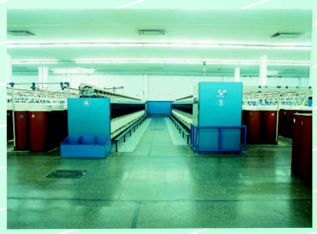
ANNUAL REPORT

2010

NAGINA

NAGINA GROUP



NAGINA COTTON MILLS LTD.

بسم الله الرحمن الرحيم

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shaikh Enam Ellahi	Chairman
Mr. S.M. Yusuf	
Mr. Shahzada Ellahi Shaikh	
Mr. Shaukat Ellahi Shaikh	
Mr. Khawaja Muhammad Ali	
Mr. Shafqat Ellahi Shaikh	
Mr. Munawar Iqbal	

MANAGING DIRECTOR (Chief Executive)

Mr. Shaukat Ellahi Shaikh

AUDIT COMMITTEE

Mr. Shaikh Enam Ellahi	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shafqat Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

CHIEF FINANCIAL OFFICER (CFO)

Mr. Tariq Zafar Bajwa

CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

AUDITORS

Messrs M. Yousuf Adil Saleem & Co.,
Chartered Accountants,
Cavish Court, A-35, Block 7 & 8 KCHSU
Shahrah-e-Faisal,
Karachi.

REGISTERED OFFICE

2nd Floor, Shaikh Sultan Trust Bldg. No.2
26, Civil Lines, Beaumont Road,
Karachi - 75530

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
5th Floor, Karachi Chambers,
Hasrat Mohani Road,
Karachi.
Phone # 021-32412754, 32411474,
Fax # 021-32424835.

MILLS

Aminabad, A-16, S.I.T.E.,
National Highway,
Kotri.

NOTICE OF MEETING

43rd Annual General Meeting of NAGINA COTTON MILLS LTD. will be held at the Registered Office of the Company, 2nd Floor, Shaikh Sultan Trust Bldg. No.2, 26, Civil Lines, Beaumont Road, Karachi - 75530 on Thursday the 28th October, 2010 at 4:00 p.m. to transact the following business:-

1) To confirm minutes of the 42nd Annual General Meeting held on 28th October, 2009.

2) To receive and adopt audited accounts of the Company for the year ended on 30th June, 2010 together with the Directors' and Auditors' reports thereon.

3) To approve Dividend in Specie as recommended by the Directors.

4) To appoint auditors and to fix their remuneration.

5) To transact any other ordinary business with the permission of the Chair.

Statement under Section 160 of the Companies Ordinance, 1984 are annexed.

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

September 29, 2010

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from Friday the 22nd October, 2010 to Thursday the 28th October, 2010 (both days inclusive). Valid transfer(s) received in order by our Shares Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, 5Tth Floor, Karachi Chambers, Hasrat Mohani Road, Karachi by the close of business on Thursday, the 21st October, 2010 will be in time to be passed for Dividend in Specie to the transferee(s).

2. A member entitled to attend and vote at the general meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Account and sub-account holders of the Central Depository System appointing proxies must attach attested copy of their National Identity Card with the proxy form.

3. Account holders and sub-account holders, holding book entry securities of the Company in CDS of Central Depository Co. of Pakistan Ltd., who wish to attend the Annual General Meeting are requested to please bring original National Identity Card with copy thereof duly attested by their Bankers for identification purpose.

4. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

5. Shareholders are requested to promptly notify the company of any change in their address.

Statement under Section 160
of the Companies Ordinance, 1984,
In compliance with SRO 865 (I)/2000 dated December 6, 2000.

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on 28th October, 2009. The company could not have implemented the decision. The following is the status:

<table>
<tr><td>? Name of Investee Companies.</td><td>a) Prosperity Weaving Mills Ltd. (PWML)
b) Ellcot Spinning Mills Ltd. (ESML)</td></tr>
<tr><td>? Reason for not having made investment so far.</td><td>Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no transaction transpired during the year 2009-10.</td></tr>
<tr><td>? Major change in financial position of investee Companies since date of last resolution.</td><td>
<table>
<tr><td></td><td colspan="2">Financial Position at the time of Approval as on 30th June, 2009</td><td colspan="2">Present Financial Position as on 30th June, 2010</td></tr>
<tr><td></td><td>PWML</td><td>ESML</td><td>PWML</td><td>ESML</td></tr>
<tr><td></td><td colspan="4">Rupees in Millions</td></tr>
<tr><td>Net sales</td><td>3,634.559</td><td>2,441.020</td><td>4,070.195</td><td>3,186.160</td></tr>
<tr><td>Gross Profit</td><td>368.861</td><td>273.099</td><td>399.270</td><td>413.790</td></tr>
<tr><td>Profit before tax</td><td>108.120</td><td>5.254</td><td>176.388</td><td>166.677</td></tr>
<tr><td>Profit after tax</td><td>83.902</td><td>0.997</td><td>127.321</td><td>128.633</td></tr>
</table>
</td></tr>
</table>

Vision:

To strive for excellence through commitment, integrity, honesty and team work.

Mission:

The mission of company is to operate state of the art spinning machinery capable of producing high quality carded and combed, cotton, core spun and blended yarn for knitting and weaving.

The company will conduct its operations prudently assuring customer satisfaction and will provide profits and growth to its shareholders through;

- Providing quality products and services to our customers mainly engaged in the manufacturing of textile products.
- Manufacturing of cotton, core spun and blended yarn as per the customers' requirements and market demand.
- Exploring the global market with special emphasis on Europe and USA.
- Keeping pace with the rapidly changing technology by continuously balancing, modernization and replacement (BMR) of plant and machinery.
- Enhancing the profitability by improved efficiency and cost controls.
- Recruiting, developing, motivating and retaining the personnel having exceptional ability and dedication by providing them good working conditions, performance based compensation, attractive benefit program and opportunity for growth.
- Protecting the environment and contributing towards the economic strength of the country and function as a good corporate citizen.

DIRECTOR'S REPORT

IN THE NAME OF ALLAH THE MOST GRACIOUS
THE MOST BENEVOLENT THE MOST MERCIFUL

The Directors have the honour to present 43rd Annual Report of the Company together with audited accounts and auditors' report thereon for year ended June 30, 2010. Figures for the previous year ended 30th June, 2009 are included for comparison.

During the year 11,746,804 Kgs (2008-09: 11,581,664 Kgs.) of yarn was spun which was 165,140 Kgs or 1.43% higher than corresponding last year. Gross sales value of Yarn increased by Rs.488,329,338/= or 24.12% over the corresponding last year and stood at Rs.2,512,655,916/= or 91.48% of sales (2008-09: Rs.2,024,326,578/= or 93.78% of sales). Average sales price per Kg. of yarn is Rs.210.37 which has increased by Rs.44.93 or 27.16% over the previous year (2008-09: Rs.165.44/= per kg.).

Selling & Distribution costs were higher by Rs.25,361,315/= and stood at Rs.82,676,189/= or 3.01% of sales. (2008-09: Rs. 57,314,874/= or 2.66% of sales). Administrative expenses are Rs.58,681,840/= or 2.14% of sales (2008-09: Rs. 51,083,807/= or 2.37% of sales) and Workers Profit Participation Fund at Rs. 14,125,292/= or 0.51% of sales. (2008-09: Rs. 838,666/= or 0.04% of sales). Workers Welfare Fund is Rs.5,358,000/= or 0.20% of sales.(2008-09: Rs. 812,000/= or 0.04% of sales). Share of Profit from Associated undertakings is Rs.40,537,619/= or 1.48% of sales (2008-09: Rs. 4,857,840/= or 0.23% of sales). Other income amounted to Rs.12,406,055/= or 0.45% of sales. (2008-09: Rs. 12,658,077/= or 0.59% of sales).

Finance costs have increased by Rs.6,673,231/= to Rs.116,311,355/= or 4.23% of sales (2008-09: Rs. 109,638,124/= or 5.13% of sales).

Gross profit is higher by Rs.269,903,162/= and stood at Rs.486,758,761/= or 17.72% of sales (2008-09: Rs. 216,855,599/= or 10.05% of sales). Profit before taxation is higher by Rs.247,899,408/= and stood at Rs.262,549,759/= (2008-09: Rs.14,650,351/= or 0.68% of sales). After providing Rs.14,038,359/= for taxation (2008-09: Rs.7,074,848/=), net after tax profit for the year increased by Rs.240,935,897/= and stood at Rs.248,511,400/= or 9.05% of sales (2008-09: Rs. 7,575,503/= or 0.35% of sales.

Earning per ordinary share increased by Rs.12.88 to Rs.13.29 (2008-09: Re. 0.41 per ordinary share).

Balancing, Modernization & Replacement (BMR) of Buildings, Plant & equipment is essential for survival in the fiercely competitive markets. During the year Rs.91,432,867/= (2008-09: Rs.15,224,031/=) were spent on Machinery and other assets.

Directors have decided to distribute 2,805,000 (Two million eight hundred five thousand only) fully paid ordinary shares of the face value of Rs. 10/= of M/s. Ellcot Spinning Mills Ltd., i.e. 15 (fifteen) ordinary shares for every 100 shares held and 935, 000 (Nine hundred thirty five thousand only) fully paid ordinary shares of the face value of Rs. 10/= of M/s. Prosperity Weaving Mills Ltd., i.e. 5 (five) ordinary shares for every 100 shares held as *"Dividend in Specie".*

According to press reports, Government of Pakistan had fixed target of 14.01 million bales of Cotton (lint) for crop season 2010-11. According to the Pakistan Cotton Ginners Association, for 2010-11 season *Kapas* (seed cotton) arrivals upto September 15, 2010 amounts to 1,447,596 (2008-09: Data not collected) lint equivalent bales. The recent floods have caused havoc in the economy and it may have negative effect on the GDP growth. The floods have caused loss of cotton crop but the loss estimates are still uncertain. At this stage it is not possible to visualize the effect of the Crop size that will have on price of our basic raw material.

