Growing Sustainably

Annual Report of **Nishat Mills Limited** for the year ended June 30, 2014

NISHAT

Growing
Sustainably

Nestled deeply in the roots of a sprouting tree, lie the foundations of its very existence. As part of the tree's evolving growth, these footings become an element of its core structure – rising freely, albeit slowly towards a greater height. With time, the tree is able to push boundaries and branch out towards unexplored realms, casting its shade on everything that falls beneath its towering presence.

At Nishat Mills Limited, we attribute our tenacious progress to the strength of our bedrock values. To us, the objective behind all our endeavours is contained in two words: growing sustainably. Our cover this year reflects a similar sentiment, whereby we continue to diversify into different segments, creating an umbrella of possibilities that is only synonymous to that of a blooming tree.

Contents

Company Information

Board of Directors

Mian Umer Mansha
Chief Executive Officer

Mian Hassan Mansha
Chairman

Syed Zahid Hussain
Mr. Khalid Qadeer Qureshi
Ms. Nabiha Shahnawaz Cheema
Mr. Maqsood Ahmad
Mr. Saeed Ahmad Alvi

Audit Committee

Mr. Khalid Qadeer Qureshi
Chairman/Member

Syed Zahid Hussain
Member

Ms. Nabiha Shahnawaz Cheema
Member

Human Resource & Remuneration (HR & R) Committee

Mian Hassan Mansha
Chairman/Member

Mian Umer Mansha
Member

Mr. Khalid Qadeer Qureshi
Member

Ms. Nabiha Shahnawaz Cheema
Member

Chief Financial Officer

Mr. Badar-ul-Hassan

Company Secretary

Mr. Khalid Mahmood Chohan

Auditors

Riaz Ahmad & Company
Chartered Accountants

Legal Advisor

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

Bankers to the Company

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

Mills

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

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

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

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

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

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

Registered office & Shares Department

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

Head Office

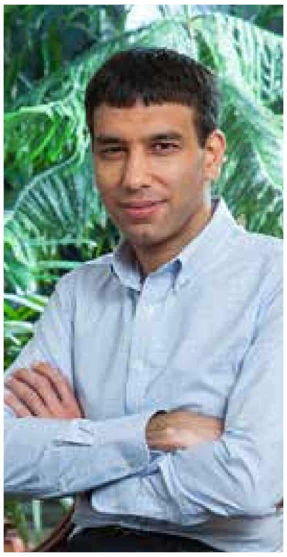
7, Main Gulberg, Lahore.
Tel: 042-35716351-59,
042-111 332 200
Fax: 042-35716349-50
E-mail: nishat@nishatmills.com
Website: www.nishatmillsltd.com

Liaison Office

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


Nishat Dyeing
And Finishing

Directors' Profile



Mian Umer Mansha

Chief Executive Officer

Mian Umer Mansha holds a Bachelors degree in Business Administration from USA. He has been serving on the Board of Directors of various listed companies for more than 17 years. He also serves on the Board of Adamjee Insurance Company Limited, MCB Bank Limited, Adamjee Life Assurance Company Limited, Nishat Dairy (Private) Limited, Nishat Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels and Properties Limited, Nishat (Raiwind) Hotels and Properties Limited, Nishat (Gulberg) Hotels and Properties Limited, Nishat Developers (Private) Limited and Nishat Agriculture Farming (Private)Limited.

Mian Hassan Mansha

Chairman

Mian Hassan Mansha has been serving on the Board of various listed companies for several years. He also serves on the Board of Nishat Power Limited, Security General Insurance Company Limited, Lalpir Power Limited, Pakgen Power Limited, Nishat Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels and Properties Limited, Nishat (Raiwind) Hotels and Properties Limited, Nishat (Gulberg) Hotels and Properties Limited, Nishat Hospitality (Private) Limited, Nishat Dairy (Private)Limited, Pakistan Aviators and Aviation (Private) Limited, Nishat Automobiles (Private) Limited, Nishat Real Estate Development Company (Private) Limited and Nishat Agriculture Farming (Private) Limited.

Syed Zahid Hussain

Independent Non-Executive Director

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

Mr. Khalid Qadeer Qureshi

Non-Executive Director

Mr. Khalid Qadeer Qureshi is a fellow member of the Institute of Chartered Accountants of Pakistan. He has over 42 years of rich professional experience. He also serves on the Board of D.G. Khan Cement Company Limited, Nishat Power Limited, Lalpir Power Limited, Pakgen Power Limited, Nishat Paper Products Company Limited and Nishat Spinning (Private) Limited.

Ms. Nabiha Shahnawaz Cheema

Non-Executive Director

Mr. Maqsood Ahmad

Executive Director

Mr. Saeed Ahmad Alvi

Non-Executive Director

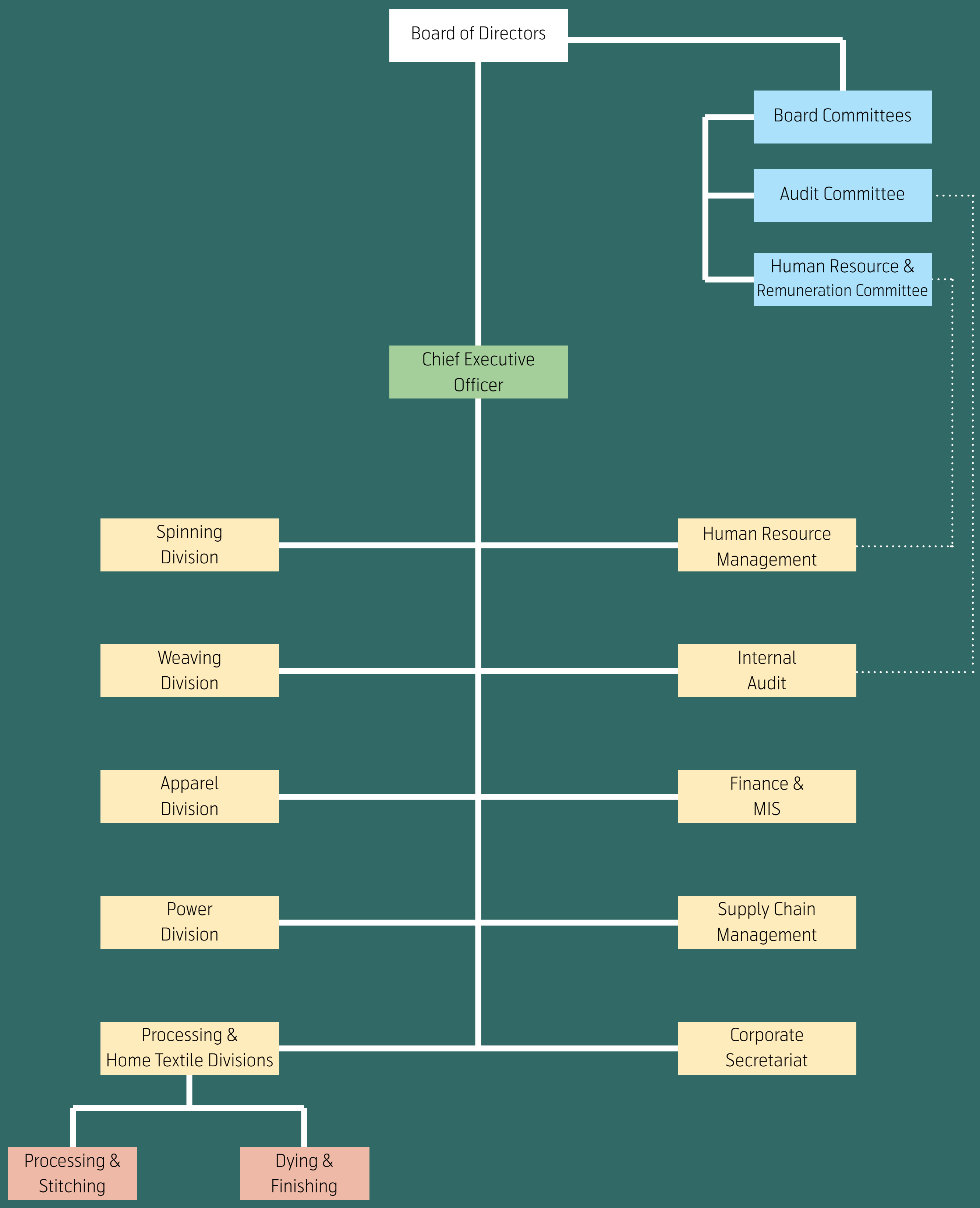
Ms. Nabiha Shahnawaz Cheema is a fellow member of the Institute of Chartered Accountants of Pakistan and she is a Certified Director by completing the Director's Training Program from ICAP. She has more than 14 years of professional experience. She also serves on the Board of Security General Insurance Company Limited, D.G. Khan Cement Company Limited and Nishat Hospitality (Private) Limited.

Mr. Maqsood Ahmad holds a Masters degree and a rich professional experience of over 22 years in the textile industry, especially in the spinning business. He is a Certified Director by completing the Director's Training Program from ICAP. He is actively involved in the strategic decisions relating to the operations of the Company.

Mr. Saeed Ahmad Alvi has served over 36 years in Pakistan Administrative Service (Ex-District Management Group) and retired as a Federal Secretary. He brings with him a vast experience of policy and program implementation, working at the executive tiers at the Sub-Divisional, District, Divisional, Provincial and Federal levels. He has also served as ex-officio Director on some of the Boards of public sector companies and special institutions. He obtained a Masters degree in Development Studies from UK in addition to Masters degrees in History and Pakistan Studies from Pakistan and also a Bachelors degree in Law.

Mr. Alvi is a Certified Director by completing the Director's Training Program from ICMAP. He also serves on the Boards of Nishat Power Limited, Lalpir Power Limited, Nishat Hotels and Properties Limited, Nishat (Gulberg) Hotels and Properties Limited, Nishat (Raiwind) Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels and Properties Limited and Nishat Real Estate Development Company (Private) Limited.

Organizational Chart



Growing Ingeniously

Vision, Mission and Overall Strategic Objectives

Our Vision

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

Our Mission

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

Overall Strategic Objectives

- To enhance the profitability of the Company;
- To increase the overall efficiency and productivity of the Company;
- To become the market leader by outshining the competitors and be an innovative Company by introducing new ideas;
- To expand sales to the global marketplace by anticipating customer needs and develop and maintain strong customer base;
- To monitor and improve internal processes to achieve efficiencies, improve organizational structure and ensure the best use of available resources;
- To follow the latest technology trends and their implementation in the Company to enhance the overall productivity of the Company;
- To develop and promote the reputation and image of the Company for its stakeholders in specific and non-stakeholders in general;
- To promote awareness and best practices about environmental sustainability and social responsibility.

Growing Dynamically

Company Profile

Nishat Mills Limited ("the Company") is the most modern and largest vertically integrated textile Company in Pakistan. The Company commenced its business as a partnership firm in 1951 and was incorporated as a private limited Company in 1959. Later it was listed on the Karachi, Lahore and Islamabad Stock Exchanges on 27 November, 1961, 11 March, 1989 and 10 August, 1992 respectively.

The Company's production facilities comprise of spinning, weaving, processing, stitching, apparel and power generation.

Overall the Company has 29 manufacturing units each specializing in a specific product range located in Faisalabad, Sheikhupura, Ferozewatwan and Lahore.

A major portion of the Company's earnings is export based. Over the the years, the Company has achieved significant geographical diversification in its export sales mix.

The Company has a very broad base of customers for its products outside Pakistan. It has a long working relationship with the top brands of the world such as J.K.N. International, Levis, Next, Pincroft Dyeing, Ocean Garments, Gap, Carreman, Tommy Hilfiger, Tommy Bahamas, Crate & Barrel, Laura Ashley, American Living, Chaps, Hugo Boss, Revman and John Lewis.

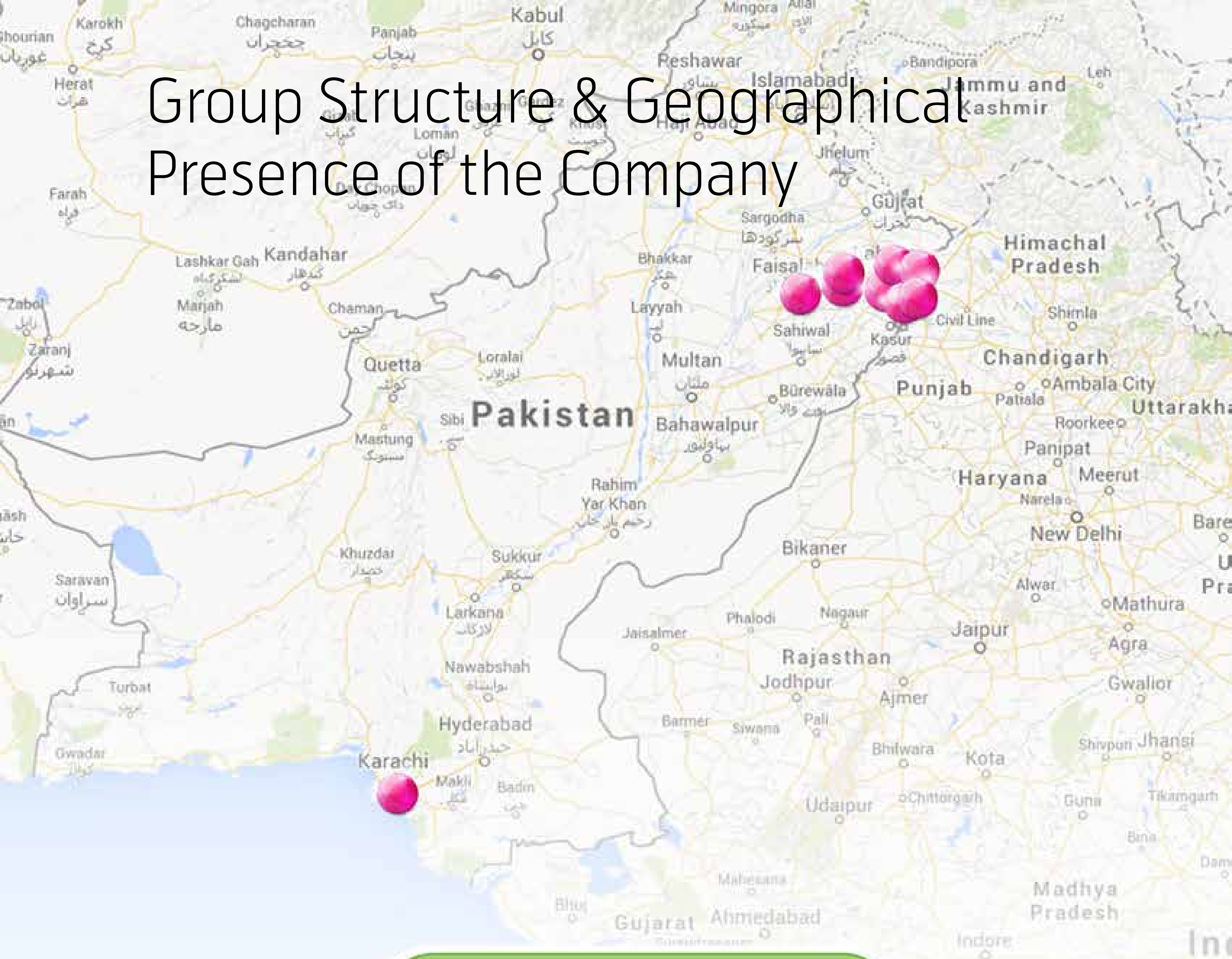
Nishat Mills Limited is also called the flagship company of the Nishat Group. Nishat Group ("the Group") is a leading business entity in South Asia.
Its net worth makes it the largest business house of Pakistan. The Group has grown from a cotton export house into the premier business group of the country. Highly diversified, the Group has a presence in all the major sectors including Textiles, Cement, Banking, Insurance, Power Generation, Hotel Business, Agriculture, Dairy, Real Estate, Aviation and Paper Products. Showcasing its varied expertise and acumen in every facet of its operations, the group companies hold the distinction of being among the leading players in each sector.

Nature of Business

Being a vertically integrated textile unit, Nishat Mills Limited has adopted a business model that helps it cater to the macro and micro level economic issues. The Company is engaged in the business of textile manufacturing and of spinning, combing, weaving, bleaching, dyeing, printing, stitching, apparel, buying, selling and otherwise dealing in yarn, linen, cloth, other goods and fabrics made from raw cotton, synthetic fiber and cloth.
The Company is also committed to generate, accumulate, distribute, supply and sell electricity. It is fully compliant with the requirements of all regulatory authorities of Pakistan.

The textiles sector occupies a pivotal position in Pakistan's economy, accounting for 8 percent of GDP with a significant potential for growth. It has the most intensive backward and forward linkages within the wider economic chain compared to any other sector, linking agriculture from industry to exports. The textile sector employs 40 percent of the industrial sector's work force, which provides livelihood to more than 10 million families. According to the International Cotton Advisory Committee, Pakistan is the fourth largest producer of cotton and the third largest consumer of cotton in the world. In addition, Pakistan is the world's second largest cotton yarn exporter and third largest cotton cloth manufacturer and exporter. Pakistan is unique as it has a self-reliant production chain from cotton growing to ginning, spinning, weaving, processing and finishing and from fabrics to home textiles and apparel; all have links in the textile and clothing value chains which have been developed by Pakistan's own industry.

Group Structure & Geographical Presence of the Company



Nishat Mills Limited

Subsidiaries

- Nishat Power Limited
- Nishat Linen (Private) Limited
- Nishat Spinning (Private) Limited
- Nishat Hospitality (Private) Limited
- Nishat Linen Trading L.L.C
- Nishat International FZE
- Nishat Global China Company Limited
- Nishat USA., Inc.

Associated Companies*

- D. G. Khan Cement Company Limited
- Nishat Paper Products Company Limited
- Nishat Dairy (Private) Limited
- Lalpir Power Limited
- Pakgen Power Limited

** This list includes only those associated Companies in which Nishat Mills Limited has a significant influence and whose financial statements are consolidated in the consolidated financial statements of Nishat Mills Limited and its Subsidiary Companies.*

Corporate Values & Code of Conduct

The Company has adopted the following corporate values:

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

The Company is committed to maintain the highest level of ethical conduct among its directors and employees. Therefore, separate codes were framed for directors and employees, which include the acceptable business practices, source of guidance and principles of behavior.

Salient Features for the Code of Conduct for Directors

Compliance with Laws

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

Conflict of Interest

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

Corporate Opportunity

A director should not use the Company's property, information and his/her position for personal benefit. He/she should not establish a competing business and divert the Company's business opportunities for personal gains.

Confidentiality

A director must always maintain confidentiality of the Company information. He/she should not make public such information which would harm the interests of the Company. He/she should consult with the Chairman of the Board or compliance officer if he/she has to disclose any information due to his/her legal obligation.

Fair Dealing

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

Protection and Proper Use of Company Assets

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

Reporting Any Illegal or Unethical Behavior

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

Public Company Reporting

The directors are responsible for the timely and accurate reporting to the

SECP, FBR, stock exchanges and other regulatory bodies. They should make possible that the financial statements of the Company are published and circulated among shareholders in time.

Disclosure of Interest

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

Insider Trading

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

Growing Responsibly

and their spouse in the shares of the Company other than during the close period.

Salient Features for the Code of Conduct for Employees

Safety

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

Fitness for Duty

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

Attendance Report

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

Work Place Harassment and Discrimination

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

Environment

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

Workplace Violence

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

Weapons in Workplace

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

Protection and Proper Use of Company Assets

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

Computer and System Security

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

Fair Dealing

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

Bribery

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

Confidential Information

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

Regulatory Compliance and Corporate Governance

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

Financial Integrity

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

Alcohol, Drugs and Gambling

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

Insider Trading

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

Whistle Blowing Policy

Purpose

Nishat Mills Limited is committed to high standards of ethical, moral and legal business conduct and open communication. In line with these commitments, this policy aims to provide an avenue for employees to raise their concerns and get assurance that they will be protected from reprisals or victimization for whistle blowing. This policy is also intended to address the protections available for employees if they raise concerns such as:

- unlawful activity;
- activities that are not in line with the Company's policy, including the Code of Conduct;
- activities, which otherwise amount to serious improper conduct; or
- incorrect financial reporting.

Ownership

Head of Human Resource (HR) Department shall be the owner of the policy and shall be responsible for its maintenance, update and communication to all relevant stakeholders.

Safeguards

Confidentiality - Every effort will be made to treat the complainant's identity as strictly confidential.

Anonymous Allegations - This policy encourages employees to identify their names while raising allegations because appropriate follow-up questions and investigation may not be possible unless the source of the information is identified. Concerns expressed anonymously will be explored appropriately, but consideration will be given to:

- The seriousness of the issue raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

Bad Faith Allegations - Allegations in bad faith may result in serious disciplinary action.

Harassment or Victimization - Harassment or victimization of reporting persons under this policy will not be tolerated.

Company Policies

Procedure: 1. Process for Raising a Concern

- The whistle blowing procedure is intended to be used for raising serious and sensitive issues. Such concerns, including those relating to unethical or illegal conduct may be reported directly to the Head of the HR Department.
- Reports shall be factual rather than speculative, and contain as much specific information as possible to allow for proper investigation. The motivation of a whistle blower in making a report is irrelevant to the consideration of the validity of the allegations. However, the intentional filing of a false report is itself considered an improper activity that the Company has the right to act upon.
- To the extent possible, within the limitations of law and policy and the need to conduct a competent investigation, confidentiality of whistle blowers shall be maintained. Whistle blowers who choose to identify themselves are cautioned that their identity may become known for reasons outside the control of the investigators. Similarly, the identity of the subject(s) of the investigation shall be maintained in confidence with the same limitations. Employment-related concerns should continue to be reported through normal channels (such as HOD, GM HR or to the CEO).
- The earlier a concern is expressed, the easier it is to take action.
- Although the employee is not expected to prove the truth of an allegation, the employee should be able to demonstrate to the person contacted so that the report is being made in good faith.

Procedure: 2. How the Report of Concern will be Handled

- Upon receipt of a concern or complaint, the Head of the HR Department shall:
  - * determine the nature of the concern or complaint
  - * acknowledge receipt of the concern or complaint to the submitter within ten (10) working days, when such complaint has been lodged on a confidential basis and
  - * act accordingly, that is,

  (a) if the concern or complaint pertains to accounting matters, shall refer the matter to Audit Committee; and

  (b) all other concerns or complaints shall be referred to the Disciplinary Committee comprising of the following:

  i) Chief Financial Officer

  ii) Head of HR Department

  iii) Company Secretary
- Initial inquiries shall be made to determine whether an investigation is appropriate. Some concerns may be resolved by agreed action without the need for investigation.
- If the complaint relates to the accounting matters, the Audit Committee may delegate its power to investigate the matter to any employee(s) of Nishat Mills Limited having the requisite knowledge and experience of accounting and financial matters.
- The amount of contact between the complainant and the team conducting the investigation shall depend on the nature of the issue and the clarity of information provided. Further information may be sought from the complainant.
- In conducting any investigation, the Audit Committee / Disciplinary Committee shall use reasonable efforts to protect the confidentiality or anonymity of the complainant, consistent with the need to conduct an adequate review.
- Prompt and appropriate corrective action shall be taken as warranted in the judgment of the Audit Committee / Disciplinary Committee.
- Where it is possible and determined appropriate by the Audit Committee / Disciplinary Committee, notice of any corrective action taken will be reported back to the person who submitted the concern or complaint, if email or other address is provided by the complainant.
- Subject to legal constraints, the complainant may also receive information regarding the outcome of the investigation.

Procedure: 3. Reporting and Retention of Complaints and Investigation

- The Head of the HR Department shall maintain a log of all reported concerns or complaints, tracking their receipt, their investigation and resolution and shall prepare a periodic summary report thereof for review of the Board of Directors, if required by them.
- The Head of HR Department shall retain, as part of its records, any such complaints or concerns in the personal file of the employee raising the concern.

No such incidence was reported to the Audit Committee under whistle blowing policy during the year ended 30 June 2014.

IT Governance Policy

Information Technology (IT) Governance is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure the sustenance and extension of the Company's strategies and objectives.

IT Governance provides a structured decision making process around IT investment decisions and promotes accountability, due diligence, and efficient and economic delivery of IT services to the users in the Company. Head of MIS Department enables and supports the corporate objectives of the Company by playing a crucial role in IT governance by aligning decisions of IT investments with the Company's mission.

Head of MIS Department's supportive role in IT governance at the Company includes but is not limited to the following:

- To develop effective and appropriate IT governance framework for investments in IT infrastructures;
- To support the strategic planning and administration of IT infrastructure and resources;
- To develop and assess IT capital planning and investment control activities;

- To develop IT management tools and training methodologies;
- To conduct special projects and initiatives to promote new concepts and techniques relating to IT.

Human Resource Management Policy

The management of Nishat Mills Limited ("the Company") believes that employees are assets of the Company and have been instrumental in driving the Company's performance year on year. Their passion, commitment, sense of ownership and team work has enabled the Company to maintain its leadership position in the challenging market scenario. The Company has always striven to offer a positive, supportive, open and high performance work culture where innovation and risk taking is encouraged, performance is recognized and employees are motivated to realize their true potential.

Recruitment and Selection

We at Nishat Mills Limited believe in hiring and retaining capable, qualified and potentially useful employees who are willing to contribute their best to accomplish the objectives of the Company. Appointments of jobs in the permanent cadre are made by promotions or through direct recruitment by the concerned appointing authority through the HR department.

Development and Training

Employees' development and capability building across functions and levels remained a key focus area to build a strong talent pipeline. The Company is committed to invest in enhancing its human capital through building technical skills and competencies of its employees. With the use of performance management processes, the Company aims to ensure that all employees know what is expected of them and possess the necessary skills, knowledge, values and experience to achieve the highest level of performance to their true potential.

Reward and Motivation

It is our policy to reward the employees with fair and competitive salaries and perks along with an opportunity to share in the success of the business in terms of promotions and personal growth. All the elements of the reward system are designed to support the achievement of the desired behaviour, values and standards as well as high performance and continuous improvement/development.

Equality, Diversity and Dignity at Work

Our employment policies are based on the principles of equality and diversity. We believe that the elimination of unfair discrimination in the workplace contributes to productivity and performance as it allows employees' talents to be most effectively realized. We are committed to dignity at work and fair treatment of all colleagues. The Head of Human Resource Department is accountable for ensuring that these principles are followed and for establishing appropriate action plans for their business.

Succession Plan

A succession plan is a component of good HR planning and management. Succession planning acknowledges that the staff will not be with an organization indefinitely and it provides a plan and process for addressing the changes that will occur when they leave. Keeping in view the need and importance of succession planning, the Company has formulated a comprehensive succession plan by focusing on all the key positions within the Company. The key positions can be defined as those positions that are crucial for the operations of the organization and which are hard to be replaced because of skill, seniority and/or experience requirements.

Social and Environmental Responsibility Policy

This policy defines the commitments that Nishat Mills Limited has taken in its activities promoting respect for people, safety, protection of the environment, ethics and participation in the economic and social development of the places where it operates. The main domains of the Social and Environmental Responsibility Policy are as follows:

Preserving Life and the Environment

The Company has defined a Health, Safety and Environmental Responsibility Policy that aims at continuous improvement in the approach of management and employees towards environmental sustainability and corporate social responsibility.

As for the environment, the focus of the Company is on preserving natural resources and constantly improving their sustainability especially in energy and water consumption, emission control and waste management.

The Company's objectives are to reduce its environmental impact on natural resources. The Company also realizes the environmental impact of its employees' daily activities and educates them about environmental sustainability. Constant improvement of our performances in terms of safety and the environment is, in particular, controlled through reporting of key indicators, implemented by each business division.

Ethical behavior in activities

The Social and Environmental Responsibility Policy's ethical dimension covers the values of integrity, transparency and compliance with regulations. This is particularly important in relation to the main stakeholders i.e. employees, customers, suppliers, shareholders, public authorities and local communities.

Company Policies Cntd.

The Company has implemented an Employee Code of Conduct that fits it with local customs and regulations to help its personnel perform their activities while respecting their ethical values. An employee who needs further help with any of the topics presented in the Code of Conduct should first contact his/her manager who will provide him/her a guideline. Additionally, the employee may also request the assistance of the Human Resource Department.

The Heads of the HR departments of all business divisions provide recommendations and assistance in applying the Company's Employee Codes of Conduct. They also deal with all the queries submitted by the employees with appropriate confidentiality.

Social Involvement

The Company's men and women make up multicultural teams with diverse competencies. All business divisions of the Company promote diversity, facilitate and accelerate knowledge transfer, motivate and involve their employees and encourage their social and human commitment. In particular, the managers of the Company and human resource professionals must, as a priority, focus on respecting the Human Resource Policy.

The Company is committed to encourage and respect social dialogue. It respects human rights and enforces respect for the dignity of their employees, subcontractors, temporary personnel and suppliers. In compliance with this commitment, the Company notably excludes any form of discrimination, harassment, the use of forced labor and child labor.

Investor Grievance Policy

Investors' service is an important imperative for sustained business growth of an organization, therefore, the organization should ensure that investors receive exemplary service across different touch points of the organization. Nishat Mills Limited has developed an effective investor grievance policy to actively address and resolve the issues being faced by the investors and to fulfill the legal requirements. The Chief Financial Officer and Company Secretary of the Company are responsible for implementing the policy. The policy follows the following principles:

- Investors are treated fairly at all times;
- Complaints raised by investors are dealt with courtesy and in a timely manner;
- Investors are informed of avenues to raise their complaints within the Company, and their rights if they are not satisfied with the resolution of their complaints;
- Complaints are treated efficiently and fairly;
- The Company's employees work in good faith and without prejudice, towards the interests of the Investors.

Annual Evaluation of Board's Performance

The annual evaluation devised for Board's own performance is based on the emerging and leading trends on the functioning of the Board and is in accordance with the requirements of the Code of Corporate Governance 2012. The primary purpose of this evaluation is to evaluate the performance of the Board and its committees in order to facilitate and enable the Board members to play an effective role as a coordinated team for the ongoing success of Nishat Mills Limited.

The Board developed and approved the criteria for evaluation in their meeting held on April 25, 2014. The Board decided that the performance evaluation will be carried out annually. The Chairman of the Board will request each Board member to fill and submit a Performance Evaluation Questionnaire (PEQ) in the Board meeting held in April each year.

The Board members will discuss the outcome of the evaluation against the benchmarks and decide changes which are required to be made by the Board to address any lack of performance. The Board will also agree upon the revised Key Performance Indicators (KPIs) for the Board for the next year. The KPIs of the Board and its Committees will always be set keeping in view the framework of vision and mission statements and overall strategy of the Company.

CEO's Performance Review

During the performance review carried out at the Board of Directors meeting held on 23 September 2014, the Board of Directors, in their note of appreciation has lauded the performance of the Chief Executive Officer on the exceptional financial results of Nishat Mills Limited for the financial year ended 30 June 2014. The Company was able to increase its sales and sustain its profitability despite the rapid appreciation of the Pak Rupee against US$ in the last half of the year. The role of the Chief Executive Officer was also praised in achieving the operational efficiency in the presence of continuing energy crises, adverse economic conditions and strong competition in international market.

Roles and responsibilities of the Chairman of the Company

The Chairman of the Board of Directors is responsible for leadership of the Board of Directors. In particular, he/she will be responsible for the following:

(a) to ensure that all Board committees are properly established, composed and operated.

(b) to ensure the effective operation of the Board and its committees in conformity with the highest standards of corporate governance.

(c) to promote effective relationships and communications between non-executive directors and executive directors.

(d) to preside over all meetings of the Board of Directors and General Meetings of the Company, if present.

(e) to exercise a second or casting vote in case of equality of votes of the Board of Directors.

(f) to declare the result of show of hands at General Meetings and the declaration on a show of hands shall be evidence of the fact, without proof, of the number or proportion of the votes cast in favor of or against such resolution.

(g) to endorse minutes of meetings of the Board of Directors and General Meetings of the Company with his/her signatures.

(h) to ensure that minutes of meetings of the Board of Directors and General Meetings of the Company are appropriately recorded.

(i) to ensure that all Board members, when taking up office, are fully briefed on the terms of their appointment and know their duties and responsibilities.

(j) to ensure that the Board meets at regular intervals throughout the year.

(k) to keep under review the contributions made by Board members to the Company's work.

(l) to review from time to time the activities and effectiveness of the Board.

(m) to have a particular responsibility for providing effective strategic leadership on matters such as:

- Formulating the Board's business strategy.
- Encouraging high standards of propriety, and promoting efficient and effective use of staff and other resources throughout the organization.

Roles and responsibilities of
Chief Executive Officer (CEO) of the Company

The CEO is responsible for leadership of the business and managing it within the authorities delegated by the Board of Directors. The CEO shall be responsible for the following:

1. To develop strategy proposals for recommendation to the Board and ensure that agreed strategies are reflected in the business of the Company.
2. To ensure the development of annual business plans, consistent with agreed strategies, for presentation to the Board for approval.
3. To ensure that the Company has the capabilities and adequate professional human resources required to achieve its business plans and targets.
4. To ensure the development of organizational structure, processes and systems for the efficient utilization of the Company's resources.
5. To be responsible to the Board for the performance of the Company business.
6. To ensure that financial results, business strategies and where appropriate, targets and milestones are communicated to the shareholders.
7. To develop and promote effective communication with shareholders and other relevant constituencies.
8. To ensure that the business performance is consistent with the Business Principles.
9. To ensure that robust management succession and management development plans are in place and are presented to the Board from time to time.
10. To ensure that capital investment proposals are reviewed thoroughly, that associated risks are identified and appropriate steps taken to mitigate the associated risks.
11. To ensure the development and maintenance of an effective framework of internal controls in the Company's manufacturing and sales activities.
12. To ensure that the flow of information to the Board is accurate, timely and clear.
13. To establish a close relationship of trust with the Chairman.

Policy for safety of records

Nishat Mills Limited pursues an effective policy for the safety of its records to affirm its commitment to ensure that authentic, reliable and usable records are created, captured and managed to meet the standard of best practices and to meet the Company's business and statutory requirements. The policy ensures that:

- A full and accurate record of the transactions of the Company is created, captured and maintained physically and in systems along with proper backup;
- Records are to be maintained in conditions suitable for the length of time to cater for the Company's needs and statutory requirements;
- Records and archives will be available within the constraints of security, confidentiality, privacy and archival access conditions;
- Records are destroyed or disposed of in accordance with the disposal policies, procedures and guidelines of the Company;
- Ownership of the records and archives is with the Company and not with an individual or any team.

Stakeholders' Engagement

The need for organizations to behave in a socially responsible manner is becoming a generalized requirement of society which has been further highlighted after the release of ISO 26000 by International Organization for Standardization. At Nishat Mills, we take special steps to ensure that the Stakeholders are engaged by the Company from time to time so that their interests with the Company are duly respected.

To ensure that an effective Stakeholder Engagement Policy is in place, Nishat Mills Limited has established the following methods to fully involve the stakeholders in both the current and developing issues being faced by the Company:

- Inform
- Consult
- Involve
- Collaborate

The following stakeholders are being engaged by the Company regularly to add value to the Company and relationship of the Company with the respective stakeholders:

a) Institutional Investors and Banks (other lenders)

We meet with investors regularly through events, conference calls and one-to-one meetings to understand their concerns about sustainability risks and help us identify potential future issues. Formally we interact with the investors at the release of financial statements and as requested by the investors. Through such constant contacts, we are able to align our goals with our principal investors and Banks (other lenders).

b) Customers

We communicate with customers in many ways as part of our normal business, for example through our dynamic marketing team and customer research. Such engagements take place from time to time as required by the company and customers. Such engagements are used to obtain information regarding our perception and reputation in both local and global market.

c) Suppliers

We work closely with suppliers to ensure that they maintain high standards as required by the Company by conducting formal assessments. The Procurement Department is constantly in contact with all our major and potential suppliers. We are able to both understand the concerns of suppliers and communicate our concerns as well.

d) Government and regulators

The Company looks forward to achieve regular dialogue with the relevant regulatory and Government authorities, which includes both responding to inquiries on need basis (daily, weekly and quarterly) and meetings with representative of Government bodies. Through such engagement, we are able to spot emerging developments in policies and ensure compliance with legal and regulatory requirements. Furthermore, we are able to provide input into the legislative development process that will affect our activities and operations.

e) Employees

The Company engages with its employees through regular communication that takes place with managers and team through a range of interactive channels and specific strategy sessions. Such sessions are an ongoing process. Through such sessions, we work towards ensuring that we remain an employer of choice by providing a safe and professional environment, understanding and responding to the needs of the employees and providing the staff information about the general direction of the Company.

Issues raised in the last AGM

The 2013 Annual General Meeting of the Company held on October 31, 2013 was attended by, among others, the Directors, Chief Financial Officer, Company Secretary and Partner of M/s Riaz Ahmad & Company (external auditor). Separate resolutions were proposed on each issue. The resolutions were approved unanimously and are summarised below:

- Resolved to adopt the separate and consolidated financial statements of the Company for the year ended June 30, 2013 together with Directors' and Auditors' report
- Resolved to approve the payment of final cash dividend @ 40% (Rs 4 per share) for the year ended June 30, 2013, as recommended by the Board of directors
- Resolved to appoint auditors of the Company for the year ended June 30, 2014 and fix their remuneration. Present auditors M/s Riaz Ahmad and Company retired and being eligible offered themselves for re-appointment

Board Committees

Audit Committee

Members

1	Mr. Khalid Qadeer Qureshi	Chairman
2	Syed Zahid Hussain	Member
3	Ms. Nabiha Shahnawaz Cheema	Member

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

Sr. No.	Name of Members	No. of Meetings Attended
1	Mr. Khalid Qadeer Qureshi	4
2	Mr. Muhammad Azam*	2
3	Syed Zahid Hussain**	1
4	Ms Nabiha Shahnawaz Cheema	4

** Mr. Muhamad Azam retired on 31 March 2014.*
*** Syed Zahid Hussain appointed as member Audit Committee on 10 April 2014 in place of retiring director Mr. Muhammad Azam.*

Terms of Reference

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) determination of compliance with relevant statutory requirements;

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

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

Human Resource & Remuneration (HR & R) Committee

Members

1	Mian Hassan Mansha	Chairman
2	Mian Umer Mansha	Member
3	Mr. Khalid Qadeer Qureshi	Member
4	Ms Nabiha Shahnawaz Cheema	Member

During the year under review, one meeting of the HR & R Committee of the Company was held and the attendance position is as follows:

Sr. No.	Name of Members	No. of Meetings Attended
1	Mian Hassan Mansha	1
2	Mian Umer Mansha	1
3	Mr. Khalid Qadeer Qureshi	1
4	Ms Nabiha Shahnawaz Cheema	0

** Ms Nabiha Shahnawaz Cheema appointed as a member of HR & R Committee on 10 April 2014.*

Terms of Reference

The terms of reference of the HR & R Committee shall include the following:

- recommending human resource management policies to the Board:
- recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit:
- consideration and approval on recommendation of CEO on selection, evaluation, compensation (including retirement benefits) and succession planning of key management positions who directly report to CEO or COO.

Report of Audit Committee

The Audit Committee comprises of one independent non-executive and two non-executive directors. During financial year 2013-14, four meetings of the Audit Committee were held and based on reviews and discussions in these meetings the Audit Committee reports that:

1. The Chief Executive Officer and Chief Financial Officer have reviewed financial statements of the Company, consolidated financial statements and Director's report. They acknowledge their responsibility for true and fair presentation of Company financial statements, compliance with regulatory requirements and applicable generally accepted accounting standards along with establishment and preservation of internal controls in the company.

2. The internal control structure has been implemented through an independent in house Internal Audit function duly established by the Board which is fully independent of the External Audit function.

3. The internal audit function has done its responsibilities as per duties defined in the charter of the committee. The audit committee has reviewed material Internal Audit findings, taking appropriate remedies and bringing the matter to the attention of the Board as and when required.

4. The Head of Internal Audit department has direct access to the Audit Committee and the Committee had made sure that competent and professional staff has been hired in internal audit and that internal audit department has all necessary access to the management and right to seek information and explanation.

5. Committee has reviewed and is confident about the coordination between external and internal auditors to achieve and maintain the Company objectives, including a reliable financial reporting system.

6. The Audit Committee has reviewed the Management Letter issued by the external auditors and the management response thereto. Observations were discussed with the auditors and required actions recorded.

7. Appointment of external auditors and fixing of their audit fee was reviewed and the Audit Committee following this review recommended to the Board of Directors reappointment of Riaz Ahmed & Co., as external auditors for the year 2014-2015.

8. The Audit Committee on the basis of the internal audit reports reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continued evaluation process of controls and improved compliance.

9. The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the maximization of shareholders' wealth at all levels within the Company.

