupees 22.766 million (2011: Rupees 21.131 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

	2012 Rupees	2011 Rupees
23. DISTRIBUTION COST		
Salaries and other benefits (Note 23.1)	31,137,775	28,724,393
Ocean freight	97,900,920	110,228,639
Freight and octroi	72,998,662	69,103,860
Forwarding and other expenses	19,400,516	17,623,846
Export marketing expenses	105,062,884	201,410,376
Commission to selling agents	173,333,260	172,495,169
	499,834,017	599,586,283

23.1 Salaries and other benefits include Rupees 0.676 million (2011: Rupees 0.728 million) and Rupees 1.519 million (2011: Rupees 1.422 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

	2012 Rupees	2011 Rupees
24. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 24.1)	84,043,254	75,310,800
Printing and stationery	3,682,580	4,337,517
Vehicles' running and maintenance	6,849,539	5,011,496
Travelling and conveyance	29,194,630	28,313,379
Postage and telephone	4,203,373	4,432,744
Fee and subscription	8,148,586	6,532,244
Legal and professional	9,071,101	7,253,281
Electricity and sui gas	8,242,668	6,747,972
Insurance	4,289,321	3,307,222
Repair and maintenance	7,829,884	1,554,803
Entertainment	3,819,492	3,705,451
Auditors' remuneration (Note 24.2)	3,436,229	3,510,078
Depreciation on operating fixed assets (Note 12.1.2)	14,304,005	13,130,855
Amortization on intangible assets (Note 12.1.3)	2,176,295	2,703,895
Miscellaneous	4,023,311	5,185,943
	193,314,268	171,037,680

24.1 Salaries and other benefits include Rupees 3.996 million (2011: Rupees 2.128 million) and Rupees 2.891 million (2011: Rupees 2.380 million) in respect of accumulating compensated absences and provident fund contribution by the Group respectively.

	2012 Rupees	2011 Rupees
24.2 Auditor's remuneration		
Riaz Ahmad & Company		
Audit fee	1,000,000	1,000,000
Half yearly review	197,750	178,500
Certification fees	50,000	50,000
Reimbursable expenses	110,000	110,000
	1,357,750	1,338,500
A. F. Ferguson & Co.		
Audit fee	1,100,000	1,000,000
Half yearly review	600,000	500,000
Tax services	115,000	40,000
Other assurance services	195,000	550,000
Reimbursable expenses	68,479	81,578
	2,078,479	2,171,578
	3,436,229	3,510,078

25. OTHER OPERATING EXPENSES

	2012 Rupees	2011 Rupees
Workers' profit participation fund	45,795,817	82,364,547
Loss on sale of property, plant and equipment	-	51,509,073
Bad debts written off	-	2,171,737
Sales tax refundable written off	4,955,600	-
Donations (Note 25.1)	4,425,000	6,200,000
Loss on derivative financial instruments:		
Realized	4,534,529	-
Un-realized	38,151,764	-
	42,686,293	-
Interest on delayed payment	-	2,043,625
Expenses on sale of shares of subsidiary company	398,366	1,042,267
	98,261,076	145,331,249

25.1 Donations

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

	2012 Rupees	2011 Rupees
26. OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposits	2,872,293	16,931,076
Net exchange gain	278,020,496	167,632,965
Gain on redemption of financial asset at fair value through profit and loss	-	6,751,598
Mark up on loans to executives	263,562	62,936
Gain on derivative financial instrument:		
Realized	-	622,638
Un-realized	-	3,061,396
	-	3,684,034
Liability written back	1,606,509	-
Income from non-financial assets		
Gain on sale of property, plant and equipment (Note 12.1.1)	12,050,826	-
Sale of scrap	70,022,586	54,011,803
Miscellaneous	1,606,518	1,787,256
	366,442,790	250,861,668
27. FINANCE COST		
Mark-up on:		
- long term loans	2,725,382,241	2,900,284,430
- privately placed term finance certificates	71,565,929	58,556,986
- long term musharaka	69,583,062	76,509,592
- short term running finances	126,677,573	376,741,845
- export finances - Preshipment / SBP refinances (Note 27.1)	320,394,825	277,894,397
- short term finances	1,022,505,033	581,863,010
Interest on workers' profit participation fund (Note 7.2)	2,261,411	2,457,472
Bank charges and commission	66,946,775	82,940,948
	4,405,316,849	4,357,248,680

27.1 These are net of mark-up rate support against export finance amounting to Rupees 6.039 million (2011: Rupees 26.214 million).