By the Grace of Almighty Allah your company has earned historical profit for the year. The main reason for such profitability is timely procurement of cotton due to which our average cotton cost remained low, effective marketing strategy deployed by the management, conducive market environment etc. With blend of these factors the company has been able to achieve such profitability. For the next financial year of 2010-11 Directors are optimistic about the profitability of the company. However, exceptionally high prices of Raw cotton and rising inflation is likely to exert cost push pressure on the profitability of the company.

As stated in the Directors report for 3rd quarter ended 31st March, 2010, quota restriction imposed by the Government was matter of concern. Later the Government took even harsher steps and imposed regulatory duty on exports of yarn @ 15% in May 2010 by replacing the quota and consequently restricted export of yarn. This duty remained enforced till 26-7-2010. At last on repeated demands and representations to the Government by the spinning industry the duty was removed by the Government. However, for almost two months Yarn exports remained almost suspended.

Associated Company, M/s. ELLCOT SPINNING MILLS LTD., have earned after tax profit of Rs. 128,633,392/= (2008-09: Rs.996,951/=). Ellcot Board have recommended payment of Cash Dividend @ 35% i.e. Rs. 3/50 (Rupees three and paisas fifty only) per share. The other Associated Company M/s. PROSPERITY WEAVING MILLS LTD., have earned after tax profit of Rs.127,320,564/= (2008-09: Rs. 83,901,779/=). Prosperity Board have declared dividend @ 30% i.e. Rs. 3/= (Rupees three only) per share.

One of the risk factors for Spinning Sector is the pattern of Raw Cotton business in Pakistan. Raw Cotton for full year's consumption has to be purchased, essentially in three months. If the prices fall, as happened in financial year 2003-04, large scale losses can occur. Additionally, availability of Gas is likely to become a problem due to shortages being expected in the country.

In the light of the company's overall objectives, the Board of Directors regularly reviews the company's strategic direction, annual plans and performance targets set for the business. The Board is committed to maintain the high standards of good corporate governance.

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

The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity. Company has maintained proper books of accounts.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates made are reasonable and prudent.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and non-applicability, if any, has been adequately disclosed.

System of internal control is sound in design and has been effectively implemented and monitored.

There is no doubt about the company's ability to continue as a going concern.

During 2009-2010, trades in the ordinary shares of the Company were not carried out by the CFO, Company Secretary, Directors, their spouses and minor children. However, one Director Mr. Shaikh Enam Ellahi purchased 2,501 Ordinary Shares of the Company.

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:-

S #	Name	Attended
1.	Mr. Shaikh Enam Ellahi	4 (four)
2.	Mr. Shahzada Ellahi Shaikh	4 (four)
3.	Mr. S. M. Yusuf	4 (four)
4.	Mr. Shaukat Ellahi Shaikh	4 (four)
5.	Mr. Shafqat Ellahi Shaikh	4 (four)
6.	Mr. Munawar Iqbal	3 (three)
7.	Mr. Khawaja Muhammad Ali	2 (two)

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Operating and financial data with key ratios of last 10 years are annexed.

The statements of shareholdings, in Form 34 and the form prescribed in Listing Regulations, as at June 30, 2010 are annexed.

The retiring auditors, Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, Karachi being eligible, have offered themselves for re-appointment. The Audit Committee has recommended their re-appointment as auditors for the year 2010-2011.

The continued good results have been possible due to continued diligence and devotion of the Staff and workers of the Company and the continued good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their thanks to the Bankers for their continued support to the Company.

On behalf of the Board

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

September 29, 2010.

ATTENTION

As the Company holds the shares of M/s. Ellcot Spinning Mills Ltd., and M/s. Prosperity Weaving Mills Ltd., in CDC, The dividend in Specie will be credited to Account holder and sub-account holder in CDS of CDC. The holders of physical share certificates of the Company are advised to get converted their shares in CDC prior to closure of share transfer books i.e. by 22nd October, 2010, failing which the company will not be able to transfer the shares as Dividend in Specie.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of corporate governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing 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 code in the following manner:

1. The company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present there are five non executive directors on the Board, including two directors representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. Non of the Directors are or were members of any Stock Exchange.

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

5. The business of the Company is conducted in accordance with the 'Statement of Ethics and Business Practice' signed by all the directors and employees.

6. The business operations of the Company are carried out in accordance with the Company's vision/mission statement, overall corporate strategy and significant policies. 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 and other executive directors, have been taken by the Board.

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 meeting. The minutes of the meetings were appropriately recorded and circulated.

9. No specific orientation course was held during the year. However, the management continue to apprise and familiarize with changes in law to discharge their duties and responsibilities.

10. The CFO, Company Secretary and Head of Internal Audit have executed their responsibilities pursuant to the approved appointment by the Board including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.

15. The audit committee as formed by the Board is fully functional. The committee comprises three members, all of whom are non-executive directors including the chairman of the committee.

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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set up an effective internal audit function.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the person 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.

20. The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.

21. We confirm that all other material principles contained in the Code have been complied with.

for & on behalf of the Board

SHAUKAT ELLAHI SHAIKH
Mg. Director (Chief Executive)
NIC NO. 35202-2529098-5

September 29, 2010

OPERATING FINANCIAL & INVESTMENT RATIOS
AS ON 30TH JUNE:

		2010	2009 (Restated)	2008 (Restated)	2007	2006	2005	2004	2003	2002	2001
Cost of sales as % of sales	%	82.28	89.95	92.29	89.30	89.49	85.48	93.13	88.54	82.72	83.55
Gross profit as % of sales	%	17.72	10.05	7.71	10.70	10.51	14.52	6.87	11.46	17.28	16.45
Operating profit as % of sales	%	11.87	4.95	3.56	6.03	5.79	9.48	3.60	*9.45	14.28	14.88
Net profit after tax as % of sales	%	9.05	0.35	0.06	2.83	1.51	7.05	2.18	4.58	6.48	6.76
Share holders' equity (millions)	Rs.	660.40	411.90	404.32	560.98	682.25	517.40	597.39	592.38	624.00	308.23
Pre-tax profit to equity	%	39.76	3.56	3.12	9.78	4.85	20.15	8.25	13.37	16.04	33.56
Sales to Capital employed ratio		2.98	3.04	2.57	1.75	1.40	1.53	2.21	1.64	1.32	2.27
Gross profit to Capital employed	%	52.88	30.85	19.82	18.72	14.74	22.15	15.25	18.86	22.80	37.31
Pre-tax profit to Capital exployed	%	28.52	2.08	1.77	6.28	3.24	13.88	6.53	9.47	10.41	19.41
Earning per ordinary share Pre-tax	Rs.	14.04	0.78	0.20	2.14	1.14	4.94	0.95	2.55	5.35	5.53
Dividend to Capital:											
Cash	%	-	-	-	15.00	8.80	20.00	15.00	11.00	15.00	25.00
Bonus	%	-	-	-	-	-	-	-	-	-	-
Specie Dividend											
Ellcot	%	15.00	-	-	-	20.00	-	-	-	-	-
Prosperity	%	5.00	-	-	-	-	-	-	40.00	-	-
Break up value per ordinary share	Rs.	35.32	22.03	21.62	23.53	30.02	19.66	19.00	18.74	20.44	16.48
Debt equity ratio		30.12	44.30	43.19	34.47	32.70	31.08	20.90	29.20	35.09	42.96
Current ratio		1.50	1.04	1.01	1.57	1.33	1.45	1.85	2.17	1.75	1.05
Acid test ratio		0.26	0.43	0.36	0.93	0.73	0.66	1.00	1.60	1.27	0.73
Total Debts to total assets		47.27	67.93	65.86	53.66	55.49	56.20	13.98	21.63	55.73	66.96
Stocks as % of sales		15.09	16.62	16.80	12.12	19.33	24.38	12.12	8.30	12.28	8.33

Pattern of Shareholding

As at 30th June, 2010

S #		Name	Total Shares	%
1)		***ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES***		
	i)	M/S. HAROON OMER (PVT) LIMITED	1,017,147	5.44
	ii)	M/S. MONELL (PVT) LIMITED	1,038,147	5.55
	iii)	M/S. ICARO (PVT) LIMITED	1,017,248	5.44
2)		***NIT and ICP***		
	i)	NATIONAL BANK OF PAKISTAN	113,499	0.61
	ii)	INVESTMENT CORPORATION OF PAKISTAN	1,430	0.01
3)		***DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN.***		
	i)	MR. SHAIKH ENAM ELLAHI	403,510	2.16
	ii)	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	iii)	MR. SHAUKAT ELLAHI SHAIKH	4,500,400	24.07
	iv)	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.96
	v)	MRS. HUMAIRA SHAHZADA	4,248	0.02
	vi)	MRS. MONA SHAUKAT	4,248	0.02
	vii)	MRS. SHAISTA SHAFQAT	4,248	0.02
	viii)	MR. MUNAWAR IQBAL	2	-
	ix)	MR. S.M. YUSUF	1,100	0.01
	x)	MR. KHAWAJA MUHAMMAD ALI	500	-
4)		***EXECUTIVES***	Nil	Nil
5)		***PUBLIC SECTOR COMPANIES & CORPORATIONS***		
	i)	NATIONAL DEVELOPMENT FINANCE CORPORATION	7,160	0.04
	ii)	ESCORTS INVESTMENT BANK LTD.	30	-
	iii)	STATE LIFE INSURANCE CORP. OF PAKISTAN	318,658	1.70
	iv)	NADEEM TEXTILE MILLS LTD.	10,000	0.05
6)		***BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS***	Nil	Nil
		GENERAL PUBLIC (952 Shareholders)	1,295,345	6.93
		Shareholders of the Company 971 Total:-	**18,700,000**	**100.00**
7)		***SHAREHOLDERS HOLDING 10% OR MORE***		
	i)	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	ii)	MR. SHAUKAT ELLAHI SHAIKH	4,500,400	24.07
	iii)	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.96

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

UAN: +92 (0) 21 111-55-2626
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Nagina Cotton Mills Limited (the Company) to comply with the respective Listing Regulations of the Karachi and Lahore Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2010.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Place: Karachi
Date: 29 SEP 2010

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A 35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

UAN: +92 (0) 21 111 55 2626
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NAGINA COTTON MILLS LIMITED** (the Company) as at June 30, 2010 and the related profit and loss account, 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 accounts 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 except for the change as stated in note 2.2 with which we concur;