Khalid Qadeer Qureshi
Chairman Audit Committee

23 September 2014
Lahore

Year in Review Quarter Events

01

Board Meeting
- 25 September 2013

Inauguration of construction of the new spinning unit of 28,800 spindles at Spinning Division, Feroze Watwan

Commissioning of Reggiani Rotary Printing Machine at Processing and Home Textile Division, Lahore

Commissioning of Brucknor Finishing Machine at Processing and Home Textile Division, Lahore

02

Board Meeting
- 29 October 2013

Annual General Meeting
- 31 October 2013

03

Board Meeting
- 14 February 2014

EOGM Meeting
- 31 March 2014

Inauguration of the new Apparel Unit at Garments Division, Lahore

Commissioning of Monfort Pad Thermosole Dyeing Machine at Processing and Home Textile Division, Lahore

Commissioning of Red Flag Padsteam Dying Machine at Processing and Home Textile Division, Lahore

Commissioning of Reggiani Digital Printing Machine at Processing and Home Textile Division, Lahore

Commissioning of Red Flag Mercerizing Machine at Processing and Home Textile Division, Lahore

Inauguration of the 22 tons Coal Fired Steam Boiler at Power Division, Bhikki

04

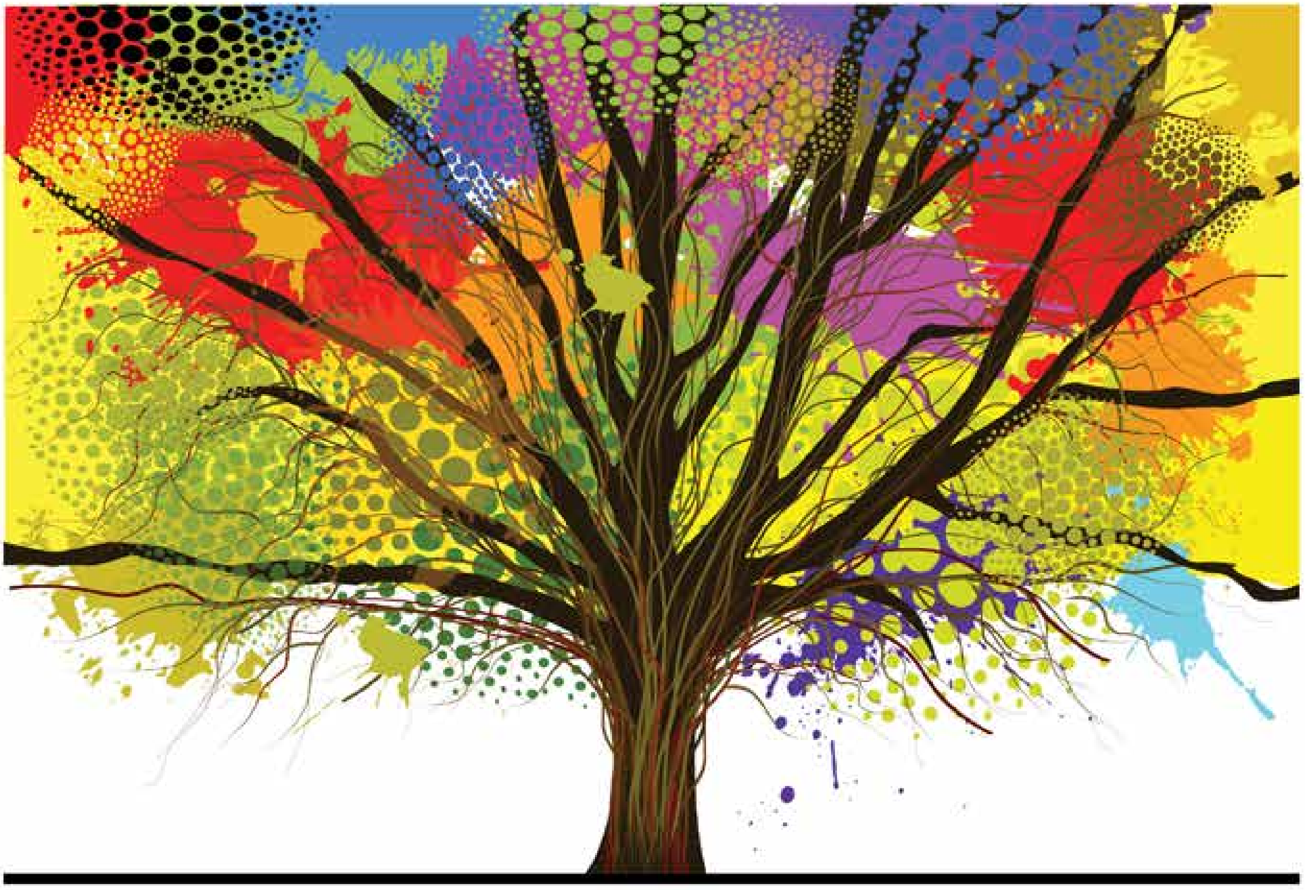
Board Meeting
- 10 April 2014

Board Meeting
- 25 April 2014

Commissioning of the 9.64 MW Wartsila Engine at Power Division, Bhikki

Commissioning of the new unit of 100 Air Jet looms at Weaving Division, Bhikki

Directors' Report



The Directors of Nishat Mills Limited ("the Company") are pleased to present the Annual Report of the Company for the year ended 30 June 2014 along with the financial statements and auditors' report thereon.

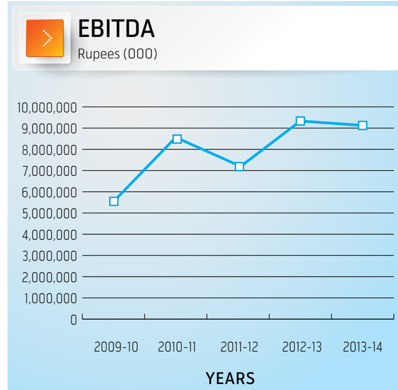
Financial Review

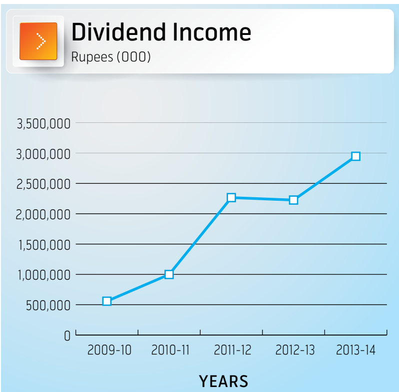
Financial Performance

The performance of the Company remained satisfactory both in terms of sales and profitability during the financial year ended 30 June 2014. However, profit after tax of the Company has decreased as compared to the last year due to severe competition in international and local markets, unexpected appreciation of Pak Rupee against US$ in the second half of the financial year and higher cost of inputs. Despite all these challenges, the top line grew by 3.85% due to the effective product mix management, increased production efficiencies and better financial planning. Other income grew by 33.37% as compared to last year and made a significant contribution towards the bottom line.

The summary of the key profitability measures is presented below.

Financial Highlights	2014 Rupees (000)	2013 Rupees (000)
Net sales	**54,444,091**	52,426,030
Gross profit	**7,863,774**	9,044,485
EBITDA	**9,125,677**	9,334,689
Depreciation	**1,540,243**	1,360,255
Finance cost	**1,609,882**	1,617,581
Dividend Income	**2,947,848**	2,226,339
Pre-tax profit	**5,975,552**	6,356,853
After tax profit	**5,512,552**	5,846,853





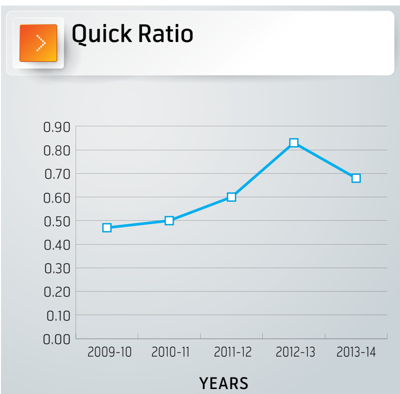
Sales increased by Rs. 2,018 million in the current year as compared to sales in the previous year ended 30 June 2013. While this is an impressive growth it could have been better. The sales increase was severely hampered by the rapid appreciation of Pak Rupee against US$ in the last four months of the financial year. Pak Rupee strengthened from Rs. 104.70 per US$ as at 03 March 2014 to Rs. 98.55 per US$ as at 30 June 2014 which rendered our products less competitive in the international markets and reduced the size of our top line. A review of the sales trend over the last five years indicates the success of the Company in maintaining a persistent growth in sales due to which it has achieved sustainable profitability.

The gross profit of the Company has decreased by 13.05% in the current year as compared to the last year. The gross profit margin of the Company has decreased to 14.44% in the current year from 17.25% in the last year. The main reason was the sudden appreciation of Pak Rupee against US$ as mentioned earlier, which adversely affected the gross profit percentage. Another reason which is attributable to the decline in the gross profit is the increase in cost of sales by 7.37% in the current financial year as compared to previous year. This increment is quite significant as compared to increase in sales by 3.85% only. Merely raw material consumption, which forms the major part of cost of sales has increased by 3.48%.

The Company has successfully maintained its EBITDA close to that of the last year despite the squeeze in gross profit. This reflects the effectiveness of the financial and operational efficiencies of the Company. The EBITDA grew enormously by 65% from financial year 2009-10 to financial year 2013-14, which clearly depicts the success story of the Company.

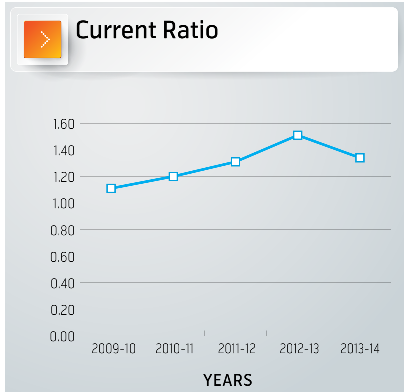
The dividend income again remained a significant contributor towards the bottom line during this financial year. The dividend income has risen to a massive Rs. 2,948 million, an increase of 32.41% over the dividend income of the last year. A glance over the dividend income trend over the last five years reveals a constant growth, which has reached 428% from the year 2009-10 to year 2013-14. The Company has built a strategic investment portfolio which has become a substantial part of other income in terms of dividend income and capital gains. In addition to dividend income, the Company also earned a capital gain of Rs. 95 million during the year mainly on sale of partial investment in Lalpir Power Limited.

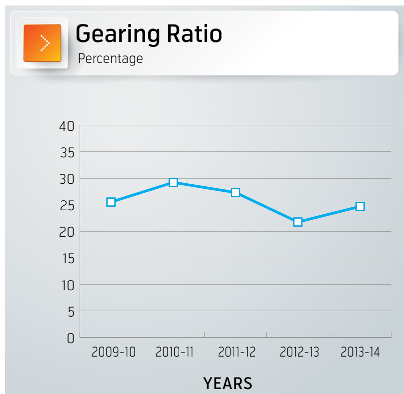
Although the Company executed many fixed capital expenditures under BMR and also invested funds in associated companies, the finance cost of the Company remained stable in comparison with the last year due



to efficient financial management and improved liquidity as a result of high profitability. Weighted average cost of debt has recorded a decrease from 10.57% to 8.28% in the current year.

Steady earnings have enabled the Company to maintain an interest cover ratio high enough to meet the financing needs of the Company.





After tax profit percentage has remained steady from 7.85% to 11.15% over the last 5 years. Despite the difficult times which prevailed in textile industry during the year, after tax profit margin of 10.13% was impressive due to a well managed investment portfolio, efficient cost management and effective product mix of the Company.

Financial Strength

Sustainability in profitability and financial strength of the Company depends on its operational and manufacturing capabilities which can offer better products and meet customers' requirements. We are always keen to upgrade and expand our production capacities to keep ourselves competitive in the international and local markets. The Company incurred fixed capital expenditures of Rs. 9,135 million during financial year 2013-14 on BMR of all the business segments.

Working Capital Management

Review of current and quick ratios for the last five years shows the solid liquidity and impressive short term financial position of the Company. Working capital requirements of the largest textile company needs investment of huge funds in debtors, inventories and stock in trade. Sustainable operating results and constant stream of other income has produced enough cash and strengthened liquidity position of the Company to easily finance its working capital requirements. Plan of the Company to use cash inflows from operations to repay its debt as and when it becomes due has worked well and helped to curtail the finance cost at the previous year's level.

Capital Structure

The Company is a low geared business entity and maintains a balance capital structure which is an evidence of its financial strength. Gearing ratio slightly increased during the current financial year on account of meeting the increased financing requirements.

Appropriations

The Board of Directors of the Company has recommended 40% cash dividend (2013: 40%) and transferring of Rupees 4,106 million (2013: Rupees 4,440 million) to general reserve.

Earnings per Share (EPS)

Earnings per share of the Company remained steady over the last five years which is indicative of persistent profitability of the Company. EPS always remained above Rs. 10 per share which shows proficiency of the management in meeting the expectations of the shareholders.

Management's Objectives and Strategies

Objectives of the management are aligned and synchronized with the overall corporate objectives of the Company which accounts for the need of all stakeholders. Good governance is the first priority that we achieve by engaging the team of management professionals. The management strives hard to achieve the objective of maximization of the shareholders' wealth. Efficient financial management is one of the most important functions that we perform very effectively and its results are evident from the low cost of capital and consistent returns from the investments in associated companies. The management is continuously evaluating and investing in new opportunities.

We, at Nishat Mills Limited, believe that the production of quality products according to the needs of customers is always very important to build a strong relationship with the customers belonging to diversified regions across the globe. To achieve this objective, we are making huge investments on enhancing production efficiencies and capabilities of the Company through the introduction of innovative and state of art technologies. In addition to the commissioning of the new unit of 100 Toyota air jet looms, the replacement of the old Tsudakoma air jet looms with the new 77 Picanol air jet looms was also completed in our Weaving Division at Bhikki during the last financial year. The work on the new unit of 28,800 spindles in Spinning division at Feroze Watwan is near to its completion. In the value added sector, the construction work is in process on enhancing the production of our Garments division located in Lahore, which is expected to be completed by the end of financial year 2014-15. In the Processing and Home Textile division, narrow width processing capacity has been increased by adding a new Digital Machine, a Mercerizing Machine, a Rotary Printing Machine, a Stenter Machine and Ager. In the financial year 2013-14, we planned and executed a number of the fixed capital expenditure projects as mentioned above. In the financial year 2014-15, we have also planned to diversify our investment portfolio by investing in a 660 MW Coal Fired Power Plant at Rahim Yar Khan. Furthermore, the management is planning to exploit the enhanced capacities of various divisions at optimum level through efficient operational management.

The achievement of last years' objectives of attaining cost efficiencies through energy conservation and enhancement of production efficiencies has enabled the Company to remain profitable despite adverse local and international economic conditions.

RISKS AND OPPORTUNITIES

Nishat Mills Limited takes risks and creates opportunities in the normal course of business. Taking risk is important to remain competitive and ensure sustainable success. Our risk and opportunity management encompass an effective framework to conduct business in a well-controlled environment where risk is mitigated and opportunities are availed. Each risk and opportunity is properly weighted and considered before making any choice. Decisions are formulated only if opportunities outweigh risks.

Following is the summary of risks and strategies to mitigate those risks:

Strategic Risks

We are operating in a competitive environment where innovation, quality and cost matters. This risk is mitigated through continuous research & development and persistent introduction of new technologies under BMR. Strategic risk is considered as the most crucial of all the risks. Head of all business divisions meet at regular basis to form an integrated approach towards tackling risks both at the international and national level.

Business Risks

The Company faces a number of following business risks:

Cotton Supply and Price

The supply and prices of cotton is subject to the act of nature and demand dynamics of local and international cotton markets. There is always a risk of non-availability of cotton and upward shift in the cotton prices in local and international markets. The Company mitigates this risk by the procurement of the cotton in bulk at the start of the harvesting season.

Export Demand and Price

The exports are major part of our sales. We face the risk of competition and decline in demand of our products in international markets. We minimize this risk by building strong relations with customers, broadening our customer base, developing innovative products without compromising on quality and providing timely deliveries to customers.

Energy Availability and Cost

The rising cost and un-availability of energy i.e. electricity and gas shortage is a major threat to manufacturing industry. This risk, if unmitigated, can render us misfit to compete in the international markets. The Company has mitigated the risk of rising energy cost by opting for alternative fuels such as bio-mass and coal. The measures to conserve energy have also been taken at all manufacturing facilities of the Company. Likewise, risk of non-availability of the energy has been minimized by installing power plants for generating electricity at almost all locations of the Company along with securing electricity connections from WAPDA.

Financial Risks

The Board of Directors of the Company is responsible to formulate the financial risk management policies which are implemented by the Finance Department of the Company. The Company faces the following financial risks:

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

SEGMENT ANALYSIS

Capital risk

When managing capital, it is our objective to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company maintains low leveraged capital structure. We monitor the capital structure on the basis of the gearing ratio. Our strategy is to keep the gearing ratio at the maximum of 40% equity and 60% debt.

Opportunities

As the leading textile company of the country, the Company is in a position to avail and exploit a number of opportunities. Following is the summary of some exciting opportunities.

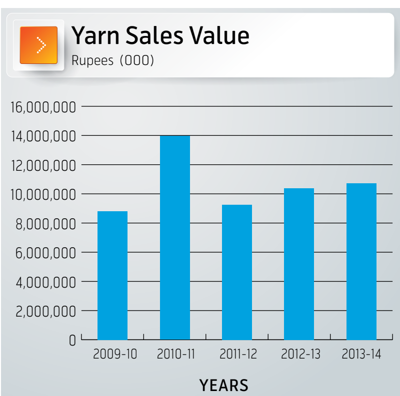
- Regionally diversified customer base across the world provides a sustainable growth to export sales;
- Vibrant local and international subsidiary companies create demand for our products;
- Vertical integration makes it possible to exploit operational synergies;
- Abundant supply of cotton in the country;
- High population growth of the country is a source of suitable manpower and a stimulus in creating the demand for textile products.

Spinning

The financial year ended 30 June 2014 was difficult for the spinning business due to low demand both in local and international markets. The movement in cotton yarn prices was inconsistent with raw cotton prices which were very high right from the start of the year. The year started with high cotton prices because of anticipated shortage of raw cotton due to unfavorable weather conditions. However, the Company started the procurement of raw material according to the projected annual requirement of the Spinning Division as soon as new crop arrived in the market. The purchase of raw cotton was completed by the start of third quarter of the year. During the period of purchase and afterwards, cotton prices did not witness any major decline and remained stable at the elevated level throughout the year.

On the other hand, China's policy to subsidize its own yarn manufacturers suppressed the demand of cotton yarn in international market which negatively affected the yarn rates. These factors resulted in low profitability of the cotton spinning business in Pakistan.

Our marketing department had to work very hard to gain orders at prices which would even cover cost of raw material. Yet things got worst in the middle of the year due to the sharp decline in cotton yarn demand and the resulting dip in prices as a result of unconsumed stocks available with



most of the buyers. The problems of Spinning Division increased further because of the appreciation of the Pak rupee in later half of the year which severely hurt our exports. In such a difficult time, we continuously remained in touch with our valued customers and pursued them for slow and steady purchases. This strategy resulted in a constant sale from Nishat though earnings were not up to the expectations.

Weaving

Our Weaving division at Nishat recorded a positive growth in operational profit by 3.47% in the current year as compared with the operational profit of last year. However, like rest of the textile industry, the weaving business also went through a difficult phase. Orders of grey fabric declined and the prices decreased over the last few months of the current year. Furthermore, customers delayed their purchase decisions in an anticipation of fall in cotton prices. One reason for the placement of fewer orders by customers was huge stocks which they carried from the last season as a result of global economic recession. Furthermore, during the year, fashion trends were oriented more towards denim fabric rather than flats which is our speciality.

At Nishat's Weaving division, new unit of 100 looms is now operational which has increased our capacity to provide varied product mix to our customers. Our short term strategy is to maintain our market share despite tremendous price pressure. Stiff competition is really driving the grey cloth prices downward but we have to counter it in order to keep our leading position. Long term policy as always is to keep on diversifying in our products especially in technical and abrasive fabrics in order to have a broader product portfolio. Massive industrial load shedding of both power and gas has almost crippled the textile industry. If this trend continues, there will be a serious threat of yarn shortage in the market which will further accentuate the problems of the weaving sector.

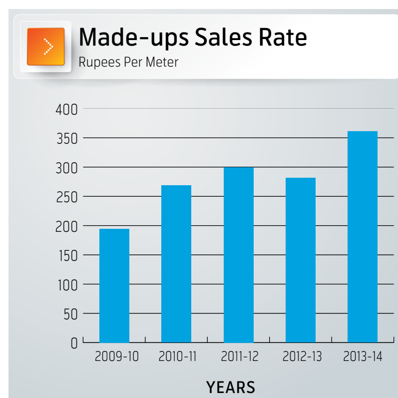
Processing and Home Textile

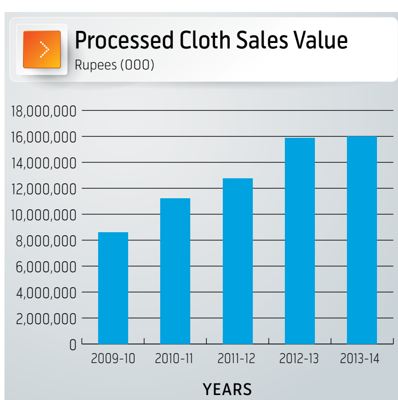
Despite the stagnant global economy, unending energy crises and huge appreciation of Pak Rupee against dollar in the second half of the year, our Processing division exhibited a satisfactory performance in terms of achieving sales targets. We were able to do this because of our hands-on marketing strategy, team work, dedication and broad customer base.

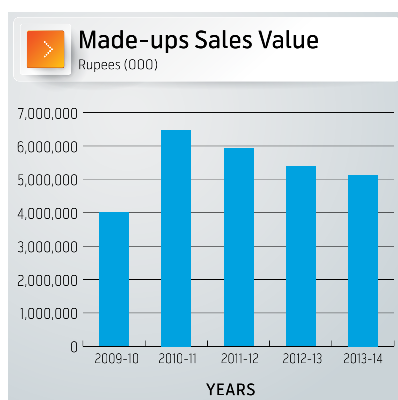
The difficulties which have been mentioned earlier are expected to impose serious threats for the processing sector in the financial year 2014-15. However, the marketing team is keeping a close eye on the market situation and taking all rational measures to mitigate the impact of the challenges ahead.

The performance of Home Textiles was also up to the mark during the year. In current circumstances when international markets are still shaky and have not got out of the financial crunch, Home Textile Division is the most vulnerable textile business. This sector is susceptible to receive the worst blow on the sales volume because in tough financial situations, bedding and sheeting products find the least priority on the consumer's buying list. Coupled with the deterioration in dollar value, it was as a whole a tough year for our Home Textile Division, however, we were not only able to sustain in these difficult times but also earned good margins. This was all achievable with the extraordinary efforts of the whole team throughout the year and close relationships with our prestigious customers around the globe.
Besides becoming more open to the retailers, our core strategy is to maintain cordial contacts with the existing customers and develop new relations with selected and reputed importers to cater the exclusive brands which have always been the niche for Nishat. Our business volume with major retailers of the USA and Europe has already grown. We are also successful in establishing some very productive relationships with customers in Australia which are growing at vigorous pace and generating many profitable opportunities.

Recently approved GSP Plus status by the EU is expected to increase production and sales volumes in Processing and Home Textile Division of the Company which will result in enhanced profitability.







Garments

The financial year ended 30 June 2014 was a challenging time for Garments Division as well. The results of the first half of the year were quite encouraging but the profitability declined in the second half due to the strengthening of Pak Rupee against US Dollar which caused a decrease in sales of Garment Division by around 2% as compared to sales in last financial year. The consumption of imported raw material inventories which were bought previously at a higher US dollar price also adversely affected the profitability. This along with an ever increasing complexity in the business mix put a tremendous pressure on production efficiencies. However, future prospects for the garments business are bright. The forecast for increase in market activity along with stability in PKR and US$ parity is encouraging and an enabler for business. We hope that the textile industry as a whole and garment sector in particular will see a revival of its profitability in the next financial year.

Power Generation

Like the previous year, the precarious energy situation continued during this year as well. However, it gave impetus to the Company to shift its focus on fuel sources other than those which are traditionally being used. The first 6 MW Coal and Bio Mass plant at Lahore is fully operational and performing satisfactorily. The expansion of this project by installing another coal plant of generating capacity of 9 MW is under process and will complete soon. The Company

Power Plants	Generation Capacity (MW)	Diesel / Furnace Oil Engines	Gas Engines	Gas / Steam Turbines	Coal Plant
Faisalabad	38.57	4	4	1	-
Bhikki	20.36	4	4	-	-
Lahore	38.56	9	10	2	1
Feroze Watwan	12.70	4	4	-	-

is planning to install similar plants at other production facilities of the Company.

The Company has also finalized the plan for the installation of a 22 ton Coal Fired Boiler to meet the enhanced steam requirements of Weaving Division at Bhikki. This boiler will generate low cost steam as compared to the steam generated on furnace oil and rice husk based boilers.

The first dual-fuel and highly efficient, 8 MW Wartsila Generator, which can change over directly from gas to HFO and back has started its commercial operation. The maximum possible Waste Heat Recovery Unit has also been installed on this generator. The cost of energy by the use of this generator is at par with the energy cost from generators running on gas. Two more generators of the same type are under installation in Lahore and Feroze Watwan.

Information Technology

The management of the Company is focused and committed to develop innovative IT solutions according to the changing requirements of textile business. Our Information Technology division has worked on many hardware and software projects during the year. Its continuous engagement in identifying, evaluating and developing IT infrastructure is a great support in the growth of the Company. IT Division successfully implemented the Production Planning system in Apparel Division. Newly developed Vendor Resource Planning System by our IT team has proved an excellent tool to manage our supply chain. Our yarn inventory management has gone through a complete revamp and is in the testing phase. Radio Frequency Identification (RFID) System, a highly advanced product identification system, has been working successfully in one of the units of Processing and Home Textile Division since its installation in the last year. A proposal is under consideration for the implementation of this system in Apparel Division too. Keeping in line with our growing business, we have a continuous upgrade of our data servers and other hardware infrastructure to handle a large amount of data. We have also upgraded the time management system for all the units located at Lahore, Bhikki and Feroze Watwan.

TEXTILE INDUSTRY OVERVIEW

The textile industry accounts for 8% of the GDP and has a paramount position in Pakistan's economy. The sector has great potential for growth. It provides direct and indirect employment by linking the largest economic chain of the country from agriculture to exports. However, the growth of the textile sector is directly related to the uninterrupted power supply, consistency in tax policies and easy availability of credit. These problems continued to exist in the financial year 2013-14 and the industry recorded a negligible growth of 1.44%.

The Government of Pakistan is formulating the five year Textile Policy 2014-19. We expect this policy to address these issues so that sector can perform according to its potential. We also hope that textile policy will incentivize not only exports of value added sector but also cater to the entire chain of the textile industry.

Finally after hectic diplomatic efforts by the Government of Pakistan, European Parliament has approved the GSP Plus status to Pakistan from 01 January 2014. The award of GSP Plus status has provided duty-free access to our textile manufacturer in EU market. Under this program more than 600 items will attract zero custom duty in 27 EU member countries. It is anticipated that the benefits of GSP Plus status will be realized during financial year 2014-15.

Nishat Mills Limited's Market Share

The Company is the largest composite textile entity and the leading exporter of textile products in Pakistan. It earns valuable foreign exchange for the country. Its share is around 3% in the textile exports of Pakistan which put it in the position to provide direct and indirect employment to thousands of people.

SUBSIDIARY COMPANIES

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

Following is a brief description of all the Subsidiary Companies of Nishat Mills Limited:

Nishat Power Limited

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

Nishat Linen (Private) Limited

This is a wholly owned subsidiary of the Company. The principal objects of the Company are to operate retail outlets

for sale of textile and other products and to sell the textile products by processing the textile goods in outside manufacturing facilities. The subsidiary started its operations in July 2011.

Nishat Spinning (Private) Limited

Nishat Spinning (Private) Limited, a wholly owned subsidiary of Nishat Mills Limited, is a private limited company incorporated in Pakistan on 20 February 2014. The principal business of the Company is to manufacture and sell the textile products in the local market by processing the textile goods in its own or outside manufacturing facility. The subsidiary will commence its commercial production in the year 2014-15.

Nishat Hospitality (Private) Limited

This is a wholly owned subsidiary of the Company. The subsidiary's object is to run a chain of hotels across the country. Currently it is operating a four star hotel in Lahore on international standards under the name of "The Nishat St. James Hotel". The subsidiary started its operations on 01 March 2014.

Nishat Linen Trading LLC

This subsidiary is a limited liability company incorporated in Dubai, UAE. It is a wholly owned subsidiary of the Company. The subsidiary is principally engaged in the trading of textile, blankets, towels, linens, ready-made garments, garments accessories and leather products along with ancillaries thereto through retail outlets and warehouses across United Arab Emirates. The subsidiary started its commercial operations in May 2011.

Nishat International FZE

This is also a wholly owned subsidiary of Nishat Mills Limited. It has been incorporated as a Free Zone Establishment Limited Liability Company in Jebel Ali Free Zone, Dubai according to the laws of United Arab Emirates (UAE). It has been registered in the FZE register on February 7, 2013. The principal activity of the Subsidiary company is trading in textile products such as blankets, towels & linens, ready-made garments, garment accessories and leather products such as shoes, handbags and all such ancillaries thereto.

Nishat Global China Company Limited

Nishat Global China Company Limited is incorporated in Yuexiu District, Guangzhou, China, as Foreign Invested Commercial Enterprises "FICE", in accordance with the Law of Peoples Republic of China on Foreign-Capital enterprises and other relevant Laws and Regulations. Nishat Global China Company Limited is a wholly owned subsidiary of Nishat International FZE which is a wholly owned subsidiary of Nishat Mills Limited. The principal business of the Company is wholesale, commission agency (excluding auction), import and export of textile goods and women fashion accessories. The subsidiary started its commercial operations in January 2014.

Nishat USA Inc.

The subsidiary is a corporation service company incorporated in the State of New York. It is a wholly owned subsidiary of Nishat Mills Limited and was acquired on 01 October 2008. The corporation is a liaison office of the Company's marketing department providing access, information and other services relating to US Market.

HUMAN CAPITAL

Being the largest textile company, Nishat Mills Limited provides direct and indirect employment to thousands of people in the country. As on 30 June 2014, the total number of employees directly employed by the Company were 18,197 and thousands more were engaged in different activities of the Company.

The management considers its human resource the main force behind the Company's profitability and growth. Employees' motivation and satisfaction is stimulated through attractive compensation packages and work environment. Our human resource management is in line with the contemporary human resource practices which integrate the employees' growth needs with the corporate objectives of the Company. The Company has implemented a mechanism for annual performance evaluation of its employees in accordance with its Human Resource Policy. Under this mechanism, department wise KPIs are defined mutually by the HR Department and employees. These KPIs are derived from the operational objectives of the management. The reward of the successful performance of those KPIs is also predetermined. At the end of the year, actual performance of the employee is measured against predefined KPIs and the employee is rewarded accordingly. The management of the Company believes this performance evaluation mechanism is the key reason behind the sustainable growth of the Company because employees act like partners in determining the future path and play a vital role in the growth of the Company.

CORPORATE SUSTAINABILITY

The Company is dedicated and committed towards environment protection, energy conservation and welfare of the society in large. We envisioned and initiated new projects and continued the implementation of previously started projects during the year.

Energy Conservation

Energy is the life line of a business. The Company is not only finding out ways to generate energy from alternative sources but also encouraging energy conservation projects. We have installed a Solatube Daylight System at our weaving unit at Bhikki which we established during last year. The system covers 90% area of the unit and provides lighting free of cost. Likewise, we have installed Solar Water Heating Project at the same location in order to provide hot water to our boiler. The Company has made further progress in the replacement of conventional tube lights with LED lights and solar panels at different locations of the Company.

Environment Protection

Our dedication towards environment protection is evident from the fact that the management of the Company makes considerable efforts in starting new projects for environment protection and ensuring the continuity of the old projects. The Company has developed four water preservation/ induction wells to replenish the underground water table for sustainable availability of water in the region. Our "Rupee for a Tree Scheme" project, a partnership project among the employees and the management, which has started to create awareness among our employees and society, has successfully achieved this year's target by planting around 3,600 more trees this year at the Company premises, highways, roads, colleges, schools, hospital and other public places. Effluent treatment plants at our dyeing, printing and garments' manufacturing facilities have been in operation for many years.

Waste Recycling

The Company collects 7 ton per month inorganic waste from around industrial units located near its production facility at Bhikki and uses it as an alternative energy source. Other waste recovery projects are also successfully working including Caustic Soda Recovery Plant, Sizing Recovery Plant, Cotton Recovery Plant and Lube Oil Recovery Plant.

Solatube Daylight System

Water Induction Well

Occupational Safety and Health

The Company always put the safety and health of its employees first. Periodic awareness sessions are being conducted to promote the preventive measures with the intention of ensuring safety and security of the employees. We have established Fire Fighting Departments which are equipped with sophisticated fire fighting equipment at all our locations. Similarly, we have established facilities of dispensaries and ambulances at all locations. The Company also arranges Malaria and Typhoid vaccination for workers and their families. The Company also arranges fumigation for insecticide in order to prevent dengue and other diseases.

Equal Opportunity Employer

The Management of the Company feels pride in claiming the label of equal opportunity employer because the Company offers employment to both genders, different ethnicities and people with disabilities without any discrimination. Employment of women is encouraged especially in the stitching and garments segments.

Community Welfare Schemes

Management of the Company takes keen interest in the welfare of the society. The Company holds twice a year free medical camps at its manufacturing facilities where free medical advice is offered to people living near the vicinity of the Company. We also arrange Holy Quran and Naat Competitions to promote Islamic teaching and create religious harmony among people. The Company arranges the training of thousands of young people before they enter the job. This is the most valuable contribution to the nation by providing a trained work force.

Consumer Protection Measures

The products of the Company are manufactured and shipped according to the prevailing and required international safety standards. We have set up systems such as the installation of metal detectors for prevention and detection of any harmful substance in the products. For this, the Company meets the Oeko Tax Standards 100 which is an independent testing and certification system for textile raw materials, intermediate and end products at all stages of production. The Company has also acquired C-TPAT Certification Customs-Trade Partnership against Terrorism at all its production facilities.

Contribution to National Exchequer and Economy

As an export oriented entity, the Company has earned precious foreign exchange of US$ 409.631 million during the current year. In addition to that, the Company contributed Rs. 1,185 million towards national exchequer by way of income taxes, sales taxes and custom duties etc. The Company is also acting as withholding agent for FBR.

CORPORATE GOVERNANCE

Meetings of the Board of Directors

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

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

**Mr. Muhammad Azam retired on March 31, 2014.*
***Mr. Saeed Ahmad Alvi elected as a Director on the Board of Directors on March 31, 2014.*

Best Corporate Practices

We are committed to good corporate governance and do comply with the requirements of Code of Corporate Governance 2012 (CCG 2012) included in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges. The statement of compliance with the CCG 2012 is enclosed.

Board Committees

Audit Committee

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

Mr. Khalid Qadeer Qureshi
Chairman/Member

Syed Zahid Hussain
Member

Ms. Nabiha Shahnawaz Cheema
Member

Human Resource & Remuneration (HR&R) Committee

The Human Resource & Remuneration Committee is performing its duties in line with its terms of reference as determined by the Board of Directors. The composition of the Committee is as follows:

Mian Hassan Mansha
Chairman/Member

Mian Umer Mansha
Member

Mr. Khalid Qadeer Qureshi
Member

Ms. Nabiha Shahnawaz Cheema
Member

Directors' Statement

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

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

   Provident Fund: 30th June, 2014: Rs. 2,479.33 Million Un-audited (2013: Rs. 2,002.79 Million-Audited).

Transactions with related parties

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

Auditors

The present auditors of the Company M/s Riaz Ahmed & Company Chartered Accountants have completed the annual audit for the year ended 30 June 2014 and have issued an unqualified audit report. The auditors will retire on the conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending 30 June 2015.

FORWARD LOOKING STATEMENT

Depending on our current financial strength and operational ability, we will maintain our share of 3% in the total export sales of the textile sector of Pakistan in the current financial year 2014-2015. Sales and other income collectively are expected to grow considerably and will cross the current figure of Rs. 58 billion as a result of heavy investments made by the Company in enhancement of its production facilities during the financial year ended 30 June 2014. Our substantial equity reserves also provide us great support to invest further in projects which will further enhance the prospects of future earnings of the Company. We will continue our policy of exploring new energy conservation techniques and generating electricity from cheap fuels like coal and biomass. This will help us in substantially reducing our cost of production.

Forward Looking Statement of 2013

Nishat Mills Limited expected to maintain its leading position in textile sector by enhancing its sales and meeting the expectations of its valued customers. This will increase the profits after tax in the current year as compared to profits after tax of the financial year 2012-13.

Performance in Year 2014

Increase in sales was only 3.85% which was below our expectation due to the adverse economic conditions of the country. As a result, profit after tax of the Company decreased by 5.72% in the financial year ended 30 June 2014.

Corporate Awards

The Annual Report of the Company for the year ended 30 June 2013 was awarded Certificate of Merit in the Textile Sector in the ceremony held in Karachi on 19 September 2014 by the Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP).

BUSINESS CONTINUITY PLAN

Operational continuity is of paramount importance for the long term success and viability of any Company. Nishat Mills Limited has developed business continuity plans which also provide a mechanism for disaster recovery in the respective areas. The Company has arranged the security of all the factory sites by hiring well-trained security personnel on its payroll. All the physical assets are properly safeguarded and insured. Back up of virtual assets such as IT programs and software is regularly arranged. Very efficient and effective fire fighting systems have been in place at all our manufacturing facilities. Standard Operating Procedures for all the processes have been devised and documented according to the best practices prevailing in the industry. All transactions and affairs of the Company are properly documented; and these documents are appropriately preserved according to our Policy for safety of records.

FUTURE PROSPECTS

A vision of the future is an important ingredient in the formation of our strategy and plans. Hopefully, the next year will bring full global economic recovery and political stability in Pakistan which will be a precursor to economic growth.

The Company expects the ongoing project for the installation 28,800 spindles in Feroze Watwan to be completed in the financial year 2014-15. We intend to lease this unit to our Subsidiary Company Nishat Spinning (Private) Limited which will run the operations of the unit.

Construction work has also started on a new garment unit with a production capacity of 7.20 million garments. We expect this project to be completed by the end of this year and commence its commercial production early next financial year.