	2012 Rupees	2011 Rupees
28. TAXATION		
Current (Notes 28.1 and 28.2)	205,849,914	222,093,080
Prior year adjustment	-	(4,304,438)
	205,849,914	217,788,642

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

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

	2012	2011
29. EARNINGS PER SHARE - BASIC AND DILUTED		
Basic		
Profit after taxation (Rupees)	1,245,129,919	2,054,484,551
Less: Preference dividend (Rupees)	4,596,975	5,027,243
Profit after taxation attributable to ordinary shareholders (Rupees)	1,240,532,944	2,049,457,308
Weighted average number of ordinary shares outstanding during the year (Number)	162,384,744	160,192,070
Basic earnings per share (Rupees)	7.64	12.79
Diluted (Note 29.1)		
Profit after taxation (Rupees)		2,054,484,551
Weighted average number of ordinary shares outstanding during the year (Number)		160,192,070
Impact of dilutive potential preference shares (Number)		5,249,774
		165,441,844
Diluted earnings per share (Rupees)	7.64	12.42

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

	2012 Rupees	2011 Rupees
30. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,435,386,219	2,989,739,742
Adjustment for non - cash charges and other items:		
Depreciation on operating fixed assets	1,503,733,811	1,790,751,957
Amortization on intangible asset	2,176,295	2,703,895
(Gain) / loss on sale of property, plant and equipment	(12,050,826)	51,509,073
Finance cost	4,405,316,849	4,357,248,680
Return on bank deposits	(2,872,293)	(16,931,076)
Unrealized loss / (gain) on derivative financial instrument	38,151,764	(3,061,396)
Bad debts written off	-	2,171,737
Liability written back	(1,606,509)	-
Sales tax refundable written off	4,955,600	-
Working capital changes (Note 30.1)	(4,659,618,429)	(7,172,112,009)
	3,713,572,481	2,002,020,603
30.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(246,374,465)	(95,544,016)
Stock-in-trade	791,002,588	(1,618,124,108)
Trade debts	(5,684,600,977)	(5,804,781,810)
Loans and advances	110,331,189	486,707,998
Short term deposit and prepayments	6,538,266	(7,704,935)
Other receivables	(245,027,071)	(126,786,087)
	(5,268,130,470)	(7,166,232,958)
Increase / (decrease) in current liabilities:		
Trade and other payables	608,512,041	(5,879,051)
	(4,659,618,429)	(7,172,112,009)

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Directors		Executives	
	2012	2011	2012	2011
	Rupees			
Managerial remuneration	2,379,341	1,840,092	41,547,522	33,768,355
Contribution to provident fund	-	-	3,342,330	2,812,904
House rent	951,451	735,816	16,614,023	15,503,290
Utilities	238,041	184,092	4,156,622	3,378,355
Others	559,692	445,440	4,841,074	4,813,587
	4,128,525	3,205,440	70,501,571	60,276,491
Number of persons	3	1	39	32

31.1 No expense was charged in these consolidated financial statements against salary to Chief Executive of the Holding Company. The Holding Company provides to Chief Executive, Directors and certain Executives with free use of Holding Company maintained cars and residential telephones.

31.2 Aggregate amount charged in these consolidated financial statements for meeting fee to one Director of the Holding Company was Rupees 30,000 (2011: Rupees 40,000).