- **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;

Deloitte

M. Yousuf Adil Saleem & Co
Chartered Accountants

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, 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 June 30, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi
Dated: 29 SEP 2010

BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees (Restated)	2008 Rupees (Restated)
SHARE CAPITAL AND RESERVES				
Authorised share capital		**500,000,000**	500,000,000	500,000,000
Issued, subscribed and paid up capital	5	**187,000,000**	187,000,000	187,000,000
Reserves	6	**473,407,220**	224,895,820	217,320,317
		660,407,220	411,895,820	404,320,317
Share of surplus on revaluation of property plant and equipment of associate - net of deferred tax		**1,833,119**	1,833,119	2,154,834
NON-CURRENT LIABILITIES				
Long-term financing	7	**201,430,846**	215,100,264	235,850,000
Liabilities against assets subject to finance lease	8	**4,633,943**	4,328,715	2,056,309
Deferred liabilities	9	**54,092,458**	71,494,732	71,109,087
CURRENT LIABILITIES				
Trade and other payables	10	**158,881,838**	89,187,934	68,401,498
Interest / mark-up accrued on loans	11	**15,534,238**	18,570,495	14,361,165
Short-term borrowings	12	**80,446,176**	369,549,967	322,778,058
Current portion of: long-term financing	7	**76,454,467**	106,806,523	66,349,938
Current portion of: liabilities against assets subject to finance lease	8	**2,126,262**	1,371,819	3,121,718
		333,442,981	585,486,738	475,012,377
CONTINGENCIES AND COMMITMENTS	13			
		1,255,840,567	**1,290,139,388**	**1,190,502,924**

The annexed notes from 1 to 42 form an integral part of these financial statements.

September 29, 2010

Shahzada Ellahi Shaikh
Director

	Note	2010 Rupees	2009 Rupees (Restated)	2008 Rupees (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**554,590,806**	517,258,681	547,022,551
Investment properties	15	**16,873,061**	17,284,697	17,717,999
Long term investments	16	**181,253,083**	144,869,816	144,625,716
Long term deposits		**1,621,250**	1,691,150	1,420,400
CURRENT ASSETS				
Stores and spares	17	**11,226,797**	20,641,562	25,342,352
Stock-in-trade	18	**403,274,926**	338,033,329	282,318,249
Trade debts	19	**62,142,316**	156,797,754	143,312,163
Loans and advances	20	**6,153,474**	15,468,640	15,012,733
Short-term deposits and prepayments	21	**1,168,721**	3,585,562	2,385,922
Other receivables	22	**6,735,697**	6,119,207	6,291,103
Sales tax refundable		**9,026,936**	3,474,977	3,008,395
Other financial assets	23	**-**	60,027,489	-
Cash and bank balances	24	**1,773,500**	4,886,524	2,045,341
		501,502,367	609,035,044	479,716,258
		1,255,840,567	**1,290,139,388**	**1,190,502,924**

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Sales	25	**2,746,753,923**	2,158,570,575
Cost of goods sold	26	**(2,259,995,162)**	(1,941,714,976)
Gross profit		**486,758,761**	216,855,599
Other operating income	27	**12,406,055**	12,658,077
		499,164,816	229,513,676
Distribution cost	28	**(82,676,189)**	(57,314,874)
Administrative expenses	29	**(58,681,840)**	(51,083,807)
Other operating expenses	30	**(19,483,292)**	(1,684,360)
Finance cost	31	**(116,311,355)**	(109,638,124)
Share of profit from associated undertakings - net of tax		**40,537,619**	4,857,840
Profit before taxation		**262,549,759**	14,650,351
Taxation	32	**(14,038,359)**	(7,074,848)
Profit for the year		**248,511,400**	7,575,503
Other comprehensive income		**-**	-
Total comprehensive income for the year		**248,511,400**	7,575,503
Earnings per share - basic and diluted	33	**13.29**	0.41

The annexed notes from 1 to 42 form an integral part of these financial statements.

September 29, 2010

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

		2010 Rupees	2009 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**262,549,759**	14,650,351
Adjustments for :			
Depreciation		**56,645,248**	55,875,668
Provision for gratuity		**9,820,023**	6,756,856
(Gain) / loss on disposal of property, plant and equipment		**(655,036)**	33,694
Unrealized loss on revaluation of investment		**-**	(22,489)
Share of profit from associated undertakings		**(40,537,619)**	(4,857,840)
Gain on sale of investments - held for trading		**(329,934)**	(148,531)
Finance cost		**116,311,355**	109,638,124
Provision for doubtful debts		-	900,000
		403,803,796	182,825,833
Decrease / (increase) in current assets;			
Stores and spares		**9,414,765**	4,700,790
Stock in trade		**(65,241,597)**	(55,715,079)
Trade debts		**94,655,438**	(14,385,591)
Loans and advances		**2,833,998**	4,020,260
Short-term deposits and prepayments		**2,416,841**	(1,199,640)
Other receivables		**(616,490)**	171,896
Sales tax refundable		**(5,551,959)**	(466,582)
		37,910,996	(62,873,946)
Increase / (decrease) in current liabilities;			
Trade and other payables		**69,693,904**	20,786,436
Cash generated from operations		**511,408,696**	140,738,323
Financial charges paid		**(119,349,148)**	(105,428,794)
Payment for gratuity		**(8,065,253)**	(6,335,466)
Income taxes paid		**(26,714,235)**	(11,551,015)
Long term deposits		**69,900**	(270,750)
Net cash from operating activities	**A**	**357,349,960**	17,152,298
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**1,787,000**	1,727,000
Purchase of property, plant and equipment		**(91,720,701)**	(23,343,191)
Purchase of investments- held for trading		**-**	(110,005,000)
Proceeds from sale of investment- held for trading		**60,357,423**	50,148,531
Dividend received		**4,154,352**	4,256,280
Net cash used in investing activities	**B**	**(25,421,926)**	(77,216,380)

		2010 Rupees	2009 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long - term financing		**119,954,430**	75,249,000
Repayment of long - term financing		**(163,974,368)**	(55,542,151)
Repayment of principal portion of finance lease		**(1,917,329)**	(3,573,493)
Repayment of / proceeds from short - term borrowings excluding running finances		**(213,959,335)**	121,044,115
Net cash (used in) / from financing activities	**C**	**(259,896,602)**	137,177,471
Net increase in cash and cash equivalent (A+B+C)		**72,031,432**	77,113,389
Cash and cash equivalents at the beginning of the year		**(75,704,108)**	(152,817,497)
Cash and cash equivalents at the end of the year		**(3,672,676)**	(75,704,108)
Cash and cash equivalents			
Cash and bank balances		**1,773,500**	4,886,524
Short-term running finances		**(5,446,176)**	(80,590,632)
		(3,672,676)	(75,704,108)

The annexed notes from 1 to 42 form an integral part of these financial statements.

September 29, 2010

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

		Capital reserves			Revenue reserve	
	Share capital	Amalgamation reserve	Share of capital reserves of associated undertakings	Capital Redemption reserve fund	(Accumulated loss) / Unappropriated profit	Total
	Rupees					
Balance as at July 1, 2008 as previously reported	187,000,000	12,104,417	-	241,860,000	(36,644,100)	404,320,317
Effect of prior period error (note 3.23)	-	-	2,934,363	-	(2,934,363)	-
Balance as at July 1, 2008 (restated)	187,000,000	12,104,417	2,934,363	241,860,000	(39,578,463)	404,320,317
Total comprehensive income - profit for the year	-	-	-	-	7,575,503	7,575,503
Balance as at June 30, 2009	187,000,000	12,104,417	2,934,363	241,860,000	(32,002,960)	411,895,820
Total comprehensive income - profit for the year	-	-	-	-	248,511,400	248,511,400
Balance as at June 30, 2010	187,000,000	12,104,417	2,934,363	241,860,000	216,508,440	660,407,220

The annexed notes from 1 to 42 form an integral part of these financial statements.

September 29, 2010

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. GENERAL INFORMATION

1.1 Nagina Cotton Mills Limited (the Company) was incorporated in Pakistan on May 16, 1967 as a public limited company under the Companies Act, 1913 as repealed by the Companies Ordinance, 1984, and listed on Karachi and Lahore Stock Exchanges of Pakistan. The registered office is situated at 2nd floor, Shaikh Sultan Trust Building No.2, Beamount Road, Karachi in the province of Sindh. The principal business of the Company is manufacture and sale of cotton and blended yarn. The Company's manufacturing facilities are located in Kotri Industrial Trading Estate in the province of Sindh.

1.2 These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

In the current year, the Company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for the Company's accounting period beginning on July 01, 2009. The adoption of these new Standards and Interpretations has resulted in changes to the Company's accounting policies in the following area:

IAS 1 'Presentation of financial statements (Revised)'

The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss as part of a single statement of comprehensive income as permitted under revised IAS 1.

As surplus on revaluation of property, plant and equipment do not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of property, plant and equipment have not been considered part of comprehensive income and accordingly these are not included in the comprehensive income presented in these financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 'Financial Instruments : Disclosures'

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The changes in IFRS 7 did not have any impact in the current year as the Company held no financial assets which should have been measured at fair value. However, in the last year, the Company had financial assets, fair value through profit or loss but, the changes in IFRS 7 are applicable from the current year and there is no impact on the corresponding figures.

IFRIC 17 'Distributions of Non-cash Assets to Owners'

It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. In the current year, there was no impact of adoption of the interpretation except for disclosure of proposal of distribution of non-cash assets to the shareholders by the Board of Directors subsequent to the year end June 30, 2010. (Note 40.1)

2.2 Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

Standard or Interpretation		Effective Date (accounting periods beginning on or after)
IFRS 2	Share-based payments (Amendment)	January 01, 2010
IFRS 5	Non-current assets held for sale and Discontinued operations (Amendment)	January 01, 2010
IFRS 8	Operating Segments (Amendment)	January 01, 2010
IAS 1	Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7	Statements of cash flows (Amendment)	January 01, 2010
IAS 17	Leases (Amendment)	January 01, 2010
IAS 24	Related party disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation (Amendment)	February 01, 2010
IAS 36	Impairment of assets (Amendment)	January 01, 2010
IAS 39	Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2010
IFRS 9	Financial Instruments - Classification and Measurement	Not yet notified by SECP
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after July 01, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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 of or directives issued under the Companies Ordinance, 1984 shall prevail.