Acknowledgement

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

For and on behalf of the Board of Directors

Umer Mansha

Mian Umer Mansha
Chief Executive Officer

23 September 2014
Lahore

Growing Strongly

Cash Flow Statement Based on Direct Method

For the year ended 30 June 2014

	2014	2013
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	58,356,159	50,018,463
Cash paid to suppliers and employees	(51,083,460)	(47,237,982)
Cash generated from operations	7,272,699	2,780,481
Finance cost paid	(1,615,583)	(1,586,405)
Income tax paid	(839,227)	(685,161)
Exchange gain on forward exchange contracts received	102,161	31,329
Net increase in long term loans to employees	(26,414)	(44,915)
Net increase in long term deposits	(6,260)	(3,534)
Net cash generated from operating activities	4,887,376	491,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(9,135,413)	(2,897,775)
Proceeds from sale of property, plant and equipment	232,737	248,318
Proceeds from sale of investments	1,177,704	–
Investments made	(1,531,636)	(1,789,027)
Loans and advances to subsidiary companies	(9,056,126)	(6,946,521)
Repayment of loans from subsidiary companies	7,288,328	6,380,582
Interest received	167,530	83,058
Dividends received	2,947,848	2,226,339
Net cash used in investing activities	(7,909,028)	(2,695,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	5,839,202	1,838,049
Repayment of long term financing	(2,202,523)	(1,845,318)
Repayment of liabilities against assets subject to finance lease	(70,224)	(65,710)
Short term borrowings - net	2,529,096	2,273,179
Dividend paid	(1,400,445)	(1,226,663)
Net cash from financing activities	4,695,106	973,537
Net increase / (decrease) in cash and cash equivalents	1,673,454	(1,229,694)
Cash and cash equivalents at the beginning of the year	1,128,862	2,358,556
Cash and cash equivalents at the end of the year	2,802,316	1,128,862

Critical Performance Indicators (CPI)

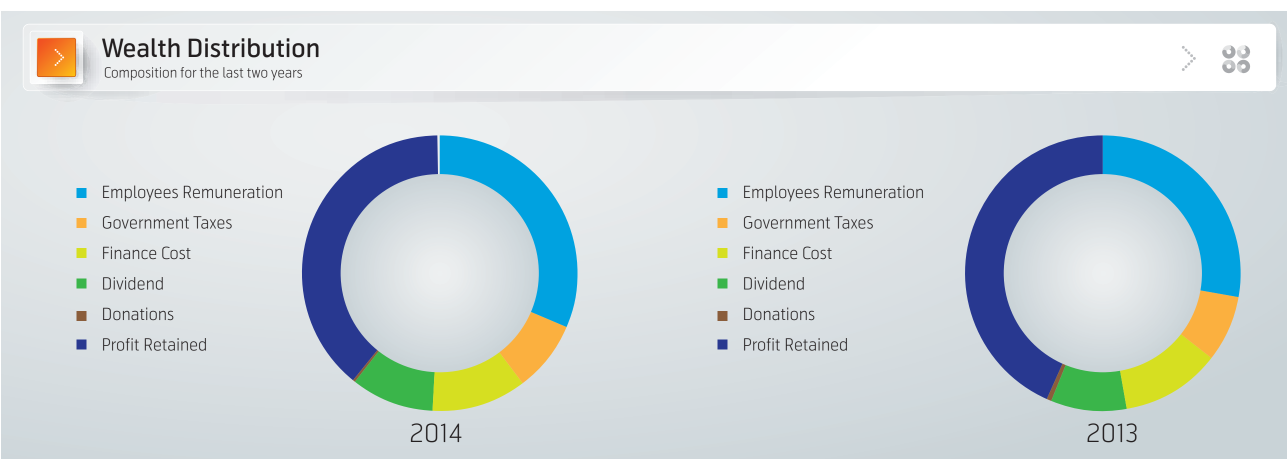
Objectives	CPIs	Analysis for the current year	Relevance for the future
Increase in profitability of the Company	Increase in net profit margins and return on capital employed	The Company sales have increased in the current year but its net profit has decreased due to increase in its cost of sales which has squeezed the net margins of the Company and resultantly has decreased the return on capital employed.	This CPI shall remain relevant in the future
Increasing efficiency and productivity of the Company	Quality of products and efficient operational cost management	Sustained sales in the current year as compared to the last year despite of financial depression in textile sector depicts better quality of our products and attractive prices as compared to our competitors	This CPI shall remain relevant in the future
Leading the market by outshining the competitors and introducing new ideas	Producing and delivering products to customers of high quality	Using state of the art technology have enabled us to increase the sales in the current year by delivering high end quality products to the customers as per their requirements which also helped us in retaining major customers in competitive environment.	This CPI shall remain relevant in the future
Broaden the customer database	Increase in sales	Despite of financial depression, our sales have increased in the current year as compared to the last year which shows customer needs were anticipated and appropriately addressed.	This CPI shall remain relevant in the future
Development and promotion of the Company image	Relationship with the stakeholders	Retention of the competitive employees, good reputation of the Company among its customers and suppliers, fulfilling all its obligations towards Government and regulators depicts good image of the Company	This CPI shall remain relevant in the future
Adoption of IT trends to facilitate the overall efficiency and productivity	Timely reporting and effective decision making	We have fully developed the supply chain process which helps in timely reporting and effective decision making and cost effectiveness in a larger context. Our IT department updates and follows the latest IT technology that helps in increasing our efficiency.	This CPI shall remain relevant in the future
Promotion of environmental and social responsibility	Creating awareness and continuous improvement in the approach of management and employees	We have started a project named “One Rupee for a Tree Scheme” for the protection of the environment and also have developed alternate ways to generate the energy. As a social responsibility, we have opted to provide a clean environment to the society. We have developed the Waste Recycling Plant which has been used as an alternate energy source.	This CPI shall remain relevant in the future

Statement of Value Addition and Distribution

	Year 2014		Year 2013	
	Rs (000)	%	Rs (000)	%
Value Addition				
Sales inclusive of sales tax	54,765,196		52,566,334	
Less: purchases materials and services	43,985,443		41,564,957	
Value Added	10,779,753		11,001,377	
Other Operating Income	3,653,041		2,739,102	
	14,432,794	100	13,740,479	100
Value Distribution				
Employees Remuneration	4,579,275	31.73	3,865,236	28.13
Government Taxes (Including Income Taxes, WPPF and WWF)	1,184,821	8.21	1,047,549	7.62
Providers of Capital(Finance Cost)	1,609,882	11.15	1,617,581	11.77
Dividend	1,406,399	9.74	1,230,599	8.96
Contribution to Society(Donations)	6,021	0.04	3,005	0.02
Profit Retained	5,646,396	39.12	5,976,509	43.50
	14,432,794	100	13,740,479	100

Statement of Charity

	Year 2014	Year 2013
	Rs (000)	
Health Care & Safety	2,516	-
Environmental Support	2,005	-
Sports	500	-
General Donation	1,000	3,005
	6,021	3,005



Growing Passionately

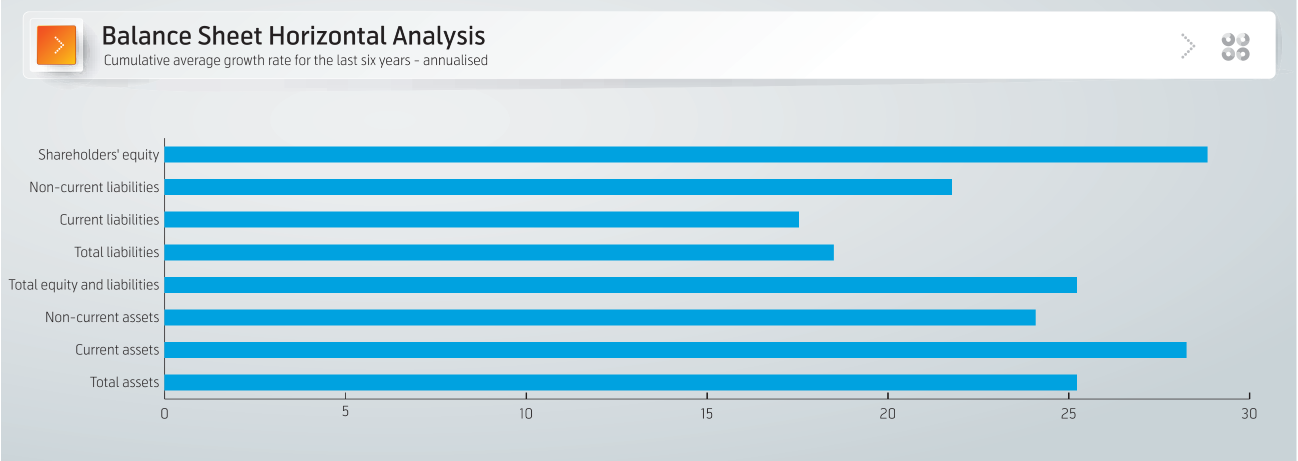
Financial Highlights

		2014	2013	2012	2011	2010	2009
							(Rupees in thousand)
Summarized Balance Sheet							
Non-Current Assets							
Property, plant and equipment		22,964,388	15,530,320	14,318,639	13,303,514	11,841,667	11,199,635
Long term investments		44,771,715	37,378,224	21,912,790	21,337,889	21,959,543	11,952,949
Other Non-Current Assets		537,482	521,490	547,283	1,005,542	648,176	65,264
Current Assets							
Stores, spares and loose tools		1,316,479	1,285,371	1,019,041	955,136	688,832	561,251
Stock in trade		12,752,495	10,945,439	9,695,133	9,846,680	6,060,441	4,092,512
Short term investments		3,227,560	4,362,880	1,589,093	1,781,471	1,554,543	1,414,310
Other current assets		11,478,458	10,610,870	7,544,404	5,858,672	3,429,112	2,226,765
Total Assets		97,048,577	80,634,594	56,626,383	54,088,904	46,182,314	31,512,686
Shareholders' Equity		68,589,176	58,917,035	37,762,749	35,393,959	31,376,313	19,330,767
Non-Current liabilities							
Long term financing		6,431,304	3,149,732	3,426,578	2,861,956	2,980,694	2,334,411
Deferred income tax liability		474,878	499,415	310,305	510,640	1,256,892	245,243
Current Liabilities							
Short term borrowings		14,468,124	11,939,028	9,665,849	10,471,685	6,649,447	7,342,600
Current portion of non current liabilities		1,595,652	1,310,769	1,106,902	1,283,865	1,128,632	433,313
Other current liabilities		5,489,443	4,818,615	4,354,000	3,566,799	2,790,336	1,826,352
Total Equity and Liabilities		97,048,577	80,634,594	56,626,383	54,088,904	46,182,314	31,512,686
Profit and Loss							
Sales		54,444,091	52,426,030	44,924,101	48,565,144	31,535,647	23,870,379
Gross profit		7,863,774	9,044,485	6,789,191	7,846,447	5,980,185	4,351,541
EBITDA		9,125,677	9,334,690	7,101,295	8,186,974	5,518,864	4,127,816
Other income		3,653,041	2,739,102	2,683,685	2,444,985	981,650	599,006
Profit before tax		5,975,552	6,356,853	4,081,567	5,411,912	3,286,069	1,561,501
Profit after tax		5,512,552	5,846,853	3,528,567	4,843,912	2,915,461	1,268,001
Cash Flows							
Cash Flow from Operating Activities		4,887,376	491,795	2,750,542	260,523	988,193	2,138,364
Cash Flow from Investing Activities		(7,909,028)	(2,695,026)	47,346	(2,222,501)	(5,520,869)	(2,128,400)
Cash Flow from Financing Activities		4,695,106	973,537	(1,572,033)	2,984,094	4,531,767	24,981
Changes in Cash & Cash Equivalents		1,673,454	(1,229,694)	1,225,855	1,022,116	(909)	34,945
Cash and cash equivalent-year end		2,802,316	1,128,862	2,358,556	1,132,701	110,585	111,494
Ratios Analysis							
Profitability Ratios							
Gross profit	%	14.44	17.25	15.11	16.16	18.96	18.23
EBITDA to sales	%	16.76	17.81	15.81	16.86	17.50	17.29
Pre tax Profit	%	10.98	12.13	9.09	11.14	10.42	6.54
After tax profit	%	10.13	11.15	7.85	9.97	9.24	5.31
Return on Equity	%	8.65	12.10	9.65	14.51	11.50	5.53
Return on Capital Employed	%	10.99	15.33	14.56	18.86	15.34	12.00
Operating Leverage Ratio		(1.27)	2.19	2.23	1.09	1.45	2.28

		2014	2013	2012	2011	2010	2009
Liquidity Ratios							
Current ratio		1.34	1.51	1.31	1.20	1.11	0.86
Quick ratio		0.68	0.83	0.60	0.50	0.47	0.38
Cash to current liabilities	Times	0.13	0.06	0.16	0.07	0.01	0.01
Cash flows from operations to sales	Times	0.09	0.01	0.06	0.01	0.03	0.09
Activity / Turnover Ratios							
Inventory Turnover Ratio	Times	3.93	4.20	3.90	5.12	5.03	4.73
No. of Days in Inventory	Days	92.88	86.90	93.85	71.29	72.56	77.17
Debtors Turnover Ratio	Times	11.87	10.77	15.05	21.48	18.87	17.76
No. of Days in Receivables	Days	30.75	33.89	24.32	16.99	19.34	20.55
Creditors Turnover Ratio	Times	7.25	8.01	8.46	14.03	10.55	9.05
No. of Days in Creditors	Days	50.34	45.57	43.26	26.02	34.60	40.33
Operating Cycle	Days	73.29	75.22	74.91	62.26	57.30	57.39
Total Assets Trunover Ratio	Times	0.56	0.65	0.79	0.90	0.68	0.76
Fixed Assets turnover Ratio	Times	2.37	3.38	3.14	3.65	2.66	2.13
Investment /Market Ratios							
Earnings per share	Rs.	15.68	16.63	10.04	13.78	10.50	6.23
Price earning ratio	Times	7.14	5.67	4.74	3.65	4.11	6.07
Dividend yield ratio	%	3.57	4.25	7.36	6.56	5.80	5.29
Dividend payout ratio	%	25.51	24.05	34.86	23.95	23.81	32.10
Dividend cover ratio	Times	3.92	4.16	2.87	4.17	3.32	2.61
Dividend per share	Rs.	4.00	4.00	3.50	3.30	2.50	2.00
Break-up Value	Rs.	195.08	167.57	107.40	100.67	89.24	79.72
Proposed dividend	%	40	40	35	33	25	20
Bonus	%	-	-	-	-	-	-
Right issue per share	Rs.	-	-	-	-	45% at Rs.40	50% at Rs.25
Market Value per share							
Closing	Rs.	111.92	94.21	47.58	50.34	43.12	37.82
High	Rs.	141.70	108.00	60.49	71.89	75.20	85.12
Low	Rs.	85.00	47.99	38.10	40.81	37.80	21.12
Capital Structure Ratios							
Financial leverage ratio	%	33.00	28.00	38.00	41.00	34.00	52.00
Weighted average cost of debt	%	8.28	10.57	12.22	12.62	10.80	13.27
Debt to equity ratio	%	9.38	5.35	9.07	8.09	9.50	12.08
Interest cover ratio	Times	4.71	4.93	3.32	4.38	3.92	2.08
Gearing ratio	%	24.70	21.77	27.33	29.23	25.53	34.34
Production machines							
No. of Spindles		198,840	198,096	198,096	199,536	199,502	198,120
No. of Looms		789	648	665	644	663	629
No. of Thermosole Dyeing machines		6	5	5	5	5	5
No. of Rotary Printing machines		4	3	3	3	3	3
No. of Digital Printing machines		2	1	-	-	-	-
No. of Stitching Machines		2,632	2,721	2,683	2,536	2,456	1,821

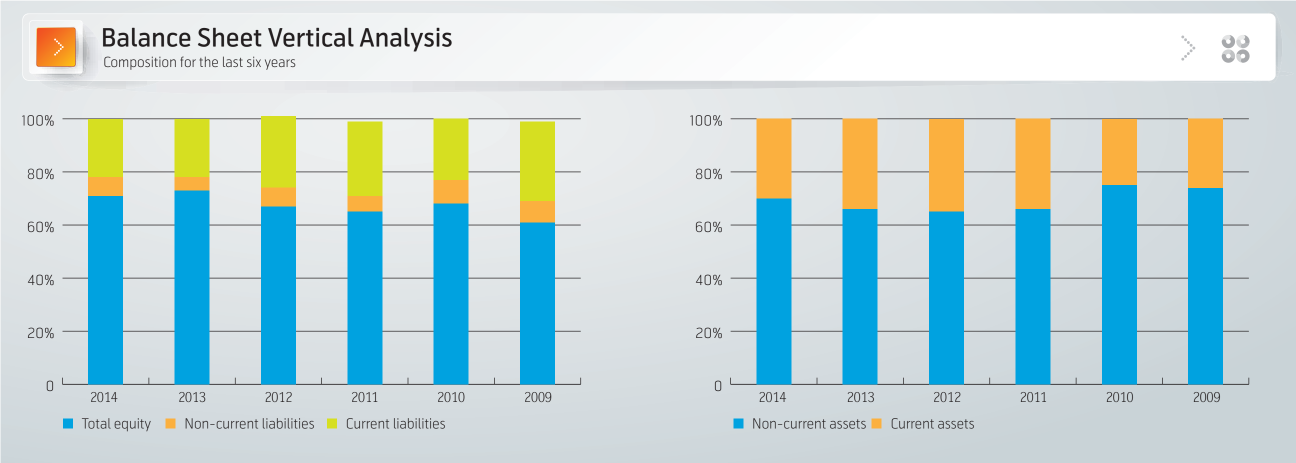
Horizontal Analysis

	2014	2013	2012	2011	2010	2009
Balance Sheet						
Total Equity	355%	305%	195%	183%	162%	100%
Non-Current Liabilities	268%	141%	145%	131%	164%	100%
Current Liabilities	224%	188%	158%	160%	110%	100%
Total Liabilities	234%	178%	155%	153%	122%	100%
Total Equity and Liabilities	308%	256%	180%	172%	147%	100%
Assets						
Non-Current Assets	294%	230%	158%	154%	148%	100%
Current Assets	347%	328%	239%	222%	141%	100%
Total Assets	308%	256%	180%	172%	147%	100%
Profit and Loss Account						
Sales	228%	220%	188%	203%	132%	100%
Cost of Sales	239%	222%	195%	209%	131%	100%
Gross Profit	181%	208%	156%	180%	137%	100%
Distribution Cost	194%	192%	194%	166%	130%	100%
Administrative Expenses	237%	200%	168%	151%	125%	100%
Other Expenses	180%	214%	179%	225%	151%	100%
	202%	196%	187%	169%	131%	100%
	163%	217%	131%	190%	142%	100%
Other Income	610%	457%	448%	408%	164%	100%
Profit from Operations	252%	265%	194%	233%	147%	100%
Finance Cost	111%	112%	122%	111%	78%	100%
Profit before Taxation	383%	407%	261%	347%	210%	100%
Taxation	158%	174%	188%	194%	126%	100%
Profit after Taxation	435%	461%	278%	382%	230%	100%



Vertical Analysis

	2014	2013	2012	2011	2010	2009
Balance Sheet						
Total equity	71%	73%	67%	65%	68%	61%
Non-current liabilities	7%	5%	7%	6%	9%	8%
Current liabilities	22%	22%	27%	28%	23%	30%
Total Liabilities	29%	27%	33%	35%	32%	39%
Total Equity and Liabilities	100%	100%	100%	100%	100%	100%
Assets						
Non-current assets	70%	66%	65%	66%	75%	74%
Current assets	30%	34%	35%	34%	25%	26%
Total Assets	100%	100%	100%	100%	100%	100%
Profit and Loss						
Sales	100%	100%	100%	100%	100%	100%
Cost of Sales	86%	83%	85%	84%	81%	82%
Gross Profit	14%	17%	15%	16%	19%	18%
Distribution Cost	5%	5%	6%	5%	5%	6%
Administrative Expenses	2%	2%	2%	1%	2%	2%
Other Expenses	1%	1%	1%	1%	1%	1%
	7%	7%	8%	7%	8%	8%
	7%	10%	7%	9%	11%	10%
Other Income	7%	5%	6%	5%	3%	3%
Profit from Operations	14%	15%	13%	14%	14%	13%
Finance Cost	3%	3%	4%	3%	4%	6%
Profit before Taxation	11%	12%	9%	11%	10%	7%
Taxation	1%	1%	1%	1%	1%	1%
Profit after Taxation	10%	11%	8%	10%	9%	5%



Comments on Six Years Performance

Horizontal Analysis

Balance Sheet

Increase in the balance sheet footing is constant throughout the last six years. Regular growth in total equity shows growth in earnings and profitability. Non-current assets also depict increasing trends which is an evidence of effective use of the Company's earnings in further investment in plant and machinery.

Profit and Loss

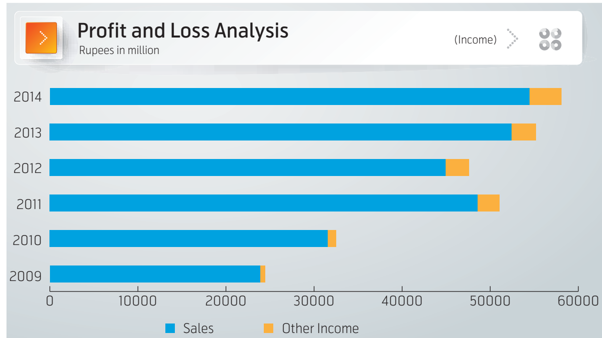
Sales increased continuously from the year 2009 to year 2014 mainly due to increase in volume as a result of enhancement of production capacities. The sales price is also a factor in the increase of top line. Sales took a dip in financial year 2012 on account of dip in demand.

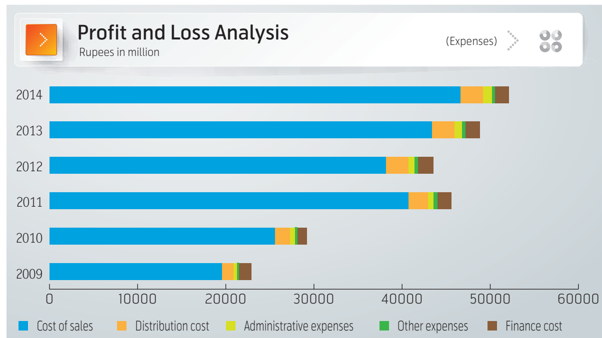
Gross profit increase was remarkable throughout last six years on the Company. However, growth has slowed down in the current year because of increased competition.

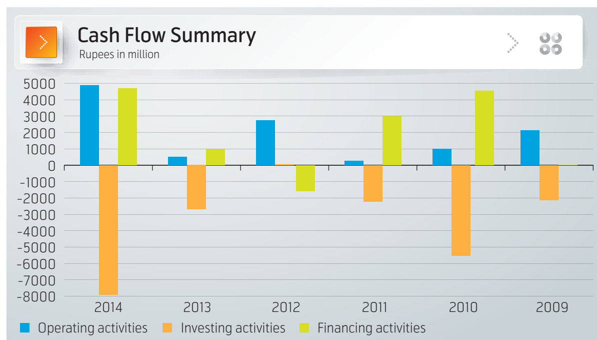
Profit from operations has also recorded a persistent growth from year 2009 to year 2014 mainly on account of regular growth in sales, operational efficiencies and continuous increase in other income.

Finance cost has increased only by 11% from financial year 2009 mainly due to better credit rating of the Company and efficient fund management. Increase was highest in financial year 2012 because of high interest rates.

As a whole profit after taxation depicts the story of success of the Company because it has increased many folds over the last six years because of improved sales, production efficiencies and other income.







Profits from operations also remained above 13% because of remarkable operation management and persistent growth in other income. All these factors have contributed towards growth in the profit after tax over the last six years.

Vertical Analysis

Balance Sheet

High profits and effective debt management has continuously improved the debt equity ratio on the Company over the last six years. The composition of current and non-current assets has provided attractive liquidity position and effective potential for growth.

Profit and Loss

The Company gross profit margin remains reasonable throughout the last six years due to consistent growth in sales and better production management.

Commentary on Cash Flow Statement

Operating Activities

Cash generated from operating activities was Rs. 4,887 million in the financial year 2014 on account of better profitability and efficient working capital management. This has grown from Rs. 2,138 million in financial year 2009. Cash flow from operating activities was only Rs. 261 million in financial year 2011 because huge funds of Rs. 9,847 million were tied up in stock-in-trade. Cash flows from operations reduced again in financial year 2013 because export documents were not discounted and kept open to avail the benefit of devaluation of Pak Rupee which resulted in piling up of trade debts.

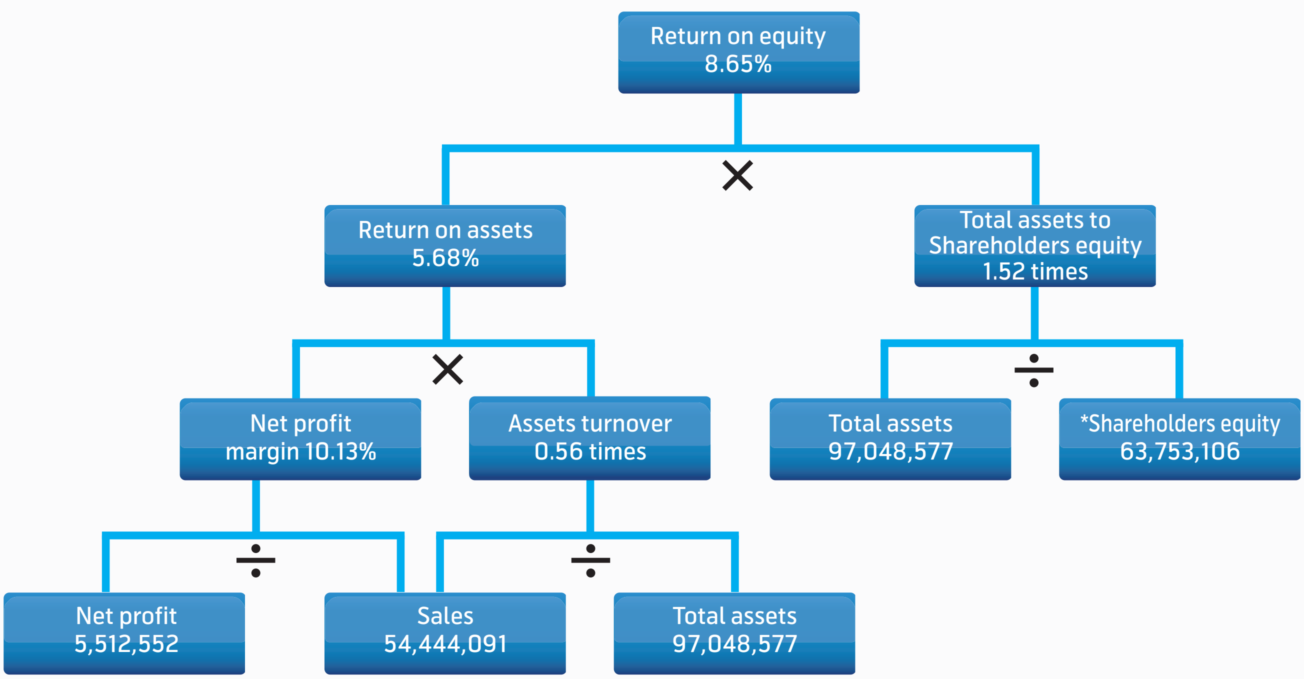
Investing Activities

A glance of cash flows from investing activities reveals that the Company is always engaged in making investment in fixed capital expenditure and investment in subsidiary and associated companies in order to ensure future cash flows. In financial year 2010, the Company invested in the shares of Lalpir Power Limited and Pakgen Power Limited which resulted in net cash outflow of Rs. 5,521 million. Likewise, in the current financial year, the Company invested Rs. 9,135 million to enhance and modernize its production facilities.

Financing Activities

One of the certain cash outflow from the financing activities is the payment of dividend which the Company always pay regularly. The reason for substantial cash inflows of Rs. 4,532 million in year 2010 and Rs. 4,695 million in year 2014 is issuance of right issue and availing of long term financing respectively.

Du Pont Analysis



	2014	2013
Total assets to Shareholders equity	1.52	1.67
Return on equity	8.65	12.10
Net Profit margin	10.13	11.15
Asset Turnover	0.56	0.65

Net profit margin has decreased by 1.02% in the current financial year as compared to net profit margin of financial year 2013. The previous year was exceptional in terms of profitability during the recent history of the Company. The reason for decrease in asset turnover despite increase in sales is heavy investment in new projects of the Company whose benefit will realize in future. Total assets to shareholders equity ratio has also decreased because of fixed capital expenditures in the current financial year.

** Average shareholders equity*

Quarterly Analysis

Sales

The year started with good sales volume of Rs. 13.579 billion during the first quarter. All the business divisions performed well especially Spinning division whose share in total sales was 27.49%. Second Quarter sales of Rs. 14. 509 billion was the highest throughout the year. The main reason was increase in sales by 25.41% and 10.11% in Garments division and Processing and Home Textiles divisions respectively. Third quarter recorded a dip of 6.27% in sales as compared to sales of second quarter. The main reason for this decrease in sales is attributable to the sharp appreciation in the value of Pak Rupees against US$. The trend of decrease in sales value continued in the last quarter as well. Sales were lowest and made only 23.43% of yearly sales.

Other Income

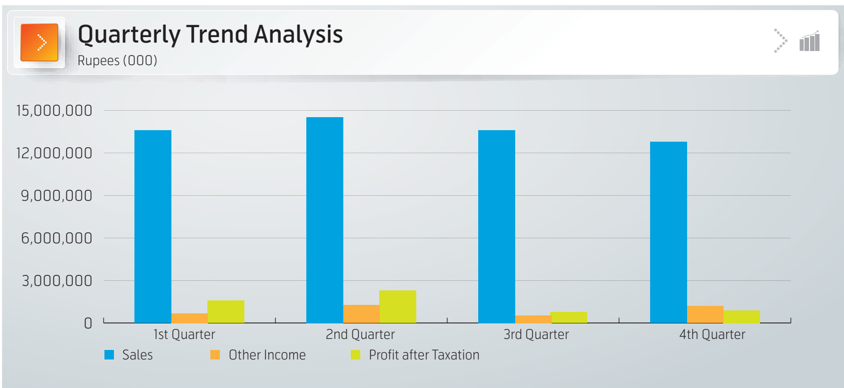
Contribution of other income, the major part of which is dividend income and capital gain from the well diversified investment portfolio, to the profitability remained significant throughout the year. During the first quarter, the Company earned dividend income of Rs. 489 million in addition to gain of Rs. 95 million on sales of investment. Dividend income received by the Company during the second quarter of Rs. 1,080 million was the highest mainly due to final dividend paid by Nishat Power limited and DG Khan Cement Company Limited for the year ended 30 June 2013. In the last quarter, dividend income of Rs. 942 million was again substantial and it compensated the sharp decline of Company's earnings.

Profit after Taxation

Financial year started with good profitability in the first quarter. Profit after tax was Rs. 1,571 million due to production efficiencies and increased sales volume as a result of sharp depreciation of Pak Rupee against US$. Pak Rupee weakened from Rs. 98.55 per US$ as at 30 June 2013 to Rs. 105.30 per US$ as at 30 September 2013 which made our products competitive in international market.

Second quarter recorded highest profit mainly on account of increase sales volumes and dividend income. Profitability of the Company decreased both in third and fourth quarter because of increase competition, sluggish demand in international market and appreciation of Pak Rupees against US$.

	Year 2014			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(Rupees in thousand)			
Profit and Loss				
Sales	13,579,060	14,508,776	13,599,638	12,756,617
Cost of Sales	(11,079,676)	(11,778,851)	(11,835,549)	(11,886,241)
Gross Profit	2,499,384	2,729,925	1,764,089	870,376
Distribution Cost	(621,331)	(693,132)	(638,918)	(601,246)
Administrative Expenses	(265,370)	(254,958)	(259,500)	(252,410)
Other Expenses	(149,130)	(136,797)	(49,930)	(8,659)
Other Income	672,318	1,258,991	539,334	1,182,398
	(363,513)	174,104	(409,014)	320,083
Profit from Operations	2,135,871	2,904,029	1,355,075	1,190,459
Finance Cost	(382,930)	(446,322)	(463,516)	(317,114)
Profit before Taxation	1,752,941	2,457,707	891,559	873,345
Taxation	(181,000)	(177,000)	(121,000)	16,000
Profit after Taxation	1,571,941	2,280,707	770,559	889,345



Share Price Sensitivity Analysis

Factors that can affect the share price of Nishat Mills Limited are given below:

Exchange Rate:

Nishat Mills Limited is an export oriented company which makes it vulnerable to currency risk. Fluctuation in exchange rate highly affects the profitability of the company. The Company's profitability is negatively correlated with PKR, if PKR depreciate/appreciate against USD, company profitability increase/decrease accordingly. So the Company's share price is highly sensitive with exchange rate.

Cotton Prices:

Cotton is the basic raw material of the textile industry. Due to local or international factors, the price of cotton can fluctuate which affects the profitability and share price of the company.

Energy Prices:

Power is the second largest manufacturing cost of the textile sector. Change in tariff of electricity and gas has a major effect on the Company's profitability. If tariff increases substantially, share price can go down.

International and Local Regulations:

Nishat Mills limited is biggest textile exporting unit of the country. Export is highly regulated, so international or local regulation can affect company ability to export its products which can eventually affect company profitability. Positive changes in regulations like GSP Plus status, subsidized short term and long term finance interest rates, duty draw back and zero sales tax on exports will have a positive impact on share price.

Political Stability and Law & Order Situation:

Political stability and effective law & order situation in the country is essential for economic development. Domestic and foreign investment highly depends on both political and law & order situation. Any instability in both can badly affect economic situation of country as well as of the Company.

Statement of Compliance

with the Code of Corporate Governance (CCG 2012) For the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

   Independent Director
   Syed Zahid Hussain

   Executive Directors
   Mian Umer Mansha

   Mr. Maqsood Ahmad

   Non-Executive Directors
   Mian Hassan Mansha

   Mr. Saeed Ahmad Alvi

   Mr. Khalid Qadeer Qureshi

   Ms. Nabiha Shahnawaz Cheema

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

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

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

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

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.

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

9. The Board arranged followings for its directors during the year.

   ### 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 Program: -

   (i) Three (3) Directors of the Company are exempt due to 14 years of education and 15 years of experience on the Board of a listed company.

   (ii) Three directors Mr. Saeed

Ahmad Alvi, Ms. Nabiha Shahnawaz Cheema and Mr. Maqsood Ahmad have completed the directors training program.

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

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

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

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

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

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

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises 4 members, of whom 3 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 and the members of internal audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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

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

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

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

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

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

23 September 2014
Lahore

Review Report to the Members
on the Statement of Compliance with The Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of NISHAT MILLS LIMITED ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Riaz Ahmad & Company
Chartered Accountants

Name of engagement partner:
Muhammad Atif Mirza

23 September 2014
Lahore

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of the Shareholders of Nishat Mills Limited ("the Company") will be held on October 31, 2014 (Friday) at 10:30 A.M. at Nishat Hotel, 9-A, Gulberg III, Mian Mahmood Ali Kasuri Road, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Unconsolidated and Consolidated Financial Statements of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 40% (i.e. Rs. 4.00/- Only Per Share) for the year ended 30 June 2014, as recommended by the Board of Directors.

3. To appoint statutory Auditors for the year ending June 30, 2015 and fix their remuneration.

4. **Special Business:**
To consider and if deemed fit, to pass the following resolutions as special resolutions under Section 208 of the Companies Ordinance, 1984, with or without modification(s), addition(s) or deletion(s):

(A) RESOLVED that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Nishat Mills Limited ("the Company") be and is hereby authorized to make long term equity investment of up to Rs. 4,875,000,000 (Rupees Four Billion Eight Hundred and Seventy Five million only) from time to time by way of acquisition of up to 487,500,000 ordinary shares (Four Hundred Eighty Seven million and Five Hundred thousand ordinary shares) of the face value of Rs. 10 of Nishat Energy Limited, an associated company.

FURTHER RESOLVED that the above said resolution of investment shall be valid for three (3) years and any two of the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby jointly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

FURTHER RESOLVED that the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary for the acquisition of shares of Nishat Energy Limited including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the special resolution.

FURTHER RESOLVED that any two of the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby authorized jointly to dispose off through any mode, a part or all of equity investments made by the Company from time to time in Nishat Energy Limited as and when deemed appropriate and necessary in the best interest of the Company and its shareholders.

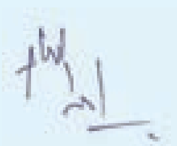
(B) RESOLVED that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, the Company be and is hereby authorized to approach Bank(s)/Financial Institution(s) in Pakistan in order for such Bank(s)/Financial Institution(s) to issue guarantee(s) of up to a sum of Rs. 1,000,000,000 (Rupees One Billion Only) in order to facilitate Nishat Energy Limited, an associated company, to obtain credit facilities from financial institution(s) and lender(s) of Nishat Energy Limited. The aforementioned guarantees can be issued from time to time as and when requested by Nishat Energy Limited. The Company shall charge Nishat Energy Limited a commission of 0.05% above the quarterly average bank guarantee commission paid by the Company to the guarantee issuing bank/financial institution on the outstanding guarantees.

FURTHER RESOLVED that the Company is authorized to give corporate guarantees and securities to the bank(s)/financial institution(s) in

Pakistan against issuances of these guarantees to the lender(s) of Nishat Energy Limited.

FURTHER RESOLVED that the above said resolution shall be valid for three (3) years and any two of the Chief Executive Officer and/ or Chief Financial Officer and/ or Company Secretary of the Company be and are hereby jointly empowered and authorized to undertake the decision of said issuance of bank guarantees as and when required by Nishat Energy Limited and to execute any and all documents and agreements as required in this respect.

By Order of the Board



Khalid Mahmood Chohan
Company Secretary

September 23, 2014
Lahore

NOTES:

1. **Book Closure Notice:**

   The Ordinary Shares Transfer Books of the Company will remain closed from 23-10-2014 to 31-10-2014 (both days inclusive) for entitlement of 40% Final Cash Dividend (i.e. Rs. 4.00/- Per Share) and attending and voting at Annual General Meeting. Physical transfers/ CDS Transactions IDs received in order in all respect up to 1:00 p.m. on 22-10-2014 at Shares Department, Nishat House, 53-A, Lawrence Road, Lahore, will be considered in time for entitlement of 40% Final Cash Dividend and attending of meeting.

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

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

4. **Submission of copy of CNIC (Mandatory):**

   The Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 779 (i) 2011 dated August 18, 2011 has directed the company to print your number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with this regulatory requirement, you are requested to kindly send photocopy of your CNIC to your Participant / Investor Account Services or to us (in case of physical shareholding) immediately to Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore.

5. **Revision of Withholding Tax on dividend income under Section 150 of Finance Act 2014:**

   It is further being informed that pursuant to the provisions of Finance Act 2014, effective from July 1, 2014 a new criteria for withholding of tax on dividend income has been introduced by Federal Board of Revenue (FBR). As per this criteria, 'Filer' and 'Non-Filer' shareholders will pay tax on dividend income @ 10% and 15% respectively.

   You are therefore advised to check and ensure your Filer status from Active Tax Payer List (ATL) available at FBR website http://www.fbr.gov.pk/ as well as ensure that your CNIC / Passport number has been recorded by your Participant / Investor Account Services (in case your shareholding is in book entry form) or by Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore, (in case of physical shareholding). Corporate bodies (non-Individual shareholders) should ensure that their names and National Tax Numbers (NTN) are available in Active Tax Payer List at FBR website and recorded by Participant / Investor Account Services or by Company's Share Registrar (in case of physical shareholding).

6. **Dividend Mandate (Optional):**

   Under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desires, direct the Company to pay dividend through his/ her/its bank account. In pursuance of the directions given by SECP vide Circular No. 18 of 2012 dated June 05, 2012, kindly authorize the company for direct credit of your cash dividend in your bank account (please note that giving bank mandate for dividend payments is optional, in case you do not wish to avail this facility please ignore this notice, dividend will be paid to you through dividend warrant at your registered address). If you want to avail the facility of direct credit of dividend amount in your bank account, please provide following information to Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore.

Bank Account Details of Shareholder	
Title of Bank Account	
Bank Account Number	
Bank's name	
Branch name and address	
Cell number of shareholder	
Landline number of shareholder, if any	

It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate to the Company and the concerned share registrar.

Name, signature, folio # and CNIC number of shareholder

Notes:

(1) Those shareholders, who hold shares in book entry form in their CDS accounts, will provide the above dividend mandate information directly to their respective Participant / CDC Investor Account Services Department.

(2) If dividend mandate information has already been provided by you, ignore this request.

7. **Transmission of Annual Financial Statements through Email:**

   In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.nishatmillsltd.com and send the said form duly signed by the shareholder along with copy of his CNIC to the Company's Share Department, Nishat House, 53-A, Lawrence Road, Lahore. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice. Financial Statements will be sent to you at your registered address.

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

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 31, 2014.

(A) EQUITY INVESTMENT IN NISHAT ENERGY LIMITED

Nishat Energy Limited ("Nishat Energy") is a Special Purpose Vehicle (SPV) incorporated in May 2014, to set up a coal powered power project under the Power Policy 2002 as an Independent Power Producer (IPP). It is an associated company of Nishat Mills Limited.

The principal activity of Nishat Energy will be to build, own, operate and maintain a coal fired power station having gross capacity of 660 MW with net estimated generation capacity of approximately 600 MW with super critical technology using a boiler/turbine system and water-steam cycle equipment along with ancillary equipment i.e. cooling tower, cooling water pump, unit transformer and electric generator etc. The location will be in Rahim Yar Khan, Punjab, Pakistan.

Punjab Power Development Board (PPDB) advertised for pre-qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. The Consortium in the name Nishat Group Companies & Associates, participated in the pre-qualification and successfully got the Project Site at Rahim Yar Khan District to conduct the Feasibility Study. PPDB has awarded Letter of Interest to the Company on 23 May 2014.

Based on proposed plant capacity i.e. 660 MW and notional project cost i.e. US $ 1.5 Million / MW, the total project cost is estimated around US$ 990 Million. The Project financing is based on 80% Debt and 20% Equity. The equity will be apportioned in terms of Joint Venture Agreement to be executed among Consortium members. The Consortium members are Nishat Power Limited, Nishat Mills Limited, Lalpir Power Limited and Pakgen Power Limited.

After issuance of LOI, Nishat Energy will take about 9 months to complete the feasibility study, subject to any delay on the part of any Government department which would not be counted towards the delay in completion of feasibility study, since few parts of feasibility study would require proper feedback/response from Government departments, including but not limited to;

1. Environmental Impact Assessment with the help of EPA
2. Interconnection study is complete with timely feedback from NTDC.
3. Assistance from Pakistan Railway for providing necessary information/documents.

As a consortium member of Nishat Group Companies & Associates, Nishat Mills Limited will make an equity investment up to 25% in Nishat Energy Limited. Total amount of equity investment to be made by Nishat Mills Limited will be Rs. 4,875 million. Considering the attractive return on equity of 27.20% it will enhance the value of shareholders of Nishat Mills Limited. The consortium members shall collectively hold at least 51% of the total issued and paid up share capital of Nishat Energy Limited until the sixth anniversary of the successful commissioning of the project.

Information for making equity investment in Nishat Energy Limited as required under Clause (a) of sub-regulation (1) of regulation 3 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012.

Ref. No.	Requirement	Information
i	Name of associated company	Nishat Energy Limited
	Criteria of associated relationship	Shareholding
ii	Purpose	To participate in the coal based power projects through equity investment
	Benefits	To earn dividend income and prospective capital gain
	Period of investment	Long term investment
iii	Maximum amount of investment	Rs. 4,875 million (Rupees Four billion Eight Hundred and Seventy Five million Only)
iv	Maximum price/share	The price to be paid for the equity investment will be par value of Rs. 10/- per share since the project is a green field project and the price is less than the fair value determined by independent firm of Chartered Accountants.
v	Maximum number of shares to be acquired	487,500,000 million shares

vi	Shareholding before investment	No. of shares: Nil Shareholding percentage: Nil
	Shareholding after investment	No. of shares: 487,500,000 Shareholding percentage: 25%
vii	Requirement in case of investment in listed associated company	Not Applicable as Nishat Energy Limited is an unlisted company.
viii	Fair market value of shares	The fair value of the share determined in terms of Regulation 6(1) is Rs. 57.82 per share based on discounted cash flows using "Free Cash Flow" to the Company at discount rate of 12%. Copy of fair valuation report issued by HBL Ijaz Tabussam & Co., Chartered Accountants, is available at Registered Office of the Company and can be inspected in working hours up to 30 October 2014.
ix	Break-up value of shares	Rs. 10 per share
x	Earnings per share for the last three years	Not applicable.
xi	Sources of fund from which shares will be acquired	Surplus funds of the Company.
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable.
xiii	Salient features of agreement(s) entered into with the associated company	A Joint Venture Agreement will be executed to invest in associated company.
xiv	Direct/Indirect interest of directors in the associated company	Shareholding of Associated Companies of the investing company in investee company is as follows: % Nishat Power Limited 25 Pakgen Power Limited 25 Lalpir Power Limited 25
xv	Any other important detail	None
xvi	Description of the project	Punjab Power Development Board (PPDB) advertised for pre-qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. Nishat Group Companies & Associates participated in the pre-qualification and successfully got the Project Site at Rahim Yar Khan District to conduct the Feasibility Study. Nishat Group Companies has submitted a performance guarantee of US$ 660,000/- in favour of PPDB to show the commitment and agreed to complete the Feasibility Study within stipulated time frame. For this purpose a special purpose vehicle namely, Nishat Energy Limited, has been incorporated as per Companies Ordinance 1984 to develop, construct, own, operate and maintain power generation project ("the Project"). The Consortium would hold at least 51% equity in Nishat Energy for six year from Commercial Operation Date (COD).
	Starting date of work	The Letter of Interest has been awarded bearing No PPDB/659/2014 dated May 23, 2014 and Feasibility Consultant yet to be appointed. The Project Company is required to conduct feasibility study till February 2015. Subsequently the Construction & Development Works will start based on feasibility study.
	Completion of work	Based on Project Feasibility

Commercial operations date	To be decided subsequent to feasibility study
Expected time by which the project shall start paying return on investment	ROI will start right from COD.

(B) ISSUANCE OF GUARANTEES UP TO RS. 1 BILLION FROM BANKS AND FINANCIAL INSTITUTIONS OF NISHAT MILLS LIMITED TO THE LENDERS OF NISHAT ENERGY LIMITED

Nishat Energy Limited ("Nishat Energy") is a Special Purpose Vehicle (SPV) incorporated in May 2014, to set up a coal powered power project under the Power Policy 2002 as an Independent Power Producer (IPP). It is an associated company of Nishat Mills Limited.

The principal activity of Nishat Energy will be to build, own, operate and maintain a coal fired power station having gross capacity of 660 MW with net estimated generation capacity of approximately 600 MW with super critical technology using a boiler/turbine system and water-steam cycle equipment along with ancillary equipment i.e. cooling tower, cooling water pump, unit transformer and electric generator etc. The location will be in Rahim Yar Khan, Punjab, Pakistan.