31.3 No remuneration was paid to Non-Executive directors of the Holding Company.

32. TRANSACTIONS WITH RELATED PARTIES

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

	2012 Rupees	2011 Rupees
Associated company		
Insurance premium paid	53,091,755	-
Insurance claims received	17,493,303	-
Other related parties		
Purchase of goods	24,295,732	99,983,926
Sales of goods	17,204,091	101,265,882
Ordinary dividend paid	55,046,760	41,285,070
Contribution to employees' provident fund	25,875,957	23,816,982

33. SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Power Generation		'Elimination of inter-segment transactions		Total - Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees											
Sales												
- External	10,007,815,423	11,796,321,772	2,869,313,903	2,766,427,851	5,739,813,235	5,759,252,076	21,585,391,983	20,353,055,242	-	-	40,202,334,544	40,675,056,941
- Inter-segment	2,428,743,165	3,197,904,919	3,099,186,165	3,811,449,125	-	-	1,082,814,180	1,126,532,539	(6,610,743,510)	(8,135,886,583)	-	-
	12,436,558,588	14,994,226,691	5,968,500,068	6,577,876,976	5,739,813,235	5,759,252,076	22,668,206,163	21,479,587,781	(6,610,743,510)	(8,135,886,583)	40,202,334,544	40,675,056,941
Cost of sales	(10,640,855,489)	(12,077,962,032)	(5,615,508,417)	(6,094,288,144)	(5,258,156,726)	(5,370,166,966)	(18,032,887,783)	(17,256,444,416)	6,610,743,510	8,135,886,583	(32,936,664,905)	(32,662,974,975)
Gross profit	1,795,703,099	2,916,264,659	352,991,651	483,588,832	481,656,509	389,085,110	4,635,318,380	4,223,143,365	-	-	7,265,669,639	8,012,081,966
Distribution cost	(243,657,174)	(295,322,305)	(93,597,601)	(92,570,836)	(162,579,242)	(211,693,142)	-	-	-	-	(499,834,017)	(599,586,283)
Administrative expenses	(61,321,201)	(69,744,974)	(33,168,156)	(23,383,752)	(35,272,240)	(27,356,650)	(63,552,671)	(50,552,304)	-	-	(193,314,268)	(171,037,680)
	(304,978,375)	(365,067,279)	(126,765,757)	(115,954,588)	(197,851,482)	(239,049,792)	(63,552,671)	(50,552,304)	-	-	(693,148,285)	(770,623,963)
Profit before taxation and unallocated income and expenses	1,490,724,724	2,551,197,380	226,225,894	367,634,244	283,805,027	150,035,318	4,571,765,709	4,172,591,061	-	-	6,572,521,354	7,241,458,003
Unallocated income and expenses												
Other operating expenses											(98,261,076)	(145,331,249)
Other operating income											366,442,790	250,861,668
Finance cost											(4,405,316,849)	(4,357,248,680)
Taxation											(205,849,914)	(217,788,642)
Profit after taxation											2,229,536,305	2,771,951,100

33.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Power Generation		Total - Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	--Rupees--									
Total assets for reportable segments	6,714,562,194	6,685,083,743	2,090,539,826	2,221,645,903	3,804,791,067	3,627,551,305	29,764,766,930	25,637,888,778	42,374,660,017	38,172,169,729
Unallocated assets:										
Other receivables									771,096,062	694,150,949
Short term investments									32,494,520	-
Cash and bank balances									47,997,011	174,324,811
Other corporate assets									9,019,319	23,097,090
Total assets as per consolidated balance sheet									43,235,266,929	39,063,742,579
Total liabilities for reportable segments	202,563,722	22,767,665	83,605,072	101,660,656	255,693,426	161,988,376	21,455,812,449	19,989,373,944	21,997,674,669	20,275,790,641
Unallocated liabilities:										
Long term financing (excluding relating to Power Generation operating segment)									5,008,931,727	4,832,993,816
Accrued mark-up (excluding relating to Power Generation operating segment)									144,471,269	191,413,429
Short term borrowings (excluding relating to Power Generation operating segment)									5,349,510,524	4,608,615,759
Other corporate liabilities									542,536,554	506,981,119
Total liabilities as per consolidated balance sheet									33,043,124,743	30,415,794,764