3.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for staff retirement benefits at present value, investment in associates accounted for using equity method and financial instruments at fair value.

3.3 Accounting for leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account.

3.4 Employee benefits cost - Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial assumptions and are charged to profit and loss account. The most recent valuation was carried out on September 03, 2008 using the 'Project Unit Credit Method'.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the present value of Company's obligation is amortized over the average expected remaining working lives of the employees.

Details of the scheme are given in note 9.1 to these financial statements.

3.5 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

3.6 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.7 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land and capital work in progress are stated at cost.

Assets' residual values and their useful lives are reviewed and adjusted at each balance sheet date, if significant and appropriate.

Depreciation is charged to income applying the reducing balance method at the rates specified in the note 14.1. Depreciation on all additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal.

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 repairs and maintenance are charged to profit and loss account during the financial year in which they are incurred.

Assets are derecognised when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised in profit and loss account, as and when incurred.

Assets held under finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

Capital work in progress

All cost / expenditure connected with specific assets incurred during the implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

3.8 Investment properties

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises land and buildings which are valued using the cost method i.e. at cost less accumulated depreciation and impairment, if any.

Depreciation on buildings is charged to profit and loss account applying the reducing balance method at the rates specified in the note 15.

3.9 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using trade date accounting. Trade date is the date that the Company commits to purchase or sell the investment.

Financial assets at fair value through profit or loss

These are investments designated at fair value through profit or loss at inception or held for trading. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.10 Investments in Associates

These investments are accounted for using equity method of accounting and initially are recognized at cost.

3.11 Stores and spares

These are valued at lower of moving average cost and net realizable value, except furnace oil, diesel and lubricants which are valued at lower of cost on first in first out basis and net realizable value less allowance for obsolete and slow moving items. Items in transit are valued at cost accumulated upto the balance sheet date.

3.12 Stock in trade

These are valued at lower of cost and net realisable value applying the following basis:

Raw material	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realisable value

Average manufacturing cost in relation to work in process and finished goods represents manufacturing cost which consists of prime cost and proprtion of manufacturing overheads.

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

3.13 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivable based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, short-term running finances.

3.15 Impairment

Financial Assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that non-financial assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account.

3.16 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.17 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability shall be setoff and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the transactions and also intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.18 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. At each balance sheet date, monetary asset and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Exchange differences are included in profit and loss account.

3.19 Revenue recognition

Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders where risks and rewards are transferred to a customer.

Dividend is recognized when right to receive is established.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Rental income is recognized when it is due.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

3.21 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of 0.5% of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profits and taxable temporary differences will be available against such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3.23 Prior period error

Recording of Share of surplus on revaluation of property plant and equipment of associate undertakings

During the year, the Company has rectified the prior period error in respect of accounting of investment in associates. Previously, the share of surplus on revaluation of fixed assets was not recognised and shares of capital reserves of associates was included in the share of profits of associate undertakings. This error has been corrected retrospectively and the comparative figures have been restated in accordance with IAS-8 Accounting Policies Changes in Accounting Estimates and Errors. Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 Presentation of Financial Statements. Details of correction of error are as follows:

	As per audited financial statements	Effect of prior period error	Restated amount
Effect of prior period error on the financial statements for the year ended 30 June 2009			
Balance Sheet			
Share of surplus on revaluation of property plant and equipment of associate - net of tax	-	1,833,119	1,833,119
Deferred liabilities	71,291,051	203,681	71,494,732
Long term investments	142,833,016	2,036,800	144,869,816
Effect of prior period error on the financial statements for the year ended 30 June 2008			
Balance Sheet			
Share of surplus on revaluation of property plant and equipment of associate - net of deferred tax	-	2,154,834	2,154,834
Deferred liabilities	70,869,661	239,426	71,109,087
Long term investments	142,231,456	2,394,260	144,625,716
Statement of changes in equity			
Unappropriated profit	(36,644,100)	(2,934,363)	(39,578,463)
Share of capital reserves of associated undertakings	-	2,934,363	2,934,363

There is no impact on earnings per share.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with 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, 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 judgment was exercised in application of accounting policies are as follows :

i. Deferred taxation (note 3.21 & 9.2)
ii. Retirement benefits (note 3.4 & 9.1)
iii. Provision for doubtful debts (note 19)

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	2009		2010	2009
No. of Shares			Rupees	Rupees
		Ordinary shares of Rs.10/- each fully paid		
3,133,000	3,133,000	In cash	**31,330,000**	31,330,000
15,567,000	15,567,000	As bonus shares	**155,670,000**	155,670,000
18,700,000	18,700,000		**187,000,000**	187,000,000

5.1 There were no movements during the reporting periods.

5.2 The Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Shareholders. All shares rank equally with regard to the Company's residual assets.

5.3 Following shares were held by associates of the Company as at the balance sheet date.

	No. of ordinary share of Rs.10/- each 2010	2009
Associates		
Monell (Private) Limited	**1,038,147**	1,038,147
Haroon Omer (Private) Limited	**1,017,147**	1,017,147
ICARO (Private) Limited	**1,017,248**	1,017,248
	3,072,542	3,072,542

6. RESERVES

	2010 Rupees	2009 Rupees (Restated)
Capital Reserves		
Book difference of capital under Scheme of arrangement for amalgamation	**12,104,417**	12,104,417
Capital redemption reserve	**241,860,000**	241,860,000
Share of capital reserves of associates	**2,934,363**	2,934,363
Unappropriated profit / (accumulated loss)	**216,508,440**	(32,002,960)
	473,407,220	224,895,820

	Note	2010 Rupees	2009 Rupees

7. LONG -TERM FINANCING

	Note	2010 Rupees	2009 Rupees
From banking companies and other financial institutions - secured			
Demand finances	7.1	**77,616,232**	50,000,000
Term finance	7.2	**127,790,299**	153,245,204
Export oriented projects (EOP)	7.3	**47,853,796**	55,829,428
Long term financing facility	7.4	**21,792,831**	-
		275,053,158	259,074,632
Custom debentures	7.5	**2,832,155**	2,832,155
From Related Party-Unsecured			
Loans from directors	7.6	**-**	60,000,000
		277,885,313	321,906,787
Less: Current portion:			
Demand finances		**-**	(50,000,000)
Term finance		**(54,946,944)**	(45,998,736)
Export oriented projects (EOP)		**(15,951,264)**	(7,975,632)
Long term financing facility		**(2,724,104)**	-
Custom debentures		**(2,832,155)**	(2,832,155)
		(76,454,467)	(106,806,523)
		201,430,846	215,100,264

7.1 Demand finance facility from National Bank of Pakistan is secured against first pari passu and mortgage charge over all present and future fixed assets and personal guarantee of directors. The loan carries markup at a rate of 3 month's average KIBOR ask side plus 200 bps (2009 : nil).The loan is repayable in 16 quarterly equal installments commencing from August 2011.

The aggregate unavailed demand finance facilities available amounting to Rs. 4.384 million (2009 : nil).

7.2 These term finance facilities comprise of :

Term Finance Facility I from National Bank of Pakistan amounting to Rs. 58.382 million carries markup at the rate of 3 months average KIBOR ask side plus 100 bps (2009 : 3 months average KIBOR ask side plus 100 bps) which is repayable in 20 equal quarterly installments commenced form July 2007.

Term Finance Facility II from National Bank of Pakistan amounting to Rs. 33.615 million carries markup at the rate of 3 months average KIBOR ask side plus 140 bps (2009 : 3 months average KIBOR ask side plus 140 bps) which is repayable in 16 equal quarterly installments commenced form August 2008.

Term Finance Facility I from Habib Bank Limited amounting to Rs. 14 million carries markup at the rate of 6 months average KIBOR offer rate plus 175 bps (2009 : nil) which is repayable in 8 equal half yearly installments commencing form December 2010.

Term Finance Facility II from Habib Bank Limited amounting to Rs. 21.793 million at the rate of 6 months average KIBOR offer rate plus 175 bps (2009 : nil) which is repayable in 8 equal half yearly installments commencing form December 2010. The aggregate unavailed long term finance facility available amounting to Rs. 4.413 million (2009 : Rs. 46.751 million).

These loans are secured against first parri passu, hypothecation and mortgage charge on present and future fixed assets of the Company, personal guarantees of the sponsoring directors and lien on the import documents of title to the goods.

7.3 These loans are secured against first parri passu, hypothecation and mortgage charge on present and future fixed assets of the Company, lien on import documents of the title to the goods, personal guarantees of sponsoring directors. These loans comprises of loans amounting to Rs. 32.427 million and Rs. 15.427 million respectively, which are repayable in 20 and 16 equal quarterly installments, commenced from July 2007 and August 2008 respectively. These loans carrying markup at the rate of 7% (2009: 7%). The company swap a portion of term finance facility amounting to Rs. 200 million and Rs. 125 million respectively under the SMED Circular No. 19 of 2006 dated 4 September 2006 of State Bank of Pakistan pertaining to the SBP LTF-EOP scheme.

7.4 The loan is secured against first pari passu charge over fixed assets (land, building, plant and machinery) of the company excluding power generation plant of Ellahi Electric installed at the premises of the Company and personal guarantees of all the sponsoring directors. It comprises of loans amounting to Rs. 6.893 million , Rs. 3.709 million, Rs. 11.191 million carries mark-up at the rate of 9.7%, 9.7% and 10.4% respectively commencing from June 2011.

The aggregate unavailed LTFF facility available amounting to Rs. 2.207 million.

7.5 Debentures have been issued in favour of collector of customs to cover deferred payment of custom duty on imported machinery. Debentures are subject to surcharge @ 11% per annum. Repayment is secured against a bank guarantee.

7.6 Loan from Directors is subject to interest at the rate of 3 months KIBOR + 1% per annum and is repaid in the current year.