Punjab Power Development Board (PPDB) advertised for pre-qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. The Consortium with the name Nishat Group Companies & Associates, participated in the pre-qualification and successfully got the Project Site at Rahim Yar Khan District to conduct the Feasibility Study. PPDB has awarded Letter of Interest to the Company on 23 May 2014.

Based on proposed plant capacity i.e. 660 MW and notional project cost i.e. US $ 1.5 Million / MW, the total project cost is estimated around US$ 990 Million. The Project financing is based on 80 % Debt and 20% Equity. The equity will be apportioned in terms of Joint Venture (JV) Agreement to be executed among Consortium members. The Consortium members are Nishat Power Limited, Nishat Mills Limited, Lalpir Power Limited and Pakgen Power Limited.

For debt financing, Nishat Energy will borrow from Banks and Financial institutions to meet its financing needs. Considering guaranteed profitability of the project in the presence of Power Purchase Agreement with Government which will start right from the Commercial Operations Date (COD), it will be an attractive proposition for Nishat Mills Limited to ensure that the project remains financially sound.

Hence, it is in the financial interests of Nishat Mills Limited to ensure smooth availability of credit facilities for Nishat Energy Limited from Banks / financial institutions. Some of the Banks / Financial institutions of Nishat Energy Limited will need guarantees from the Banks and Financial Institutions of Nishat Mills Limited to extend credit lines to the project. Hence, the management of the Nishat Mills Limited is proposing to extend bank guarantees amounting to Rs. 1 billion to the lenders of Nishat Energy Limited as and when needed.

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

Ref. No.	Requirement	Information
i	Name of associated company Criteria of associated relationship	Nishat Energy Limited Shareholding
ii	Amount of loans and advances	Bank guarantees up to Rs. 1 billion for credit facilities to be obtained by Nishat Energy Limited
iii	Purpose Benefits	To ensure smooth availability of credit facilities for Nishat Energy Limited from Banks / Financial Institutions. Successful establishment of the project by associated company will ensure future returns in the form of dividend income and prospective capital gain.
iv	Details of existing loans	None
v	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Not applicable because the associated company has not started its operations.
vi	Average borrowing cost of the investing company	8.64% for the year ended 30 June 2014
vii	Rate of interest, mark up, profit, fees or commission etc. to be charged	The Company will charge Nishat Energy Limited a commission of 0.05% above the quarterly average bank guarantee commission paid by the Company to the guarantee issuing bank/financial institutions on the outstanding guarantees.
viii	Sources of funds from where loans or advances will be given	Not applicable
ix	Where loans or advances are being granted using borrowed funds; justification for granting	Not applicable

	loan or advance out of borrowed funds; detail of guarantees/assets pledged for obtaining such funds, if any; and repayment schedules of borrowing of the investing company.	
x	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	No security to be obtained as Nishat Energy Limited is an associated company.
xi	If the loans or advances carry conversion feature.	Not applicable
xii	Repayment schedule and terms of loans or advances to be given to the investee company.	Bank guarantees shall be settled within three years with payment of commission from Nishat Energy Limited on quarterly basis.
xiii	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Agreement for the arrangement of bank guarantees will be executed between Nishat Mills Limited and Nishat Energy Limited before extending the bank guarantees on the basis of the terms and conditions as approved by the shareholders.
xvi	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:	Shareholding of Associated Companies of the investing company in investee company is as follows: % Nishat Power Limited 25 Pakgen Power Limited 25 Lalpir Power Limited 25
xv	Any other important details necessary for the members to understand the transaction:	None
xvi	Description of the project	Punjab Power Development Board (PPDB) advertised for pre qualification of sponsors for the development of Coal Power Projects having generation capacity of 600 MW. Six raw sites were identified by PPDB for the submission of proposals. Nishat Group Companies & Associates participated in the pre qualification and successfully got the Project Site at Rahim Yar Khan District to conduct the Feasibility Study. Nishat Group Companies has submitted a performance guarantee of US$ 660,000/- in favour of PPDB to show the commitment and agreed to complete the Feasibility Study within stipulated time frame. For this purpose a special purpose vehicle namely, Nishat Energy Limited has been incorporated as per Companies Ordinance 1984 to develop, construct, own, operate and maintain power generation project ("the Project"). The Consortium would hold at least 51% equity in Nishat Energy for six year from Commercial Operations Date (COD).
	Starting date of work	The Letter of Interest has been awarded bearing No PPDB/659/2014 dated May 23, 2014 and Feasibility Consultant yet to be appointed. The Project Company is required to conduct feasibility study till February 2015. Subsequently the Construction & Development Works will start based on Feasibility Study.
	Completion of work	Based on Project Feasibility.
	Commercial operations date	To be decided subsequent to Feasibility Study.
	Expected time by which the project shall start paying return on investment	ROI will start right from COD.

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	MCB Bank Limited	Nishat Hotels and Properties Limited	Nishat Power Limited
Total Investment Approved:	Equity investment of Rupees 2.593 billion was approved by members in EOGM held on March 31, 2014 for the period of three (3) years.	Equity investment of Rupees 1 billion was approved by members in EOGM held on March 31, 2014 for the period of three (3) years.	Investment of Rupees 1.5 billion by way of loans and advances was approved by members in EOGM held on March 31, 2014 for the period of three (3) years.
Amount of Investment Made to date:	Investment of Rupees 75.453 million has been made against this approval to date.	Nil	Nil
Reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time.	Commercial operations of the investee company have not yet started. Nishat Mills Limited will make equity investment at a suitable time after considering the macro economic conditions of the country.	No loan has been extended after the approval because funds request has not yet been made by the investee company.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per then available latest financial statements for the year ended 31 December 2013, the basic Earnings per Share was Rs.21.24 and Break-up Value per Share was Rs.96.13. As per latest available financial statements for the half year ended 30 June 2014, the basic Earnings per share is Rs.10.54 and Break-up Value per Share is Rs. 91.68.	At the time of approval, as per then available latest financial statements for the year ended 30 June 2013, the basic Loss per share was Re.0.03 and Break-up Value per Share was Rs.10.04. As per latest available latest available financial statements for the year ended the year ended 30 June 2014, the basic Loss per Share is Re.0.06 and Break-up Value per Share is Rs. 9.96.	At the time of approval, as per then available latest financial statements for the year ended 30 June 2013, the basic Earnings per Share was Rs.7.74 and Break-up Value per Share was Rs.26.00. As per latest available financial statements for the year ended 30 June 2014, the Basic Earnings per share is Rs. 8.24 and Break-up Value per Share is Rs. 29.24.

Financial Statements of

Nishat Mills Limited

for the year ended June 30, 2014

Auditors' Report to the Members

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

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

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

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

b) in our opinion:

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

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

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

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

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

Riaz Ahmad & Company
Chartered Accountants

Name of engagement partner:
Muhammad Atif Mirza

23 September 2014
Lahore

Balance Sheet
As at June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,100,000,000 (2013: 1,100,000,000) ordinary shares of Rupees 10 each		11,000,000	11,000,000
Issued, subscribed and paid-up share capital	3	3,515,999	3,515,999
Reserves	4	65,073,177	55,401,036
Total equity		68,589,176	58,917,035
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	6,431,304	3,083,410
Liabilities against assets subject to finance lease	6	–	66,322
Deferred income tax liability	7	474,878	499,415
		6,906,182	3,649,147
CURRENT LIABILITIES			
Trade and other payables	8	4,428,996	3,785,501
Accrued mark-up	9	295,054	300,755
Short term borrowings	10	14,468,124	11,939,028
Current portion of non-current liabilities	11	1,595,652	1,310,769
Provision for taxation		765,393	732,359
		21,553,219	18,068,412
TOTAL LIABILITIES		28,459,401	21,717,559
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		97,048,577	80,634,594

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

Chief Executive Officer

	Note	2014	2013
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	22,964,388	15,530,320
Investment properties	14	386,748	394,745
Long term investments	15	44,771,715	37,378,224
Long term loans	16	102,726	84,997
Long term deposits	17	48,008	41,748
		68,273,585	53,430,034
CURRENT ASSETS			
Stores, spare parts and loose tools	18	1,316,479	1,285,371
Stock in trade	19	12,752,495	10,945,439
Trade debts	20	2,929,054	6,243,535
Loans and advances	21	4,184,485	1,898,334
Short term deposits and prepayments	22	42,893	40,018
Other receivables	23	1,504,538	1,019,164
Accrued interest	24	15,172	13,550
Short term investments	25	3,227,560	4,362,880
Cash and bank balances	26	2,802,316	1,128,862
		28,774,992	26,937,153
Non-current asset held for sale	27	–	267,407
		28,774,992	27,204,560
TOTAL ASSETS		97,048,577	80,634,594

Director

Profit and Loss Account

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
SALES	28	54,444,091	52,426,030
COST OF SALES	29	(46,580,317)	(43,381,545)
GROSS PROFIT		7,863,774	9,044,485
DISTRIBUTION COST	30	(2,554,627)	(2,529,455)
ADMINISTRATIVE EXPENSES	31	(1,032,238)	(870,269)
OTHER EXPENSES	32	(344,516)	(409,429)
		(3,931,381)	(3,809,153)
		3,932,393	5,235,332
OTHER INCOME	33	3,653,041	2,739,102
PROFIT FROM OPERATIONS		7,585,434	7,974,434
FINANCE COST	34	(1,609,882)	(1,617,581)
PROFIT BEFORE TAXATION		5,975,552	6,356,853
TAXATION	35	(463,000)	(510,000)
PROFIT AFTER TAXATION		5,512,552	5,846,853
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	36	15.68	16.63

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

Chief Executive Officer

Director

Statement of Comprehensive Income
For the year ended June 30, 2014

	2014	2013
	(Rupees in thousand)	
PROFIT AFTER TAXATION	5,512,552	5,846,853
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	–	–
Items that may be reclassified subsequently to profit or loss:		
Surplus arising on remeasurement of available for sale investments to fair value	5,633,447	16,727,142
Reclassification adjustment for gains included in profit or loss	(91,996)	–
Deferred income tax relating to surplus on available for sale investment	24,537	(189,110)
Other comprehensive income for the year - net of tax	5,565,988	16,538,032
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,078,540	22,384,885

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

Chief Executive Officer

Director

Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	7,272,699	2,780,481
Finance cost paid		(1,615,583)	(1,586,405)
Income tax paid		(839,227)	(685,161)
Exchange gain on forward exchange contracts received		102,161	31,329
Net increase in long term loans to employees		(26,414)	(44,915)
Net increase in long term deposits		(6,260)	(3,534)
Net cash generated from operating activities		4,887,376	491,795
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(9,135,413)	(2,897,775)
Proceeds from sale of property, plant and equipment		232,737	248,318
Proceeds from sale of investments		1,177,704	–
Investments made		(1,531,636)	(1,789,027)
Loans and advances to subsidiary companies		(9,056,126)	(6,946,521)
Repayment of loans from subsidiary companies		7,288,328	6,380,582
Interest received		167,530	83,058
Dividends received		2,947,848	2,226,339
Net cash used in investing activities		(7,909,028)	(2,695,026)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		5,839,202	1,838,049
Repayment of long term financing		(2,202,523)	(1,845,318)
Repayment of liabilities against assets subject to finance lease		(70,224)	(65,710)
Short term borrowings - net		2,529,096	2,273,179
Dividend paid		(1,400,445)	(1,226,663)
Net cash from financing activities		4,695,106	973,537
Net increase / (decrease) in cash and cash equivalents		1,673,454	(1,229,694)
Cash and cash equivalents at the beginning of the year		1,128,862	2,358,556
Cash and cash equivalents at the end of the year		2,802,316	1,128,862

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

Chief Executive Officer

Director

Statement of Changes in Equity

For the year ended June 30, 2014

(Rupees in thousand)

	Share Capital	Reserves							Total Equity
		Capital Reserves			Revenue Reserves			Total	
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Unappropriated profit	Sub Total		
Balance as at 30 June 2012	3,515,999	5,499,530	5,704,588	11,204,118	19,511,028	3,531,604	23,042,632	34,246,750	37,762,749
Transaction with owners - Final dividend for the year ended 30 June 2012 @ Rupees 3.50 per share	–	–	–	–	–	(1,230,599)	(1,230,599)	(1,230,599)	(1,230,599)
Transferred to general reserve	–	–	–	–	2,297,000	(2,297,000)	–	–	–
Profit for the year	–	–	–	–	–	5,846,853	5,846,853	5,846,853	5,846,853
Other comprehensive income for the year	–	–	16,538,032	16,538,032	–	–	–	16,538,032	16,538,032
Total comprehensive income for the year	–	–	16,538,032	16,538,032	–	5,846,853	5,846,853	22,384,885	22,384,885
Balance as at 30 June 2013	3,515,999	5,499,530	22,242,620	27,742,150	21,808,028	5,850,858	27,658,886	55,401,036	58,917,035
Transaction with owners - Final dividend for the year ended 30 June 2013 @ Rupees 4.00 per share	–	–	–	–	–	(1,406,399)	(1,406,399)	(1,406,399)	(1,406,399)
Transferred to general reserve	–	–	–	–	4,440,000	(4,440,000)	–	–	–
Profit for the year	–	–	–	–	–	5,512,552	5,512,552	5,512,552	5,512,552
Other comprehensive income for the year	–	–	5,565,988	5,565,988	–	–	–	5,565,988	5,565,988
Total comprehensive income for the year	–	–	5,565,988	5,565,988	–	5,512,552	5,512,552	11,078,540	11,078,540
Balance as at 30 June 2014	3,515,999	5,499,530	27,808,608	33,308,138	26,248,028	5,517,011	31,765,039	65,073,177	68,589,176

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

Chief Executive Officer

Director

1 THE COMPANY AND ITS OPERATIONS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Financial instruments

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

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Taxation

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

Provision for doubtful debts

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

Impairment of investments in subsidiaries and equity method accounted for associated companies

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

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

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

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

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

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

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

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

Following standard, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2014 or later periods:

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

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) '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.

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

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

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

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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

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

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

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

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

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

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

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

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

2.2 Employee benefit

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

2.3 Taxation

Current

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

Deferred

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

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

2.4 Foreign currencies

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

2.5 Property, plant, equipment and depreciation

Owned

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

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

Leased

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

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

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

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

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 13.1. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

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

2.6 Investment properties

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

2.7 Operating leases

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

2.8 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Investment in subsidiaries

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

d) Investment in associates - (with significant influence)

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

e) Available-for-sale

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

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Fair value of investments in open-end mutual funds is determined using redemption price.

Unquoted

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

2.9 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.10 Trade and other receivables

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

2.11 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.12 Borrowings

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

2.13 Borrowing cost

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

2.14 Share capital

Ordinary shares are classified as share capital.

2.15 Trade and other payables

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

2.16 Revenue recognition

Revenue from different sources is recognized as under:

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

2.17 Financial instruments

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

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

2.18 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.

2.19 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

2.20 Derivative financial instruments

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

2.21 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.

2.22 Cash and cash equivalents

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

2.23 Segment reporting

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

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

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

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

2.24 Dividend and other appropriations

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

3 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in thousand)	
256,772,316	256,772,316	Ordinary shares of Rupees 10 each fully paid-up in cash	2,567,723	2,567,723
2,804,079	2,804,079	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited under the Scheme of Amalgamation	28,041	28,041
37,252,280	37,252,280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	372,523	372,523
54,771,173	54,771,173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	547,712	547,712
351,599,848	351,599,848		3,515,999	3,515,999

		2014	2013
		(Number of shares)	
3.1	**Ordinary shares of the Company held by the associated companies:**		
	D.G. Khan Cement Company Limited	30,289,501	30,289,501
	Adamjee Insurance Company Limited	1,258,650	1,258,650
	MCB Bank Limited	227	227
		31,548,378	31,548,378

4 RESERVES

	Note	2014	2013
		(Rupees in thousand)	
Composition of reserves is as follows:			
Capital reserves			
Premium on issue of right shares		5,499,530	5,499,530
Fair value reserve - net of deferred income tax	4.1	27,808,608	22,242,620
		33,308,138	27,742,150
Revenue reserves			
General reserve		26,248,028	21,808,028
Unappropriated profit		5,517,011	5,850,858
		31,765,039	27,658,886
		65,073,177	55,401,036

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

	2014	2013
Balance as on 01 July	22,742,035	6,014,893
Fair value adjustment during the year	5,633,447	16,727,142
Reclassification adjustment for gains included in profit or loss	(91,996)	-
	28,283,486	22,742,035
Less: Deferred income tax liability on unquoted equity investment	474,878	499,415
Balance as on 30 June	27,808,608	22,242,620

		Note	2014	2013
			(Rupees in thousand)	
5	**LONG TERM FINANCING**			
	From banking companies - secured			
	Long term loans	5.1	4,128,097	3,623,909
	Long term musharika	5.2	3,832,491	700,000
			7,960,588	4,323,909
	Less: Current portion shown under current liabilities	11	1,529,284	1,240,499
			6,431,304	3,083,410

	Lender	2014	2013	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
		(Rupees in thousand)						
5.1	**Long term loans**							
	Allied Bank Limited:							
	Refinanced by SBP under scheme of LTFF	610,796	147,450	SBP rate for LTFF + 0.50%	Two hundred and sixteen unequal installments commenced on 27 June 2014 and ending on 26 May 2021.	-	Quarterly	First pari passu hypothecation charge of Rupees 1,333.33 million over all present and future plant, machinery and equipment of the Company (excluding plant and machinery in respect of which the Company has already created exclusive charges in the favour of its existing creditors).
	Loan provided by the bank from own sources	385,454	54,891	3 Month offer KIBOR + 0.50%	Twenty four equal quarterly installments commencing on 24 August 2014 and ending on 24 May 2020.	Quarterly	Quarterly	
		996,250	202,341					
	Saudi Pak Industrial & Agricultural Investment Company Limited	-	37,500	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly installments commenced on 30 April 2010 and ended on 31 January 2014.	-	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.
	Saudi Pak Industrial & Agricultural Investment Company Limited	180,434	231,986	SBP rate for LTFF + 2.50%	Twenty two equal quarterly installments commenced on 05 July 2012 and ending on 05 October 2017.	-	Quarterly	First pari passu hypothecation charge with 25% margin over all present and future plant and machinery of the Company (net of exclusive hypothecation charge on specific plant and machinery).
	Bank Alfalah Limited:							
	Loan provided by the bank from own sources	896,979	235,708	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly installments commencing on 17 August 2014 and ending on 17 May 2018.	Quarterly	Quarterly	First pari passu charge of Rupees 1,334 million on all present and future plant and machinery (excluding plant and machinery in respect of which the Company has already created exclusive charges in the favour of existing creditors).
	Refinanced by SBP under scheme of LTFF	103,021	-	SBP rate for LTFF + 0.50%	Sixteen equal quarterly installments commencing on 17 August 2014 and ending on 17 May 2018.	-	Quarterly	
		1,000,000	235,708					
	Habib Bank Limited:							
	Refinanced by SBP under scheme of LTFF	-	17,449	SBP rate for LTFF + 2.50%	Eight equal half yearly installments commenced on 09 May 2010 and ended on 08 November 2013.	-	Quarterly	First pari passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
	Loan provided by the bank from own sources	500,000	500,000	3 Month offer KIBOR + 0.50%	Two equal semi annual installments commencing on 28 August 2014 and ending on 28 February 2015.	Quarterly	Quarterly	
		500,000	517,449					
	The Bank of Punjab	388,888	500,000	3 Month offer KIBOR + 0.50%	Eighteen equal quarterly installments commenced on 18 September 2013 and ending on 18 December 2017.	Quarterly	Quarterly	First pari passu charge of Rupees 666.667 million over all present and future fixed assets of the Company excluding land and building.
	The Bank of Punjab	216,083	339,559	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly installments commenced on 04 April 2012 and ending on 04 January 2016.	Quarterly	Quarterly	First pari passu charge of Rupees 666.667 million on all present and future fixed assets of the Company excluding land and building.
	Pak Brunei Investment Company Limited	177,782	200,000	SBP rate for LTFF + 1.60%	Eighteen equal quarterly installments commenced on 20 February 2014 and ending on 20 May 2018.	-	Quarterly	First pari passu hypothecation charge of Rupees 266.667 million over all present and future plant and machinery of the Company with 25% margin.
	Pak Brunei Investment Company Limited	117,615	156,819	SBP rate for LTFF + 2.25%	Twelve half yearly installments commenced on 19 July 2011 and ending on 19 January 2017.	-	Quarterly	First pari passu charge of Rupees 323 million over all the present and future plant and machinery of the Company excluding those assets (part of the plant and machinery) on which the Company has created exclusive charges.

Lender	2014	2013	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
Askari Bank Limited	–	14,439	SBP rate for LTF – EOP + 2%	Ninety unequal installments commenced on 17 January 2008 and ended on 01 November 2013.	–	Quarterly	First pari passu exclusive charge of Rupees 213.33 million on all present and future fixed assets of the Company.
Samba Bank Limited:							
Loan provided by the bank from own sources	–	166,667	3 Month offer KIBOR + 0.50%	Six equal quarterly installments commenced on 31 March 2013 and ended on 30 June 2014.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 667 million with 25% margin on all present and future plant and machinery of the Company (excluding land and building and any other fixed assets under exclusive charge of any other bank).
Refinanced by SBP under scheme of LTFF	19,680	39,359	SBP rate for LTFF + 2.50%	Eight equal half yearly installments commenced on 27 July 2011 and ending on 27 January 2015.	–	Quarterly	
	19,680	206,026					
Silk Bank Limited	12,774	44,707	SBP rate for LTFF + 2.50%	Sixteen equal quarterly installments commenced on 30 March 2011 and ending on 30 December 2014.	–	Quarterly	First pari passu charge of Rupees 135 million on plant and machinery of the Company (excluding those assets on which the Company has provided first exclusive charge to its various lenders).
Faysal Bank Limited	100,225	228,070	SBP rate for LTFF + 1.50%	Seventy eight unequal installments commenced on 29 September 2012 and ending on 17 June 2016.	–	Quarterly	First joint pari passu charge of Rupees 400 million on all present and future plant and machinery of the Company (excluding those on which charge has already been created).
Standard Chartered Bank (Pakistan) Limited	75,000	176,670	SBP rate for LTFF + 1.50%	Twenty two unequal quarterly installments commenced on 12 September 2012 and ending on 12 June 2016.	–	Quarterly	First pari passu charge of Rupees 334 million on all present and future plant and machinery of the Company.
Pak Oman Investment Company Limited	–	182,635	SBP rate for LTFF + 1.75%	Twelve unequal installments commenced on 24 February 2013 and ended on 02 December 2013.	–	Quarterly	First pari passu hypothecation charge of Rupees 267 million over all the present and future plant and machinery of the Company.
Citi Bank N.A.	–	350,000	3 Month offer KIBOR + 1.00%	Four unequal installments commenced on 08 March 2013 and ended on 09 September 2013.	Quarterly	Quarterly	First ranking pari passu charge of Rupees 1,333.33 million over all present and future plant and machinery of the Company (excluding machinery over which exclusive charges already exist in favour of other creditors).
Allied Bank Limited	43,366	–	SBP rate for LTFF + 0.50%	Sixteen equal quarterly installments commencing on 26 September 2015 and ending on 26 June 2019.	–	Quarterly	Ranking charge of Rupees 400 million on all present and future plant and machinery of the Company with 25% margin (to be upgraded to first pari passu charge within 90 days of first disbursement of the loan).
Bank Alfalah Limited	300,000	–	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly installments commencing on 17 July 2015 and ending on 17 April 2019.	Quarterly	Quarterly	Ranking charge of Rupees 400 million on all present and future plant and machinery of the Company with 25% margin (to be upgraded to first pari passu charge within 120 days from disbursement date).
	4,128,097	3,623,909					

5.2 Long term musharika

Lender	2014	2013	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
Standard Chartered Bank (Pakistan) Limited	–	156,250	3 Month offer KIBOR + 0.60%	Seven unequal quarterly installments commenced on 16 October 2011 and ended on 21 October 2013.	Quarterly	Quarterly	Registered first charge amounting to Rupees 667 million on specific fixed assets of the Company.
Meezan Bank Limited	187,500	262,500	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly installments commenced on 14 March 2013 and ending on 14 December 2016.	Quarterly	Quarterly	First exclusive charge of Rupees 400 million over specific plant and machinery of the Company.
Burj Bank Limited	–	281,250	3 Month offer KIBOR + 0.75%	Six unequal installments commenced on 30 March 2013 and ended on 27 June 2014.	Quarterly	Quarterly	First exclusive hypothecation charge of Rupees 400 million over all the present and future plant and machinery of the Company.
Dubai Islamic Bank Pakistan Limited	800,000	-	3 Month offer KIBOR + 0.40%	Fourteen equal quarterly installments commencing on 03 June 2015 and ending on 03 September 2018.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 1,066.66 million on all present and future fixed assets (excluding land and building) of the Company including but not limited to plant and machinery, furniture and fixtures, accessories etc. (excluding plant and machinery in respect of which the Company has already created exclusive charges in favour of existing charge holders).

Lender	2014	2013	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
Habib Bank Limited	999,991	-	3 Month offer KIBOR + 0.35%	Forty two unequal quarterly installments commencing on 28 August 2015 and ending on 04 May 2019.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
Meezan Bank Limited	400,000	-	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly installments commencing on 17 June 2015 and ending on 17 March 2019.	Quarterly	Quarterly	Ranking charge of Rupees 533.33 million over specific assets of the Company with 25% margin (to be upgraded to exclusives charge on specific plant and machinery within 120 days from date of first drawdown).
Meezan Bank Limited	445,000	-	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly installments commencing on 17 July 2015 and ending on 17 April 2019.	Quarterly	Quarterly	Ranking charge of Rupees 733.33 million over specific assets of the Company with 25% margin (to be upgraded to exclusives charge on specific plant and machinery within 120 days from date of first drawdown).
Standard Chartered Bank (Pakistan) Limited	1,000,000	-	3 Month offer KIBOR + 0.20%	Sixteen equal quarterly installments commencing on 27 September 2015 and ending on 27 June 2019.	Quarterly	Quarterly	Specific charge of Rupees 1,334 million over fixed assets of the Company inclusive of 25% margin.
	3,832,491	700,000					

		Note	2014	2013
			(Rupees in thousand)	
6	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Future minimum lease payments		70,686	152,545
	Less: Un-amortized finance charge		4,318	15,953
	Present value of future minimum lease payments		66,368	136,592
	Less: Current portion shown under current liabilities	11	66,368	70,270
			–	66,322

6.1 This represents sale and leaseback arrangement with Pak Kuwait Investment Company (Private) Limited. According to the lease agreement, leasing company has contributed Rupees 150.047 million from its own sources and the remaining amount of Rupees 149.953 million has been financed under Long Term Finance Facility (LTFF) scheme of State Bank of Pakistan. Minimum lease payments have been discounted using implicit interest rate ranging from 9.70% to 12.15% (2013: 9.70% to 14.06%) per annum. Balance rentals are payable in quarterly installments. Taxes, repairs and insurance costs are borne by the Company. These are secured against the leased assets and demand promissory notes.

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

	2014		2013	
	Not later than one year	Later than one year and not later than five years	Not Later than one year	Later than one year and not later than five years
	(Rupees in thousand)			
Future minimum lease payments	70,686	–	82,118	70,427
Less: Un-amortized finance charge	4,318	–	11,848	4,105
Present value of future minimum lease payments	66,368	–	70,270	66,322

7 DEFERRED INCOME TAX LIABILITY

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

	Note	2014	2013
		(Rupees in thousand)	
8 TRADE AND OTHER PAYABLES			
Creditors	8.1	2,764,813	2,268,048
Accrued liabilities		586,800	509,609
Advances from customers		346,235	253,607
Securities from contractors - Interest free, repayable on completion of contracts		11,078	10,498
Retention money payable		33,062	3,315
Income tax deducted at source		775	1,193
Dividend payable		52,449	46,495
Payable to employees' provident fund trust		8,396	16,937
Fair value of forward exchange contracts		–	1,639
Workers' profit participation fund	8.2	310,081	365,853
Workers' welfare fund		315,307	308,307
		4,428,996	3,785,501

8.1 This includes amounts due to following related parties:

		2014	2013
Nishat Linen (Private) Limited - subsidiary company		3,729	5,570
Nishat USA Inc. - subsidiary company		2,788	2,723
Nishat Hospitality (Private) Limited - subsidiary company		171	–
Nishat International FZE - subsidiary company		1,698	–
D.G. Khan Cement Company Limited - associated company		10,907	2,064
Security General Insurance Company Limited - associated company		7,510	6,205
Adamjee Insurance Company Limited - associated company		31,498	29,474
Nishat (Chunian) Limited - related party		19,441	11
		77,742	46,047

8.2 Workers' profit participation fund

	Note	2014	2013
Balance as on 01 July		365,853	219,543
Add: Provision for the year	32	310,081	337,404
Interest for the year	34	4,371	6,322
		680,305	563,269
Less: Payments during the year		370,224	197,416
Balance as on 30 June		310,081	365,853

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

	Note	2014	2013
9 ACCRUED MARK-UP			
Long term financing		139,957	81,017
Short term borrowings		155,097	219,738
		295,054	300,755
10 SHORT TERM BORROWINGS			
From banking companies - secured			
Short term running finances	10.1 and 10.2	651	120,363
State Bank of Pakistan (SBP) refinance	10.1 and 10.3	8,452,635	11,141,635
Other short term finances	10.1 and 10.4	5,363,825	–
Temporary bank overdrafts	10.1 and 10.2	651,013	677,030
		14,468,124	11,939,028

10.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, other instruments and ranking hypothecation charge on plant and machinery and pledge of cotton of the Company. These form part of total credit facility of Rupees 29,221 million (2013: Rupees 31,404 million).

10.2 The rates of mark-up range from 9.45% to 12.25% (2013: 9.77% to 13.95%) per annum on the balance outstanding.

10.3 The rates of mark up range from 8.70% to 8.90% (2013: 8.70% to 10.55%) per annum on the balance outstanding.

10.4 The rates of mark up range from 0.64% to 2.90% (2013: Nil) per annum on the balance outstanding.

		Note	2014	2013
			(Rupees in thousand)	
11	CURRENT PORTION OF NON-CURRENT LIABILITIES			
	Current portion of long term financing	5	1,529,284	1,240,499
	Current portion of liabilities against assets subject to finance lease	6	66,368	70,270
			1,595,652	1,310,769

12 CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) The Company is contingently liable for Rupees 0.631 million (2013: Rupees 0.631 million) on account of central excise duty not acknowledged as debt as the case is pending before Court.

ii) Guarantees of Rupees 765.990 million (2013: Rupees 635.607 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited and Pakistan State Oil Limited against purchase of furnace oil, Director Excise and Taxation, Karachi against infrastructure cess, Pakistan Army against fulfilment of sales order and Punjab Power Development Board for issuance of Letter of Interest to set up an electricity generation facility.

iii) Post dated cheques of Rupees 3,548.838 million (2013: Rupees 1,816.775 million) are issued to customs authorities in respect of duties on imported items availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

iv) The Company has challenged, before Honorable Lahore High Court, Lahore, the vires of SRO 450(1)/2013 dated 27 May 2013 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 490(1)/2004 dated 12 June 2004 claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honorable Lahore High Court has issued stay order in favour of the Company and has allowed the Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Company has claimed input sales tax amounting to Rupees 45.150 million paid on such goods in its respective monthly sales tax return.

b) Commitments

i) Contracts for capital expenditure are approximately of Rupees 2,547.532 million (2013: Rupees 4,500.169 million).

ii) Letters of credit other than for capital expenditure are of Rupees 564.550 million (2013: Rupees 493.340 million).

iii) Outstanding foreign currency forward contracts of Rupees 2,888.142 million (2013: Rupees 827.520 million).

	Note	2014	2013
		(Rupees in thousand)	

13 PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Operating fixed assets	13.1		
Owned		17,984,923	14,086,039
Leased		200,675	222,324
Capital work-in-progress	13.2	4,778,790	1,221,957
		22,964,388	15,530,320

13.1 Operating fixed assets

	Owned Assets										Leased Assets
	Freehold land	Buildings on freehold land	Plant and machinery	Stand - by equipment	Electric Installations	Factory equipment	Furniture, fixtures & office equipment	Computer equipment	Vehicles	Total	Plant and machinery
	(Rupees in thousand)										
At 30 June 2012											
Cost	499,175	4,244,592	16,368,494	318,713	686,006	242,308	306,905	139,986	417,877	23,224,056	300,000
Accumulated depreciation	–	(2,199,263)	(7,605,625)	(198,001)	(419,325)	(110,325)	(158,182)	(109,099)	(173,245)	(10,973,065)	(53,622)
Net book value	499,175	2,045,329	8,762,869	120,712	266,681	131,983	148,723	30,887	244,632	12,250,991	246,378
Year ended 30 June 2013											
Opening net book value	499,175	2,045,329	8,762,869	120,712	266,681	131,983	148,723	30,887	244,632	12,250,991	246,378
Additions	211,740	767,381	2,327,787	–	10,667	45,620	17,623	7,795	108,475	3,497,088	–
Transferred to investment properties:											
Cost	(119,104)	(61,535)	–	–	–	–	–	–	–	(180,639)	–
Accumulated depreciation	–	18,977	–	–	–	–	–	–	–	18,977	–
	(119,104)	(42,558)	–	–	–	–	–	–	–	(161,662)	–
Disposals:											
Cost	–	–	(481,421)	–	(3,000)	(29)	(257)	(174)	(37,649)	(522,530)	–
Accumulated depreciation	–	–	323,290	–	2,438	26	123	105	23,485	349,467	–
	–	–	(158,131)	–	(562)	(3)	(134)	(69)	(14,164)	(173,063)	–
Depreciation charge	–	(236,975)	(958,819)	(11,752)	(27,305)	(15,555)	(16,006)	(10,325)	(50,578)	(1,327,315)	(24,054)
Closing net book value	591,811	2,533,177	9,973,706	108,960	249,481	162,045	150,206	28,288	288,365	14,086,039	222,324
At 30 June 2013											
Cost	591,811	4,950,438	18,214,860	318,713	693,673	287,899	324,271	147,607	488,703	26,017,975	300,000
Accumulated depreciation	-	(2,417,261)	(8,241,154)	(209,753)	(444,192)	(125,854)	(174,065)	(119,319)	(200,338)	(11,931,936)	(77,676)
Net book value	591,811	2,533,177	9,973,706	108,960	249,481	162,045	150,206	28,288	288,365	14,086,039	222,324
Year ended 30 June 2014											
Opening net book value	591,811	2,533,177	9,973,706	108,960	249,481	162,045	150,206	28,288	288,365	14,086,039	222,324
Additions	447,379	621,845	4,249,525	–	11,340	65,493	27,124	14,545	141,673	5,578,924	–
Disposals:											
Cost	–	–	(409,365)	–	–	-	(699)	(490)	(50,047)	(460,601)	–
Accumulated depreciation	–	–	259,319	–	–	-	309	404	31,470	291,502	–
	–	–	(150,046)	–	–	-	(390)	(86)	(18,577)	(169,099)	–
Depreciation charge	–	(259,929)	(1,106,866)	(10,577)	(25,759)	(18,509)	(16,081)	(10,543)	(62,677)	(1,510,941)	(21,649)
Closing net book value	1,039,190	2,895,093	12,966,319	98,383	235,062	209,029	160,859	32,204	348,784	17,984,923	200,675
At 30 June 2014											
Cost	1,039,190	5,572,283	22,055,020	318,713	705,013	353,392	350,696	161,662	580,329	31,136,298	300,000
Accumulated depreciation	–	(2,677,190)	(9,088,701)	(220,330)	(469,951)	(144,363)	(189,837)	(129,458)	(231,545)	(13,151,375)	(99,325)
Net book value	1,039,190	2,895,093	12,966,319	98,383	235,062	209,029	160,859	32,204	348,784	17,984,923	200,675
Annual rate of depreciation (%)	–	10	10	10	10	10	10	30	20		10

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

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchasers
		(Rupees in thousand)						
Plant and Machinery								
Energy Saving Device	1	2,599	190	2,409	2,409	-	Negotiation	Associated Textile Consultants (Private) Limited
Simplex Frame FL-16	1	2,989	2,786	203	3,000	2,797	Negotiation	Lyallpur Textiles
Ring Frames	11	34,558	22,060	12,498	15,500	3,002	Negotiation	Terry Towellers (Private) Limited
Simplex Frame FL-16	2	5,858	5,291	567	6,200	5,633	Negotiation	Nagra Spinning Mills (Private) Limited
Ring Frames	8	18,947	16,511	2,436	3,824	1,388	Negotiation	Mian Zafar & Company
Bale Pluckers	2	800	693	107	400	293	Negotiation	Hassan Limited
Used Porcupine Beater	1	1,622	1,410	212	250	38	Negotiation	Ellcot Spinning Mills Limited
Caterpillar Generator Model-3304	1	600	406	194	410	216	Negotiation	A.D. Malik & Company
Airjet Looms	8	17,781	13,509	4,272	8,769	4,497	Negotiation	Valitex (Private) Limited
Airjet Looms	18	41,606	31,182	10,424	19,526	9,102	Negotiation	Gagan Textile
Airjet Looms	10	23,114	17,384	5,730	10,647	4,917	Negotiation	Vanguard Industries (Private) Limited
Blow Room Machine	1	6,957	4,101	2,856	2,000	(856)	Negotiation	Nagra Spinning Mills (Private) Limited
Repier Looms	7	24,969	14,455	10,514	13,363	2,849	Negotiation	RB Karesi Ithalat Ihracat Tekstil San. Tic. A. S.
Automatic Film Packing Equipment	1	2,866	2,064	802	800	(2)	Negotiation	Master Textile Mills Limited
Monfort Stenter Machine	1	12,507	10,322	2,185	4,950	2,765	Negotiation	Sitara Fabrics Limited
Gas Turbine	1	207,909	114,163	93,746	110,000	16,254	Negotiation	Artistic Milliners (Private) Limited
Transformer	1	2,000	1,544	456	481	25	Negotiation	Sulehri Traders
		407,682	258,071	149,611	202,529	52,918		
Vehicles								
Toyota Corolla LEC-09-1108	1	1,297	745	552	744	192	Company Policy	Mr. Asim Amjad (Company's Employee)
Toyota Corolla LED-09-7961	1	1,307	756	551	1,208	657	Company Policy	Mr. Muhammad Mohsin Mumtaz (Company's Employee)
Toyota Corolla LEA-7545	1	1,088	827	261	787	526	Negotiation	Mr. Rehan Sabri, Lahore
Toyota Corolla LEC-10-3191	1	1,722	816	906	1,475	569	Insurance Claim	Adamjee Insurance Company Limited
Suzuki Cultus LEF-9386	1	898	547	351	357	6	Company Policy	Mr. Bilal Haider (Company's Employee)
Toyota Corolla LED-09-2155	1	1,663	956	707	961	254	Company Policy	Mr. Khalid Javaid (Company's Employee)
Suzuki Alto LRA-9382	1	506	444	62	62	-	Company Policy	Mr. Zulfiqar Ali (Company's Employee)
Honda Civic LEA-5793	1	1,409	940	469	476	7	Company Policy	Mr. Badar-ul-Hassan (Company's Employee)
Suzuki Alto LWO-7733	1	513	386	127	130	3	Company Policy	Mr. Tariq Nazir (Company's Employee)
Toyota Corolla LRY-2657	1	1,228	1,043	185	550	365	Negotiation	Mr. Muhammad Ansar Khan, Lahore
Honda Civic LED-500	1	1,586	1,136	450	1,080	630	Negotiation	Mr. Ali Pervaiz Khawaja, Lahore
Toyota Corolla LEC-09-7597	1	1,257	724	533	721	188	Company Policy	Mr. Nishat Haroon (Company's Employee)
Suzuki Cultus LEC-09-9642	1	871	498	373	505	132	Company Policy	Mr. Yasir Usmani (Company's Employee)
Suzuki Bolan LED-10-4857	1	583	267	316	500	184	Negotiation	Mr. Muhammad Ansar Khan, Lahore
Honda Accord LEE-800	1	4,025	2,630	1,395	2,800	1,405	Negotiation	Syed Umer Tariq Shah, Lahore
Honda City LEA-10-9824	1	1,371	766	605	1,172	567	Negotiation	Mr. Iftikhar Ahmad, Faisalabad
Toyota Corolla ASU-139	1	1,278	745	533	732	199	Company Policy	Sheikh Muhammad Mansha (Company's Employee)
Toyota Corolla LEE-09-1104	1	1,257	740	517	710	193	Company Policy	Mr. Ejaz Hassan (Company's Employee)
Suzuki Cultus LEB-10-2849	1	911	516	395	543	148	Negotiation	Mr. Ramish Mustafa, Lahore
Honda CG-125 LEN-10A-5747	1	110	59	51	54	3	Company Policy	Mr. Muiz Arif (Company's Employee)
Suzuki Cultus LEF-9386	1	610	482	128	129	1	Company Policy	Mr. Naeem Asim (Company's Employee)
Toyota Corolla LEC-09-7432	1	1,297	758	539	731	192	Company Policy	Mr. Asif Abbas (Company's Employee)
Toyota Grace Van LZB-5581	1	1,274	1,054	220	517	297	Negotiation	Mr. Qamar Ghani Khan, Gujranwala
Toyota Corolla LED-09-6622	1	1,342	780	562	752	190	Company Policy	Mr. Abdul Majid Qureshi (Company's Employee)
Suzuki Cultus LWE-9581	1	606	464	142	144	2	Company Policy	Mr. Muhammad Jamil Javeed (Company's Employee)
Suzuki Cultus LWQ-9722	1	611	453	158	160	2	Company Policy	Mr. Nisar Ahmad (Company's Employee)
Toyota Corolla LEE-09-1105	1	1,327	785	542	736	194	Company Policy	Mr. Khalid Mehmood (Company's Employee)
Suzuki Cultus LWQ-5991	1	617	459	158	160	2	Company Policy	Mr. Abdul Waheed Butt (Company's Employee)
Suzuki Cultus LEC-09-4641	1	871	501	370	499	129	Company Policy	Ms. Urooj Yasir (Company's Employee)
Suzuki Cultus LRG-9694	1	605	523	82	84	2	Company Policy	Mr. Shahzad Afzal (Company's Employee)
Suzuki Cultus LEF-5801	1	838	525	313	426	113	Company Policy	Mr. Shahid Mahmood (Company's Employee)
Honda City LEE-4731	1	1,072	692	380	517	137	Company Policy	Ms. Rahela Rasheed (Company's Employee)
Suzuki Cultus LEF-5798	1	838	524	314	426	112	Company Policy	Mr. Faisal Bashir (Company's Employee)
Suzuki Liana LEB-9965	1	1,142	672	470	642	172	Company Policy	Mr. Yung Yung (Company's Employee)
Honda Civic LEC-09-8930	1	1,695	989	706	951	245	Company Policy	Syed Umer Tariq Shah (Company's Employee)
Suzuki Cultus LED-09-9065	1	871	501	370	511	141	Company Policy	Mr. Naveed Arshad (Company's Employee)
Suzuki Cultus LED-09-9068	1	871	504	367	494	127	Company Policy	Mr. Rashid Ali (Company's Employee)
Suzuki Cultus LED-10-3749	1	892	443	449	644	195	Company Policy	Mr. Shafique Ahmad (Company's Employee)

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchasers
		(Rupees in thousand)						
Honda City LEA-10-7082	1	1,371	758	613	1,190	577	Negotiation	Mr. Babar Hanif, Lahore
Suzuki Cultus LED-09-9064	1	871	509	362	486	124	Company Policy	Mr. Tahir Yasin (Company's Employee)
Honda Civic Oriel LED-6113	1	1,404	904	500	683	183	Company Policy	Mr. Faisal Naseem Kari (Company's Employee)
Hyundai Shehzore LES-8299	1	725	523	202	653	451	Negotiation	Mr. Muhammad Zulfiqar, Sargodha
Toyota Corolla LEC-09-3778	1	1,255	714	541	741	200	Company Policy	Chaudhary Nauman Aslam (Company's Employee)
Suzuki Cultus LZV-220	1	467	336	131	352	221	Negotiation	Syed Shahnaz-ul-Hassan, Lahore
Suzuki Cultus LED-3702	1	714	483	231	314	83	Company Policy	Mr. Masroor Mohsin Gilani (Company's Employee)
Suzuki Alto LEA-9185	1	713	418	295	404	109	Company Policy	Mr. Shahzad Qadir (Company's Employee)
		49,779	31,295	18,484	28,913	10,429		
Furniture, Fixture and Office Equipment								
Photostat Machine	3	699	308	391	159	(232)	Negotiation	Sherazi Trading Company (Private) Limited
		699	308	391	159	(232)		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		2,441	1,828	613	1,136	523	Negotiation	
		460,601	291,502	169,099	232,737	63,638		

		Note	2014	2013
			(Rupees in thousand)	
13.1.2	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	29	1,441,919	1,272,847
	Distribution cost	30	9,418	8,902
	Administrative expenses	31	80,909	69,620
	Capital work-in-progress		344	–
			1,532,590	1,351,369

13.1.3 Operating fixed assets having cost of Rupees 3.983 million (2013: Rupees 2.832 million) have been fully depreciated and are still in use of the Company.