33.2 Geographical information

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

	2012 Rupees	2011 Rupees
Europe	1,139,462,161	2,328,998,462
Asia, Africa and Australia	5,832,868,986	7,172,231,442
United States of America and Canada	5,974,227,219	4,324,341,171
Pakistan	27,255,776,178	26,849,485,866
	40,202,334,544	40,675,056,941

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

33.4 Revenue from major customers

Nishat Chunian Power Limited - Subsidiary Company sells electricity only to NTDCL. However, revenue from transactions with a single external customer of the Processing and Home Textile business segment of the Group amounted to Rupees 2,772.315 million (2011: Rupees 2,560.892 million).

	2012	2011

34. PLANT CAPACITY AND ACTUAL PRODUCTION

Nishat (Chunian) Limited - Holding Company

	2012	2011
Spinning		
Number of spindles installed	149,948	149,744
Number of spindles worked	141,257	142,324
Number of shifts per day	3	3
Capacity after conversion into 20/1 count (Kgs.)	48,018,514	51,481,595
Actual production of yarn after conversion into 20/1 count (Kgs.)	47,314,060	49,932,454

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

	2012	2011
Weaving		
Number of looms installed	293	293
Number of looms worked	293	293
Number of shifts per day	3	3
Capacity after conversion into 50 picks - square yards	215,512,868	215,512,868
Actual production after conversion into 50 picks - square yards	197,629,114	199,417,592

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

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

	2012	2011
Power plant		
Number of engines installed	10	10
Number of engines worked	10	10
Number of shifts per day	3	3
Generation capacity (KWh)	317,698,920	317,698,920
Actual generation (KWh)	166,738,810	172,000,823

Under utilization of available capacity was due to normal maintenance.

Dyeing		
Number of thermosol dyeing machines	1	1
Number of stenters machines	3	3
Number of shifts per day	3	3
Capacity in meters	30,800,000	30,800,000
Actual processing of fabrics - meters	22,725,754	20,900,000

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

Printing		
Number of stenter machine	1	1
Number of shifts per day	2	2
Capacity in meters	6,200,000	6,200,000
Actual processing of fabrics - meters	2,534,590	1,732,000

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

Stitching

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

Nishat Chunian Power Limited - Subsidiary Company

Installed capacity [based on 8,784 (2011: 8,280) hours] - MWH	1,719,222	1,620,578
Actual energy delivered - MWH	1,072,855	1,405,751

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

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

	2012	2011
Cash at banks - USD	95,333	80,329
Trade debts - USD	28,661,429	18,844,028
Trade and other payable - USD	(598,131)	(344,618)
Short term borrowings as FE 25 import / export loans - USD	(1,757,564)	(7,128,535)
Accrued mark-up on FE 25 import / export loans - USD	(11,603)	(73,908)
Net exposure - USD	26,389,464	11,377,296
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	89.54	85.63
Reporting date rate	94.10	85.95

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 116.606 million (2011: Rupees 45.639 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2012 Rupees	2011 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	460,737,278	634,382,704
Short term borrowings	1,613,202,000	1,803,457,060
Financial assets		
Term deposit receipts	22,034,510	-
Floating rate instruments		
Financial assets		
Trade debts - over due	7,765,990,890	4,697,947,452
Derivative financial instrument	-	3,061,396
Bank balances - saving accounts	6,150,283	6,042,538
Term deposit receipts	12,460,010	22,000,000
Financial liabilities		
Long term financing	18,359,477,238	19,044,615,960
Short term borrowings	9,566,061,338	6,416,458,687
Derivative financial instruments	34,874,135	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 198.126 million (2011: Rupees 24.615 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