7.7 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2010	**2009**
	Rupees	**Rupees**
6 months or less		
- Short-term borrowings	**80,446,176**	369,549,967
- Long-term loans	**205,406,531**	263,245,204
- Liabilities against assets subject to finance lease	**6,760,205**	5,700,534

7.8 Management considers that there is no significant non compliance of agreements with banking companies, financial institutions and related party, where the Company is exposed to penalties.

NAGINA
NAGINA GROUP

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2010		2009	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	< - - - - - - - - -	- - - - - - - Rupees	- - - - - - - - - - - - - - - -	>
Within one year	**2,904,160**	**2,126,262**	2,065,412	1,371,819
After one year but not more than five years	**4,612,712**	**4,633,943**	5,064,718	4,328,715
Total minimum lease payments	**7,516,872**	**6,760,205**	7,130,130	5,700,534
Amount representing finance charges	**(756,667)**	**-**	(1,429,596)	-
Present value of minimum lease payments	**6,760,205**	**6,760,205**	5,700,534	5,700,534
Less: Current portion	**(2,126,262)**	**(2,126,262)**	(1,371,819)	(1,371,819)
	4,633,943	**4,633,943**	4,328,715	4,328,715

8.1 These represent vehicles acquired under finance lease. The effective financing rate used as discounting factor is ranging from 13.43% to 15.56% per annum (2009: 11.4 % to 16.74% per annum). The lease terms are of 3 to 5 years.

8.2 These are secured against demand promissory notes and security deposits.

8.3 The Company intends to exercise its option to purchase the vehicles upon completion of the lease period.

9. DEFERRED LIABILITIES

	Note	2010 Rupees	2009 Rupees (Restated)
Provision for gratuity	9.1	**19,545,821**	17,791,051
Deferred taxation	9.2	**34,546,637**	53,703,681
		54,092,458	71,494,732

9.1 Provision for gratuity

	2010 Rupees	2009 Rupees (Restated)
Movement in the net liability is as follows:		
Opening balance	**17,791,051**	17,369,661
Charge for the year	**9,820,023**	6,756,856
Payment made during the year	**(8,065,253)**	(6,335,466)
Provision for gratuity	**19,545,821**	17,791,051
Reconciliation:		
Present value of defined benefit obligation	**19,545,821**	17,791,051
Unrecognized actuarial loss	**-**	-
	19,545,821	17,791,051

	2010 Rupees	2009 Rupees
Charge for the year:		
Current service cost	**5,139,747**	4,672,497
Interest cost	**2,260,701**	2,084,359
Actuarial losses recognised	**2,419,575**	-
	9,820,023	6,756,856

Changes in the present value of the defined benefit obligation:

	2010 Rupees	2009 Rupees
Opening defined benefit obligation	**17,791,051**	17,369,661
Current service cost	**5,139,747**	4,672,497
Interest cost	**2,260,701**	2,084,359
Actuarial losses	**2,419,575**	-
Benefits paid	**(8,065,253)**	(6,335,466)
Closing defined benefit obligation	**19,545,821**	17,791,051

The principal assumptions used in the valuation of gratuity are as follows:

	2010	2009
Discount rate	**10%**	12%
Expected rate of salary increase	**10%**	10%
Average expected remaining working life of the employees	**15 years**	15 years

Amounts for the current and previous four years are as follows:

Experience adjustments on obligation and plan assets

	2010	2009	2008	2007	2006
	<--		Rupees		-->
Present value of obligation	**19,545,821**	17,791,051	17,369,661	14,694,138	15,489,575
Fair value of plan assets	**-**	-	-	-	-
Deficit	**19,545,821**	17,791,051	17,369,661	14,694,138	15,489,575
Actuarial (loss) on obligation	**(2,419,575)**	-	(3,164,534)	-	(197,653)
Actuarial (gain) / loss on assets	-	-	-	-	-

9.2 Deferred taxation

	Opening balance (Restated)	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	Closing balance
	(----------	---------- Rupees	----------	----------)
Movement for the year ended June 30, 2010				
This comprises of the following;				
Deferred tax liability on taxable temporary differences arising in respect of :				
Accelerated tax deprecation allowance	58,522,030	(37,676,060)	-	20,845,970
Investment in associated undertakings	2,142,517	13,097,285	-	15,239,802
	60,664,547	(24,578,775)	-	36,085,772
Deferred tax asset on deductible temporary differences arising in respect of :				
Provision for bad debts	(948,701)	715,454	-	(233,247)
Finance leases	(85,548)	79,457	-	(6,091)
Assessed losses	(2,315,034)	2,315,034	-	-
Provision for gratuity	(3,611,583)	2,311,786	-	(1,299,797)
	53,703,681	(19,157,044)	-	34,546,637
Movement for the year ended June 30, 2009				
Deferred tax liability on taxable temporary differences arising in respect of :				
Accelerated tax deprecation allowance	59,403,610	(881,580)	-	58,522,030
Finance leases	348,558	(348,558)	-	-
Investment in associated undertakings (restated)	2,805,210	(626,948)	(35,745)	2,142,517
	62,557,378	(1,857,086)	(35,745)	60,664,547
Deferred tax asset on deductible temporary differences arising in respect of :				
Provision for bad debts	(614,817)	(333,884)	-	(948,701)
Finance leases	-	(85,548)	-	(85,548)
Assessed losses	(4,607,181)	2,292,147	-	(2,315,034)
Provision for gratuity	(3,595,954)	(15,629)	-	(3,611,583)
	53,739,426	-	(35,745)	53,703,681

Deferred tax liability worked out after taking effect of income covered under final tax regime.

	Note	2010 Rupees	2009 Rupees
10. TRADE AND OTHER PAYABLES			
Creditors		**17,639,594**	11,069,778
Foreign bills payable		**42,254,680**	-
Accrued liabilities		**58,463,696**	61,694,326
Advances from customers and tenants		**15,131,792**	9,680,346
Unclaimed dividend		**3,674,447**	3,679,538
Workers' Profit Participation Fund	10.1	**14,125,292**	838,666
Workers' Welfare Fund		**6,584,820**	1,226,820
Preference shares redemption liability and dividend		**893,365**	905,865
Other		**114,152**	92,595
		158,881,838	89,187,934
10.1 Workers' Profit Participation Fund			
Opening balance		**838,666**	712,372
Interest on fund utilized in the Company's business		**92,712**	92,218
		931,378	804,590
Allocation for the year		**14,125,292**	838,666
		15,056,670	1,643,256
Amount paid to the fund		**(931,378)**	(804,590)
		14,125,292	838,666
11. INTEREST / MARK-UP ACCRUED ON LOANS			
Long-term financing;			
Custom debentures		**5,387,029**	5,006,953
From banking companies		**4,901,700**	3,510,971
From Directors		**-**	22,636
		10,288,729	8,540,560
Liabilities against assets subject to finance lease		**46,627**	48,473
Short term borrowings		**5,198,882**	9,981,462
		15,534,238	18,570,495
12. SHORT TERM BORROWINGS - SECURED			
Banking Companies			
Borrowings;			
Foreign currency finance		**-**	202,319,017
Term finance		**75,000,000**	73,000,000
Cash finances		**-**	13,640,318
		75,000,000	288,959,335
Running finance		**5,446,176**	80,590,632
		80,446,176	369,549,967

12.1 Company can avail foreign currency term finance, cash and running finance facilities from various banks aggregating to Rs. 988 million (2009 : Rs.1,195 million). These borrowings are secured against hypothecation of stock and floating and pari passu charge on present and future current assets, demand promissory notes, personal guarantee of the Directors and lien on export orders / contracts. These are subject to variable markup ranging from one and three months KIBOR + 1% to 2.25% (2009 : one and three months KIBOR + 0.5% to 2.25%) and fixed markup of 12.53% to 15.97% (2009 : 14.5% to 15.74% per annum) payable on quarterly basis.

12.2 The aggregate unavailed short-term borrowing facilities available amounted to Rs. 907.553 million (2009 : Rs.825 million).

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(a) Guarantee of Rs.15,000,000 (2009 : Rs.15,000,000) to Excise Department for infrastructure fee on behalf of the Company.

(b) Irrevocable revolving letter of credit issued in favour of Sui Southern Gas Company Limited amounting to Rs.19,862,500 (2009 : Rs.19,862,500).

(c) The tax authorities have issued amended orders under Section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2004 and 2008 where the authorities disputed the basis of allocation of expenses between local and export sales and made allocation of the expenses on an arbitrary basis. As a result of these amendments tax liability increased by Rs. 4,190,318 for tax year 2004 and taxable income increased by Rs. Rs. 7,620,093 for tax year 2008. The Company has filed appeals with the Commissioner of Income Tax Appeals that are still pending for hearing. Management has not incorporated impact of the aforesaid amendments in the books of the Company as it is of the view that outcome of the proceedings will be in favor of the Company.

	Note	2010 Rupees	2009 Rupees
13.2 Commitments			
Stores and spares		**8,442,356**	10,134,258
Machinery		**-**	41,170,491

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 Rupees	2009 Rupees
Operating assets	14.1	**553,831,275**	512,635,458
Capital work in progress	14.2	**759,531**	4,623,223
		554,590,806	517,258,681

14.1 Operating assets

Particulars	COST As at July 1, 2009	COST Additions / (deletions) / transfers *	COST As at June 30, 2010	DEPRECIATION As at July 1, 2009	DEPRECIATION For the year / (deletions) / transfers *	DEPRECIATION As at June 30, 2010	Written down value as at June 30, 2010	Annual rate of Dep. %
	< - - - - 2010 - - - - >							
	< - - - - Rupees - - - - >							
Own								
Land - free hold	7,527,701	-	7,527,701	-	-	-	7,527,701	-
Commercial building on free hold land	13,917,064	-	13,917,064	7,384,572	326,625	7,711,197	6,205,867	5
Mills buildings on freehold land	119,197,303	5,031,249	124,228,552	71,354,434	4,910,687	76,265,121	47,963,431	10
Other buildings on freehold land	25,105,632	-	25,105,632	10,516,458	729,459	11,245,917	13,859,715	5
Machinery and equipment	1,002,778,397	86,401,616 (316,243)	1,088,863,770	615,691,330	43,003,681 (283,157)	658,411,854	430,451,916	10
Electric installations and equipment	53,193,545	2,453,518 (535,000)	55,112,063	30,591,964	2,323,013 (422,006)	32,492,971	22,619,092	10
Gas installations	3,264,556	-	3,264,556	1,819,568	144,500	1,964,068	1,300,488	10
Office equipment	10,454,383	318,600	10,772,983	6,645,409	389,434	7,034,843	3,738,140	10
Furniture and fixtures	11,942,557	466,760	12,409,317	6,468,119	564,561	7,032,680	5,376,637	10
Vehicles	24,008,299	912,650 (4,876,133) ★ 357,000	20,401,816	13,848,570	2,407,212 (3,890,249) ★ 99,788	12,465,321	7,936,495	20
	1,271,389,437	95,584,393 (5,727,376) ★ 357,000	1,361,603,454	764,320,424	54,799,172 (4,595,412) ★ 99,788	814,623,972	546,979,482	
Held under finance lease								
Vehicles	6,765,760	2,977,000 ★ (357,000)	9,385,760	1,199,315	1,434,440 ★ (99,788)	2,533,967	6,851,793	20
2010 Rupees	1,278,155,197	98,561,393 (5,727,376) ★ -	1,370,989,214	765,519,739	56,233,612 (4,595,412) ★ -	817,157,939	553,831,275	

★ Represents transfer from leased assets on maturity of leasing arrangements.