		2014	2013
13.2	**Capital work-in-progress**		
	Buildings on freehold land	1,367,656	378,626
	Plant and machinery	3,337,261	829,950
	Electric installations	3,882	–
	Unallocated expenses	62,328	692
	Letters of credit against machinery	469	7,522
	Advances against furniture, fixtures and office equipment	6,511	–
	Advances against vehicles	683	5,167
		4,778,790	1,221,957

14 INVESTMENT PROPERTIES

	Land	Buildings	Total
	(Rupees in thousand)		
At 30 June 2012			
Cost	195,667	92,138	287,805
Accumulated depreciation	–	(45,836)	(45,836)
Net book value	195,667	46,302	241,969
Year ended 30 June 2013			
Opening net book value	195,667	46,302	241,969
Transferred from operating fixed assets:			
Cost	119,104	61,535	180,639
Accumulated depreciation	–	(18,977)	(18,977)
	119,104	42,558	161,662
Depreciation charge	–	(8,886)	(8,886)
Closing net book value	314,771	79,974	394,745
At 30 June 2013			
Cost	314,771	153,673	468,444
Accumulated depreciation	–	(73,699)	(73,699)
Net book value	314,771	79,974	394,745
Year ended 30 June 2014			
Opening net book value	314,771	79,974	394,745
Depreciation charge	–	(7,997)	(7,997)
Closing net book value	314,771	71,977	386,748
At 30 June 2014			
Cost	314,771	153,673	468,444
Accumulated depreciation	–	(81,696)	(81,696)
Net book value	314,771	71,977	386,748

14.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 7.997 million (2013: Rupees 8.886 million) charged during the year is allocated to other expenses. No expenses directly related to investment properties were incurred during the year. The market value of land and buildings is estimated at Rupees 1,012.475 million (2013: Rupees 861.080 million). The valuation has been carried out by an independent valuer.

14.2 Land and building having book value of Rupees 239.383 million (2013: Rupees 239.383 million) and Rupees 24.415 million (2013: Rupees 27.128 million) respectively have been given on operating lease to Nishat Hospitality (Private) Limited - subsidiary company.

14.3 Land and building having book value of Rupees 65.741 million (2013: Rupees 65.741 million) and Rupees 34.472 million (2013: Rupees 38.303 million) respectively have been given on operating lease to Nishat Linen (Private) Limited - subsidiary company.

	Note	2014 (Rupees in thousand)	2013
15 LONG TERM INVESTMENTS			
Subsidiary companies			
Nishat Power Limited - quoted 180,632,955 (2013: 180,632,955) fully paid ordinary shares of Rupees 10 each. Equity held 51.01% (2013: 51.01%)	15.1	1,806,329	1,806,329
Nishat USA Inc. - unquoted 200 (2013: 200) fully paid shares with no par value per share		3,547	3,547
Nishat Linen (Private) Limited - unquoted 700,000 (2013: 700,000) fully paid ordinary shares of Rupees 10 each. Equity held 100% (2013: 100%)	15.2	7,000	7,000
Nishat Linen Trading LLC - unquoted 4,900 (2013: 4,900) fully paid shares of UAE Dirhams 1,000 each	15.3	259,403	259,403
Nishat Hospitality (Private) Limited - unquoted 119,999,901 (2013: 48,617,610) fully paid ordinary shares of Rupees 10 each. Equity held 100% (2013: 100%)		1,199,999	486,176
Nishat International FZE - unquoted			
7 (2013: 7) fully paid shares of UAE Dirhams 1,000,000 each		195,798	195,798
Advance for purchase of shares		305,314	–
		501,112	195,798
Nishat Spinning (Private) Limited - unquoted 1,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 100% (2013: Nil)	15.4	10	–
Available for sale			
Associated companies (with significant influence)			
D.G. Khan Cement Company Limited - quoted 137,574,201 (2013: 137,574,201) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (2013: 31.40%)		3,418,145	3,418,145
Nishat Paper Products Company Limited - unquoted 11,634,199 (2013: 11,634,199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (2013: 25%)	15.5	116,342	116,342
Lalpir Power Limited - quoted 109,393,555 (2013: 109,393,555) fully paid ordinary shares of Rupees 10 each. Equity held 28.80% (2013: 32%)	15.6 and 15.7	1,640,306	1,640,306
Pakgen Power Limited - quoted 102,524,728 (2013: 102,524,728) fully paid ordinary shares of Rupees 10 each. Equity held 27.55% (2013: 27.55%)	15.6	1,272,194	1,272,194
Nishat Dairy (Private) Limited - unquoted 60,000,000 (2013: 30,000,000) fully paid ordinary shares of Rupees 10 each. Equity held 12.50% (2013: 10.60)	15.8	600,000	300,000
Associated companies (others)			
MCB Bank Limited - quoted 80,790,591 (2013: 73,272,629) fully paid ordinary shares of Rupees 10 each. Equity held 7.26% (2013: 7.24%)		8,484,998	8,430,672

	Note	2014	2013
		(Rupees in thousand)	
Adamjee Insurance Company Limited - quoted 102,809 (2013: 36,337) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (2013: 0.03%)		2,774	2,774
Available for Sale			
Other			
Habib Bank Limited - quoted 210 (2013: 191) fully paid ordinary shares of Rupees 10 each		12	12
		19,312,171	17,938,698
Less: Impairment loss recognized	15.9	(10,198)	(10,198)
Add: Fair value adjustment		25,469,742	19,449,724
		44,771,715	37,378,224

15.1 The Company has to maintain at least 51% holding in the share capital of Nishat Power Limited (NPL) during the period of first six years from the date of commercial operations of NPL i.e. 09 June 2010. Moreover, the Company has pledged its 180,585,155 (2013: 180,585,155) shares to lenders of NPL for the purpose of securing finance.

15.2 Investment in Nishat Linen (Private) Limited includes 2 shares held in the name of nominee directors of the Company.

15.3 The Company is also the beneficial owner of remaining 5,100 (2013: 5,100) shares of UAE Dirham 1,000 each of Nishat Linen Trading LLC held under Nominee Agreement dated 30 December 2010, whereby the Company has right over all dividends, interests, benefits and other distributions on liquidation. The Company through the powers given to it under Article 11 of the Memorandum of Association of the investee company, exercises full control on the management of Nishat Linen Trading LLC.

15.4 Investment in Nishat Spinning (Private) Limited includes 2 shares held in the name of nominee directors of the Company.

15.5 The investment of the Company in ordinary shares of Nishat Paper Products Company Limited has been valued at fair value of Rupees 11.57 per ordinary share determined by an independent valuer using present value technique.

15.6 Investments in Lalpir Power Limited and Pakgen Power Limited include 550 and 500 shares respectively, held in the name of nominee director of the Company.

15.7 The Company has divested 10% of its shareholding representing 12,154,839 ordinary shares of Rupees 10 each in Lalpir Power Limited whereby 75% of the total offer for sale was made through Book Building Process to Institutional Investors and High Net Worth Individuals and remaining 25% offer for sale was made to the general public. Ordinary shares of Lalpir Power Limited are now listed on the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited.

15.8 The investment of the Company in ordinary shares of Nishat Dairy (Private) Limited has been valued at fair value of Rupees 10 per ordinary share determined by an independent valuer using present value technique.

		Note	2014	2013
			(Rupees in thousand)	
15.9	**Impairment loss recognized**			
	Balance as on 01 July		10,198	658
	Add: Impairment loss recognized during the year	32	–	9,540
	Balance as on 30 June		10,198	10,198

16 LONG TERM LOANS

	Note	2014	2013
Considered good:			
Executives - secured	16.1 and 16.2	121,987	104,271
Other employees - secured	16.2	22,995	14,297
		144,982	118,568
Less: Current portion shown under current assets	21		
Executives		34,007	27,216
Other employees		8,249	6,355
		42,256	33,571
		102,726	84,997

		2014	2013
16.1	**Reconciliation of carrying amount of loans to executives:**		
	Balance as on 01 July	104,271	57,771
	Add: Disbursements	52,961	70,275
	Transferred from other employees during the year	2,378	3,230
		159,610	131,276
	Less: Repayments	37,623	27,005
	Balance as on 30 June	121,987	104,271

16.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 123.570 million (2013: Rupees 104.271 million).

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

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

17 LONG TERM DEPOSITS

	2014	2013
Security deposits	48,008	41,748

18 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2014	2013
Stores	18.1	1,114,962	1,105,653
Spare parts		207,271	195,332
Loose tools		1,257	789
		1,323,490	1,301,774
Less: Provision for slow moving, obsolete and damaged store items	18.2	7,011	16,403
		1,316,479	1,285,371

18.1 These include stores in transit of Rupees 75.322 million (2013: Rupees 99.475 million).

		Note	2014	2013
			(Rupees in thousand)	
18.2	**Provision for slow moving, obsolete and damaged store items**			
	Balance as on 01 July		16,403	13,309
	Provision made / (reversed) during the year	32 and 33	(9,392)	3,094
	Balance as on 30 June		7,011	16,403

19 STOCK IN TRADE

	Note	2014	2013
Raw materials		7,831,707	6,504,220
Work-in-process		2,013,520	1,720,313
Finished goods	19.2	2,907,268	2,720,906
		12,752,495	10,945,439

19.1 Stock in trade of Rupees 3,076.709 million (2013: Rupees 315.900 million) is being carried at net realizable value.

19.2 Finished goods include stock in transit of Rupees 484.073 million (2013: Rupees 509.935 million).

19.3 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 372.688 million (2013: Rupees 2.567 million).

20 TRADE DEBTS

	Note	2014	2013
Considered good:			
Secured (against letters of credit)		1,017,644	3,636,619
Unsecured:			
- Related parties	20.1 and 20.3	127,176	254,728
- Others	20.2	1,784,234	2,352,188
		2,929,054	6,243,535
Considered doubtful:			
Others - unsecured		131,758	131,758
Less: Provision for doubtful debts		131,758	131,758
		–	–

20.1 This represents amounts due from following related parties:

	2014	2013
Nishat Linen (Private) Limited - subsidiary company	34,112	137,100
Nishat Linen Trading LLC - subsidiary company	39,341	107,220
Nishat International FZE - subsidiary company	53,723	10,374
Nishat Dairy (Private) Limited - associated company	–	34
	127,176	254,728

20.2 As at 30 June 2014, trade debts due from other than related parties of Rupees 58.649 million (2013: Rupees 120.804 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	Note	2014 (Rupees in thousand)	2013
Upto 1 month		49,960	119,040
1 to 6 months		5,292	–
More than 6 months		3,397	1,764
		58,649	120,804

20.3 As at 30 June 2014, trade debts due from related parties amounting to Rupees 34.112 million (2013: Rupees 137.134 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

		2014	2013
Upto 1 month		34,112	137,134
1 to 6 months		–	–
More than 6 months		–	–
		34,112	137,134

20.4 As at 30 June 2014, trade debts of Rupees 131.758 million (2013: Rupees 131.758 million) were impaired and provided for. The ageing of these trade debts was more than 5 years. These trade debts do not include amounts due from related parties.

21 LOANS AND ADVANCES

	Note	2014	2013
Considered good:			
Employees - interest free:			
– Executives		3,121	1,193
– Other employees		6,034	4,438
		9,155	5,631
Current portion of long term loans	16	42,256	33,571
Advances to suppliers		159,797	88,546
Letters of credit		1,489	1,230
Income tax		1,343,367	934,106
Other advances	21.1	2,628,421	835,250
		4,184,485	1,898,334
Considered doubtful:			
Others		108	108
Less: Provision for doubtful debts		108	108
		–	–
		4,184,485	1,898,334

21.1 These include amounts due from following subsidiary companies:

		2014	2013
Nishat Linen (Private) Limited		2,341,168	788,787
Nishat Hospitality (Private) Limited		193,867	–
Nishat Spinning (Private) Limited		21,550	–
		2,556,585	788,787

22 SHORT TERM DEPOSITS AND PREPAYMENTS

		2014	2013
Deposits		1,117	1,204
Prepayments - including current portion		41,776	38,814
		42,893	40,018

		Note	2014	2013
			(Rupees in thousand)	
23	**OTHER RECEIVABLES**			
	Considered good:			
	Export rebate and claims		347,855	387,103
	Sales tax refundable		1,101,579	596,063
	Fair value of forward exchange contracts		19,653	–
	Miscellaneous receivables		35,451	35,998
			1,504,538	1,019,164
24	**ACCRUED INTEREST**			
	On short term loans and advances to:			
	Nishat Linen (Private) Limited - subsidiary company		11,393	5,440
	Nishat Hospitality (Private) Limited - subsidiary company		806	–
	Nishat Spinning (Private) Limited - subsidiary company		230	–
	On deposits with MCB Bank Limited - associated company		278	–
	On term deposit receipts		2,465	8,110
			15,172	13,550
25	**SHORT TERM INVESTMENTS**			
	Available for sale			
	Associated company (Other)			
	Security General Insurance Company Limited - unquoted 10,226,244 (2013: 10,226,244) fully paid ordinary shares of Rupees 10 each. Equity held 15.02% (2013: 15.02%)	25.1	11,188	11,188
	Others			
	Nishat (Chunian) Limited - quoted 27,241,116 (2013: 24,764,652) fully paid ordinary shares of Rupees 10 each. Equity held 13.61% (2013: 13.61 %)		242,750	242,750
	Pakistan Strategic Allocation Fund - quoted 899,392 (2013: 582,716) units.		1,715	1,715
	MCB Cash Management Optimizer - quoted Nil (2013: 8,976,636) units.		–	900,000
	Pakistan Petroleum Limited - quoted Advance for purchase of 434,782 ordinary shares		100,000	–
	United Bank Limited - quoted 368,105 (2013: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (2013: Nil)		58,163	–
			413,816	1,155,653
	Add: Fair value adjustment		2,813,744	3,207,227
			3,227,560	4,362,880

25.1 The investment of the Company in ordinary shares of Security General Insurance Company Limited has been valued at fair value of Rupees 186 per ordinary share determined by an independent valuer using present value technique. Previously, fair value per ordinary share of Security General Insurance Company Limited was determined using dividend stream method. Change in valuation technique has been made being more commonly used and a more realistic estimate of fair value. Had there been no change in the valuation technique, short term investment and deferred income tax liability would have been higher by Rupees 912.181 million and Rupees 225.765 million respectively. Security General Insurance Company Limited is an associated company due to common directorship.

		Note	2014	2013
			(Rupees in thousand)	
26	**CASH AND BANK BALANCES**			
	With banks:			
	On current accounts Including US$ 318,301 (2013: US$ 199,965)	26.1	787,434	111,533
	Term deposit receipts	26.2 and 26.3	2,000,000	1,000,000
	On PLS saving accounts Including US$ 4,287 (2013: US$ 64,457)	26.4	423	6,398
			2,787,857	1,117,931
	Cash in hand		14,459	10,931
			2,802,316	1,128,862

26.1 Cash at banks includes balance of Rupees 5.014 million (2013: Rupees 6.633 million) with MCB Bank Limited - associated company.

26.2 These represent deposits with banking companies having maturity period of one month and carry rate of profit ranging from 9.00% to 10.40% (2013: 9.30% to 10.15%) per annum.

26.3 This include term deposit receipt of Rupees 1,000 million (2013: Rupees Nil) having maturity period of 30 days and carry profit at the rate of 10.15% (2013: Nil) per annum with MCB Bank Limited - associated company.

26.4 Rate of profit on Pak Rupees bank deposits and US Dollar bank deposit ranges from 6.00% to 6.51% (2013: 5.38% to 6.03%) and 0.01% to 0.06% (2013: 0.01% to 0.07%) per annum respectively.

		Note	2014	2013
27	**NON-CURRENT ASSET HELD FOR SALE**			
	Lalpir Power Limited - quoted Nil (2013: 12,154,839) fully paid ordinary shares of Rupees 10 each	15.7	-	267,407
28	**SALES**			
	Export	28.3	42,724,090	39,468,352
	Local	28.1	11,540,750	12,793,155
	Export rebate		179,251	164,523
			54,444,091	52,426,030
	28.1 Local sales			
	Sales	28.2	9,472,254	11,205,456
	Less: Sales tax		321,105	140,304
			9,151,149	11,065,152
	Processing income		2,389,364	1,727,328
	Doubling income		237	675
			11,540,750	12,793,155

28.2 This includes sale of Rupees 1,000 million (2013: Rupees 2,663.729 million) made to direct exporters against special purchase orders (SPOs). Further, local sales includes waste sales of Rupees 1,451.840 million (2013: Rupees 1,239.489 million).

28.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 446.819 million (2013: Rupees 230.142 million) has been included in export sales.

		Note	2014	2013
			(Rupees in thousand)	
29	**COST OF SALES**			
	Raw materials consumed	29.1	29,788,384	28,785,890
	Processing charges		224,856	266,662
	Salaries, wages and other benefits	29.2	3,591,755	3,067,712
	Stores, spare parts and loose tools consumed		4,722,946	4,027,416
	Packing materials consumed		937,697	875,270
	Repair and maintenance		398,080	340,684
	Fuel and power		5,400,554	4,711,335
	Insurance		36,337	34,761
	Other factory overheads		517,358	375,352
	Depreciation	13.1.2	1,441,919	1,272,847
			47,059,886	43,757,929
	Work-in-process			
	Opening stock		1,720,313	1,757,058
	Closing stock		(2,013,520)	(1,720,313)
			(293,207)	36,745
	Cost of goods manufactured		46,766,679	43,794,674
	Finished goods			
	Opening stock		2,720,906	2,307,777
	Closing stock		(2,907,268)	(2,720,906)
			(186,362)	(413,129)
	Cost of sales		46,580,317	43,381,545

29.1 Raw materials consumed

	2014	2013
Opening stock	6,504,220	5,630,298
Add: Purchased during the year	31,115,871	29,659,812
	37,620,091	35,290,110
Less: Closing stock	7,831,707	6,504,220
	29,788,384	28,785,890

29.2 Salaries, wages and other benefits include provident fund contribution of Rupees 96.335 million (2013: Rupees 80.393 million) by the Company.

		Note	2014	2013
30	**DISTRIBUTION COST**			
	Salaries and other benefits	30.1	280,139	205,839
	Outward freight and handling		1,238,015	1,492,722
	Commission to selling agents		621,967	529,103
	Fuel cost		150,135	37,463
	Traveling and conveyance		101,185	92,424
	Rent, rates and taxes		14,353	9,316
	Postage, telephone and telegram		74,949	86,954
	Insurance		22,869	17,771
	Vehicles' running		15,030	19,170
	Entertainment		4,541	3,353
	Advertisement		1,278	3,515
	Electricity and gas		4,245	4,425
	Printing and stationery		3,375	2,621
	Repair and maintenance		12,764	15,855
	Fee and subscription		364	22
	Depreciation	13.1.2	9,418	8,902
			2,554,627	2,529,455

30.1 Salaries and other benefits include provident fund contribution of Rupees 13.622 million (2013: Rupees 10.374 million) by the Company.

		Note	2014	2013
			(Rupees in thousand)	
31	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	31.1	707,381	591,685
	Vehicles' running		56,063	51,902
	Traveling and conveyance		36,598	31,720
	Rent, rates and taxes		3,609	2,867
	Insurance		6,635	5,420
	Entertainment		26,172	20,749
	Legal and professional		19,655	14,106
	Auditors' remuneration	31.2	3,333	3,030
	Advertisement		721	300
	Postage, telephone and telegram		7,366	7,616
	Electricity and gas		18,349	15,698
	Printing and stationery		18,652	16,999
	Repair and maintenance		16,455	15,430
	Fee and subscription		8,491	4,056
	Depreciation	13.1.2	80,909	69,620
	Miscellaneous		21,849	19,071
			1,032,238	870,269

31.1 Salaries and other benefits include provident fund contribution of Rupees 26.858 million (2013: Rupees 22.350 million) by the Company.

31.2 Auditors' remuneration

		2014	2013
	Audit fee	2,666	2,424
	Half yearly review	558	507
	Reimbursable expenses	109	99
		3,333	3,030

		Note	2014	2013
32	**OTHER EXPENSES**			
	Workers' profit participation fund	8.2	310,081	337,404
	Workers' welfare fund		7,000	47,500
	Provision for slow moving, obsolete and damaged store items	18.2	–	3,094
	Impairment loss on equity investment	15.9	–	9,540
	Depreciation on investment properties	14.1	7,997	8,886
	Offer for sale expenses of Lalpir Power Limited		13,417	–
	Donations	32.1	6,021	3,005
			344,516	409,429

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

		Note	2014	2013
			(Rupees in thousand)	
33	**OTHER INCOME**			
	Income from financial assets			
	Dividend income	33.1	2,947,848	2,226,339
	Profit on deposits with banks		23,103	109,821
	Gain on sale of investment		10,297	-
	Gain on disposal of non-current asset held for sale		85,084	-
	Net exchange gain including loss on forward contracts		123,453	53,315
	Interest income on loans and advances to subsidiary companies		174,519	80,775
			3,364,304	2,470,250
	Income from non-financial assets			
	Gain on sale of property, plant and equipment		63,638	75,255
	Scrap sales		145,992	134,090
	Rental income		63,115	53,507
	Reversal of provision for slow moving, obsolete and damaged store items	18.2	9,392	-
	Other		6,600	6,000
			288,737	268,852
			3,653,041	2,739,102

		2014	2013
33.1	**Dividend income**		
	From related parties / associated companies / subsidiary company		
	D.G Khan Cement Company Limited	412,723	206,361
	MCB Bank Limited	1,011,534	922,569
	Adamjee Insurance Company Limited	194	91
	Security General Insurance Company Limited	40,905	40,905
	Nishat (Chunian) Limited	49,529	45,027
	Nishat Power Limited	903,165	361,266
	Pakgen Power Limited	256,312	307,574
	Lalpir Power Limited	273,484	342,545
		2,947,846	2,226,338
	Others		
	Habib Bank Limited	2	1
		2,947,848	2,226,339

		Note	2014	2013
34	**FINANCE COST**			
	Mark-up on:			
	Long term financing		527,813	418,694
	Liabilities against assets subject to finance lease		11,953	20,569
	Short term borrowings		853,255	985,118
	Interest on workers' profit participation fund	8.2	4,371	6,322
	Bank charges and commission		212,490	186,878
			1,609,882	1,617,581
35	**TAXATION**			
	Current	35.1	463,000	510,000

35.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001.

35.2 Provision for deferred income tax is not required as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future except for deferred tax liability as explained in note 7.

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

		2014	2013
36 EARNINGS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic earnings per share which is based on:			
Profit attributable to ordinary shareholders	(Rupees in thousand)	5,512,552	5,846,853
Weighted average number of ordinary shares	(Numbers)	351,599,848	351,599,848
Earnings per share	(Rupees)	15.68	16.63

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
37 CASH GENERATED FROM OPERATIONS			
Profit before taxation		5,975,552	6,356,853
Adjustments for non-cash charges and other items:			
Depreciation		1,540,243	1,360,255
Gain on sale of property, plant and equipment		(63,638)	(75,255)
Gain on sale of investment		(10,297)	-
Gain on disposal of non-current asset held for sale		(85,084)	-
Dividend income		(2,947,848)	(2,226,339)
Impairment loss on equity investment		-	9,540
Net exchange gain including loss on forward contracts		(123,453)	(53,315)
Interest income on loans and advances to subsidiary companies		(174,519)	(80,775)
Finance cost		1,609,882	1,617,581
Provision for slow moving, obsolete and damaged store items		(9,392)	3,094
Working capital changes	37.1	1,561,253	(4,131,158)
		7,272,699	2,780,481

	2014	2013
37.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(21,716)	(269,424)
- Stock in trade	(1,807,056)	(1,250,306)
- Trade debts	3,314,481	(2,754,465)
- Loans and advances	(100,407)	(15,776)
- Short term deposits and prepayments	(2,875)	(240)
- Other receivables	(460,354)	(246,858)
	922,073	(4,537,069)
Increase in trade and other payables	639,180	405,911
	1,561,253	(4,131,158)

38 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2014 of Rupees 4.00 per share (2013: Rupees 4.00 per share) at their meeting held on 23 September 2014. The Board of Directors also proposed to transfer Rupees 4,106 million (2013: Rupees 4,440 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.

39 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)					
Managerial remuneration	17,521	13,253	8,630	5,810	380,879	252,224
Allowances						
Cost of living allowance	–	–	7	7	900	951
House rent	6,400	4,867	1,200	905	98,827	66,899
Conveyance	–	–	–	–	476	381
Medical	1,600	1,217	734	474	28,985	19,569
Utilities	–	–	1,729	984	40,235	25,715
Special allowance	–	–	2	2	998	516
Contribution to provident fund	–	–	700	451	30,482	20,111
Leave encashment	–	–	–	–	9,850	8,594
	25,521	19,337	13,002	8,633	591,632	394,960
Number of persons	1	1	2	2	311	241

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

39.2 Aggregate amount charged in the financial statements for meeting fee to one director (2013: one director) was Rupees 150,000 (2013: Rupees 120,000).

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

40 TRANSACTIONS WITH RELATED PARTIES

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

	2014	2013
	(Rupees in thousand)	
Subsidiary companies		
Investment made	1,019,147	589,026
Long term loan payment received	–	218,220
Dividend income	903,165	361,266
Purchase of goods and services	410,305	201,531
Sale of goods and services	3,356,615	3,495,342
Interest income	174,520	80,775
Rental income	32,090	26,533
Short term loans made	9,056,126	6,946,521
Repayment of short term loans made	7,288,328	6,162,362

	Note	2014	2013
		(Rupees in thousand)	
Associated companies			
Investment made		354,327	300,000
Purchase of goods and services		175,107	27,106
Sale of goods		927	519
Rental income		825	335
Purchase of operating fixed assets		23,187	–
Sale of operating fixed assets		1,475	1,388
Dividend income		1,995,152	1,820,045
Dividend paid		126,194	110,419
Insurance premium paid		106,479	100,696
Insurance claims received		29,989	18,859
Profit on term deposit receipt		3,427	5,035
Subscription paid		–	1,250
Other related parties			
Dividend income		49,529	45,027
Purchase of goods and services		417,800	91,383
Sale of goods and services		4,839	28,335
Company's contribution to provident fund trust		137,004	113,159

41 PROVIDENT FUND RELATED DISCLOSURES

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

	Note	2014	2013
Size of the fund - Total assets		2,673,955	2,182,762
Cost of Investments	41.1	2,479,334	2,002,791
Percentage of investments made		92.72%	91.75%
Fair value of investments		3,728,645	2,718,024

41.1 The breakup of cost of investments is as follows:

	2014	2013	2014	2013
	(Percentage)		(Rupees in thousand)	
Deposits	16%	20%	408,493	393,959
Term finance certificate	–	1%	–	17,010
Mutual funds	26%	21%	647,270	430,398
Listed securities	52%	58%	1,288,499	1,161,424
Pakistan investment bonds	4%	–	98,687	–
Preference shares	2%	–	36,385	–
	100%	100%	2,479,334	2,002,791

41.2 As at the reporting date, The Nishat Mills Employees Provident Fund Trust is in the process of regularizing its investments in accordance with Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose in terms of order issued by the Securities and Exchange Commission of Pakistan.

	2014	2013
42 NUMBER OF EMPLOYEES		
Number of employees as on June 30	18,197	17,060
Average number of employees during the year	17,658	17,065

43 SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Elimination of Inter-segment transactions		Total - Company	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)													
Sales														
External	13,436,248	13,007,325	12,703,518	11,208,620	23,191,930	22,979,016	5,079,413	5,198,025	32,982	33,044	-	-	54,444,091	52,426,030
Intersegment	3,471,337	2,933,665	7,690,396	7,044,251	890,587	824,340	72	-	5,642,057	4,673,911	(17,694,449)	(15,476,167)	-	-
	16,907,585	15,940,990	20,393,914	18,252,871	24,082,517	23,803,356	5,079,485	5,198,025	5,675,039	4,706,955	(17,694,449)	(15,476,167)	54,444,091	52,426,030
Cost of sales	(14,939,842)	(13,055,807)	(18,595,070)	(16,606,182)	(20,860,007)	(20,420,526)	(4,209,657)	(4,081,434)	(5,670,190)	(4,693,763)	17,694,449	15,476,167	(46,580,317)	(43,381,545)
Gross profit	1,967,743	2,885,183	1,798,844	1,646,689	3,222,510	3,382,830	869,828	1,116,591	4,849	13,192	-	-	7,863,774	9,044,485
Distribution cost	(413,123)	(442,997)	(639,124)	(558,434)	(1,163,107)	(1,172,560)	(333,279)	(350,037)	(5,994)	(5,427)	-	-	(2,554,627)	(2,529,455)
Administrative expenses	(265,677)	(224,218)	(241,847)	(201,132)	(394,258)	(344,296)	(79,954)	(68,225)	(50,502)	(32,398)	-	-	(1,032,238)	(870,269)
	(678,800)	(667,215)	(880,971)	(759,566)	(1,557,365)	(1,516,856)	(413,233)	(418,262)	(56,496)	(37,825)	-	-	(3,586,865)	(3,399,724)
Profit / (loss) before taxation and unallocated income and expenses	1,288,943	2,217,968	917,873	887,123	1,665,145	1,865,974	456,595	698,329	(51,647)	(24,633)	-	-	4,276,909	5,644,761
Unallocated income and expenses:														
Other expenses													(344,516)	(409,429)
Other income													3,653,041	2,739,102
Finance cost													(1,609,882)	(1,617,581)
Taxation													(463,000)	(510,000)
Profit after taxation													5,512,552	5,846,853

43.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Total - Company	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)											
Total assets for reportable segments	12,352,139	10,471,924	7,255,451	6,269,776	13,428,366	12,072,743	2,533,784	2,076,044	5,244,376	3,736,379	40,814,116	34,626,866
Unallocated assets:												
Long term investments											44,771,715	37,378,224
Other receivables											1,504,538	1,019,164
Cash and bank balances											2,802,316	1,128,862
Other corporate assets											7,155,892	6,481,478
Total assets as per balance sheet											97,048,577	80,634,594
Total liabilities for reportable segments	515,400	538,922	627,650	402,874	1,110,986	1,131,971	298,491	218,501	992,112	641,106	3,544,639	2,933,374
Unallocated liabilities:												
Deferred income tax liability											474,878	499,415
Provision for taxation											765,393	732,359
Other corporate liabilities											23,674,491	17,552,411
Total liabilities as per balance sheet											28,459,401	21,717,559

43.2 Geographical information

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

	2014	2013
	(Rupees in thousand)	
Europe	14,336,245	11,713,870
Asia, Africa and Australia	23,163,969	21,737,998
United States of America and Canada	5,403,127	6,181,007
Pakistan	11,540,750	12,793,155
	54,444,091	52,426,030

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

43.4 Revenue from major customers

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

		2014	2013
		(Figures in Thousand)	

44 PLANT CAPACITY AND ACTUAL PRODUCTION

		2014	2013
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Kgs.)	66,468	66,944
Actual production converted to 20s count based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Kgs.)	58,225	57,823
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Sq.Mtr.)	258,162	240,728
Actual production converted to 50 picks based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Sq.Mtr.)	248,256	231,278
Dyeing and Finishing			
Production capacity for 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Mtr.)	54,000	54,000
Actual production on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Mtr.)	49,390	52,757
Power Plant			
Generation capacity	(MWH)	447	469
Actual generation	(MWH)	287	297

Processing, Stitching and Apparel

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

44.1 REASON FOR LOW PRODUCTION

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

45 FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

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

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

a) **Market risk**

i) **Currency risk**

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

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

	2014	2013
Cash at banks - USD	322,588	264,422
Trade debts - USD	20,396,646	48,259,197
Trade debts - Euro	1,220,485	1,007,454
Trade debts - AED	3,468,649	3,077,016
Trade debts – GBP	20,242	–
Trade and other payables - USD	1,398,017	1,311,987
Other short term finances - USD	54,317,778	–
Trade and other payables - Euro	76,969	46,059
Net exposure - USD	(34,996,561)	47,211,632
Net exposure - Euro	1,143,516	961,395
Net exposure - AED	3,468,649	3,077,016
Net exposure – GBP	20,242	–
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	102.70	96.92
Reporting date rate	98.55	99.15
Rupees per Euro		
Average rate	139.65	125.19
Reporting date rate	134.46	128.79
Rupees per AED		
Average rate	27.96	25.85
Reporting date rate	26.83	26.20
Rupees per GBP		
Average rate	167.81	–
Reporting date rate	167.79	–

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, AED and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 164.828 million lower / higher (2013: Rupees 219.957 million higher / lower), Rupees 7.221 million (2013:Rupees 5.816 million) higher / lower, Rupees 4.374 million (2013: Rupees 3.789 million) higher / lower and Rupees 0.160 million higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

ii) **Other price risk**

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

Sensitivity analysis

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

Index	Impact on profit after taxation		Impact on statement of other comprehensive income (fair value reserve)	
	2014	2013	2014	2013
	(Rupees in thousand)			
KSE 100 (5% increase)	–	–	1,278,823	963,214
KSE 100 (5% decrease)	–	–	(1,278,823)	(963,214)

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

iii) Interest rate risk

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

The Company has no interest-bearing assets except for term deposit receipts, bank balances in saving accounts and loans and advances to subsidiary companies. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipts, bank balances in saving accounts and loans and advances to subsidiary companies. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

	2014	2013
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	1,440,693	1,477,084
Liabilities against assets subject to finance lease	24,988	58,312
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	423	6,398
Term deposit receipts	2,000,000	1,000,000
Loans and advances to subsidiary companies	2,556,585	788,787
Financial liabilities		
Long term financing	6,519,895	2,846,825
Liabilities against assets subject to finance lease	41,380	78,280
Short term borrowings	14,468,124	11,939,028

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 156.488 million (2013: Rupees 124.155 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

b) Credit risk

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

	2014	2013
	(Rupees in thousand)	
Investments	27,578,551	22,140,873
Loans and advances	2,782,558	959,449
Deposits	49,125	42,952
Trade debts	2,929,054	6,243,535
Other receivables	55,104	35,998
Accrued interest	15,172	13,550
Bank balances	2,787,857	1,117,931
	36,197,421	30,554,288

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

	Rating			2014	2013
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	9,164	11,403
Allied Bank Limited	A1+	AA+	PACRA	599,960	–
Askari Bank Limited	A1+	AA	PACRA	414	408
Bank Alfalah Limited	A1+	AA	PACRA	920	13
Faysal Bank Limited	A1+	AA	PACRA	294	189
Habib Bank Limited	A-1+	AAA	JCR-VIS	9,925	6,020
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	84	10,565
JS Bank Limited	A1	A+	PACRA	11	11
KASB Bank Limited	A3	BBB	PACRA	46	500,079
MCB Bank Limited	A1+	AAA	PACRA	1,005,014	6,633
NIB Bank Limited	A1+	AA-	PACRA	306	180
Samba Bank Limited	A-1	AA-	JCR-VIS	1,000,014	34,645
Silkbank Limited	A-2	A-	JCR-VIS	33	6,447
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	29,634	3,198
United Bank Limited	A-1+	AA+	JCR-VIS	133	134
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	9	34
Citibank N.A.	P-1	A2	Moody's	504	266
Deutsche Bank AG	P-1	A2	Moody's	388	391
HSBC Bank Middle East Limited	F1+	AA-	Fitch	642	11,226
Bank Islami Pakistan Limited	A1	A	PACRA	12,293	164
Meezan Bank Limited	A-1+	AA	JCR-VIS	6,240	5,717
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	100,738	204
The Bank of Punjab	A1+	AA-	PACRA	98	500,026
Soneri Bank Limited	A1+	AA-	PACRA	131	313
Summit Bank Limited	A-3	A-	JCR-VIS	5	2
Burj Bank Limited	A-1	A	JCR-VIS	104	19,663
Industrial and Commercial Bank of China	P-1	A1	Moody's	10	–
Barclays Bank Pakistan	P-1	A2	Moody's	10,743	–
				2,787,857	1,117,931

Investments	Rating Short term	Rating Long term	Rating Agency	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Adamjee Insurance Company Limited	AA		PACRA	4,706	2,764
Security General Insurance Company Limited	AA-		JCR-VIS	1,902,081	1,969,677
Habib Bank Limited	A-1+	AAA	JCR-VIS	41	23
Pakistan Strategic Allocation Fund	1 Star	2 Star	PACRA	8,679	6,602
Nishat (Chunian) Limited	A-2	A-	JCR-VIS	1,154,751	1,479,688
MCB Bank Limited	A1+	AAA	PACRA	24,346,245	17,775,207
MCB - Cash Management Optimizer	AA(f)		PACRA	–	906,912
Pakistan Petroleum Limited	Unknown		-	100,000	–
United Bank Limited	A-1+	AA+	JCR-VIS	62,048	–
				27,578,551	22,140,873
				30,366,408	23,258,804

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

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

c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2014, the Company had Rupees 14,752.876 million (2013: Rupees 19,464.972 million) available borrowing limits from financial institutions and Rupees 2,802.316 million (2013: Rupees 1,128.862 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2014

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	7,960,588	9,913,768	1,090,160	1,164,245	2,512,423	5,146,940
Liabilities against assets subject to finance lease	66,368	70,686	39,919	30,767	–	–
Trade and other payables	3,448,202	3,448,202	3,448,202	–	–	–
Short term borrowings	14,468,124	15,410,623	14,943,247	467,376	–	–
Accrued mark-up	295,054	295,054	295,054	–	–	–
	26,238,336	29,138,333	19,816,582	1,662,388	2,512,423	5,146,940

Contractual maturities of financial liabilities as at 30 June 2013

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	4,323,909	5,111,577	930,743	665,997	1,649,210	1,865,627
Liabilities against assets subject to finance lease	136,592	152,545	41,505	40,613	70,427	–
Trade and other payables	2,839,604	2,839,604	2,839,604	–	–	–
Short term borrowings	11,939,028	13,001,393	12,473,910	527,483	–	–
Accrued mark-up	300,755	300,755	300,755	–	–	–
	19,539,888	21,405,874	16,586,517	1,234,093	1,719,637	1,865,627

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

45.2 Fair values of financial assets and liabilities

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

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at 30 June 2014				
Assets				
Available for sale financial assets	25,676,470	–	1,902,081	27,578,551
As at 30 June 2013				
Assets				
Available for sale financial assets	20,171,196	–	1,969,677	22,140,873

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 June 2014.

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

45.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2014			
Assets as per balance sheet			
Investments	–	27,578,551	27,578,551
Loans and advances	2,782,558	–	2,782,558
Deposits	49,125	–	49,125
Trade debts	2,929,054	–	2,929,054
Other receivables	55,104	–	55,104
Accrued interest	15,172	–	15,172
Cash and bank balances	2,802,316	–	2,802,316
	8,633,329	27,578,551	36,211,880

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	7,960,588
Liabilities against assets subject to finance lease	66,368
Accrued mark-up	295,054
Short term borrowings	14,468,124
Trade and other payables	3,448,202
	26,238,336

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2013			
Assets as per balance sheet			
Investments	–	22,140,873	22,140,873
Loans and advances	959,449	–	959,449
Deposits	42,952	–	42,952
Trade debts	6,243,535	–	6,243,535
Other receivables	35,998	–	35,998
Accrued interest	13,550	–	13,550
Cash and bank balances	1,128,862	–	1,128,862
	8,424,346	22,140,873	30,565,219

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	4,323,909
Liabilities against assets subject to finance lease	136,592
Accrued mark-up	300,755
Short term borrowings	11,939,028
Trade and other payables	2,839,604
	19,539,888

45.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 5, note 6 and note 10 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's Strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity.