	2012 Rupees	2011 Rupees
Deposits	3,423,897	1,200,442
Trade debts	14,738,386,180	9,053,785,203
Loans and advances	11,311,701	13,761,927
Short term investments	32,494,520	-
Other receivables	191,382,214	113,907,591
Derivative financial instrument	-	3,061,396
Accrued interest	70,511	2,660,798
Bank balances	80,985,608	167,446,212
	15,058,054,631	9,355,823,569

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	Rupees
Banks					
Askari Bank Limited	A1+	AA	PACRA	2,069,660	22,064,379
Al-Baraka Bank (Pakistan) Limited	A1	A-	PACRA	5,997	2,242
Allied Bank Limited	A1+	AA+	PACRA	-	15,020,798
Bank Alfalah Limited	A1+	AA	PACRA	39,589,301	325,058
Bank Al-Habib Limited	A1+	AA	PACRA	-	2,007,873
BankIslami Pakistan Limited	A1	A	PACRA	2,849,143	153,961
Barclays Bank Plc	P-1	A-2	Moody's	1,921,331	41,600,112
Citibank N.A.	P-1	A1	Moody's	2,502	2,285
Deutsche Bank AG	P-1	Aa3	Moody's	75,584	119,876
Dubai Islamic Bank (Pakistan) Limited	A-1	A	JCR-VIS	503,221	427,391
Faysal Bank Limited	A1+	AA	PACRA	5,941,744	15,119,634
Habib Bank Limited	A-1+	AA+	JCR-VIS	244,440	4,413,818
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	1,148,433
HSBC Bank Middle East Limited	P-1	A1	Moody's	757,303	691,644
MCB Bank Limited	A1+	AA+	PACRA	10,241,084	48,465,238
Meezan Bank Limited	A-1+	AA-	JCR-VIS	213,463	2,855,727
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,372	4,093
NIB Bank Limited	A1+	AA -	PACRA	5,896,966	441,612
Samba Bank Limited	A-1+	A+	JCR-VIS	-	90,761
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	8,992,419	10,918,668
Summit Bank Limited	A-2	A	JCR-VIS	6,942	12,490
The Bank of Punjab	A1+	AA -	PACRA	1,107,303	1,041,509
United Bank Limited	A-1+	AA+	JCR-VIS	564,833	518,610
				80,985,608	167,446,212
Short term investments					
Askari Bank Limited	A1+	AA	PACRA	22,034,510	-
BankIslami Pakistan Limited	A1	A	PACRA	10,460,010	-
				32,494,520	-
Trade debts - NTDCL		Not available		3,944,539,138	2,211,193,738
				4,058,019,266	2,378,639,950

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

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 5,327 million available borrowing limits from financial institutions and Rupees 87.794 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
Non-derivative financial liabilities:	------------------------- Rupees -----------------------					
Long term financing	18,820,214,516	45,454,158,765	3,174,655,880	3,382,104,077	6,660,621,636	32,236,777,172
Short term borrowings	11,179,263,338	11,404,979,186	10,297,286,321	1,107,692,865	-	-
Trade and other payables	1,846,014,171	1,846,014,171	1,846,014,171	-	-	-
Derivative financial instruments	35,090,368	35,090,369	35,090,369	-	-	-
Accrued mark-up	880,447,496	880,447,496	880,447,496	-	-	-
	32,761,029,889	59,620,689,987	16,233,494,237	4,489,796,942	6,660,621,636	32,236,777,172

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
Non-derivative financial liabilities:						
Long term financing	19,678,998,664	34,832,048,670	2,467,029,029	2,856,944,662	4,937,712,979	24,570,362,000
Short term borrowings	8,219,915,747	8,470,642,070	8,230,815,424	239,826,646	-	-
Trade and other payables	1,159,826,043	1,159,826,043	1,159,826,043	-	-	-
Accrued mark-up	953,708,954	953,708,954	953,708,954	-	-	-
	30,012,449,408	45,416,225,737	12,811,379,450	3,096,771,308	4,937,712,979	24,570,362,000