Particulars	COST: As at July 1, 2008	COST: Additions / (deletions) / transfers *	COST: As at June 30, 2009	DEPRECIATION: As at July 1, 2008	DEPRECIATION: For the year / (deletions) / transfers *	DEPRECIATION: As at June 30, 2009	Written down value as at June 30, 2009	Annual rate of Dep. %
	< - - - 2009 - - - >							
	< - - - Rupees - - - >							
Own								
Land - free hold	7,527,701	-	7,527,701	-	-	-	7,527,701	-
Commercial building on free hold land	13,917,064	-	13,917,064	7,040,757	343,815	7,384,572	6,532,492	5
Mills buildings on freehold land	119,233,050	420,460 (456,207)	119,197,303	66,073,502	5,280,932	71,354,434	47,842,869	10
Other buildings on freehold land	25,075,632	30,000	25,105,632	9,749,199	767,259	10,516,458	14,589,174	5
Machinery and equipment	989,216,046	14,803,571 (1,241,220)	1,002,778,397	574,023,448	42,473,422 (805,540)	615,691,330	387,087,067	10
Electric installations and equipment	49,614,450	3,579,095	53,193,545	28,248,649	2,343,315	30,591,964	22,601,581	10
Gas installations	3,264,556	-	3,264,556	1,659,014	160,554	1,819,568	1,444,988	10
Office equipment	10,082,105	372,278	10,454,383	6,245,234	400,175	6,645,409	3,808,974	10
Furniture and fixtures	11,038,470	904,087	11,942,557	5,914,505	553,614	6,468,119	5,474,438	10
Vehicles	16,645,996	3,048,560 (4,186,257) ★ 8,500,000	24,008,299	10,474,979	2,086,834 (2,861,243) ★ 4,148,000	13,848,570	10,159,729	20
	1,245,615,070	22,701,844 (5,427,477) ★ 8,500,000	1,271,389,437	709,429,287	54,409,920 (3,666,783) ★ 4,148,000	764,320,424	507,069,013	
Held under finance lease								
Vehicles	11,169,760	4,096,000 ★ (8,500,000)	6,765,760	4,314,869	1,032,446 ★ (4,148,000)	1,199,315	5,566,445	20
2009 Rupees	1,256,784,830	26,797,844 (5,427,477) ★ -	1,278,155,197	713,744,156	55,442,366 (3,666,783) ★ -	765,519,739	512,635,458	

★ Represents transfer from leased assets on maturity of leasing arrangements.

	Note	2010 Rupees	2009 Rupees

14.1.1 Depreciation for the year has been allocated as under:

	Note	2010 Rupees	2009 Rupees
Cost of goods manufactured	26.1	**50,771,617**	50,059,010
Administrative expenses	29	**5,873,631**	5,816,658
Total depreciation on property, plant and equipment and investment property		**56,645,248**	55,875,668

It includes depreciation on investment properties amounting to Rs.411,636/- (2009 : Rs.433,302/-).

14.1.2 Detail of disposal of assets

Description of Assets	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Mode of disposal	Particulars of buyers
Machinery & Equipment	247,910	222,766	25,144	15,000	Negotiation	Mohammad Jawiad - House No 552 Muhalla Paka, Makan Tando Yousuf Road Hyderabad
Machinery & Equipment	535,000	422,006	112,994	120,000	Negotiation	Chaudhry Abdul Hafiz - Lachman Street No 6 Rabbani Road Lahore
Machinery & Equipment	68,333	60,390	7,943	10,000	Negotiation	Mohammad Jawiad - House No 552 Muhalla Paka Makan Tando Yousuf Road Hyderabad
Vehicle	825,088	527,872	297,216	450,000	Negotiation	Chaudhry Asim Bashir - House No 37-P Model Town Extension Lahore
Vehicle	749,000	519,664	229,336	350,000	Negotiation	Chaudhry Asim Bashir - House No 37-P Model Town Extension Lahore
Vehicle	2,749,695	2,617,684	132,011	400,000	Negotiation	Sultan Habib Rana - House No 1043-E Mohalla Kenal View Housing Society Multan Road Lahore
Vehicle	63,000	57,653	5,347	10,000	Negotiation	Ali Baksh - House No 103 Street No 3 Labour Colony Water Pump Korangi Creek Near Ibrahim Hyderi Karachi
Vehicle	64,950	61,422	3,528	8,000	Negotiation	Altaf Hussain - House No E-59 North Nazimabad Block - B Karachi
Vehicle	67,400	6,168	61,232	63,000	Insurance claim	New Hampshir Insurance Co - 7Th Floor Dawood Centre M.T. Khan Road Karachi
Vehicle	357,000	99,788	257,212	361,000	Insurance claim	New Hampshir Insurance Co - 7Th Floor Dawood Centre M.T. Khan Road Karachi
Rupees 2010	5,727,376	4,595,412	1,131,964	1,787,000		
Rupees 2009	5,427,477	3,666,783	1,760,694	1,727,000		

	2010 Rupees	2009 Rupees

14.2 Capital work-in-Progress

	2010 Rupees	2009 Rupees
Civil work	**-**	4,623,223
Machinery and electrical installations	**759,531**	-
	759,531	4,623,223

14.2.1 Civil work

	2010 Rupees	2009 Rupees
Opening balance	**4,623,223**	2,292,401
Additions during the year	**408,026**	2,751,282
	5,031,249	5,043,683
Transfer to property, plant and equipment during the year	**(5,031,249)**	(420,460)
Closing balance	**-**	4,623,223

14.2.2 Machinery and electrical installations

	2010 Rupees	2009 Rupees
Opening balance	**-**	1,689,476
Additions during the year	**89,281,998**	1,075,224
	89,281,998	2,764,700
Transfer to property, plant and equipment during the year	**(88,318,306)**	(2,764,700)
Transfer to stores and spares	**(204,161)**	-
Closing balance	**759,531**	-

15. INVESTMENT PROPERTIES

	COST			DEPRECIATION			Written down value as at June 30, 2010	Annual Rate of Dep. %
	As at July 1, 2009	Additions / (deletions)	As at June 30, 2010	As at July 1, 2009	For the year	As at June 30, 2010		
Land in Sheikhupura - freehold	751,338	-	751,338	-	-	-	751,338	-
Land in Lahore - free hold	8,300,631	-	8,300,631	-	-	-	8,300,631	-
Building on free hold land in Lahore	17,539,312	-	17,539,312	9,306,584	411,636	9,718,220	7,821,092	5%
2010 Rupees	26,591,281	-	26,591,281	9,306,584	411,636	9,718,220	16,873,061	
2009 Rupees	26,591,281	-	26,591,281	8,873,282	433,302	9,306,584	17,284,697	

15.1 Fair value of land in Sheikhupura is Rs. 20.35 million and of land and building in Lahore - free hold is Rs.261.815 million.

	Note	2010 Rupees	2009 Rupees (Restated)

16. LONG TERM INVESTMENTS

	Note	2010 Rupees	2009 Rupees (Restated)
Investment in associated undertakings	16.1		
Cost of investments		**28,855,067**	28,855,067
Share of post-acquisition profits		**153,618,005**	115,299,866
Share of surplus on revaluation of land		**-**	2,036,800
Share of capital reserves		**2,934,363**	2,934,363
Less: Dividend received		**(4,154,352)**	(4,256,280)
		152,398,016	116,014,749
		181,253,083	144,869,816

16.1 Investment in associated undertakings

	2010	2009
Opening balance	**144,869,816**	144,268,256
Share of the profit for the year	**40,537,619**	4,857,840
Less: Dividend received	**(4,154,352)**	(4,256,280)
	181,253,083	144,869,816

Name	Number of shares held	Proportion of ownership interest	Market Value 2010	Market Value 2009
Ellcot Spinning Mills Limited (ESML)	2,856,995	26.09%	**61,139,693**	28,284,251
Prosperity Weaving Mills Limited (PWML)	1,012,302	* 5.48%	**17,097,781**	6,073,812

* Although the Company hold less than 20% of the voting power in Prosperity Weaving Mills Limited, it exercises significant influence by virtue of common management and directorship.