		2014	2013
Borrowings	Rupees in thousand	22,495,080	16,399,529
Total equity	Rupees in thousand	68,589,176	58,917,035
Total capital employed	Rupees in thousand	91,084,256	75,316,564
Gearing ratio	Percentage	24.70	21.77

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

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 23 September 2014 by the Board of Directors of the Company.

47 CORRESPONDING FIGURES

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

48 GENERAL

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

Chief Executive Officer

Director

Consolidated Financial Statements of
Nishat Mills Limited
for the year ended June 30, 2014

Directors' Report

The Directors are pleased to present their report together with the consolidated financial statements of Nishat Mills Limited ("the Holding Company") and its Subsidiary Companies (together referred to as Group) for the year ended 30 June 2014. The consolidated results comprise of financial statements of Nishat Mills Limited, Nishat Power Limited, Nishat Linen (Private) Limited, Nishat Hospitality (Private) Limited, Nishat Spinning (Private) Limited, Nishat USA Inc., Nishat Linen Trading L.L.C, Nishat International FZE and Nishat Global China Company Limited. The Holding Company has annexed its consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Financial Reporting Standards and Companies Ordinance 1984. The Directors' Report, giving a commentary on the performance of Nishat Mills Limited for the year ended 30 June 2014 has been presented separately. It includes a brief description of all the subsidiary companies of the Holding Company.

Clarification to Qualifications in Audit Report

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

Auditors have also informed to the members in their report that un-audited financial statements of Nishat Global China Company Limited ("the Chinese subsidiary"), a wholly owned subsidiary of Nishat International FZE which is a wholly owned subsidiary of Nishat Mills Limited, were included in the consolidated financial statements of the Company. As per the laws of China, the financial year of companies ends on 31 December, hence, the financial statements of the Chinese Subsidiary will be audited after the end of its financial year on 31 December 2014. Therefore, we have used un-audited financial statements to prepare consolidated financial statements of Nishat Mills Limited and its subsidiary companies for the year ended June 30, 2014..

The auditors' report to the members draws attention to Note 22.6 to the consolidated financial statement which refers to an amount of Rs. 816.041 million (2013: Rs. 816.041 million) relating to capacity purchase price, included in trade debts of Nishat Power Limited (subsidiary of Nishat Mills Limited), not acknowledged by National Transmission and Dispatch Company Limited (NTDCL) on the grounds that the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to nonpayment by NTDCL, therefore, management believes that company cannot be penalized in the form of payment deductions due to NTDCL's default of making timely payments under the Power Purchase Agreement (PPA). Hence, the company had taken up this issue at appropriate forums i.e. referring this matter to the expert as per dispute resolution mechanism envisaged in PPA and proceedings are underway. Based on the advice of the company's legal counsel, management feels that there are meritorious grounds to support the company's stance and such amounts are likely to be recovered. Consequently, no provision for the above mentioned amount has been made in these consolidated financial statements.

For and on behalf of the Board of Directors

Um mansha

Mian Umer Mansha
Chief Executive Officer

23 September 2014
Lahore

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Nishat Mills Limited (the Holding Company) and its Subsidiary Companies (together referred to as Group) as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Nishat Mills Limited, Nishat Linen (Private) Limited and Nishat Spinning (Private) Limited. The financial statements of the Subsidiary Companies, Nishat Power Limited, Nishat Hospitality (Private) Limited, Nishat Linen Trading LLC and Nishat International FZE were audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements of Nishat USA, Inc. (Subsidiary Company) for the year ended 30 June 2014 and financial statements of Nishat Global China Company Limited [wholly owned subsidiary of Nishat International FZE (Subsidiary Company)] for the period from 25 November 2013 to 30 June 2014 were un-audited. Hence, total assets and total liabilities of Rupees 66,074,747 and Rupees 45,832,355 respectively as at 30 June 2014 and net loss of Rupees 148,455 for the year / period ended 30 June 2014 pertaining to the aforesaid Companies have been incorporated in these consolidated financial statements by the management using un-audited financial statements.

In our opinion, except for any adjustments that may have been required due to the un-audited figures in respect of Nishat USA, Inc. and Nishat Global China Company Limited as referred to in above paragraph of the report, the consolidated financial statements present fairly the financial position of Nishat Mills Limited and its Subsidiary Companies as at 30 June 2014 and the results of their operations for the year then ended.

The auditors of Nishat Power Limited (Subsidiary Company) have drawn attention to Note 22.6 to the consolidated financial statements, which describe the matter regarding recoverability of certain trade debts. Their opinion is not qualified in respect of this matter.

Riaz Ahmad & Company
Chartered Accountants

Name of engagement partner:
Muhammad Atif Mirza

23 September 2014
Lahore

Consolidated Balance Sheet
As at June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
1,100,000,000 (2013: 1,100,000,000) ordinary shares of Rupees 10 each		11,000,000	11,000,000
Issued, subscribed and paid-up share capital	3	3,515,999	3,515,999
Reserves	4	79,822,306	65,072,841
Equity attributable to equity holders of the Holding Company		83,338,305	68,588,840
Non-controlling interest		5,073,073	4,511,212
Total equity		88,411,378	73,100,052
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	16,118,393	13,893,405
Liabilities against assets subject to finance lease	6	–	66,322
Long term security deposits	7	145,483	74,950
Retirement benefit obligation		4,087	1,846
Deferred income tax liability	8	435,748	500,188
		16,703,711	14,536,711
CURRENT LIABILITIES			
Trade and other payables	9	6,809,030	5,616,917
Accrued mark-up	10	695,880	779,822
Short term borrowings	11	17,510,155	14,397,313
Current portion of non-current liabilities	12	2,721,375	2,278,504
Provision for taxation		843,728	815,722
		28,580,168	23,888,278
TOTAL LIABILITIES		45,283,879	38,424,989
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		133,695,257	111,525,041

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

Chief Executive Officer

	Note	2014	2013
		(Rupees in thousand)	
			(Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	37,861,875	30,221,252
Investment properties	15	386,748	394,745
Intangible assets	16	18,571	–
Long term investments	17	52,252,042	41,418,080
Long term loans	18	104,428	85,659
Long term deposits	19	77,770	60,655
		90,701,434	72,180,391
CURRENT ASSETS			
Stores, spare parts and loose tools	20	1,881,375	1,795,201
Stock in trade	21	16,029,817	12,808,140
Trade debts	22	13,816,667	12,020,528
Loans and advances	23	1,964,922	1,527,570
Short term deposits and prepayments	24	116,500	85,603
Other receivables	25	1,843,044	1,265,896
Accrued interest	26	5,431	9,302
Short term investments	27	3,227,560	4,362,879
Cash and bank balances	28	4,108,507	5,202,124
		42,993,823	39,077,243
Non-current asset held for sale	29	–	267,407
		42,993,823	39,344,650
TOTAL ASSETS		133,695,257	111,525,041

Director

Consolidated Profit and Loss Account

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
SALES	30	87,081,878	80,201,133
COST OF SALES	31	(72,790,722)	(65,120,933)
GROSS PROFIT		14,291,156	15,080,200
DISTRIBUTION COST	32	(3,779,264)	(3,232,669)
ADMINISTRATIVE EXPENSES	33	(1,408,929)	(1,057,351)
OTHER EXPENSES	34	(372,599)	(573,328)
		(5,560,792)	(4,863,348)
		8,730,364	10,216,852
OTHER INCOME	35	1,547,955	1,465,592
PROFIT FROM OPERATIONS		10,278,319	11,682,444
FINANCE COST	36	(3,241,464)	(3,858,563)
		7,036,855	7,823,881
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	17.3	2,120,006	2,607,488
PROFIT BEFORE TAXATION		9,156,861	10,431,369
TAXATION	37	(507,955)	(555,921)
PROFIT AFTER TAXATION		8,648,906	9,875,448
SHARE OF PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF HOLDING COMPANY		7,219,768	8,533,409
NON-CONTROLLING INTEREST		1,429,138	1,342,039
		8,648,906	9,875,448
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	38	20.53	24.27

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

Chief Executive Officer **Director**

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2014

	2014	2013
	(Rupees in thousand)	
PROFIT AFTER TAXATION	8,648,906	9,875,448
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	–	–
Items that may be reclassified subsequently to profit or loss:		
Surplus arising on remeasurement of available for sale investments	6,132,098	8,576,151
Reclassification adjustment for gains included in profit or loss	(6,912)	–
Share of other comprehensive income of associates	2,783,480	3,208,999
Exchange differences on translating foreign operations	(3,989)	(13,517)
Deferred income tax relating to surplus on available for sale investment	31,419	(189,110)
Other comprehensive income for the year - net of tax	8,936,096	11,582,523
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17,585,002	21,457,971
SHARE OF TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
EQUITY HOLDERS OF HOLDING COMPANY	16,155,864	20,115,932
NON-CONTROLLING INTEREST	1,429,138	1,342,039
	17,585,002	21,457,971

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

Chief Executive Officer

Director

Consolidated Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	6,851,598	14,410,723
Finance cost paid		(3,325,406)	(3,987,606)
Income tax paid		(969,250)	(808,597)
Long term security deposits received		70,533	63,950
Exchange gain on forward exchange contracts received		102,161	31,329
Net increase in retirement benefit obligation		2,241	1,116
Net increase in long term loans		(27,740)	(45,903)
Net increase in long term deposits		(17,115)	(16,780)
Net cash generated from operating activities		2,687,022	9,648,232
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		250,663	249,513
Proceeds from sale of investment		910,297	–
Proceeds from sale of non-current asset held for sale		267,407	–
Dividends received		2,044,683	1,865,073
Investments made		(512,490)	(1,200,000)
Interest received		53,863	172,780
Capital expenditure on property, plant and equipment		(10,537,072)	(3,655,821)
Net cash used in investing activities		(7,522,649)	(2,568,455)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		5,842,759	1,842,352
Repayment of long term financing		(3,170,998)	(2,677,005)
Repayment of liabilities against assets subject to finance lease		(70,224)	(65,710)
Exchange differences on translation of net investments in foreign subsidiaries		(3,989)	(13,517)
Short term borrowings - net		3,112,842	(1,892,216)
Dividend paid		(1,968,380)	(1,572,223)
Net cash from / (used in) financing activities		3,742,010	(4,378,319)
Net (decrease) / increase in cash and cash equivalents		(1,093,617)	2,701,458
Cash and cash equivalents at the beginning of the year		5,202,124	2,500,666
Cash and cash equivalents at the end of the year		4,108,507	5,202,124

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

Chief Executive Officer

Director

Consolidated Statement of Changes in Equity

For the year ended June 30, 2014

	Attributable to equity holders of the holding company												
	Share capital	Capital reserves					Revenue reserves			Total reserves	Shareholders' equity	Non-controlling interest	Total equity
		Premium on issue of right shares	Fair value reserve	Exchange translation reserve	Capital redemption reserve fund	Sub total	General reserve	Unappropriated profit	Sub total				
	(Rupees in thousand)												
Balance as at 30 June 2012	3,515,999	5,499,530	5,287,298	3,490	111,002	10,901,320	30,904,882	4,381,306	35,286,188	46,187,508	49,703,507	3,516,083	53,219,590
Transaction with owners - Final dividend for the year ended 30 June 2012 @ Rupees 3.50 per share	-	-	-	-	-	-	-	(1,230,599)	(1,230,599)	(1,230,599)	(1,230,599)	-	(1,230,599)
Transferred to general reserve	-	-	-	-	-	-	3,005,000	(3,005,000)	-	-	-	-	-
Transaction with owners - Dividend relating to 2012 paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(346,910)	(346,910)
Profit for the year	-	-	-	-	-	-	-	8,533,409	8,533,409	8,533,409	8,533,409	1,342,039	9,875,448
Other comprehensive income for the year	-	-	11,596,040	(13,517)	-	11,582,523	-	-	-	11,582,523	11,582,523	-	11,582,523
Total comprehensive income for the year	-	-	11,596,040	(13,517)	-	11,582,523	-	8,533,409	8,533,409	20,115,932	20,115,932	1,342,039	21,457,971
Balance as at 30 June 2013	3,515,999	5,499,530	16,883,338	(10,027)	111,002	22,483,843	33,909,882	8,679,116	42,588,998	65,072,841	68,588,840	4,511,212	73,100,052
Transaction with owners - Final dividend for the year ended 30 June 2013 @ Rupees 4.00 per share	-	-	-	-	-	-	-	(1,406,399)	(1,406,399)	(1,406,399)	(1,406,399)	-	(1,406,399)
Transferred to general reserve	-	-	-	-	-	-	7,127,000	(7,127,000)	-	-	-	-	-
Transaction with owners - Dividend relating to 2013 paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(867,277)	(867,277)
Profit for the year	-	-	-	-	-	-	-	7,219,768	7,219,768	7,219,768	7,219,768	1,429,138	8,648,906
Other comprehensive income for the year	-	-	8,940,085	(3,989)	-	8,936,096	-	-	-	8,936,096	8,936,096	-	8,936,096
Total comprehensive income for the year	-	-	8,940,085	(3,989)	-	8,936,096	-	7,219,768	7,219,768	16,155,864	16,155,864	1,429,138	17,585,002
Balance as at 30 June 2014	3,515,999	5,499,530	25,823,423	(14,016)	111,002	31,419,939	41,036,882	7,365,485	48,402,367	79,822,306	83,338,305	5,073,073	88,411,378

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

Chief Executive Officer

Director

1 THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

- Nishat Mills Limited

Subsidiary Companies

- Nishat Power Limited
- Nishat Linen (Private) Limited
- Nishat Hospitality (Private) Limited
- Nishat Spinning (Private) Limited
- Nishat USA, Inc.
- Nishat Linen Trading LLC
- Nishat International FZE
- Nishat Global China Company Limited

NISHAT MILLS LIMITED

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

NISHAT POWER LIMITED

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

NISHAT LINEN (PRIVATE) LIMITED

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

NISHAT HOSPITALITY (PRIVATE) LIMITED

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

NISHAT SPINNING (PRIVATE) LIMITED

Nishat Spinning (Private) Limited is a private limited Company incorporated in Pakistan on 20 February 2014 under the Companies Ordinance, 1984. It is a wholly owned subsidiary of Nishat Mills Limited. Its registered office is situated at 53-A, Lawrence Road, Lahore. The principal objects of the Company are to operate retail outlets for sale of textile and other products and to manufacture and sale the textile products by processing the textile goods in own or outside manufacturing facilities.

NISHAT USA, INC.

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

NISHAT LINEN TRADING LLC

Nishat Linen Trading LLC is a limited liability company formed in pursuance to statutory provisions of the United Arab Emirates (UAE) Federal Law No. (8) of 1984 as amended and registered with the Department of Economic Development, Government of Dubai. Nishat Linen Trading LLC is a subsidiary of Nishat Mills Limited as Nishat Mills Limited, through the powers given to it under Article 11 of the Memorandum of Association, exercise full control on the management of Nishat Linen Trading LLC. Date of incorporation of the Company was 29 December 2010. The registered office of Nishat Linen Trading LLC is situated at P.O. Box 28189 Dubai, UAE. The principal business of the Company is to operate retail outlets in UAE for sale of textile and related products.

NISHAT INTERNATIONAL FZE

Nishat International FZE is incorporated as free zone establishment with limited liability in accordance with the Law No. 9 of 1992 and licensed by the Registrar of Jebel Ali Free Zone Authority. Nishat International FZE is a wholly owned subsidiary of Nishat Mills Limited. Date of incorporation of the Company was 07 February 2013. The registered office of Nishat International FZE is situated at P.O. Box 114622, Jebel Ali Free Zone, Dubai. The principal business of the Company is trading in textile and related products.

NISHAT GLOBAL CHINA COMPANY LIMITED

Nishat Global China Company Limited is a company incorporated in People's Republic of China on 25 November 2013. It is a wholly owned subsidiary of Nishat International FZE which is a wholly owned subsidiary of Nishat Mills Limited. The primary function of Nishat Global China Company Limited is to competitively source products for the retail outlets operated by Group companies in Pakistan and the UAE.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Financial instruments

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

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Taxation

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

Provision for doubtful debts

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

Impairment of investments in equity method accounted for associated companies

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

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

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

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

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

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

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

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

Following standard, interpretation and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2014 or later periods:

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

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) '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.

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

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

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

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

SECP through SRO 24(I)/2012 dated 16 January 2012, has exempted the application of International Financial Reporting Interpretations Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 on the results of the companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with IAS 17 'Leases'.

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

	2014	2013
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(13,168,838)	(13,763,592)
Recognition of lease debtor	13,645,903	14,595,393
Increase in un-appropriated profit at the beginning of the year	831,800	556,894
(Decrease) / increase in profit for the year	(354,735)	274,906
Increase in un-appropriated profit at the end of the year	477,065	831,800

2.2 Consolidation

a) Subsidiaries

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

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

Intragroup balances and transactions have been eliminated.

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

b) Associates

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

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

c) Translation of the financial statements of foreign subsidiary

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

2.3 Employee benefit

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

2.4 Taxation

Current

Holding Company

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

Subsidiary Companies

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

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

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

Deferred

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

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

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

2.5 Goodwill

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

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

2.6 Foreign currencies

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

2.7 Property, plant, equipment and depreciation

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated profit and loss account during the period in which they are incurred. Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

Amendment to IAS 16 'Property, Plant and Equipment' which clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. This amendment is effective for periods beginning on or after 01 January 2013. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, change in accounting policy has been applied retrospectively to all prior periods presented. The effect of the change is as follows:

Effect on consolidated balance sheet:

Reclassification from	Reclassification to	2013 (Rupees in thousand)
Stores, spare parts and loose tools	Property, plant and equipment	20,160

Effect on consolidated profit or loss and earnings per share:

The restatement has no impact on consolidated profit or loss and earnings per share of the Group.

Effect on cash flows in 2013	**2013 (Rupees in thousand)**
The impact of this change on consolidated cash flows of the Group is as follows:	
- Decrease in capital expenditure cash outflow	4,764
- Decrease in working capital cash inflow	4,764

As there is no material effect on the information in the consolidated balance sheet at the beginning of the earliest period presented, the Group has not presented that balance sheet.

Leased

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

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

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

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

Depreciation

Depreciation on property, plant and equipment is charged to consolidated profit and loss account applying the reducing balance method, except in case of Nishat Power Limited – Subsidiary Company, where this accounting estimate is based on straight line method, so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 14.1. The depreciation is charged on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

De-recognition

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

2.8 Investment properties

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

2.9 Intangible assets

Amortization on additions to intangible assets is charged from the date when the asset is acquired or capitalized upto the date when the asset is de-recognized.

2.10 Leases

Operating leases

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

2.11 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.

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

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

a) Investment at fair value through profit or loss

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

b) **Held-to-maturity**

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

c) **Available-for-sale**

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

Quoted

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

Unquoted

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

2.12 **Inventories**

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.13 Trade and other receivables

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

2.14 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.15 Borrowings

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

2.16 Borrowing cost

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

2.17 Share capital

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

2.18 Trade and other payables

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

2.19 Revenue recognition

Revenue from different sources is recognized as under:

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

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

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

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

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

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

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

2.20 Financial instruments

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

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

2.21 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.

2.22 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

2.23 Derivative financial instruments

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

2.24 Off setting

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

2.25 Cash and cash equivalents

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

2.26 Segment reporting

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

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

The Group has six reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres), Weaving (Producing different quality of greige fabric using yarn), Processing and Home Textile (Processing greige fabric for production of printed and dyed fabric and manufacturing of home textile articles), Garments (Manufacturing garments using processed fabric), Power Generation (Generating, transmitting and distributing power) and Hotel (Business of hotel and allied services).

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

2.27 Dividend and other appropriations

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

3 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in thousand)	
256,772,316	256,772,316	Ordinary shares of Rupees 10 each fully paid up in cash	2,567,723	2,567,723
2,804,079	2,804,079	Ordinary shares of Rupees 10 each issued to shareholders of Nishat Apparel Limited under the Scheme of Amalgamation	28,041	28,041
37,252,280	37,252,280	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash	372,523	372,523
54,771,173	54,771,173	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	547,712	547,712
351,599,848	351,599,848		3,515,999	3,515,999

	2014	2013
	(Number of shares)	
3.1 Ordinary shares of the Holding Company held by the associated companies:		
D.G. Khan Cement Company Limited	30,289,501	30,289,501
Adamjee Insurance Company Limited	1,258,650	1,258,650
MCB Bank Limited	227	227
	31,548,378	31,548,378

4 RESERVES

	Note	2014	2013
		(Rupees in thousand)	
Composition of reserves is as follows:			
Capital			
Premium on issue of right shares		5,499,530	5,499,530
Fair value reserve - net of deferred tax	4.1	25,823,423	16,883,338
Exchange translation reserve		(14,016)	(10,027)
Capital redemption reserve fund		111,002	111,002
		31,419,939	22,483,843
Revenue			
General		41,036,882	33,909,882
Unappropriated profit		7,365,485	8,679,116
		48,402,367	42,588,998
		79,822,306	65,072,841

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

	2014	2013
Balance as on 01 July	17,382,753	5,597,603
Fair value adjustment during the year	6,132,098	8,576,151
Reclassification adjustment for gains included in profit or loss	(6,912)	–
Share of fair value reserve of associates	2,783,480	3,208,999
	26,291,419	17,382,753
Less: Deferred tax liability on unquoted equity investment	(467,996)	(499,415)
Balance as on 30 June	25,823,423	16,883,338

	Note	2014	2013
		(Rupees in thousand)	
5 LONG TERM FINANCING			
From banking companies - secured			
Long term loans	5.1	14,934,729	15,397,337
Long term musharika	5.2	3,832,491	700,000
Motor vehicles' loans	5.3 and 5.4	6,180	4,302
		18,773,400	16,101,639
Less: Current portion shown under current liabilities	12	2,655,007	2,208,234
		16,118,393	13,893,405

5.1 Long term loans

Lender	2014	2013	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
Nishat Mills Limited - Holding Company							
Allied Bank Limited:							
Refinanced by SBP under scheme of LTFF	610,796	147,450	SBP rate for LTFF + 0.50%	Two hundred and sixteen unequal instalments commenced on 27 June 2014 and ending on 26 May 2021.	-	Quarterly	First pari passu hypothecation charge of Rupees 1,333.33 million over all present and future plant, machinery and equipment of the Company (excluding plant and machinery in respect of which the Company has already created exclusive charges in the favour of its existing creditors).
Loan provided by the bank from own sources	385,454	54,891	3 Month offer KIBOR + 0.50%	Twenty four equal quarterly instalments commencing on 24 August 2014 and ending on 24 May 2020.	Quarterly	Quarterly	
	996,250	202,341					
Saudi Pak Industrial & Agricultural Investment Company Limited	-	37,500	SBP rate for LTF - EOP + 2%	Sixteen equal quarterly instalments commenced on 30 April 2010 and ended on 31 January 2014.	-	Quarterly	Exclusive hypothecation charge on specific plant and machinery for an amount of Rupees 267 million.
Saudi Pak Industrial & Agricultural Investment Company Limited	180,434	231,986	SBP rate for LTFF + 2.50%	Twenty two equal quarterly instalments commenced on 05 July 2012 and ending on 05 October 2017.	-	Quarterly	First pari passu hypothecation charge with 25% margin over all present and future plant and machinery of the Company (net of exclusive hypothecation charge on specific plant and machinery).
Bank Alfalah Limited:							
Loan provided by the bank from own sources	896,979	235,708	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly instalments commencing on 17 August 2014 and ending on 17 May 2018.	Quarterly	Quarterly	First pari passu charge of Rupees 1,334 million on all present and future plant and machinery (excluding plant and machinery in respect of which the Company has already created exclusive charges in the favour of existing creditors).
Refinanced by SBP under scheme of LTFF	103,021	-	SBP rate for LTFF + 0.50%	Sixteen equal quarterly instalments commencing on 17 August 2014 and ending on 17 May 2018.	-	Quarterly	
	1,000,000	235,708					
Habib Bank Limited:							
Refinanced by SBP under scheme of LTFF	-	17,449	SBP rate for LTFF + 2.50%	Eight equal half yearly instalments commenced on 09 May 2010 and ended on 08 November 2013.	-	Quarterly	First pari passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
Loan provided by the bank from own sources	500,000	500,000	3 Month offer KIBOR + 0.50%	Two equal semi annual instalments commencing on 28 August 2014 and ending on 28 February 2015.	Quarterly	Quarterly	
	500,000	517,449					
The Bank of Punjab	388,888	500,000	3 Month offer KIBOR + 0.50%	Eighteen equal quarterly instalments commenced on 18 September 2013 and ending on 18 December 2017.	Quarterly	Quarterly	First pari passu charge of Rupees 666.667 million over all present and future fixed assets of the Company excluding land and building.
The Bank of Punjab	216,083	339,559	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly instalments commenced on 04 April 2012 and ending on 04 January 2016.	Quarterly	Quarterly	First pari passu charge of Rupees 666.667 million on all present and future fixed assets of the Company excluding land and building.
Pak Brunei Investment Company Limited	177,782	200,000	SBP rate for LTFF + 1.60%	Eighteen equal quarterly instalments commenced on 20 February 2014 and ending on 20 May 2018.	-	Quarterly	First pari passu hypothecation charge of Rupees 266.667 million over all present and future plant and machinery of the Company with 25% margin.
Pak Brunei Investment Company Limited	117,615	156,819	SBP rate for LTFF + 2.25%	Twelve half yearly instalments commenced on 19 July 2011 and ending on 19 January 2017.	-	Quarterly	First pari passu charge of Rupees 323 million over all the present and future plant and machinery of the Company excluding those assets (part of the plant and machinery) on which the Company has created exclusive charges.

Lender	2014	2013	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
Askari Bank Limited	-	14,439	SBP rate for LTF - EOP + 2%	Ninety unequal instalments commenced on 17 January 2008 and ended on 01 November 2013.	-	Quarterly	First pari passu exclusive charge of Rupees 213.33 million on all present and future fixed assets of the Company.
Samba Bank Limited:							
Loan provided by the bank from own sources	-	166,667	3 Month offer KIBOR + 0.50%	Six equal quarterly instalments commenced on 31 March 2013 and ended on 30 June 2014.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 667 million with 25% margin on all present and future plant and machinery of the Company (excluding land and building and any other fixed assets under exclusive charge of any other bank).
Refinanced by SBP under scheme of LTFF	19,680	39,359	SBP rate for LTFF + 2.50%	Eight equal half yearly instalments commenced on 27 July 2011 and ending on 27 January 2015.	-	Quarterly	
	19,680	206,026					
Silk Bank Limited	12,774	44,707	SBP rate for LTFF + 2.50%	Sixteen equal quarterly instalments commenced on 30 March 2011 and ending on 30 December 2014.	-	Quarterly	First pari passu charge of Rupees 135 million on plant and machinery of the Company (excluding those assets on which the Company has provided first exclusive charge to its various lenders).
Faysal Bank Limited	100,225	228,070	SBP rate for LTFF + 1.50%	Seventy eight unequal instalments commenced on 29 September 2012 and ending on 17 June 2016.	-	Quarterly	First joint pari passu charge of Rupees 400 million on all present and future plant and machinery of the Company (excluding those on which charge has already been created).
Standard Chartered Bank (Pakistan) Limited	75,000	176,670	SBP rate for LTFF + 1.50%	Twenty two unequal quarterly instalments commenced on 12 September 2012 and ending on 12 June 2016.	-	Quarterly	First pari passu charge of Rupees 334 million on all present and future plant and machinery of the Company.
Pak Oman Investment Company Limited	-	182,635	SBP rate for LTFF + 1.75%	Twelve unequal instalments commenced on 24 February 2013 and ended on 02 December 2013.	-	Quarterly	First pari passu hypothecation charge of Rupees 267 million over all the present and future plant and machinery of the Company.
Citi Bank N.A.	-	350,000	3 Month offer KIBOR + 1.00%	Four unequal instalments commenced on 08 March 2013 and ended on 09 September 2013.	Quarterly	Quarterly	First ranking pari passu charge of Rupees 1,333.33 million over all present and future plant and machinery of the Company (excluding machinery over which exclusive charges already exist in favour of other creditors).
Allied Bank Limited	43,366	-	SBP rate for LTFF + 0.50%	Sixteen equal quarterly instalments commencing on 26 September 2015 and ending on 26 June 2019.	-	Quarterly	Ranking charge of Rupees 400 million on all present and future plant and machinery of the Company with 25% margin (to be upgraded to first pari passu charge within 90 days of first disbursement of the loan).
Bank Alfalah Limited	300,000	-	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly instalments commencing on 17 July 2015 and ending on 17 April 2019.	Quarterly	Quarterly	Ranking charge of Rupees 400 million on all present and future plant and machinery of the Company with 25% margin (to be upgraded to first pari passu charge within 120 days from disbursement date).
	4,128,097	3,623,909					
Nishat Power Limited - Subsidiary Company							
Consortium of banks (Note 5.1.1)	10,806,632	11,773,428	3 Month KIBOR + 3.00%	Twenty nine quarterly instalments ending on 01 July 2020.	Quarterly	Quarterly	First joint pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all properties of Nishat Power Limited - Subsidiary Company (excluding the mortgaged immovable property), lien over project bank accounts and pledge of shares of the Holding Company in Nishat Power Limited.
	10,806,632	11,773,428					
	14,934,729	15,397,337					

5.1.1 This represents long term financing obtained by Nishat Power Limited - Subsidiary Company from a consortium of five banks led by Habib Bank Limited (agent bank) and includes National Bank of Pakistan, Allied Bank Limited, United Bank Limited and Faysal Bank Limited. The portion of long term financing from Faysal Bank Limited is on murabaha basis. The effective mark-up rate charged during the year ranges from 12.31% to 14.99% (2013: 14.91% to 16.53%) per annum.

Lender	2014	2013	Rate of Interest Per Annum	Number of Installments	Interest Repricing	Interest Payable	Security
	(Rupees in thousand)						
5.2 Long term musharika - Nishat Mills Limited - Holding Company							
Standard Chartered Bank (Pakistan) Limited	–	156,250	3 Month offer KIBOR + 0.60%	Seven unequal quarterly instalments commenced on 16 October 2011 and ended on 21 October 2013.	Quarterly	Quarterly	Registered first charge amounting to Rupees 667 million on specific fixed assets of the Company.
Meezan Bank Limited	187,500	262,500	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly instalments commenced on 14 March 2013 and ending on 14 December 2016.	Quarterly	Quarterly	First exclusive charge of Rupees 400 million over specific plant and machinery of the Company.
Burj Bank Limited	–	281,250	3 Month offer KIBOR + 0.75%	Six unequal instalments commenced on 30 March 2013 and ended on 27 June 2014.	Quarterly	Quarterly	First exclusive hypothecation charge of Rupees 400 million over all the present and future plant and machinery of the Company.
Dubai Islamic Bank Pakistan Limited	800,000	-	3 Month offer KIBOR + 0.40%	Fourteen equal quarterly instalments commencing on 03 June 2015 and ending on 03 September 2018.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 1,066.66 million on all present and future fixed assets (excluding land and building) of the Company including but not limited to plant and machinery, furniture and fixtures, accessories etc. (excluding plant and machinery in respect of which the Company has already created exclusive charges in favour of existing charge holders).
Habib Bank Limited	999,991	–	3 Month offer KIBOR + 0.35%	Forty two unequal quarterly instalments commencing on 28 August 2015 and ending on 04 May 2019.	Quarterly	Quarterly	First pari passu hypothecation charge of Rupees 2,000 million on plant and machinery of the Company excluding specific and exclusive charges.
Meezan Bank Limited	400,000	-	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly instalments commencing on 17 June 2015 and ending on 17 March 2019.	Quarterly	Quarterly	Ranking charge of Rupees 533.33 million over specific assets of the Company with 25% margin (to be upgraded to exclusives charge on specific plant and machinery within 120 days from date of first drawdown).
Meezan Bank Limited	445,000	–	3 Month offer KIBOR + 0.50%	Sixteen equal quarterly instalments commencing on 17 July 2015 and ending on 17 April 2019.	Quarterly	Quarterly	Ranking charge of Rupees 733.33 million over specific assets of the Company with 25% margin (to be upgraded to exclusives charge on specific plant and machinery within 120 days from date of first drawdown).
Standard Chartered Bank (Pakistan) Limited	1,000,000	–	3 Month offer KIBOR + 0.20%	Sixteen equal quarterly instalments commencing on 27 September 2015 and ending on 27 June 2019.	Quarterly	Quarterly	Specific charge of Rupees 1,334 million over fixed assets of the Company inclusive of 25% margin.
	3,832,491	700,000					

5.3 Loan obtained by Nishat Linen Trading LLC - Subsidiary Company from a bank for purchase of a vehicle at an interest rate of 8.72% per annum repayable in 60 monthly instalments. The loan is secured against an undated cheque of AED 101,351.

5.4 Loan obtained by Nishat International FZE - Subsidiary Company from a bank for purchase of a vehicle at an interest rate of 6.57% per annum repayable in 48 monthly instalments. The loan is secured against an undated cheque of AED 106,704.

	Note	2014	2013
		(Rupees in thousand)	
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Future minimum lease payments		70,686	152,545
Less: Un-amortized finance charge		4,318	15,953
Present value of future minimum lease payments		66,368	136,592
Less: Current portion shown under current liabilities	12	66,368	70,270
		–	66,322

6.1 This represents sale and leaseback arrangement between the Holding Company and Pak Kuwait Investment Company (Private) Limited. According to the lease agreement, leasing company has contributed Rupees 150.047 million from its own sources and the remaining amount of Rupees 149.953 million has been financed under Long Term Finance Facility (LTFF) scheme of State Bank of Pakistan. Minimum lease payments have been discounted using implicit interest rate ranging from 9.70% to 12.15% (2013: 9.70% to 14.06%) per annum. Balance rentals are payable in quarterly instalments. Taxes, repairs and insurance costs are borne by the Holding Company. These are secured against the leased assets and demand promissory notes.

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

	2014		2013	
	Not later than one year	Later than one year and not later than five years	Not Later than one year	Later than one year and not later than five years
	(Rupees in thousand)			
Future minimum lease payments	70,686	–	82,118	70,427
Less: Un-amortized finance charge	4,318	–	11,848	4,105
Present value of future minimum lease payments	66,368	–	70,270	66,322

7 LONG TERM SECURITY DEPOSIT

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

	Note	2014	2013
		(Rupees in thousand)	
8 DEFERRED INCOME TAX LIABILITY			
The liability for deferred taxation originated due to temporary difference relating to:			
Taxable temporary difference on:			
Unquoted equity investment		467,996	499,415
Accelerated tax depreciation	8.2	144,288	773
		612,284	500,188
Deductible temporary difference on:			
Turnover tax carried forward	8.2	(16,212)	–
Unabsorbed tax losses and tax credits	8.3	(160,324)	–
		(176,536)	–
		435,748	500,188

8.1 Provision for deferred tax on other temporary differences of the Holding Company was not considered necessary as it is chargeable to tax under section 169 of the Income Tax Ordinance, 2001. Temporary differences of Nishat Power Limited - Subsidiary Company are not expected to reverse in the foreseeable future due to the fact that the profits and gains derived from electric power generation are exempt from tax. Deferred tax assets of Rupees 20.822 million and Rupees 2.300 million relating Nishat Hospitality (Private) Limited and Nishat Linen (Private) Limited - Subsidiary Companies respectively have not been recognized as sufficient tax profits would not be available to set these off in foreseeable future.

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

8.3 These relate to Nishat Hospitality (Private) Limited - Subsidiary Company.

		Note	2014	2013
			(Rupees in thousand)	
9	**TRADE AND OTHER PAYABLES**			
	Creditors	9.1	4,514,474	3,848,879
	Accrued liabilities	9.2	664,220	549,919
	Advances from customers		368,427	293,578
	Securities from contractors - Interest free and repayable on completion of contracts		11,078	10,498
	Retention money payable		75,128	16,389
	Income tax deducted at source		24,482	2,003
	Sales tax payable		–	6,044
	Dividend payable		355,596	50,300
	Payable to employees provident fund trust		9,182	17,193
	Fair value of forward exchange contracts		–	1,639
	Workers' profit participation fund	9.3	462,259	507,279
	Workers' welfare fund		324,184	313,196
			6,809,030	5,616,917

9.1 This includes amounts due to following related parties:

	2014	2013
D.G. Khan Cement Company Limited - associated company	11,019	3,046
Security General Insurance Company Limited - associated company	8,009	6,205
Adamjee Insurance Company Limited - associated company	31,498	29,474
Nishat (Chunian) Limited - related party	22,089	11
Nishat (Aziz Avenue) Hotels and Properties Limited - associated company	3,115	–
	75,730	38,736

9.2 This includes an amount of Rupees Nil (2013: Rupees 3.115 million) due to Nishat Hotels and Properties Limited - associated company.

9.3 Workers' profit participation fund

	Note	2014	2013
Balance as on 01 July		507,280	327,699
Add: Provision for the year		455,947	472,519
Interest for the year	36	4,426	6,332
		967,653	806,550
Less: Payments during the year		505,394	299,271
		462,259	507,279

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

		2014	2013
10	**ACCRUED MARK-UP**		
	Long term financing	494,830	448,809
	Short term borrowings	201,050	331,013
		695,880	779,822

		Note	2014	2013
			(Rupees in thousand)	
11	SHORT TERM BORROWINGS			
	From banking companies - secured			
	Nishat Mills Limited - Holding Company			
	Short term running finances	11.1 and 11.2	651	120,363
	State Bank of Pakistan (SBP) refinance	11.1 and 11.3	8,452,635	11,141,635
	Other short term finances	11.1 and 11.4	5,363,825	–
	Temporary bank overdrafts	11.1 and 11.2	651,013	677,030
			14,468,124	11,939,028
	Nishat Power Limited - Subsidiary Company			
	Short term running finances	11.5	210,027	158,282
	Short term finances	11.6	2,832,004	2,300,003
			3,042,031	2,458,285
			17,510,155	14,397,313

11.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, other instruments and ranking hypothecation charge on plant and machinery and pledge of cotton of the Holding Company. These form part of total credit facility of Rupees 29,221 million (2013: Rupees 31,404 million).

11.2 The rates of mark-up range from 9.45% to 12.25% (2013: 9.77% to 13.95%) per annum on the balance outstanding.

11.3 The rates of mark up range from 8.70% to 8.90% (2013: 8.70% to 10.55%) per annum on the balance outstanding.

11.4 The rates of mark up range from 0.64% to 2.90% (2013: Nil) per annum on the balance outstanding.

11.5 Short term running finance facilities available from a consortium of commercial banks under mark up arrangements amount to Rupees 4,217.88 million (2013: Rupees 3,672.88 million) at mark-up rates ranging from three months KIBOR plus 0.75% to 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against charge on present or future energy purchase price receivables, 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 9.78% to 12.18% (2013: 10.78% to 13.99%) per annum.

11.6 This represents murabaha and term finance facilities aggregating Rupees 4,250 million (2013: Rupees 3,850 million) under mark up arrangements from commercial banks at mark-up rates ranging from three to six months KIBOR plus 0.5% to 2% per annum, to finance the procurement of multiple oils from the fuel suppliers. Mark up is payable at the maturity of the respective murabaha transaction / term finance facility. The aggregate facilities are secured against first pari passu charge on current assets comprising of fuel stocks, inventories and assignment of energy payment receivables from NTDCL. The mark up rate charged during the year on the outstanding balance ranges from 10.06% to 11.61% (2013: 10.74% to 14.04%) per annum.

11.7 Of the aggregate facilities of Rupees 750 million (2013: Rupees 1,345 million) for opening letters of credit and guarantees, the amount utilized at 30 June 2014 was Rupees 279.52 million (2013: Rupees 261.34 million). The aggregate facilities for opening letters of credit and guarantees are secured by charge on current assets including fuel stocks and inventories of the Subsidiary Company and by lien over import documents.

		Note	2014	2013
			(Rupees in thousand)	
12	CURRENT PORTION OF NON-CURRENT LIABILITIES			
	Current portion of long term financing	5	2,655,007	2,208,234
	Current portion of liabilities against assets subject to finance lease	6	66,368	70,270
			2,721,375	2,278,504

13 CONTINGENCIES AND COMMITMENTS

Contingencies

i) Nishat Mills Limited - Holding Company is contingently liable for Rupees 0.631 million (2013: Rupees 0.631 million) on account of central excise duty not acknowledged as debt as the case is pending before Court.

ii) Guarantees of Rupees 765.990 million (2013: Rupees 635.607 million) are given by the banks of the Nishat Mills Limited - Holding Company to Sui Northern Gas Pipelines Limited against gas connections, Shell Pakistan Limited and Pakistan State Oil Limited against purchase of furnace oil, Director Excise and Taxation, Karachi against infrastructure cess and Pakistan Army against fulfilment of sales order and Punjab Power Development Board for issuance of Letter of Interest to set up an electricity generation facility.

iii) Post dated cheques of Rupees 3,548.838 million (2013: Rupees 1,816.775 million) are issued by the Nishat Mills Limited - Holding Company to customs authorities in respect of duties on imported items availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

iv) The Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of SRO 450(1)/2013 dated 27 May 2013 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 490(1)/2004 dated 12 June 2004 claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Holding Company and has allowed the Holding Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Holding Company has claimed input sales tax amounting to Rupees 45.150 million paid on such goods in its respective monthly sales tax returns.

v) Holding Company's share in contingencies of associated companies' accounted for under equity method is Rupees 3,786 million (2013: Rupees 1,929 million).

vi) National Electric Power Regulatory Authority (NEPRA) issued an order dated 8 February 2013 to Nishat Power Limited - Subsidiary Company through which it raised a demand of Rupees 290.423 million payable by the Subsidiary Company to National Transmission and Dispatch Company Limited (NTDCL) for the period upto 30 June 2011 in respect of Calorific Value ('CV') adjustment on fuel consumed for power generation as per the terms of the Power Purchase Agreement (PPA) and various CV adjustment mechanisms prescribed by NEPRA. The first such CV adjustment mechanism was announced by NEPRA in March 2009 and as per this mechanism, the Subsidiary Company has already made a provision of Rupees 20.332 million in its financial statements for the above CV adjustment. In July 2011, NEPRA revised its CV adjustment mechanism and directed all Independent Power Producers ('IPPs') to maintain consignment-wise CV record of the fuel received and consumed for power generation. Consequently, the Subsidiary Company started maintaining such CV record after such direction was received from NEPRA.