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

35.2 Fair values of financial assets and liabilities

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

35.3 Financial instruments by categories

	Loans and receivables	At amortized cost	Total
	------------------------Rupees-----------------------		
As at 30 June 2012			
Assets as per balance sheet			
Deposits	3,423,897	-	3,423,897
Trade debts	14,738,386,180	-	14,738,386,180
Loans and advances	11,311,701	-	11,311,701
Short term investments	-	32,494,520	32,494,520
Other receivables	191,382,214	-	191,382,214
Accrued interest	70,511	-	70,511
Cash and bank balances	87,794,100	-	87,794,100
	15,032,368,603	32,494,520	15,064,863,123

	At fair value through profit or loss	Loans and receivables	Total
	------------------------Rupees-----------------------		
As at 30 June 2011			
Deposits	-	1,200,442	1,200,442
Trade debts	-	9,053,785,203	9,053,785,203
Loans and advances	-	13,761,927	13,761,927
Other receivables	-	113,907,591	113,907,591
Derivative financial instrument	3,061,396	-	3,061,396
Accrued interest	-	2,660,798	2,660,798
Cash and bank balances	-	174,324,811	174,324,811
	3,061,396	9,359,640,772	9,362,702,168

	At fair value through profit or loss	At amortized cost	Total	At amortized cost	Total
	2012	2012	2012	2011	2011
Liabilities as per balance sheet		------------------------Rupees-----------------------			
Long term financing	-	18,820,214,516	18,820,214,516	19,678,998,664	19,678,998,664
Accrued mark-up	-	880,447,496	880,447,496	953,708,954	953,708,954
Short term borrowings	-	11,179,263,338	11,179,263,338	8,219,915,747	8,219,915,747
Derivative financial instruments	35,090,368	-	35,090,368	-	-
Trade and other payables	-	1,846,014,171	1,846,014,171	1,159,826,043	1,159,826,043
	35,090,368	32,725,939,521	32,761,029,889	30,012,449,408	30,012,449,408

36. CAPITAL RISK MANAGEMENT

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

		2012	2011
Borrowings	Rupees	29,999,477,854	27,898,914,411
Total equity	Rupees	10,192,142,186	8,647,947,815
Total capital employed	Rupees	40,191,620,040	36,546,862,226
Gearing ratio	Percentage	74.64	76.34

37. UNUTILIZED CREDIT FACILITIES

The Group has total credit facilities amounting to Rupees 16,506 million (2011: Rupees 14,251 million) out of which Rupees 5,327 million (2011: Rupees 6,031 million) remained unutilized at the end of the year.

38. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company at their meeting held on 04 October 2012 has proposed 10% (2011: NIL) bonus issue and cash dividend of Rupees 2 per ordinary share (2011: Rupees 2 per ordinary share) in respect of the year ended 30 June 2012. 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. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 04 October 2012 by the Board of Directors of the Holding Company.

40. CORRESPONDING FIGURES

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

41. GENERAL

Figures have been rounded off to nearest of Rupee.

CHIEF EXECUTIVE

DIRECTOR

Proxy Form

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

I / We ____

of ____ being a member(s) of

Nishat (Chunian) Limited, and a holder of ______________________ Ordinary shares

as per Share Register Folio No. ______________________

(in case of Central Depository System Account Holder A/c No. ______________________

Participant I.D. No. ______________________) hereby appoint ______________________

of ______________________ another member of the Company as per

Share Register Folio No. ______________________ (or failing him / her ______________________

of ______________________ another member of the Company) as my / our Proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, to be held on 30 October 2012 (Tuesday) at 11:00 a.m at the Registered Office of the Company (31-Q, Gulberg II, Lahore) and at any adjournment thereof.

As witness my hand this ______________________ day of ______________________ 2012

signed by the said ______________________ in presence

of ____

Witness

Signature

Affix Rs. 5/-
Revenue
Stamp

Signature

Notes:

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

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