NEPRA directed the Subsidiary Company to submit consignment-wise record of CV for the period upto 30 June 2011. The Subsidiary Company disputed such direction as it was not required to maintain consignment-wise record prior to July 2011. However, NEPRA computed retrospectively and determined Rupees 290.423 million payable by the Subsidiary Company to NTDCL for the period upto 30 June 2011 in respect of CV adjustment on the basis of the mechanism directed by it in July 2011. The Subsidiary Company filed a Motion for Leave for Review before NEPRA requesting it to reconsider its decision, which was decided against the Subsidiary Company. Consequently, the Subsidiary Company filed a writ petition before the Islamabad High Court against NEPRA's decision on the grounds that change in CV adjustment mechanism in July 2011 cannot be applied retrospectively and credible information is also not available from any source upon which CV adjustment computations can be made. The case is pending adjudication before Islamabad High Court.

Based on the advice of the Subsidiary Company's legal counsel, management of the Subsidiary Company feels that there are meritorious grounds to support the Subsidiary Company's stance and the aforesaid NEPRA's decision is likely to be revoked. Under these circumstances, no provision of the balance amount of Rupees 270.092 million has been made in these consolidated financial statements.

vii) During the current year, a sales tax demand of Rupees 1,218.132 million was raised against Nishat Power Limited- Subsidiary Company through order dated 11 December 2013 by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by the Subsidiary Company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the Subsidiary Company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the Subsidiary Company. Against the aforesaid order, the Subsidiary Company preferred an appeal before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon the Subsidiary Company's other grounds of appeal. Consequently, the Subsidiary Company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the Department also preferred a second appeal before the ATIR against the CIR(A)'s order, which are both pending adjudication.

Furthermore, subsequent to year end, the Deputy Commissioner Inland Revenue ('DCIR') has issued a show cause notice dated 19 August 2014 whereby intentions have been shown to raise a sales tax demand of Rupees 1,722.811 million by disallowing input sales tax claimed by the Subsidiary Company for the tax periods from July 2009 to June 2013 on the abovementioned grounds of the ACIR. Aggrieved by this show cause notice, the Subsidiary Company has filed a writ petition before the Lahore High Court ('LHC'), whereby the LHC through its order dated 2 September 2014 has provided interim relief to the Subsidiary Company to the extent that no final order shall be passed by the DCIR until the next hearing.

Based on the advice of the Subsidiary Company's legal counsel, management of the Subsidiary Company believes that there are meritorious grounds to defend the Subsidiary Company's stance in respect of the abovementioned input sales tax claimed by the Subsidiary Company. Consequently, no provision has been made in these consolidated financial statements.

viii) The bank of Nishat Power Limited - Subsidiary Company has issued an irrevocable standby letter of credit on behalf of Subsidiary Company in favour of Wartsila Pakistan (Private) Limited for Rupees 45 million (2013: Rupees 45 million) as required under the terms of the Operation and Maintenance agreement.

ix) Guarantees of Rupees 3.5 million (2013: Rupees 1.5 million) are given by the banks of Nishat Power Limited - Subsidiary Company to Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.

x) The bank of Nishat Power Limited - Subsidiary Company has issued an irrevocable standby letter of credit on behalf of the Subsidiary Company in favour of fuel suppliers for Rupees 781.357 million (2013: Rupees Nil).

xi) Post dated cheque furnished by Nishat Power Limited - Subsidiary Company in favour of the Collector of Customs to cover import levies against imports aggregating to Rupees 8.220 million (2013: Rupees Nil).

xii) Nishat Hospitality (Private) Limited - Subsidiary Company has issued letter of guarantees of Rupees 1.806 million (2013: Rupees 0.153 million) in favour of Director, Excise and Taxation, Karachi under the order of Sindh High Court in respect of the suit filed for levy of infrastructure cess.

xiii) Post dated cheques furnished by Nishat Hospitality (Private) Limited - Subsidiary Company in favour of the Collector of Customs to cover import levies against imports aggregating to Rupees 2.945 million (2013: Rupees 2.002 million).

xiv) Guarantee of Rupees 1 million (2013: Rupees Nil) is given by the bank of Nishat Linen (Private) Limited - Subsidiary Company to Director Excise and Taxation, Karachi against infrastructure cess.

xv) Sindh Revenue Board (SRB) has demanded payment of Rupees 11.482 million alongwith default surcharge from Nishat Linen (Private) Limited - Subsidiary Company on account of Sindh sales tax withheld on payments for services rendered to the Subsidiary Company by service providers based in Sindh. High Court of Sindh at Karachi has granted protection from any coercive action against the Subsidiary Company by SRB. The Subsidiary Company expects a favourable outcome of the appeal based on strong grounds, hence, no provision against these demands has been made in these consolidated financial statements.

xvi) Commissioner Inland Revenue (CIR) made certain additions to taxable income of Nishat Linen (Private) Limited - Subsidiary Company for the tax year 2012 assessing the taxable income at Rupees 188.772 million against declared taxable income of Rupees 6.934 million. The Subsidiary Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the order of CIR which was partially allowed. The Subsidiary Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (Appeals) and expects a favourable outcome of the appeal as it has strong grounds of appeal. Hence, no provision has been made in these consolidated financial statements.

xvii) Nishat Linen (Private) Limited - Subsidiary Company is contesting sales tax demands of Rupees 5.230 million before CIR (Appeals) and ATIR. No provision against these demands has been made in these consolidated financial statements as the legal advisor of the Subsidiary Company expects a favourable outcome of appeals.

Commitments

i) Contracts for capital expenditure of the Group are approximately of Rupees 2,548.232 million (2013: Rupees 4,751.285 million).

ii) Letters of credit other than for capital expenditure of the Group are of Rupees 945.142 million (2013: Rupees 723.986 million).

iii) Outstanding foreign currency forward contracts of Rupees 2,888.142 million (2013: Rupees 827.520 million).

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

	2014	2013
	(Rupees in thousand)	
Not later than one year	15,577	13,500
Later than one year and not later than five years	71,718	67,500
	87,295	81,000

v) Nishat Power Limited - Subsidiary Company has entered into an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance (O&M) of the power station, until the earlier of the completion of 35,000 hours of first Generation Set or five years period starting from the commercial operations date of the power station i.e. 09 June 2010. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on the net electrical output, both of which are adjustable according to the Wholesale Price Index.

	Note	2014	2013
		(Rupees in thousand)	
			(Restated)
14 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1		
Owned		32,792,667	28,096,224
Leased		200,675	222,324
Capital work-in-progress	14.2	4,847,255	1,882,544
Major spare parts and standby equipments	14.3	21,278	20,160
		37,861,875	30,221,252

14.1 Operating fixed assets

	Owned Assets											Leased Assets
	Freehold land	Buildings on freehold land	Plant and machinery	Stand - by equipment	Electric Installations	Factory equipment	Furniture, fixtures & office equipment	Computer equipment	Vehicles	Kitchen equipments and crockery items	Total	Plant and machinery
	(Rupees in thousand)											
At 30 June 2012												
Cost	579,861	4,518,129	33,074,289	318,713	686,882	242,308	352,987	143,715	435,610	–	40,352,494	300,000
Currency retranslation	–	1,694	–	–	–	–	253	54	182	–	2,183	–
	579,861	4,519,823	33,074,289	318,713	686,882	242,308	353,240	143,769	435,792		40,354,677	300,000
Accumulated depreciation	–	(2,228,632)	(9,755,077)	(198,001)	(419,458)	(110,325)	(163,366)	(110,979)	(180,930)	–	(13,166,768)	(53,622)
Currency retranslation	–	(420)	–	–	–	–	(21)	(34)	(24)	–	(499)	–
	–	(2,229,052)	(9,755,077)	(198,001)	(419,458)	(110,325)	(163,387)	(111,013)	(180,954)	–	(13,167,267)	(53,622)
Net book value	579,861	2,290,771	23,319,212	120,712	267,424	131,983	189,853	32,756	254,838	–	27,187,410	246,378
Year ended 30 June 2013												
Opening net book value	579,861	2,290,771	23,319,212	120,712	267,424	131,983	189,853	32,756	254,838	–	27,187,410	246,378
Additions	257,461	872,570	2,459,082	–	11,582	45,620	30,194	10,577	124,082	–	3,811,168	–
Transferred to investment properties:												
Cost	(119,104)	(61,535)	–	–	–	–	–	–	–	–	(180,639)	–
Accumulated depreciation	–	18,977	–	–	–	–	–	–	–	–	18,977	–
	(119,104)	(42,558)	–	–	–	–	–	–	–	–	(161,662)	–
Disposals:												
Cost	–	–	(651,006)	–	(3,000)	(29)	(257)	(174)	(39,917)	–	(694,383)	–
Accumulated depreciation	–	–	492,875	–	2,438	26	123	105	25,298	–	520,865	–
	–	–	(158,131)	–	(562)	(3)	(134)	(69)	(14,619)	–	(173,518)	–
Depreciation charge	–	(260,514)	(2,005,112)	(11,752)	(27,400)	(15,555)	(21,095)	(11,248)	(54,604)	–	(2,407,280)	(24,054)
Impairment charge (Note 14.1.1)	–	–	(162,601)	–	–	–	–	–	–	–	(162,601)	–
Currency retranslation	–	2,284	–	–	–	–	263	45	115	–	2,707	–
Closing net book value	718,218	2,862,553	23,452,450	108,960	251,044	162,045	199,081	32,061	309,812	–	28,096,224	222,324
At 30 June 2013												
Cost	718,218	5,330,858	34,882,365	318,713	695,464	287,899	383,177	154,172	519,957	–	43,290,823	300,000
Currency retranslation	–	2,755	–	–	–	–	285	70	142	–	3,252	–
	718,218	5,333,613	34,882,365	318,713	695,464	287,899	383,462	154,242	520,099	–	43,294,075	300,000
Accumulated depreciation	–	(2,470,589)	(11,267,314)	(209,753)	(444,420)	(125,854)	(184,359)	(122,156)	(210,260)	–	(15,034,705)	(77,676)
Currency retranslation	–	(471)	–	–	–	–	(22)	(25)	(27)	–	(545)	–
	–	(2,471,060)	(11,267,314)	(209,753)	(444,420)	(125,854)	(184,381)	(122,181)	(210,287)	–	(15,035,250)	(77,676)
Accumulated impairment	–	–	(162,601)	–	–	–	–	–	–	–	(162,601)	–
Net book value	718,218	2,862,553	23,452,450	108,960	251,044	162,045	199,081	32,061	309,812	–	28,096,224	222,324
Year ended 30 June 2014												
Opening net book value	718,218	2,862,553	23,452,450	108,960	251,044	162,045	199,081	32,061	309,812	–	28,096,224	222,324
Additions	466,508	1,568,796	4,865,581	–	212,895	65,493	141,793	32,482	160,800	32,759	7,547,107	–
Disposals:												
Cost	–	–	(673,463)	–	–	–	(698)	(567)	(54,551)	–	(729,279)	–
Accumulated depreciation	–	–	497,091	–	–	–	308	481	34,953	–	532,833	–
	–	–	(176,372)	–	–	–	(390)	(86)	(19,598)	–	(196,446)	–
Depreciation charge	–	(323,044)	(2,162,310)	(10,577)	(32,133)	(18,509)	(25,359)	(14,360)	(69,756)	(2,843)	(2,658,891)	(21,649)
Currency retranslation	–	3,915	–	–	–	–	432	88	238	–	4,673	–
Closing net book value	1,184,726	4,112,220	25,979,349	98,383	431,806	209,029	315,557	50,185	381,496	29,916	32,792,667	200,675
At 30 June 2014												
Cost	1,184,726	6,902,409	39,074,483	318,713	908,359	353,392	524,557	186,157	626,348	32,759	50,111,903	300,000
Currency retranslation	–	3,612	–	–	–	–	377	63	184	–	4,236	–
	1,184,726	6,906,021	39,074,483	318,713	908,359	353,392	524,934	186,220	626,532	32,759	50,116,139	300,000
Accumulated depreciation	–	(2,794,104)	(12,932,533)	(220,330)	(476,553)	(144,363)	(209,432)	(136,060)	(245,090)	(2,843)	(17,161,308)	(99,325)
Currency retranslation	–	303	–	–	–	–	55	25	54	–	437	–
	–	(2,793,801)	(12,932,533)	(220,330)	(476,553)	(144,363)	(209,377)	(136,035)	(245,036)	(2,843)	(17,160,871)	(99,325)
Accumulated impairment	–	–	(162,601)	–	–	–	–	–	–	–	(162,601)	–
Net book value	1,184,726	4,112,220	25,979,349	98,383	431,806	209,029	315,557	50,185	381,496	29,916	32,792,667	200,675
Annual rate of depreciation (%)	–	4-10	4-32.9	10	10	10	10	30-33	20	20-33		10

14.1.1 The impairment charge has been included in other expenses.

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

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchasers
		(Rupees in thousand)						
Plant and Machinery								
Energy Saving Device	1	2,599	190	2,409	2,409	-	Negotiation	Associated Textile Consultants (Private) Limited
Simplex Frame FL-16	1	2,989	2,786	203	3,000	2,797	Negotiation	Lyallpur Textiles
Ring Frames	11	34,558	22,060	12,498	15,500	3,002	Negotiation	Terry Towellers (Private) Limited
Simplex Frame FL-16	2	5,858	5,291	567	6,200	5,633	Negotiation	Nagra Spinning Mills (Private) Limited
Ring Frames	8	18,947	16,511	2,436	3,824	1,388	Negotiation	Mian Zafar & Company
Bale Pluckers	2	800	693	107	400	293	Negotiation	Hassan Limited
Used Porcupine Beater	1	1,622	1,410	212	250	38	Negotiation	Ellcot Spinning Mills Limited
Caterpillar Generator Model-3304	1	600	406	194	410	216	Negotiation	A.D. Malik & Company
Airjet Looms	8	17,781	13,509	4,272	8,769	4,497	Negotiation	Valitex (Private) Limited
Airjet Looms	18	41,606	31,182	10,424	19,526	9,102	Negotiation	Gagan Textile
Airjet Looms	10	23,114	17,384	5,730	10,647	4,917	Negotiation	Vanguard Industries (Private) Limited
Blow Room Machine	1	6,957	4,101	2,856	2,000	(856)	Negotiation	Nagra Spinning Mills (Private) Limited
Repier Looms	7	24,969	14,455	10,514	13,363	2,849	Negotiation	RB Karesi Ithalat Ihracat Tekstil San. Tic. A.S.
Automatic Film Packing Equipment	1	2,866	2,064	802	800	(2)	Negotiation	Master Textile Mills Limited
Monfort Stenter Machine	1	12,507	10,322	2,185	4,950	2,765	Negotiation	Sitara Fabrics Limited
Gas Turbine	1	207,909	114,163	93,746	110,000	16,254	Negotiation	Artistic Milliners (Private) Limited
Transformer	1	2,000	1,544	456	481	25	Negotiation	Sulehri Traders
Plant and machinery	1	30,446	11,164	19,282	9,492	(9,790)	Insurance Claim	Security General Insurance Company Limited
Plant and machinery	1	19,260	12,218	7,042	7,413	371	Claim	Wartsila Pakistan (Private) Limited
Assets written off		214,392	214,392	-	-	-		
		671,780	495,845	175,935	219,434	43,499		
Vehicles								
Toyota Corolla LEC-09-1108	1	1,297	745	552	744	192	Group Company Policy	Mr. Asim Amjad (Employee)
Toyota Corolla LED-09-7961	1	1,307	756	551	1,208	657	Group Company Policy	Mr. Muhammad Mohsin Mumtaz (Employee)
Toyota Corolla LEA-7545	1	1,088	827	261	787	526	Negotiation	Mr. Rehan Sabri, Lahore
Toyota Corolla LEC-10-3191	1	1,722	816	906	1,475	569	Insurance Claim	Adamjee Insurance Company Limited
Suzuki Cultus LEF-9386	1	898	547	351	357	6	Group Company Policy	Mr. Bilal Haider (Employee)
Toyota Corolla LED-09-2155	1	1,663	956	707	961	254	Group Company Policy	Mr. Khalid Javaid (Employee)
Suzuki Alto LRA-9382	1	506	444	62	62	-	Group Company Policy	Mr. Zulfiqar Ali (Employee)
Honda Civic LEA-5793	1	1,409	940	469	476	7	Group Company Policy	Mr. Badar-ul-Hassan (Employee)
Suzuki Alto LWO-7733	1	513	386	127	130	3	Group Company Policy	Mr. Tariq Nazir (Employee)
Toyota Corolla LRY-2657	1	1,228	1,043	185	550	365	Negotiation	Mr. Muhammad Ansar Khan, Lahore
Honda Civic LED-500	1	1,586	1,136	450	1,080	630	Negotiation	Mr. Ali Pervaiz Khawaja, Lahore
Toyota Corolla LEC-09-7597	1	1,257	724	533	721	188	Group Company Policy	Mr. Nishat Haroon (Employee)
Suzuki Cultus LEC-09-9642	1	871	498	373	505	132	Group Company Policy	Mr. Yasir Usmani (Employee)
Suzuki Bolan LED-10-4857	1	583	267	316	500	184	Negotiation	Mr. Muhammad Ansar Khan, Lahore
Honda Accord LEE-800	1	4,025	2,630	1,395	2,800	1,405	Negotiation	Syed Umer Tariq Shah, Lahore
Honda City LEA-10-9824	1	1,371	766	605	1,172	567	Negotiation	Mr. Iftikhar Ahmad, Faisalabad
Toyota Corolla ASU-139	1	1,278	745	533	732	199	Group Company Policy	Sheikh Muhammad Mansha (Employee)
Toyota Corolla LEE-09-1104	1	1,257	740	517	710	193	Group Company Policy	Mr. Ejaz Hassan (Employee)
Suzuki Cultus LEB-10-2849	1	911	516	395	543	148	Negotiation	Mr. Ramish Mustafa, Lahore
Honda CG-125 LEN-10A-5747	1	110	59	51	54	3	Group Company Policy	Mr. Muiz Arif (Employee)
Suzuki Cultus LEF-9386	1	610	482	128	129	1	Group Company Policy	Mr. Naeem Asim (Employee)
Toyota Corolla LEC-09-7432	1	1,297	758	539	731	192	Group Company Policy	Mr. Asif Abbas (Employee)
Toyota Grace Van LZB-5581	1	1,274	1,054	220	517	297	Negotiation	Mr. Qamar Ghani Khan, Gujranwala
Toyota Corolla LED-09-6622	1	1,342	780	562	752	190	Group Company Policy	Mr. Abdul Majid Qureshi (Employee)
Suzuki Cultus LWE-9581	1	606	464	142	144	2	Group Company Policy	Mr. Muhammad Jamil Javeed (Employee)
Suzuki Cultus LWQ-9722	1	611	453	158	160	2	Group Company Policy	Mr. Nisar Ahmad (Employee)
Toyota Corolla LEE-09-1105	1	1,327	785	542	736	194	Group Company Policy	Mr. Khalid Mehmood (Employee)
Suzuki Cultus LWQ-5991	1	617	459	158	160	2	Group Company Policy	Mr. Abdul Waheed Butt (Employee)
Suzuki Cultus LEC-09-4641	1	871	501	370	499	129	Group Company Policy	Ms. Urooj Yasir (Employee)
Suzuki Cultus LRG-9694	1	605	523	82	84	2	Group Company Policy	Mr. Shahzad Afzal (Employee)
Suzuki Cultus LEF-5801	1	838	525	313	426	113	Group Company Policy	Mr. Shahid Mahmood (Employee)
Honda City LEE-4731	1	1,072	692	380	517	137	Group Company Policy	Ms. Rahela Rasheed (Employee)
Suzuki Cultus LEF-5798	1	838	524	314	426	112	Group Company Policy	Mr. Faisal Bashir (Employee)
Suzuki Liana LEB-9965	1	1,142	672	470	642	172	Group Company Policy	Mr. Yung Yung (Employee)
Honda Civic LEC-09-8930	1	1,695	989	706	951	245	Group Company Policy	Syed Umer Tariq Shah (Employee)
Suzuki Cultus LED-09-9065	1	871	501	370	511	141	Group Company Policy	Mr. Naveed Arshad (Employee)
Suzuki Cultus LED-09-9068	1	871	504	367	494	127	Group Company Policy	Mr. Rashid Ali (Employee)
Suzuki Cultus LED-10-3749	1	892	443	449	644	195	Group Company Policy	Mr. Shafique Ahmad (Employee)
Honda City LEA-10-7082	1	1,371	758	613	1,190	577	Negotiation	Mr. Babar Hanif, Lahore
Suzuki Cultus LED-09-9064	1	871	509	362	486	124	Group Company Policy	Mr. Tahir Yasin (Employee)

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchasers
		(Rupees in thousand)						
Honda Civic Oriel LED-6113	1	1,404	904	500	683	183	Group Company Policy	Mr. Faisal Naseem Kari (Employee)
Hyundai Shehzore LES-8299	1	725	523	202	653	451	Negotiation	Mr. Muhammad Zulifqar, Sargodha
Toyota Corolla LEC-09-3778	1	1,255	714	541	741	200	Group Company Policy	Chaudhary Nauman Aslam (Employee)
Suzuki Cultus LZV-220	1	467	336	131	352	221	Negotiation	Syed Shahnaz-ul-Hassan, Lahore
Suzuki Cultus LED-3702	1	714	483	231	314	83	Group Company Policy	Mr. Masroor Mohsin Gilani (Employee)
Suzuki Alto LEA-9185	1	713	418	295	404	109	Group Company Policy	Mr. Shahzad Qadir (Employee)
Honda City LEB-09-9969	1	1,330	1,186	144	144	-	Group Company Policy	Mr. Tanvir Khalid (Employee)
Toyota Corolla LEE-2163	1	1,374	1,151	223	223	-	Group Company Policy	Mr. Imran Ullah Wazir (Employee)
Honda Civic LEA-10-9488	1	1,800	1,146	654	654	-	Group Company Policy	Mr. Mehmood Akhtar (Employee)
		54,283	34,778	19,505	29,934	10,429		
Furniture, Fixture and Office Equipment								
Photostat Machine	3	699	308	391	159	(232)	Negotiation	Sherazi Trading Company (Private) Limited
		699	308	391	159	(232)		
Aggregate of other items of property plant and equipment with individual book values not exceeding Rupees 50,000		2,517	1,904	613	1,136	523	Negotiation	
		729,279	532,835	196,444	250,663	54,219		

		Note	2014	2013
			(Rupees in thousand)	
14.1.3	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	31	2,548,099	2,329,522
	Distribution cost	32	11,616	9,186
	Administrative expenses	33	121,375	92,626
	Capital work-in-progress		344	–
			2,681,434	2,431,334

14.1.4 Operating fixed assets having cost of Rupees 3.983 million (2013: Rupees 2.832 million) have been fully depreciated and are still in use of the Holding Company.

		2014	2013
14.2	**Capital work-in-progress**		
	Building on freehold land	1,417,937	726,231
	Plant and machinery	3,337,261	1,025,001
	Electric installations	3,882	–
	Unallocated expenses	79,837	4,010
	Letters of credit against machinery	469	7,522
	Advances against furniture and office equipment	6,511	–
	Advances against vehicles	1,358	5,167
	Advances to contractors	–	114,613
		4,847,255	1,882,544

		2014	2013
		(Rupees in thousand)	
			(Restated)
14.3	**Major spare parts and standby equipments**		
	Opening balance	20,160	24,924
	Additions during the year	9,884	459
		30,044	25,383
	Transfers during the year	(8,766)	(5,223)
	Closing balance	21,278	20,160

15 INVESTMENT PROPERTIES

	Land	Buildings	Total
	(Rupees in thousand)		
At 30 June 2012			
Cost	195,667	92,138	287,805
Accumulated depreciation	–	(45,836)	(45,836)
Net book value	195,667	46,302	241,969
Year ended 30 June 2013			
Opening net book value	195,667	46,302	241,969
Transferred from operating fixed assets:			
Cost	119,104	61,535	180,639
Accumulated depreciation	–	(18,977)	(18,977)
	119,104	42,558	161,662
Depreciation charge	–	(8,886)	(8,886)
Closing net book value	314,771	79,974	394,745
At 30 June 2013			
Cost	314,771	153,673	468,444
Accumulated depreciation	–	(73,699)	(73,699)
Net book value	314,771	79,974	394,745
Year ended 30 June 2014			
Opening net book value	314,771	79,974	394,745
Depreciation charge	–	(7,997)	(7,997)
Closing net book value	314,771	71,977	386,748
At 30 June 2014			
Cost	314,771	153,673	468,444
Accumulated depreciation	–	(81,696)	(81,696)
Net book value	314,771	71,977	386,748

15.1 Depreciation at the rate of 10 percent per annum on buildings amounting to Rupees 7.997 million (2013: Rupees 8.886 million) charged during the year is allocated to other expenses. No expenses directly related to investment properties were incurred during the year. The market value of land and buildings is estimated at Rupees 1,012.475 million (2013: Rupees 861.080 million). The valuation has been carried out by an independent valuer.

15.2 Land and building having book value of Rupees 239.383 million (2013: Rupees 239.383 million) and Rupees 24.415 million (2013: Rupees 27.128 million) respectively have been given on operating lease by the Holding Company to Nishat Hospitality (Private) Limited - Subsidiary Company.

15.3 Land and building having book value of Rupees 65.741 million (2013: Rupees 65.741) and Rupees 34.472 million (2013: Rupees 38.303) respectively have been given on operating lease by the Holding Company to Nishat Linen (Private) Limited - Subsidiary Company.

16 INTANGIBLE ASSETS

	Franchise fee	Computer Software	Total
	(Rupees in thousand)		
Year ended 30 June 2014			
Opening net book value	–	–	–
Addition	9,834	9,631	19,465
Amortization charged	(263)	(631)	(894)
Closing net book value	9,571	9,000	18,571

	Franchise fee	Computer Software	Total
	(Rupees in thousand)		
At 30 June 2014			
Cost	9,834	9,631	19,465
Accumulated amortization	(263)	(631)	(894)
Net book value	9,571	9,000	18,571
Annual amortization rate (%)	20	20	

		Note	2014	2013
			(Rupees in thousand)	
17	LONG TERM INVESTMENTS			
	Associated companies (with significant influence) - under equity method			
	D.G. Khan Cement Company Limited - quoted 137,574,201 (2013: 137,574,201) fully paid ordinary shares of Rupees 10 each. Equity held 31.40% (2013: 31.40%)		19,927,661	15,682,924
	Lalpir Power Limited - unquoted 109,393,555 (2013: 109,393,555) fully paid ordinary shares of Rupees 10 each. Equity held 28.80% (2013: 32%)	17.1 and 17.2	3,411,458	3,581,599
	Pakgen Power Limited - quoted 102,524,728 (2013: 102,524,728) fully paid ordinary shares of Rupees 10 each. Equity held 27.55% (2013: 27.55%)	17.2	3,970,594	4,032,880
	Nishat Paper Products Company Limited - unquoted 11,634,199 (2013:11,634,199) fully paid ordinary shares of Rupees 10 each. Equity held 25% (2013: 25%)		90,807	70,465
	Nishat Dairy (Private) Limited - unquoted 60,000,000 (2013: 30,000,000) fully paid ordinary shares of Rupees 10 each. Equity held 12.50% (2013: 10.60%)		500,533	272,218
			27,901,053	23,640,086
	Available for sale			
	Associated companies (Others)			
	Adamjee Insurance Company Limited - quoted 102,809 (2013: 36,337) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (2013: 0.03%)		2,774	2,774
	MCB Bank Limited - quoted 80,790,591 (2013: 73,272,629) fully paid ordinary shares of Rupees 10 each. Equity held 7.26% (2013: 7.24%)		12,530,525	12,476,198
	Other			
	Habib Bank Limited - quoted 210 (2013: 191) fully paid ordinary shares of Rupees 10 each		12	12
			12,533,311	12,478,984
	Less: Impairment loss recognized		(1,403,363)	(1,403,363)
	Add: Fair value adjustment		13,221,041	6,702,373
			24,350,989	17,777,994
			52,252,042	41,418,080

17.1 The Holding Company has divested 10% of its shareholding representing 12,154,839 ordinary shares of Rupees 10 each in Lalpir Power Limited whereby 75% of the total offer for sale was made through Book Building Process to Institutional Investors and High Net Worth Individuals and remaining 25% offer for sale was made to the general public. Ordinary shares of Lalpir Power Limited are now listed on the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited.

17.2 Investments in Lalpir Power Limited and Pakgen Power Limited include 550 and 500 shares respectively, held in the name of nominee director of the Holding Company.

17.3 Reconciliation of investments in associated companies under equity method:

	D.G. Khan Cement Company Limited		Nishat Paper Products Company Limited		Nishat Dairy (Private) Limited		Lalpir Power Limited		Pakgen Power Limited		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)											
Cost	3,418,145	3,418,145	116,342	116,342	600,000	300,000	1,640,306	1,822,629	1,272,194	1,272,194	7,046,987	6,929,310
Share of post acquisition reserves:												
As at 01 July	12,264,779	7,533,565	(45,877)	(23,312)	(27,782)	-	1,941,293	2,073,730	2,760,686	2,564,735	16,893,099	12,148,718
Share of profit / (loss) after income tax	1,873,166	1,727,681	20,342	(22,565)	(71,685)	(27,782)	104,157	426,629	194,026	503,525	2,120,006	2,607,488
Share of other comprehensive income / (loss)	2,784,294	3,209,894	-	-	-	-	(814)	(895)	-	-	2,783,480	3,208,999
Dividend received	(412,723)	(206,361)	-	-	-	-	(273,484)	(342,545)	(256,312)	(307,574)	(942,519)	(856,480)
As at 30 June	4,244,737	4,731,214	20,342	(22,565)	(71,685)	(27,782)	(170,141)	83,189	(62,286)	195,951	3,960,967	4,960,007
	16,509,516	12,264,779	(25,535)	(45,877)	(99,467)	(27,782)	1,771,152	2,156,919	2,698,400	2,760,686	20,854,066	17,108,725
	19,927,661	15,682,924	90,807	70,465	500,533	272,218	3,411,458	3,979,548	3,970,594	4,032,880	27,901,053	24,038,035
Classified as held for sale	-	-	-	-	-	-	-	(397,949)	-	-	-	(397,949)
As at 30 June	19,927,661	15,682,924	90,807	70,465	500,533	272,218	3,411,458	3,581,599	3,970,594	4,032,880	27,901,053	23,640,086

17.3.1 Aggregate market value of investments in quoted associated companies

	2014	2013
	(Rupees in million)	
D.G. Khan Cement Company Limited	12,101	11,514
Lalpir Power Limited	1,958	-
Pakgen Power Limited	1,850	2,515
	15,909	14,029

17.3.2 Summarized financial information of associated companies:

Name of associated company	Annual/ Half yearly	Status	Assets	Liabilities	Net assets	Revenues	Profit / (loss)
			(Rupees in thousand)				
30 June 2014							
D.G. Khan Cement Company Limited	Annual	Audited	73,282,069	11,765,534	61,516,535	26,542,509	5,965,498
Nishat Paper Products Company Limited	Annual	Audited	1,828,487	1,466,016	362,471	2,276,411	81,369
Nishat Dairy (Private) Limited	Annual	Audited	4,078,644	110,019	3,968,625	797,727	(580,765)
Lalpir Power Limited	Half yearly	Reviewed	23,746,418	11,901,090	11,845,328	19,448,688	331,003
Pakgen Power Limited	Half yearly	Reviewed	22,159,214	7,746,179	14,413,035	17,614,281	617,056
30 June 2013							
D.G. Khan Cement Company Limited	Annual	Audited	63,526,719	15,569,921	47,956,798	24,915,924	5,502,169
Nishat Paper Products Company Limited	Annual	Audited	1,930,009	1,648,907	281,102	1,848,740	(90,261)
Nishat Dairy (Private) Limited	Annual	Un-audited	2,663,713	83,361	2,580,352	37,090	(244,559)
Lalpir Power Limited	Half yearly	Reviewed	18,911,390	6,475,303	12,436,087	17,108,149	614,038
Pakgen Power Limited	Half yearly	Reviewed	18,577,496	3,938,525	14,638,971	16,889,765	1,022,523

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

		Note	2014	2013
			(Rupees in thousand)	
18	LONG TERM LOANS			
	Considered good:			
	Executives - secured	18.1 and 18.2	122,816	104,373
	Other employees - secured	18.2	24,480	15,183
			147,296	119,556
	Less: Current portion shown under current assets	23		
	Executives		34,121	27,277
	Other employees		8,747	6,620
			42,868	33,897
			104,428	85,659

		2014	2013
18.1	**Reconciliation of carrying amount of loans to executives:**		
	Balance as on 01 July	104,373	57,771
	Add: Disbursements	53,735	70,402
	Transferred from other employees during the year	2,428	3,230
		160,536	131,403
	Less: Repayments	37,720	27,030
	Balance as on 30 June	122,816	104,373

18.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 123.916 million (2013: Rupees 104.373 million).

18.2 These represent interest free house construction loans given to executives and other employees of Nishat Mills Limited - Holding Company and Nishat Linen (Private) Limited - Subsidiary Company and are secured against balance to the credit of employee in the provident fund trusts of the respective companies. These are recoverable in equal monthly instalments.

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

		2014	2013
19	LONG TERM DEPOSITS		
	Security deposits	77,770	60,655

		Note	2014	2013
			(Rupees in thousand)	
				(Restated)
20	STORES, SPARE PARTS AND LOOSE TOOLS			
	Stores	20.1	1,158,515	1,089,460
	Spare parts	20.2	721,013	715,194
	Loose tools		8,858	6,950
			1,888,386	1,811,604
	Less: Provision for slow moving items	20.3	7,011	16,403
			1,881,375	1,795,201

20.1 This includes stores in transit of Rupees 75.162 million (2013: Rupees 99.475 million).

20.2 This includes spare in transit of Rupees Nil (2013: Rupees 0.835 million).

		Note	2014	2013
			(Rupees in thousand)	

20.3 Provision for slow moving, obsolete and damaged store items

	Note	2014	2013
Balance as on 01 July		16,403	13,309
Provision made / (reversed) during the year	34 and 35	(9,392)	3,094
Balance as on 30 June		7,011	16,403

21 STOCK IN TRADE

	Note	2014	2013
Raw materials		9,993,937	7,865,794
Work in process		2,013,520	1,604,239
Finished goods	21.2 and 21.4	4,022,360	3,338,107
		16,029,817	12,808,140

21.1 Stock in trade of Rupees 3,329.775 million (2013: Rupees 315.900 million) is being carried at net realizable value.

21.2 Finished goods include stock in transit of Rupees 484.073 million (2013: Rupees 522.773 million).

21.3 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 413.666 million (2013: Rupees 2.567 million)

21.4 Finished goods include stock of Rupees 303.299 million (2013: Rupees 205.383 million) which is in the possession of stockists of Nishat Linen (Private) Limited - Subsidiary Company.

22 TRADE DEBTS

	Note	2014	2013
Considered good:			
Secured		11,234,060	9,431,001
Unsecured:			
- Related parties	22.1 and 22.3	1,912	201
- Other	22.2	2,580,695	2,589,326
		13,816,667	12,020,528
Considered doubtful:			
Others - unsecured		131,758	131,758
Less: Provision for doubtful debts		131,758	131,758
		–	–

22.1 This represents amount due from following related parties:

	2014	2013
Lalpir Power Limited - associated company	133	–
D.G. Khan Cement Company Limited - associated company	239	–
Nishat Dairy (Private) Limited - associated company	–	34
Nishat Hotels and Properties Limited - associated company	1,375	167
MCB Bank Limited - associated company	165	–
	1,912	201

22.2 As at 30 June 2014, trade debts due from other than related parties of Rupees 577.834 million (2013: Rupees 309.402 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2014	2013
	(Rupees in thousand)	
Upto 1 month	460,604	244,602
1 to 6 months	108,888	63,036
More than 6 months	8,342	1,764
	577,834	309,402

22.3 As at 30 June 2014, trade debts due from related parties amounting to Rupees 1.912 million (2013: Rupees 0.201 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

Upto 1 month	1,445	34
1 to 6 months	467	167
More than 6 months	–	–
	1,912	201

22.4 As at 30 June 2014, trade debts of Rupees 131.758 million (2013: Rupees 131.758 million) were impaired and provided for. The ageing of these trade debts was more than 5 years. These debts do not include amounts due from related parties.

22.5 Trade debts of Nishat Power Limited - Subsidiary Company are receivables from National Transmission and Dispatch Company Limited (NTDCL) and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of 3 months KIBOR plus 4.5% per annum is charged in case the amounts are not paid within due dates. The effective rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 13.51% to 14.69% (2013: 13.76% to 17.80%) per annum.

22.6 Included in trade debts of Nishat Power Limited - Subsidiary Company is an amount of Rupees 816.041 million (2013: Rupees 816.041 million) relating to capacity purchase price not acknowledged by NTDCL as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDCL.

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

		Note	2014	2013
			(Rupees in thousand)	
23	**LOANS AND ADVANCES**			
	Considered good:			
	Employees - interest free:			
	– Executives		3,990	1,515
	– Other employees		9,101	6,681
			13,091	8,196
	Current portion of long term loans	18	42,868	33,897
	Advances to suppliers	23.1	308,871	387,413
	Letters of credit		1,675	1,284
	Income tax		1,501,100	1,044,820
	Other advances		97,317	51,960
			1,964,922	1,527,570
	Considered doubtful:			
	Others		108	108
	Less: Provision for doubtful debts		108	108
			–	–
			1,964,922	1,527,570

23.1 This includes an amount of Rupees 0.066 million (2013: Rupees Nil) due from Security General Insurance Company Limited - associated company.

		Note	2014	2013
24	**SHORT TERM DEPOSITS AND PREPAYMENTS**			
	Deposits		25,889	17,566
	Prepayments - including current portion		90,611	68,037
			116,500	85,603
25	**OTHER RECEIVABLES**			
	Considered good:			
	Export rebate and claims		347,855	387,103
	Sales tax refundable		1,149,529	605,267
	Fair value of forward exchange contracts		19,653	–
	Workers' Profit Participation Fund and Workers' Welfare Fund receivable	25.1	280,981	135,115
	Miscellaneous receivables	25.2	45,026	138,411
			1,843,044	1,265,896

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

25.2 This includes an amount of Rupees 8.340 million (2013: Rupees Nil) and Rupees 0.335 million (2013: Rupees Nil) due from Security General Insurance Company Limited - associated company and Nishat Energy Limited - associated company respectively.

26 ACCRUED INTEREST

This represents interest receivable on term deposit receipts and saving accounts including Rupees 0.278 million (2013: Rupees Nil) receivable from MCB Bank Limited - associated company.

		Note	2014	2013
			(Rupees in thousand)	
27	**SHORT TERM INVESTMENTS**			
	Available for sale			
	Associated company (Other)			
	Security General Insurance Company Limited - unquoted 10,226,244 (2013: 10,226,244) fully paid ordinary shares of Rupees 10 each. Equity held 15.02% (2013: 15.02%)	27.1	11,188	11,188
	Related party (Other)			
	Nishat (Chunian) Limited - quoted 27,241,116 (2013: 24,764,652) fully paid ordinary shares of Rupees 10 each. Equity held 13.61% (2013: 13.61%)		242,750	242,750
	Others			
	Pakistan Strategic Allocation Fund - quoted 899,392 (2013: 582,716) units.		1,715	1,715
	MCB Cash Management Optimizer - quoted Nil (2013: 8,976,636) units.		–	900,000
	Pakistan Petroleum Limited - quoted Advance for purchase of 434,782 ordinary shares		100,000	–
	United Bank Limited- quoted 368,105 (2013: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 0.03% (2013: Nil).		58,163	–
			413,816	1,155,653
	Add: Fair value adjustment		2,813,744	3,207,226
			3,227,560	4,362,879

27.1 The investment of the Holding Company in ordinary shares of Security General Insurance Company Limited has been valued at fair value of Rupees 186 per ordinary share determined by an independent valuer using present value technique. Previously, fair value per ordinary share of Security General Insurance Company Limited was determined using dividend stream method. Change in valuation technique has been made being more commonly used and a more realistic estimate of fair value. Had there been no change in the valuation technique, short term investment and deferred income tax liability would have been higher by Rupees 912.181 million and Rupees 225.765 million respectively. Security General Insurance Company Limited is an associated company due to common directorship.

		Note	2014	2013
28	**CASH AND BANK BALANCES**			
	With banks:			
	On current accounts Including US$ 318,301 (2013: US$ 19,965) and UAE Dirhams 7,754,555 (2013: UAE Dirhams 3,928,979)	28.1	1,208,134	236,978
	Term deposit receipts	28.2 and 28.3	2,000,000	1,000,000
	On PLS saving accounts Including US$ 7,481 (2013: US$ 68,842)	28.1 and 28.4	873,417	3,952,074
			4,081,551	5,189,052
	Cash in hand			
	Including UAE Dirhams 433,230 (2013: UAE Dirhams 38,700)		26,956	13,072
			4,108,507	5,202,124

28.1 Cash at banks includes balance of Rupees 199.378 million (2013: Rupees 3,720.101 million) with MCB Bank Limited - associated company.

28.2 These represent deposits with banking companies having maturity period of one month and carry rate of profit ranging from 9.00% to 10.40% (2013: 9.30% to 10.15%) per annum.

28.3 This include term deposit receipt of Rupees 1,000 million (2013: Rupees Nil) having maturity period of 30 days and carry profit at the rate of 10.15% (2013: Nil) per annum with MCB Bank Limited - associated company.

28.4 Rate of profit on Pak Rupees bank deposits and US Dollar bank deposit ranges from 4.77% to 8.15% (2013: 5% to 10.00%) per annum and 0.01% to 0.06% (2013: 0.01% to 0.07%) per annum respectively.

		Note	2014	2013
			(Rupees in thousand)	
29	**NON-CURRENT ASSET HELD FOR SALE**			
	Lalpir Power Limited - unquoted			
	Nil (2013: 12,154,839) fully paid ordinary shares of Rupees 10 each	17.1	–	397,949
	Less: Impairment loss	34	–	130,542
			–	267,407
30	**SALES**			
	Export	30.3	43,078,797	39,572,443
	Local	30.1	43,823,830	40,464,167
	Export rebate		179,251	164,523
			87,081,878	80,201,133

30.1 Local sales

	Note	2014	2013
Sales	30.2	48,752,498	44,135,936
Less: Sales tax		4,451,680	3,503,890
Less: Discount		601,820	245,950
		43,698,998	40,386,096
Processing income		124,595	77,396
Doubling income		237	675
		43,823,830	40,464,167

30.2 This includes sale of Rupees 1,000 million (2013: Rupees 2,663.729 million) made to direct exporters against special purchase order (SPO). Further, local sales includes waste sale of Rupees 1,526.230 million (2013: Rupees 1,239.489 million).

30.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rupees 446.819 million (2013: Rupees 230.142 million) has been included in export sales.

31 COST OF SALES

	Note	2014	2013
Raw materials consumed		54,398,806	49,100,364
Processing charges		228,530	266,662
Salaries, wages and other benefits	31.1	3,659,769	3,100,581
Stores, spare parts and loose tools consumed		5,107,901	4,254,151
Packing materials consumed		940,468	876,468
Repair and maintenance		809,076	629,759
Fuel and power		5,421,216	4,712,184
Insurance		206,628	187,745
Other factory overheads		563,763	397,014
Depreciation	14.1.3	2,548,099	2,329,522
		73,884,256	65,854,450
Work-in-process			
Opening stock		1,604,239	1,757,058
Closing stock		(2,013,520)	(1,604,239)
		(409,281)	152,819
Cost of goods manufactured		73,474,975	66,007,269
Finished goods			
Opening stock		3,338,107	2,451,771
Closing stock		(4,022,360)	(3,338,107)
		(684,253)	(886,336)
		72,790,722	65,120,933

31.1 Salaries, wages and other benefits include provident fund contributions of Rupees 98.508 million (2013: Rupees 82.081 million).

		Note	2014	2013
			(Rupees in thousand)	
32	DISTRIBUTION COST			
	Salaries and other benefits	32.1	357,786	256,777
	Outward freight and handling		1,333,019	1,516,296
	Sales promotion		438,837	320,262
	Commission to selling agents		621,967	529,103
	Fuel cost		150,135	37,463
	Travelling and conveyance		110,613	98,624
	Rent, rates and taxes		129,126	89,257
	Postage, telephone and telegram		105,389	91,805
	Insurance		26,678	20,645
	Vehicles' running		19,093	20,867
	Entertainment		8,282	5,288
	Advertisement		294,662	75,787
	Electricity and gas		34,627	20,587
	Printing and stationery		7,072	4,117
	Repair and maintenance		128,842	134,517
	Fee and subscription		1,520	2,088
	Depreciation	14.1.3	11,616	9,186
			3,779,264	3,232,669

32.1 Salaries and other benefits include provident fund contributions of Rupees 15.793 million (2013: Rupees 11.675 million).

		Note	2014	2013
33	ADMINISTRATIVE EXPENSES			
	Salaries and other benefits	33.1	857,274	664,812
	Vehicles' running		58,916	53,896
	Travelling and conveyance		73,374	38,887
	Rent, rates and taxes		111,250	60,274
	Insurance		6,777	5,420
	Entertainment		26,997	21,822
	Legal and professional		36,951	23,088
	Auditors' remuneration	33.2	10,349	7,136
	Advertisement		1,125	684
	Postage, telephone and telegram		9,622	9,236
	Electricity and gas		18,348	15,698
	Printing and stationery		19,627	17,577
	Repair and maintenance		17,681	15,478
	Fee and subscription		12,526	7,346
	Depreciation	14.1.3	121,375	92,626
	Miscellaneous		26,737	23,371
			1,408,929	1,057,351

33.1 Salaries and other benefits include provident fund contributions of Rupees 29.537 million (2013: Rupees 24.242 million).

33.2 Auditors' remuneration

	2014	2013
Riaz Ahmad and Company		
Audit fee	3,541	3,224
Half yearly review	558	507
Reimbursable expenses	109	99
	4,208	3,830
A.F. Ferguson and Company		
Statutory audit fee	1,700	1,375
Half yearly review	715	650
Tax services	1,869	125
Other certification services	90	165
Reimbursable expenses	265	254
	4,639	2,569
Griffin Nagda and Company		
Audit fee	1,481	711
Reimbursable expenses	21	26
	1,502	737
	10,349	7,136

	Note	2014	2013
		(Rupees in thousand)	

34 OTHER EXPENSES

	Note	2014	2013
Workers' profit participation fund		310,081	337,404
Workers' welfare fund		10,988	52,361
Provision for slow moving, obsolete and damaged store items	20.3	–	3,094
Bad debts written off		–	8,968
Offer for sale expenses of Lalpir Power Limited		13,417	–
Impairment loss on operating fixed assets		–	29,068
Impairment loss on non-current asset held for sale	29	–	130,542
Depreciation on investment properties		7,997	8,886
Delayed payment charges		21,595	–
Donation	34.1	8,521	3,005
		372,599	573,328

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

35 OTHER INCOME

	Note	2014	2013
Income from financial assets			
Dividend income	35.1	1,102,164	1,008,593
Profit on deposits with banks		49,992	131,849
Net exchange gain including loss on forward contracts		123,453	53,315
Gain on sale of investment		10,297	–
		1,285,906	1,193,757
Income from non financial assets			
Gain on sale of property, plant and equipment		54,219	75,995
Scrap sales		147,197	134,090
Rental income		41,362	35,828
Reversal of provision for slow moving, obsolete and damaged store items	20.3	9,392	–
Other		9,879	25,922
		262,049	271,835
		1,547,955	1,465,592

35.1 Dividend income

	2014	2013
From related parties / associated companies		
MCB Bank Limited	1,011,534	922,569
Nishat (Chunian) Limited	49,529	45,027
Adamjee Insurance Company Limited	194	91
Security General Insurance Company Limited	40,905	40,905
	1,102,162	1,008,592
Other		
Habib Bank Limited	2	1
	1,102,164	1,008,593

		Note	2014	2013
			(Rupees in thousand)	
36	FINANCE COST			
	Mark-up on:			
	Long term financing		1,946,439	2,026,860
	Liabilities against assets subject to finance lease		11,953	20,569
	Short term borrowings		1,038,364	1,598,639
	Interest on workers' profit participation fund	9.3	4,426	6,332
	Bank charges and commission		240,282	206,163
			3,241,464	3,858,563
37	TAXATION			
	Current - for the year		544,842	593,478
	Deferred		(33,021)	623
	Prior year adjustment		(3,866)	(38,180)
			507,955	555,921

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

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

			2014	2013
38	EARNINGS PER SHARE - BASIC AND DILUTED			
	There is no dilutive effect on the basic earnings per share which is based on:			
	Profit attributable to ordinary shareholders of Holding Company	(Rupees in thousand)	7,219,768	8,533,409
	Weighted average number of ordinary shares of Holding Company	(Numbers)	351,599,848	351,599,848
	Earnings per share	(Rupees)	20.53	24.27

		Note	2014	2013
			(Rupees in thousand)	
				(Restated)
39	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		9,156,861	10,431,369
	Adjustments for non-cash charges and other items:			
	Depreciation		2,689,431	2,440,220
	Provision for slow moving stores, spare parts and loose tools		(9,392)	3,094
	Net exchange gain on forward contracts		(123,453)	(53,315)
	Gain on sale of property, plant and equipment		(54,219)	(75,995)
	Gain on sale of investment		(10,297)	–
	Dividend Income		(1,102,164)	(1,008,593)
	Profit on deposits with banks		(49,992)	(131,849)
	Share of profit from associated companies		(2,120,006)	(2,607,488)
	Impairment loss on operating fixed assets		–	29,068
	Impairment loss on non-current asset held for sale		–	130,542
	Finance cost		3,241,464	3,858,563
	Working capital changes	39.1	(4,766,635)	1,395,107
			6,851,598	14,410,723

	2014	2013
	(Rupees in thousand)	
39.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(76,782)	(398,799)
- Stock in trade	(3,221,677)	(2,258,869)
- Trade debts	(1,796,139)	2,175,836
- Loans and advances	27,899	763,602
- Short term deposits and prepayments	(30,897)	(11,509)
- Other receivables	(557,495)	(162,724)
	(5,655,091)	107,537
Increase in trade and other payables	888,456	1,287,570
	(4,766,635)	1,395,107

40 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Nishat Mills Limited - Holding Company has proposed a cash dividend for the year ended 30 June 2014 of Rupees 4.00 per share (2013: Rupees 4.00 per share) at their meeting held on 23 September 2014. The Board of Directors also proposed to transfer Rupees 5,813 million (2013: Rupees 7,127 million) from un-appropriated profit to general reserve. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these consolidated financial statements.

41 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)					
Managerial remuneration	17,521	13,253	8,630	5,810	380,879	252,224
Allowances						
Cost of living allowance	–	–	7	7	900	951
House rent	6,400	4,867	1,200	905	98,827	66,899
Conveyance	–	–	–	–	476	381
Medical	1,600	1,217	734	474	28,985	19,569
Utilities	–	–	1,729	984	40,235	25,715
Special allowance	–	–	2	2	998	516
Contribution to provident fund	–	–	700	451	30,482	20,111
Leave encashment	–	–	–	–	9,850	8,594
	25,521	19,337	13,002	8,633	591,632	394,960
Number of persons	1	1	2	2	311	241

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

41.2 Aggregate amount charged in these consolidated financial statements for meeting fee to one director (2013: one director) of the Holding Company was Rupees 150,000 (2013: Rupees 120,000).

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

42 TRANSACTIONS WITH RELATED PARTIES

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

	2014	2013
	(Rupees in thousand)	
Associated companies		
Investment made	354,327	300,000
Purchase of goods and services	241,471	39,850
Sale of goods and services	3,046	1,935
Rental income	825	335
Sale of operating fixed assets	10,967	1,388
Purchase of operating fixed assets	23,187	–
Rent paid	12,461	12,461
Security deposit paid	3,059	–
Dividend paid	126,194	110,419
Insurance premium paid	282,634	101,305
Insurance claim received	29,989	18,859
Profit on term deposit receipt	3,427	5,035
Subscription paid	–	1,250
Other related parties		
Purchase of goods and services	417,800	91,383
Sale of goods and services	4,839	28,335
Group's contribution to provident fund trust	144,401	118,104

43 PROVIDENT FUND RELATED DISCLOSURES

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

	Nishat Mills Limited *		Nishat Power Limited **		Nishat Linen (Private) Limited **		Nishat Hospitality (Private) Limited **		Nishat Spinning (Private) Limited **	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)									
Size of the fund - total assets	2,673,955	2,182,762	27,305	18,252	13,213	8,905	982	740	233	–
Cost of investments made	2,479,334	2,002,791	21,902	13,478	12,816	8,497	982	740	–	–
Percentage of investments made	92.72%	91.75%	80.21%	73.84%	97.00%	95.42%	100%	100%	–	–
Fair value of investments	3,728,645	2,718,024	22,654	14,258	12,816	8,497	982	740	–	–
Break up of investments										
Special accounts in scheduled bank	408,493	393,959	4,770	1,202	–	–	982	740	–	–
Certificates of Investment	–	–	–	6,500	–	–	–	–	–	–
Mutual funds	647,270	430,398	13,153	5,776	–	–	–	–	–	–
Term deposit receipts	–	–	–	–	12,816	8,497	–	–	–	–
Listed securities	1,288,499	1,161,424	–	–	–	–	–	–	–	–
Term finance certificate	–	17,010	–	–	–	–	–	–	–	–
Pakistan Investment bonds	98,687	–	–	–	–	–	–	–	–	–
Preference shares	36,385	–	–	–	–	–	–	–	–	–
Government securities-Treasury Bills	–	–	3,979	–	–	–	–	–	–	–
	2,479,334	2,002,791	21,902	13,478	12,816	8,497	982	740	–	–

	Nishat Mills Limited *		Nishat Power Limited **		Nishat Linen (Private) Limited **		Nishat Hospitality (Private) Limited **		Nishat Spinning (Private) Limited **	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Percentage)									
Special accounts in scheduled bank	16%	20%	22%	9%	–	–	100%	100%	–	–
Certificates of Investment	–	–	–	48%	–	–	–	–	–	–
Mutual funds	26%	21%	60%	43%	–	–	–	–	–	–
Term deposit receipts	–	–	–	–	100%	100%	–	–	–	–
Listed securities	52%	58%	–	–	–	–	–	–	–	–
Term finance certificate	–	1%	–	–	–	–	–	–	–	–
Pakistan Investment bonds	4%	–	–	–	–	–	–	–	–	–
Preference shares	2%	–	–	–	–	–	–	–	–	–
Government securities-Treasury Bills	–	–	18%	–	–	–	–	–	–	–
	100%	100%	100%	100%	100%	100%	100%	100%	–	–

* As at the reporting date, The Nishat Mills Employees Provident Fund Trust is in the process of regularizing its investments in accordance with Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose in terms of order issued by the Securities and Exchange Commission of Pakistan.

** The investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

		2014	2013
44	**NUMBER OF EMPLOYEES**		
	Number of employees as on June 30	18,953	17,376
	Average number of employees during the year	18,267	17,325

45 PLANT CAPACITY AND ACTUAL PRODUCTION

			2014	2013
			(Figures in thousand)	
a)	**Holding Company - Nishat Mills Limited**			
	Spinning			
	100 % plant capacity converted to 20s count based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Kgs.)	66,468	66,944
	Actual production converted to 20s count based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Kgs.)	58,225	57,823
	Weaving			
	100 % plant capacity at 50 picks based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Sq.Mtr.)	258,162	240,728
	Actual production converted to 50 picks based on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Sq.Mtr.)	248,256	231,278
	Dyeing and Finishing			
	Production capacity for 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Mtr.)	54,000	54,000
	Actual production on 3 shifts per day for 1,095 shifts (2013: 1,095 shifts)	(Mtr.)	49,390	52,757
	Power Plant			
	Generation capacity	MWH	447	469
	Actual generation	MWH	287	297

Processing, Stitching and Apparel

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

			2014	2013
b)	**Subsidiary Company - Nishat Power Limited**			
	Installed capacity [Based on 8,760 hours (2013: 8,760 hours)]	MWH	1,711	1,711
	Actual energy delivered	MWH	1,464	1,276
c)	**Subsidiary Company - Nishat Hospitality (Private) Limited**			
	No. of rooms letable		61	12

45.1 REASON FOR LOW PRODUCTION

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

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

46 SEGMENT INFORMATION

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Hotel		Elimination of inter-segment transactions		Total - Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)															
Sales																
External	15,988,968	15,215,278	12,188,980	10,887,991	26,260,268	23,791,392	5,079,413	5,198,025	27,512,268	25,088,302	51,981	20,145	-	-	87,081,878	80,201,133
Intersegment	3,471,337	2,933,665	8,204,934	7,364,880	890,757	824,340	72	-	5,642,057	4,673,911	230	2,330	(18,209,387)	(15,799,126)	-	-
	19,460,305	18,148,943	20,393,914	18,252,871	27,151,025	24,615,732	5,079,485	5,198,025	33,154,325	29,762,213	52,211	22,475	(18,209,387)	(15,799,126)	87,081,878	80,201,133
Cost of sales	(17,516,454)	(15,065,796)	(18,595,070)	(16,606,182)	(22,066,045)	(20,430,142)	(4,209,657)	(4,081,434)	(28,492,799)	(24,724,984)	(120,084)	(11,521)	18,209,387	15,799,126	(72,790,722)	(65,120,933)
Gross profit / (loss)	1,943,851	3,083,147	1,798,844	1,646,689	5,084,980	4,185,590	869,828	1,116,591	4,661,526	5,037,229	(67,873)	10,954	-	-	14,291,156	15,080,200
Distribution cost	(437,015)	(468,456)	(639,124)	(558,434)	(2,363,852)	(1,850,315)	(333,279)	(350,037)	(5,994)	(5,427)	-	-	-	-	(3,779,264)	(3,232,669)
Administrative expenses	(274,449)	(224,952)	(241,847)	(201,132)	(616,537)	(436,239)	(79,954)	(68,225)	(174,582)	(124,203)	(21,560)	(2,600)	-	-	(1,408,929)	(1,057,351)
	(711,464)	(693,408)	(880,971)	(759,566)	(2,980,389)	(2,286,554)	(413,233)	(418,262)	(180,576)	(129,630)	(21,560)	(2,600)	-	-	(5,188,193)	(4,290,020)
Profit / (loss) before taxation and unallocated income and expenses	1,232,387	2,389,739	917,873	887,123	2,104,591	1,899,036	456,595	698,329	4,480,950	4,907,599	(89,433)	8,354	-	-	9,102,963	10,790,180
Unallocated income and expenses:																
Other expenses															(372,599)	(573,328)
Other income															1,547,955	1,465,592
Finance cost															(3,241,464)	(3,858,563)
Share of profit from associated companies															2,120,006	2,607,488
Taxation															(507,955)	(555,921)
Profit after taxation															8,648,906	9,875,448

46.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Processing and Home Textile		Garments		Power Generation		Hotel		Total - Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)													
Total assets for reportable segments	13,073,646	10,609,892	7,243,277	6,244,741	16,045,877	13,413,578	2,533,784	2,076,043	30,397,859	25,020,952	1,474,111	502,698	70,768,554	57,867,904
Unallocated assets:														
Long term investments													52,252,042	41,418,080
Other receivables													1,843,044	1,265,896
Cash and bank balances													4,108,507	5,202,124
Other corporate assets													4,723,110	5,771,037
Total assets as per balance sheet													133,695,257	111,525,041
Total liabilities for reportable segments	549,260	591,260	627,633	402,874	1,440,634	1,354,680	295,647	215,212	17,159,356	16,941,373	235,059	33,369	20,307,589	19,538,768
Unallocated liabilities:														
Deferred income tax													435,748	500,188
Provision for taxation													843,728	815,722
Other corporate liabilities													23,696,814	17,570,311
Total liabilities as per balance sheet													45,283,879	38,424,989

46.2 Geographical information

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

	2014	2013
	(Rupees in thousand)	
Europe	14,336,245	11,713,870
Asia, Africa and Australia	23,452,657	21,842,089
United States of America and Canada	5,469,146	6,181,007
Pakistan	43,823,830	40,464,167
	87,081,878	80,201,133

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

46.4 Revenue from major customers

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

47 FINANCIAL RISK MANAGEMENT

47.1 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 Holding Company and Subsidiary Companies under the policies approved by their respective Board of Directors. The Companies' finance departments evaluates and hedge financial risks. The Board of each Group Company provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

a) Market risk

i) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro, United Arab Emirates Dirham (AED) and British Pound (GBP). Currently, the Group's foreign exchange risk exposure is restricted to bank balances, short term finances, security deposit and the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

	2014	2013
Cash at banks - USD	325,782	268,807
Cash at banks - AED	8,187,785	3,967,679
Trade debts - USD	20,398,146	47,924,031
Trade debts - Euro	1,220,485	1,007,454
Trade debts - AED	5,805,949	1,684,169
Trade debts - GBP	20,242	–
Trade and other payables - USD	1,510,438	1,311,326
Trade and other payables - Euro	76,969	46,059
Trade and other payables - AED	499,833	98,380
Other short term finances - USD	54,317,778	–
Security deposit - USD	48,063	–
Motor vehicles' loan - AED	230,338	164,197
Net exposure - USD	(35,056,225)	46,881,512
Net exposure - Euro	1,143,516	961,395
Net exposure - AED	13,263,563	5,389,271
Net exposure - GBP	20,242	–
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	102.70	96.92
Reporting date rate	98.55	99.15
Rupees per Euro		
Average rate	139.65	125.19
Reporting date rate	134.46	128.79
Rupees per AED		
Average rate	27.96	25.85
Reporting date rate	26.83	26.20
Rupees per GBP		
Average rate	167.81	–
Reporting date rate	167.79	–

Sensitivity Analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, AED and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 164.899 million lower / higher (2013: Rupees 220.460 million higher / lower), Rupees 7.221 million (2013: Rupees 5.816 million) higher / lower, Rupees 17.789 million (2013: Rupees 7.275 million) higher / lower and Rupees 0.160 million higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

ii) Other price risk

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

Sensitivity Analysis

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

Index	Impact on profit after taxation		Impact on statement of other comprehensive income (fair value reserve)	
	2014	2013	2014	2013
	(Rupees in thousands)			
KSE 100 (5% increase)	–	–	1,278,823	963,214
KSE 100 (5% decrease)	–	–	(1,278,823)	(963,214)

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

iii) Interest rate risk

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

The Group has no interest bearing assets except for term deposit receipts and bank balances in saving accounts. The Group's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipts and bank balances in saving accounts. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

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

	2014	2013
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balance - saving account	872,667	3,945,964
Financial liabilities		
Long term financing	1,446,873	1,481,386
Liabilities against assets subject to finance lease	24,988	58,312
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	750	6,110
Term deposit receipts	2,000,000	1,000,000
Trade debts - overdue	3,961,944	140,692
Financial liabilities		
Long term financing	17,326,527	14,620,253
Liabilities against assets subject to finance lease	41,380	78,280
Short term borrowings	17,510,155	14,397,313

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 274.696 million (2013: Rupees 272.559 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date were outstanding for the whole year.

b) Credit risk

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

	2014	2013
Investments	27,578,551	22,140,873
Loans and advances	257,704	179,712
Deposits	103,659	78,221
Trade debts	13,816,667	12,020,528
Other receivables	45,026	138,411
Accrued interest	5,431	9,302
Bank balances	4,081,551	5,189,052
	45,888,589	39,756,099

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

	Rating			2014	2013
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	728,111	12,517
Allied Bank Limited	A1+	AA+	PACRA	600,345	-
Askari Bank Limited	A1+	AA	PACRA	422	466
Bank Alfalah Limited	A1+	AA	PACRA	4,133	1,222
Faysal Bank Limited	A1+	AA	PACRA	627	522
Habib Bank Limited	A-1+	AAA	JCR-VIS	12,693	10,236
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	84	10,565
JS Bank Limited	A1	A+	PACRA	11	11
KASB Bank Limited	A3	BBB	PACRA	46	500,080
MCB Bank Limited	A1+	AAA	PACRA	1,199,379	3,720,101
NIB Bank Limited	A1+	AA-	PACRA	306	180
Samba Bank Limited	A-1	AA-	JCR-VIS	1,000,014	34,645
Silkbank Limited	A-2	A-	JCR-VIS	33	6,447
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	29,634	3,198
United Bank Limited	A-1+	AA+	JCR-VIS	156,135	66,139
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	10	35
Citibank N.A.	P-1	A2	Moody's	870	804
Deutsche Bank AG	P-1	A2	Moody's	388	391
HSBC Bank Middle East Limited	F1+	AA-	Fitch	9,453	11,226
Bank Islami Pakistan Limited	A1	A	PACRA	12,294	169
Meezan Bank Limited	A-1+	AA	JCR-VIS	6,267	5,720
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	100,738	204
The Bank of Punjab	A1+	AA-	PACRA	187	680,421
Soneri Bank Limited	A1+	AA-	PACRA	131	313
Summit Bank Limited	A-3	A-	JCR-VIS	5	2
Burj Bank Limited	A-1	A	JCR-VIS	107	20,063
Industrial and Commercial Bank of China	P-1	A1	Moody's	14,654	-
Barclays Bank Pakistan	P-1	A2	Moody's	10,743	-
First Women Bank Limited	A2	A-	PACRA	1	-
IGI Funds Limited	Not available	AA+(f)	PACRA	5	-
JP Morgan Chase Bank	P-1	Aa3	Moody's	315	435
Bank of China	P-1	A1	Moody's	8,144	-
Habib Bank AG Zurich, UAE	Not available			182,594	102,940
Mashreq Bank, UAE	P-2	Baa2	Moody's	2,672	-
				4,081,551	5,189,052
Investments					
Adamjee Insurance Company Limited	AA		PACRA	4,706	2,764
Security General Insurance Company Limited	A		JCR-VIS	1,902,081	1,969,677
Habib Bank Limited	A-1+	AAA	JCR-VIS	41	23
Pakistan Strategic Allocation Fund	4 Star	3 Star	PACRA	8,679	6,602
Nishat (Chunian) Limited	A-	A-2	JCR-VIS	1,154,751	1,479,688
MCB Bank Limited	A1+	AAA	PACRA	24,346,245	17,775,207
MCB - Cash Management Optimizer	AA(f)		PACRA	-	906,912
Pakistan Petroleum Limited	Unknown			100,000	-
United Bank Limited	A-1+	AA+	JCR-VIS	62,048	-
				27,578,551	22,140,873
				31,660,102	27,329,925

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 22.

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 2014, the Group had Rupees 20,179 million (2013: Rupees 24,529 million) available borrowing / financing limits from financial institutions and Rupees 4,108.507 million (2013: Rupees 5,202.124 million) cash and bank balances. Management believes the liquidity risk to be low.

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

Contractual maturities of financial liabilities as at 30 June 2014:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities						
Long term financing	18,773,400	20,720,400	1,630,951	1,747,309	3,818,849	13,523,291
Liabilities against assets subject to finance lease	66,368	70,686	39,919	30,767	-	-
Trade and other payables	5,620,496	5,620,496	5,620,496	-	-	-
Short term borrowings	17,510,155	18,452,653	17,985,277	467,376	-	-
Accrued mark-up	695,880	695,880	695,880	-	-	-
	42,666,299	45,560,115	25,972,523	2,245,452	3,818,849	13,523,291

Contractual maturities of financial liabilities as at 30 June 2013:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
	(Rupees in thousand)					
Non-derivative financial liabilities						
Long term financing	16,101,639	9,885,005	1,395,958	1,167,578	2,773,064	4,548,405
Liabilities against assets subject to finance lease	136,592	152,545	41,505	40,613	70,427	-
Trade and other payables	4,477,625	4,477,625	4,477,625	-	-	-
Short term borrowings	14,397,313	15,729,678	15,202,195	527,483	-	-
Accrued mark-up	779,822	779,822	779,822	-	-	-
	35,892,991	31,024,675	21,897,105	1,735,674	2,843,491	4,548,405

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

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

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

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at 30 June 2014				
Assets				
Available for sale financial assets	25,676,470	–	1,902,081	27,578,551
As at 30 June 2013				
Assets				
Available for sale financial assets	20,171,196	–	1,969,677	22,140,873

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Group has no such type of financial instruments as on 30 June 2014.

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

47.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2014			
Assets as per balance sheet			
Investments	–	27,578,551	27,578,551
Loans and advances	257,704	–	257,704
Deposits	103,659	–	103,659
Trade debts	13,816,667	–	13,816,667
Other receivables	45,026	–	45,026
Accrued interest	5,431	–	5,431
Cash and bank balances	4,108,507	–	4,108,507
	18,336,994	27,578,551	45,915,545

	Financial liabilities at amortized cost
Liabilities as per balance sheet	(Rupees in thousand)
Long term financing	18,773,400
Liabilities against assets subject to finance lease	66,368
Trade and other payables	5,620,496
Short term borrowings	17,510,155
Accrued mark-up	695,880
	42,666,299

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
As at 30 June 2013			
Assets as per balance sheet			
Investments	–	22,140,873	22,140,873
Loans and advances	179,712	–	179,712
Deposits	78,221	–	78,221
Trade debts	12,020,528	–	12,020,528
Other receivables	138,411	–	138,411
Accrued interest	9,302	–	9,302
Cash and bank balances	5,202,124	–	5,202,124
	17,628,298	22,140,873	39,769,171

	Financial liabilities at amortized cost
	(Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	16,101,639
Liabilities against assets subject to finance lease	136,592
Trade and other payables	4,477,625
Short term borrowings	14,397,313
Accrued mark-up	779,822
	35,892,991

47.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Group as referred to in note 5, note 6 and note 11 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'.

		2014	2013
Borrowings	Rupees in thousand	36,349,923	30,635,544
Total equity	Rupees in thousand	88,411,378	73,100,052
Total capital employed	Rupees in thousand	124,761,301	103,735,596
Gearing ratio	Percentage	29.14	29.53

48 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 23 September 2014 by the Board of Directors.

49 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made except those which have been specifically disclosed in these consolidated financial statements.

50 GENERAL

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

Chief Executive Officer

Director

Pattern of Holding

of the Shares held by the Shareholders of Nishat Mills Limited as at June 30, 2014

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
4,392	1	100	161,367
4,204	101	500	1,092,755
1,368	501	1,000	1,083,090
1,559	1,001	5,000	3,850,734
332	5,001	10,000	2,554,316
124	10,001	15,000	1,593,157
82	15,001	20,000	1,477,208
51	20,001	25,000	1,183,835
34	25,001	30,000	967,135
22	30,001	35,000	732,085
31	35,001	40,000	1,198,078
8	40,001	45,000	340,798
29	45,001	50,000	1,442,040
7	50,001	55,000	371,578
7	55,001	60,000	412,100
6	60,001	65,000	388,688
7	65,001	70,000	478,648
13	70,001	75,000	949,021
4	75,001	80,000	313,062
11	80,001	85,000	907,572
3	85,001	90,000	265,400
3	90,001	95,000	278,924
12	95,001	100,000	1,200,000
3	100,001	105,000	306,096
2	105,001	110,000	216,500
1	110,001	115,000	113,900
6	115,001	120,000	704,811
3	120,001	125,000	364,677
2	125,001	130,000	255,500
5	130,001	135,000	659,122
2	135,001	140,000	276,481
1	140,001	145,000	144,000
1	145,001	150,000	146,000
1	150,001	155,000	154,900
1	155,001	160,000	155,150
1	160,001	165,000	165,000
1	165,001	170,000	167,000
1	170,001	175,000	171,000
1	175,001	180,000	178,400
2	180,001	185,000	370,000
3	185,001	190,000	560,401
1	190,001	195,000	194,500
2	195,001	200,000	397,500
1	205,001	210,000	205,800
1	210,001	215,000	214,000
1	215,001	220,000	218,575
1	220,001	225,000	225,000
1	225,001	230,000	226,300
2	230,001	235,000	465,272
2	235,001	240,000	472,578
1	240,001	245,000	241,100
1	245,001	250,000	250,000
1	250,001	255,000	250,150
1	275,001	280,000	278,000
1	280,001	285,000	280,600
1	285,001	290,000	285,319
2	295,001	300,000	600,000
1	300,001	305,000	301,700
1	305,001	310,000	307,092

Number of Shareholders	Shareholding From	To	Total Shares Held
2	310,001	315,000	625,770
1	315,001	320,000	317,000
1	320,001	325,000	325,000
2	330,001	335,000	666,353
1	340,001	345,000	343,595
2	345,001	350,000	695,800
1	355,001	360,000	360,000
4	365,001	370,000	1,470,965
1	370,001	375,000	371,193
1	375,001	380,000	377,100
1	380,001	385,000	382,000
2	395,001	400,000	796,200
1	420,001	425,000	425,000
1	435,001	440,000	435,277
1	445,001	450,000	450,000
2	460,001	465,000	925,400
3	495,001	500,000	1,500,000
2	525,001	530,000	1,051,800
1	535,001	540,000	536,600
1	540,001	545,000	540,700
1	545,001	550,000	549,889
1	555,001	560,000	557,273
1	565,001	570,000	566,700
1	585,001	590,000	586,033
1	665,001	670,000	670,000
2	695,001	700,000	1,400,000
1	715,001	720,000	718,500
1	725,001	730,000	728,000
1	745,001	750,000	750,000
1	830,001	835,000	830,545
2	835,001	840,000	1,677,280
1	905,001	910,000	907,100
1	995,001	1,000,000	1,000,000
1	1,030,001	1,035,000	1,031,300
1	1,040,001	1,045,000	1,041,200
1	1,060,001	1,065,000	1,061,285
1	1,075,001	1,080,000	1,075,895
1	1,140,001	1,145,000	1,142,810
1	1,205,001	1,210,000	1,207,200
1	1,255,001	1,260,000	1,258,650
1	1,330,001	1,335,000	1,331,300
1	1,375,001	1,380,000	1,378,500
1	1,615,001	1,620,000	1,616,300
1	1,715,001	1,720,000	1,716,925
1	1,780,001	1,785,000	1,783,600
1	1,870,001	1,875,000	1,874,000
1	1,890,001	1,895,000	1,894,600
1	1,900,001	1,905,000	1,903,400
1	2,050,001	2,055,000	2,053,000
1	2,075,001	2,080,000	2,076,787
1	2,110,001	2,115,000	2,115,000
1	2,120,001	2,125,000	2,121,778
1	2,195,001	2,200,000	2,196,200
1	2,260,001	2,265,000	2,263,000
1	2,440,001	2,445,000	2,442,841
1	2,510,001	2,515,000	2,514,100
1	2,715,001	2,720,000	2,718,318
1	2,835,001	2,840,000	2,839,871
1	2,990,001	2,995,000	2,994,400

Pattern of Holding
of the Shares held by the Shareholders of Nishat Mills Limited as at June 30, 2014

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	2,995,001	3,000,000	3,000,000
1	3,065,001	3,070,000	3,069,400
1	3,420,001	3,425,000	3,424,000
1	3,885,001	3,890,000	3,885,638
1	4,205,001	4,210,000	4,208,300
1	4,220,001	4,225,000	4,225,000
1	4,780,001	4,785,000	4,785,000
1	4,995,001	5,000,000	4,997,940
1	6,105,001	6,110,000	6,105,635
1	6,340,001	6,345,000	6,341,629
1	6,450,001	6,455,000	6,450,913
1	6,815,001	6,820,000	6,815,099
1	7,025,001	7,030,000	7,025,300
1	9,250,001	9,255,000	9,251,760
1	13,840,001	13,845,000	13,844,092
1	15,075,001	15,080,000	15,075,149
1	18,695,001	18,700,000	18,698,357
1	21,190,001	21,195,000	21,191,146
1	23,100,001	23,105,000	23,101,426
1	25,670,001	25,675,000	25,673,659
1	26,245,001	26,250,000	26,248,841
1	29,225,001	29,230,000	29,228,216
12,462			351,599,848

Sr. No.	Categories of Shareholders	Shares Held	Percentage
1	**Directors, CEO, their Spouse and Minor Children**	88,669,938	25.22
2	**Associated Companies, Undertakings and Related Parties**	31,548,378	8.97
3	**NIT and ICP**	223,312	0.06
4	**Banks Development Financial Institutions, Non banking Financial Institutions**	12,005,395	3.41
5	**Insurance Companies**	13,505,498	3.84
6	**Modarabas and Mutual Funds**	35,522,704	10.10
7	**Share Holders Holding 10% and above**	88,664,588	25.22
8	**General Public**		
	Local	87,700,411	24.94
	Foreign	72,376,297	20.58
9	**Others**		
	Investment Companies	928,934	0.26
	Joint Stock Companies	35,640,191	10.14
	Provident / Pension Funds and Miscellaneous	5,250,480	1.49

Information Under Clause (J)

of Sub-Regulation (XVI) of Regulation 35 of Chapter (XI) of Listing Regulations of the Karachi Stock Exchange Limited as at June 30, 2014

Sr. No.	Categories of Shareholders	Shares Held	Percentage
(I)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**		
	1. D. G. KHAN CEMENT COMPANY LIMITED	30,289,501	8.61
	2. ADAMJEE INSURANCE COMPANY LIMITED	1,258,650	0.36
	3. MCB BANK LIMITED	227	0.00
(II)	**MUTUAL FUNDS:**		
	PRUDENTIAL STOCKS FUND LIMITED	110	0.00
	Prudential Stocks Fund Ltd (03360)	23,500	0.01
	TRUSTEE PAK QATAR FAMILY TAKAFUL LIMITED BALANCE FUND (BF)	30,000	0.01
	TRUSTEE PAK QATAR FAMILY TAKAFUL LIMITED AGGRESSIVE FUND	30,000	0.01
	MCBFSL - TRUSTEE JS VALUE FUND	1,378,500	0.39
	CDC - TRUSTEE JS LARGE CAP. FUND	450,000	0.13
	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	8,800	0.00
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	300,000	0.09
	CDC - TRUSTEE MEEZAN BALANCED FUND	278,000	0.08
	CDC - TRUSTEE JS ISLAMIC FUND	425,000	0.12
	CDC - TRUSTEE ALFALAH GHP VALUE FUND	120,100	0.03
	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	718,500	0.20
	CDC - TRUSTEE JS AGGRESSIVE ASSET ALLOCATION FUND	83,000	0.02
	CDC - TRUSTEE AKD INDEX TRACKER FUND	42,447	0.01
	CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	100	0.00
	MC FSL - TRUSTEE JS KSE-30 INDEX FUND	7,908	0.00
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1,041,200	0.30
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	7,025,300	2.00
	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1,894,600	0.54
	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	300,000	0.09
	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	2,514,100	0.72
	CDC - TRUSTEE NAFA STOCK FUND	333,700	0.09
	CDC - TRUSTEE NAFA MULTI ASSET FUND	144,000	0.04
	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	131,000	0.04
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	670,000	0.19
	CDC - TRUSTEE APF-EQUITY SUB FUND	50,000	0.01
	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	69,800	0.02
	CDC - TRUSTEE ALFALAH GHP ISLAMIC FUND	78,700	0.02
	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	130,200	0.04
	PAK ASIAN FUND LIMITED	500	0.00
	CDC - TRUSTEE APIF - EQUITY SUB FUND	85,000	0.02
	MC FSL - TRUSTEE JS GROWTH FUND	4,225,000	1.20
	CDC - TRUSTEE KASB ASSET ALLOCATION FUND	139,400	0.04
	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	65,000	0.02
	CDC - TRUSTEE IGI STOCK FUND	130,000	0.04
	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	57,000	0.02
	CDC - TRUSTEE ABL INCOME FUND	3,000	0.00
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	2,442,841	0.69
	M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	72,000	0.02
	CDC - TRUSTEE FIRST HABIB STOCK FUND	18,500	0.01
	CDC - TRUSTEE CROSBY DRAGON FUND	71,977	0.02
	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	317,000	0.09
	CDC-TRUSTEE NAFA SAVINGS PLUS FUND – MT	226,300	0.06
	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND – MT	25,700	0.01
	CDC - TRUSTEE PICIC INCOME FUND – MT	91,000	0.03
	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	350,000	0.10
	CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	9,000	0.00
	CDC - TRUSTEE PICIC STOCK FUND	78,500	0.02
	CDC - TRUSTEE ASKARI EQUITY FUND	65,600	0.02
	CDC - TRUSTEE IGI INCOME FUND – MT	48,600	0.01
	CDC - TRUSTEE KSE MEEZAN INDEX FUND	235,250	0.07
	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	20,000	0.01
	CDC - TRUSTEE ATLAS INCOME FUND – MT	525,800	0.15
	CDC - TRUSTEE KASB INCOME OPPORTUNITY FUND – MT	5,200	0.00
	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	396,200	0.11
	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	14,200	0.00
	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	13,800	0.00
	CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	5,000	0.00
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	80,300	0.02
	TRUSTEE - BMA CHUNDRIGAR ROAD SAVINGS FUND – MT	5,000	0.00
	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	132,200	0.04
	CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	35,000	0.01
	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND – MT	101,600	0.03
	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	125,500	0.04
	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	85,000	0.02
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	6,815,099	1.94
	CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	75,000	0.02

Information Under Clause (J)

of Sub-Regulation (XVI) of Regulation 35 of Chapter (XI) of Listing Regulations of the Karachi Stock Exchange Limited as at June 30, 2014

Sr. No.	Categories of Shareholders		Shares Held	Percentage
(III)	DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN			
	1. MIAN UMER MANSHA	DIRECTOR / CHIEF EXECUTIVE OFFICER	44,292,572	12.60
	2. MIAN HASSAN MANSHA	DIRECTOR / CHAIRMAN	44,372,016	12.62
	3. MR. KHALID QADEER QURESHI	DIRECTOR	725	0.00
	4. MS. NABIHA SHAHNAWAZ CHEEMA	DIRECTOR	3,625	0.00
	5. MR. MAQSOOD AHMED	DIRECTOR	500	0.00
	6. MR. SAEED AHMAD ALVI	DIRECTOR	500	0.00
(IV)	EXECUTIVES		NIL	-
(V)	PUBLIC SECTOR, COMPANIES AND CORPORATIONS			
	JOINT STOCK COMPANIES		35,640,191	10.14
(VI)	SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTREST IN THE LISTED COMPANY			
	1. MRS NAZ MANSHA	SHAREHOLDER	29,088,712	8.27
	2. MIAN RAZA MANSHA	SHAREHOLDER	28,919,241	8.23
	3. MIAN UMER MANSHA	DIRECTOR / CHIEF EXECUTIVE OFFICER	44,292,572	12.60
	4. MIAN HASSAN MANSHA	DIRECTOR / CHAIRMAN	44,372,016	12.62
	5. D. G. KHAN CEMENT COMPANY LIMITED	ASSOCIATED COMPANY	30,289,501	8.61
(VII)	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL,MODARABAS AND PENSION FUNDS			
	1. INVESTMENT COMPANIES		928,934	0.26
	2. INSURANCE COMPANIES		13,505,498	3.84
	3. FINANCIAL INSTITUTIONS		12,005,395	3.41
	4. MODARABAS COMPANIES		52,072	0.01
	5. PENSION / PROVIDENT FUNDS		4,865,686	1.38

Information Under Clause (I)

of Sub-Regulation (XVI) of Regulation 35 of Chapter (XI) of Listing Regulations of the Karachi Stock Exchange Limited as at June 30, 2014

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

Glossary of Terms

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

Form of Proxy

I/We ____

of ____

being a member of Nishat Mills Limited, hereby appoint ______________________________

____

of ____

or failing him/her ____

of ____

member(s) of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 31, 2014 (Friday), at 10:30 a.m. at Nishat Hotel, 9-A, Gulberg III, Mian Mahmood Ali Kasuri Road, Lahore.

as witness may hand this ________________ day of _______ 2014

Signed by the said member ______________________________

in presence of ______________________________

Please
affix
revenue
stamp
Rs. 5

Signature of witness..

Signature(s) of Members(s)

Name..

Address..

....

CNIC # ....

Please quote:

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary

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

nishatmillsltd.com

Registered Office:
Nishat House, 53-A, Lawrence Road, Lahore.
Tel : 042-36360154, 042-111 113 333
Email : nishat@nishatmills.com