The summarized financial information of the associated companies for the year ended June 30, 2010 is as follows: -

	2010		2009	
	ESML	PWML	ESML	PWML
	< -	Rupees	- >	
Total assets	**1,725,677,525**	**1,513,769,276**	1,825,628,807	1,547,801,631
Total liabilities	**1,136,396,186**	**1,011,769,622**	1,356,820,860	1,136,162,541
Revenues	**3,186,159,742**	**4,070,195,095**	2,441,020,123	3,634,559,244
Profit after tax	**128,633,392**	**127,320,564**	996,951	83,901,779

	Note	2010 Rupees	2009 Rupees
17. STORES AND SPARES			
In hand			
Stores		**6,111,326**	6,825,087
Spares		**5,115,471**	12,469,270
In-transit		**-**	1,347,205
		11,226,797	20,641,562
18. STOCK-IN-TRADE			
Raw material			
In hand		**260,073,238**	243,778,879
In-transit		**-**	27,831,741
Work in process		**21,891,446**	22,436,512
Finished goods		**118,209,088**	42,002,929
Waste		**3,101,154**	1,983,268
		403,274,926	338,033,329
19. TRADE DEBTS			
Considered good			
Foreign - secured	19.1	**10,224,523**	74,627,264
Local - unsecured		**51,917,793**	82,170,490
		62,142,316	156,797,754
Considered doubtful		**3,507,469**	3,773,404
		65,649,785	160,571,158
Less: provision for doubtful debts		**(3,507,469)**	(3,773,404)
		62,142,316	156,797,754

19.1 These are secured against letters of credit in favor of the Company.

19.2 Trade debts are non-interest bearing and are generally on 45 to 60 day terms.

19.3 Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

19.4 Trade debts include debtors with a carrying amount of Rs. 62.142 million (2009: Rs. 156.797) which are past due at the reporting date, against which the Company has not made a provision as there has not been a significant change in credit quality and the amounts are considered recoverable.

	Note	2010 Rupees	2009 Rupees
19.4.1 Aging of past due but not impaired			
1-90 days		**44,981,006**	150,173,692
91-180 days		**6,501,871**	4,690,807
181 days and above		**10,659,439**	1,933,255
		62,142,316	156,797,754

20. LOANS AND ADVANCES - CONSIDERED GOOD

	Note	2010 Rupees	2009 Rupees
Loans			
Employees		**130,661**	253,564
Advances			
Income tax	20.1	**1,662,722**	8,143,890
Suppliers		**4,064,988**	6,951,692
Expenses		**284,130**	16,317
Letters of credit		**10,973**	103,177
		6,153,474	15,468,640

20.1 Movement of advance tax is as under: -

	2010 Rupees	2009 Rupees
Opening balance	**8,143,890**	3,667,723
Add: Paid during the year	**26,714,235**	11,551,015
Less: Provision for tax	**(33,195,403)**	(7,074,848)
	1,662,722	8,143,890

21. SHORT-TERM DEPOSITS AND PREPAYMENTS

	2010 Rupees	2009 Rupees
Short-term deposits	**38,100**	38,100
Prepayments	**1,130,621**	3,547,462
	1,168,721	3,585,562

22. OTHER RECEIVABLES

	2010 Rupees	2009 Rupees
Income tax refundable	**3,392,665**	3,392,665
Other receivables	**3,343,032**	2,726,542
	6,735,697	6,119,207

NAGINA
NAGINA GROUP

		Note	2010 Rupees	2009 Rupees

23. OTHER FINANCIAL ASSETS

Fair value through profit or loss - held for trading
Investments in open ended fund

2010 Number of Units	2009 Number of Units		2010 Rupees	2009 Rupees
-	582,969	Faysal Saving Growth Fund (Cost of investment - 60.005 million)	-	60,027,489

24. CASH AND BANK BALANCES

	Note	2010 Rupees	2009 Rupees
Cash with banks			
In current accounts		**1,771,071**	4,877,908
In deposit accounts	24.1	**81**	268
Cash in hand		**2,348**	8,348
		1,773,500	4,886,524

24.1 Deposit account carries mark up at the rate of 5% per annum (2009 : 4.9% per annum).

25. SALES

	Note	Local	Export	2010	2009
		< - - - - - - - - - - - - - - - - - Rupees		- - - - - - - - - - - - - - - - >	
Yarn	25.1 & 25.2	**440,157,001**	**2,072,498,915**	**2,512,655,916**	2,024,326,578
Raw cotton		**106,954,306**	**-**	**106,954,306**	32,223,064
Waste		**59,597,535**	**67,546,166**	**127,143,701**	102,020,933
		606,708,842	**2,140,045,081**	**2,746,753,923**	2,158,570,575

25.1 Export sales includes exchange net gain of Rs.12,000,202/- (2009 : Rs.8,817,512/-).

25.2 Export sales includes indirect export sales of Rs.212,269,220/- (2009 : Rs. nil).

26. COST OF GOODS SOLD

	Note	2010 Rupees	2009 Rupees
Opening stock - finished goods		**43,986,197**	42,684,724
Cost of goods manufactured	26.1 & 26.2	**2,231,905,967**	1,845,739,805
Purchase of finished goods		**107,785,720**	98,107,284
		2,383,677,884	1,986,531,813
Claim on stock destroyed in fire		**(2,372,480)**	(830,640)
Closing stock - finished goods		**(121,310,242)**	(43,986,197)
		2,259,995,162	1,941,714,976

	Note	2010 Rupees	2009 Rupees
26.1 Cost of goods manufactured			
Raw material consumed	26.1.1	**1,690,941,016**	1,397,726,046
Packing material consumed		**38,288,395**	31,603,893
Stores and spares consumed		**67,400,297**	44,974,232
Salaries, wages and benefits	26.1.2	**166,003,030**	148,502,305
Fuel		**188,194,648**	163,534,990
Rent, rates and taxes		**330,758**	330,369
Insurance		**7,027,302**	6,473,566
Repairs and maintenance		**9,484,640**	1,436,954
Depreciation	14.1.1	**50,771,617**	50,059,010
Doubling charges		**9,494,098**	3,812,241
Other manufacturing overheads		**3,425,100**	1,930,028
		2,231,360,901	1,850,383,634
Work in process			
Opening stock		**22,436,512**	17,792,683
Closing stock		**(21,891,446)**	(22,436,512)
		545,066	(4,643,829)
		2,231,905,967	1,845,739,805

26.1.1 Raw material consumed

	2010 Rupees	2009 Rupees
Opening stock	**243,778,879**	221,840,842
Purchases	**1,707,235,375**	1,419,664,083
	1,951,014,254	1,641,504,925
Closing stock	**(260,073,238)**	(243,778,879)
	1,690,941,016	1,397,726,046

26.1.2 It includes Rs.8,297,920/- (2009 : Rs.5,171,141/-) in respect of staff retirement benefits.

26.2 It includes cost of raw cotton sold amounting to Rs.92,997,733/- (2009 : Rs.32,223,064/-).

27. OTHER OPERATING INCOME

	2010 Rupees	2009 Rupees
Rental income from investment property	**10,127,533**	11,776,298
Gain on sale of investments - held for trading	**329,934**	148,531
Scrap sales	**1,253,676**	699,921
Gain on disposal of property, plant and equipment	**655,036**	-
Profit on bank deposits	**39,876**	10,838
Unrealized gain on revaluation of investments - held for trading	**-**	22,489
	12,406,055	12,658,077

	Note	2010 Rupees	2009 Rupees

28. DISTRIBUTION COST

	Note	2010 Rupees	2009 Rupees
Freight		**30,628,972**	22,808,673
Commission			
-Local		**2,695,176**	8,615,090
-Export		**23,599,329**	13,109,952
Stamp duty		**3,300,251**	1,578,388
Travelling		**1,628,975**	3,402,114
Export development surcharge		**4,796,358**	2,280,647
Quality claims		**397,277**	485,893
Distribution cost		**559,755**	372,450
Other		**15,070,096**	4,661,667
		82,676,189	57,314,874

29. ADMINISTRATIVE EXPENSES

	Note	2010 Rupees	2009 Rupees
Directors' remuneration and benefits		**3,335,500**	2,850,000
Staff salaries and benefits	29.1	**26,147,211**	21,046,269
Traveling and conveyance		**681,057**	798,613
Printing and stationery		**1,351,183**	1,150,329
Postage and telephone		**2,579,261**	2,414,366
Fees, subscription and periodicals		**1,032,289**	583,464
Legal and professional		**1,481,320**	736,301
Advertisement		**27,844**	24,790
Utilities - net of recoveries		**2,459,671**	2,116,339
Rent, rates and taxes		**2,270,218**	2,431,179
Insurance		**1,076,584**	1,362,107
Provision for doubtful Debts		**-**	900,000
Auditors' remuneration	29.2	**820,000**	705,000
Repairs and maintenance		**2,983,478**	1,860,530
Vehicles running and maintenance		**5,544,389**	4,473,726
Entertainment		**739,276**	658,487
Donation	29.3	**-**	850,000
Depreciation	14.1.1	**5,873,631**	5,816,658
Other		**278,928**	305,649
		58,681,840	51,083,807

29.1 It includes Rs. 1,522,103 /- (2009 : Rs.1,585,715 /-) in respect of staff retirement benefits.

29.2 Auditors' remuneration

	2010 Rupees	2009 Rupees
Annual audit fee	**500,000**	400,000
Half yearly review fee	**150,000**	135,000
Other certifications	**37,500**	37,500
Tax advisory services	**132,500**	132,500
	820,000	705,000

29.3 No director or his spouse had any interest in the donees' fund.

	Note	2010 Rupees	2009 Rupees

30. OTHER OPERATING EXPENSES

	Note	2010 Rupees	2009 Rupees
Workers' Profit Participation Fund		**14,125,292**	838,666
Workers' Welfare Fund		**5,358,000**	812,000
Loss on disposal of property, plant and equipment		**-**	33,694
		19,483,292	1,684,360

31. FINANCE COST

	Note	2010 Rupees	2009 Rupees
Markup / interest on:			
Debentures		**380,075**	380,075
Long term loans		**31,043,263**	33,799,164
Liabilities against assets subject to finance lease		**889,025**	785,871
Short term borrowings including bills discounting	31.1	**74,309,562**	68,253,058
Workers' Profit Participation Fund		**92,712**	92,218
Bank charges and commission		**9,596,718**	6,327,738
		116,311,355	109,638,124

31.1 Net off reversal of central excise duty of Rs. Nil (2009: Rs. 7.5 million).

32. TAXATION

	Note	2010 Rupees	2009 Rupees
Current			
-for the year		**33,195,403**	9,600,000
-for prior year		**-**	(2,525,152)
Deferred		**(19,157,044)**	-
		14,038,359	7,074,848

32.1 TAXATION

Relationship between tax expense and accounting profit:

	Note	2010 Rupees	2009 Rupees
Accounting profit before tax		**262,549,759**	14,650,351
Tax @ 35% (2009: 35%)		**91,892,416**	5,127,623
Effect of:			
Income chargeable to tax at reduced rates		**(56,376,996)**	874,753
Reversal of previously recognised deferred tax		**(23,237,329)**	-
Inadmissible expenses		**1,343,533**	643,924
Tax on income not included in accounting profit		**416,735**	428,548
		14,038,359	**7,074,848**

NAGINA
NAGINA GROUP

33. EARNINGS PER SHARE - basic and diluted

There is no dilutive effect on the basic earnings per share of the Company which is based on :

		2010	2009
Profit after taxation	Rupees	**248,511,400**	7,575,503
Weighted average number of ordinary shares		**18,700,000**	18,700,000
Earnings per share	Rupees	**13.29**	0.41

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Other Executives	
	2010	2009	2010	2009	2010	2009
	< - - - - - - - - - -	- - - - - - - - - -	- - - - - - Rupees	- - - - - - - - - -	- - - - - - - - - -	- - - - - - - - - - >
Remuneration	**1,904,400**	1,656,000	**600,000**	520,000	**5,408,000**	5,410,327
House rent allowance	**476,100**	414,000	**270,000**	234,000	**2,433,600**	2,434,647
Other allowances	**-**	-	**30,000**	26,000	**270,400**	270,516
	2,380,500	2,070,000	**900,000**	780,000	**8,112,000**	8,115,490
Number of persons	**1**	1	**1**	1	**9**	10

Chief Executive and a Director are provided with free use of Company maintained car and Chief Executive is reimbursed residential telephone and utilities bills.

35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings and directors of the Company. The transactions between the Company and the related parties are carried out as per agreed terms. There is no balance outstanding with or from associated undertakings. Remuneration of key management personnel is disclosed in note 34 and amount due in respect of staff retirement benefits is disclosed in note 9. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	2010 Rupees	2009 Rupees
Ellcot Spinning Mills Limited			
Associated undertaking	Purchase of goods and services	**68,850,980**	88,992,797
	Sale of goods and services	**175,137,425**	40,160,478
	Rental income	**480,000**	480,000
	Dividend income	**2,142,746**	4,285,492
Prosperity Weaving Mills Limited			
Associated undertaking	Purchase of goods and services	**129,940**	4,933,500
	Sale of goods and services	**1,912,500**	25,855,329
	Rental income	**755,000**	755,000
	Dividend income	**2,024,604**	-

36. PLANT CAPACITY AND ACTUAL PRODUCTION

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist. It would also vary according to the pattern of production adopted in a particular year.

	2010	2009	2010	2009
	Production Capacity		Actual Production	
	Kgs.	Kgs.	Kgs.	Kgs.
Coarse	**3,755,315**	3,755,315	**4,791,695**	3,953,565
Medium	**2,133,701**	2,133,701	**6,770,122**	7,370,743
Fine	**256,043**	256,043	**184,987**	257,356
	6,145,059	6,145,059	**11,746,804**	11,581,664

	2010	2009
Total number of spindles installed	**46,428**	46,428
Total number of spindles worked	**46,428**	46,428
Number of shifts per day	**3**	3
Actual number of shifts in a year	**1,089**	1,084

37. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise long term financing, liabilities against assets subject to finance lease, trade and other payables, and short term borrowings. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, advances, short-term deposits, other receivables, and cash and bank balances that arrive directly from its operations. The Company also have long term investments and long term deposits.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

37.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 69,048,859 (2009: Rs. 88,193,010), the financial assets which are subject to credit risk amounted to Rs. 69,046,511 (2009: Rs. 88,146,662). The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

The Company is exposed to credit risk from its operating activities primarily for trade debts and other receivables, deposits with banks and financial institutions, and other financial instruments. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The names and credit ratings of major banks, where the Company maintains bank balances are as follows:

Name of bank	Rating agency	Credit rating	
		Short-term	Long-term
Hongkong and Shanghai Banking Corp. Ltd.	STANDARD & POOR'S	A1+	AA
Bank Al-falah Limited	PACRA	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan Limited	JCR-VIS	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
Royal Bank of Scotland Limited	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Emirates Global Islamic Bank Limited	PACRA	A2	A-

Credit risk related to receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. The management monitors and limits the Company's exposure of credit risk by limiting transactions with specific counter parties and continually assessing their credit worthiness. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

37.2 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. 45% of the Company's debt will mature in less than one year at June 30, 2010 (2009: 69%) based on the carrying value of borrowings reflected in the financial statements.

37.2.1 Liquidity and Interest Risk Table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2010					
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
	Rupees					
FINANCIAL LIABILITIES						
On balance sheet						
Long-term financing	12,832,155	5,487,500	58,134,812	201,430,846	-	277,885,313
Liabilities against assets subject to finance lease	53,013	673,027	1,400,222	4,633,943	-	6,760,205
Short term borrowings	-	-	80,446,176	-	-	80,446,176
Interest / mark-up payable	-	15,534,238	-	-	-	15,534,238
Trade and other payables	-	133,233,807	-	-	-	133,233,807
	12,885,168	154,928,572	139,981,210	206,064,789	-	513,859,739

	2009					
FINANCIAL LIABILITIES						
On balance sheet						
Long-term financing	10,326,273	25,405,252	93,201,393	242,857,180	-	371,790,098
Liabilities against assets subject to finance lease	-	489,830	1,567,602	5,048,763	-	7,106,195
Short term borrowings	-	-	369,549,967	-	-	369,549,967
Interest / mark-up payable	-	18,570,495	-	-	-	18,570,495
Trade and other payables	-	77,907,697	4,585,403	-	-	82,493,100
	10,326,273	122,373,274	468,904,365	247,905,943	-	849,509,855

Effective rates of interest are mentioned in respective notes to the financial statements.

37.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 1 month, 3 months and 6 months KIBOR. Since the impact on interest rate exposure is significant to the Company, management analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account other financing options available.

Interest rate sensitivity analysis

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended June 30, 2010 would increase/decrease by Rs. 3.017 million (2009 : Rs. 5.785 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Foreign exchange risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2010, financial assets include Rs.9.829 million (2009: Rs. 73.465 million) and financial liabilities include Rs. 42.2 million (2009: Rs. 201.478 million) which are subject to foreign currency (US Dollar) risk.

Foreign currency sensitivity analysis

At June 30, 2010, if the Rupee had weakened/strengthened by 5% against the US dollar with all other variables held constant, the Company's profit for the year would have lower / higher by Rs. 1.619 million (2009: Rs. 6.406 million), mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated trade debts and US dollar-denominated payables.

Equity / Unit Price Risk Management

The Company is not exposed to equity price risk arising from equity investments in the current year.

37.4 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction, other than in a forced or liquidation sale.

The carrying value of all the financial instruments reported in the financial statements approximates their fair value.

37.5 Financial Instruments by Category

The accounting policies for financial instruments have been applied for line items below:

	Loans and receivables	Held for trading	Total June 30, 2010
	---------------------- Rupees	----------------------	
Assets as per balance sheet			
Long term deposits	1,621,250	-	1,621,250
Trade debts	62,142,316	-	62,142,316
Other receivables	3,343,032	-	3,343,032
Loans and advances	130,661	-	130,661
Cash and cash bank balances	1,773,500	-	1,773,500
Other financial assets	-	-	-

	Financial Liabilities measured at amortized cost	Total June 30, 2010
	----------------- Rupees	----------------
Liabilities as per balance sheet		
Long-term financing	277,885,313	277,885,313
Liabilities against assets subject to finance lease	6,760,205	6,760,205
Short-term borrowings	80,446,176	80,446,176
Trade and other payables	133,233,807	133,233,807
Interest / mark-up accrued on loans	15,534,238	15,534,238

	Loans and receivables	Held for trading	Total June 30, 2009
	---------------------- Rupees	----------------------	
Assets as per balance sheet			
Long term deposits	1,691,150	-	1,691,150
Trade debts	156,797,754	-	156,797,754
Other receivables	2,726,542	-	2,726,542
Loans and advances	253,564	-	253,564
Cash and cash bank balances	4,886,524	-	4,886,524
Other financial assets	-	60,027,489	60,027,489

	Financial Liabilities measured at amortized cost	Total June 30, 2009
	----------------- Rupees	----------------
Liabilities as per balance sheet		
Long-term financing	321,906,787	321,906,787
Liabilities against assets subject to finance lease	5,700,534	5,700,534
Short-term borrowings	369,549,967	369,549,967
Trade and other payables	77,907,697	77,907,697
Interest / mark-up accrued on loans	18,570,495	18,570,495

38. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and bene?ts for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company is not subject to any externally imposed capital requirements.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2009.

39. NON CASH TRANSACTIONS

Additions to vehicles during the year amounting to Rs. 2,977,000 (2009: Rs 4,096,000) were financed by new finance leases. This acquisition will be reflected in the cash flow statements over the term of the finance lease via lease payments.

40. OTHERS

40.1 SUBSEQUENT EVENT

The Board of Directors in its meeting held on September 29, 2010, proposed to distribute to the shareholders of the Company the following, as dividend in specie :

- 2,805,000 fully paid ordinary shares of the face value of Rs. 10 of M/s. Ellcot Spinning Mills Limited (Ellcot) - associated undertaking - i.e. 15 ordinary shares for every 100 shares of the company (2009:Nil); and
- 935,000 fully paid ordinary shares of Rs. 10 of M/s. Prosperity Weaving Mills Limited (Prosperity) - associated undertaking - i.e. 5 ordinary shares for every 100 shares of the company (2009:Nil).

The carrying values of the aforesaid ordinary shares of Ellcot and Prosperity as of June 30, 2010 were Rs. 150.953 million and Rs. 25.398 million respectively and fair values as of the same date were Rs. 60.027 million and Rs. 15.792 million respectively. Fair values have been determined from quoted prices in active market (Stock Exchange) for such shares.

The dividend is subject to the approval by the shareholders of the company in its forthcoming Annual General Meeting on October 28, 2010. The amount of dividend has not been provided for as liability as of June 30, 2010.

40.2 CORRESPONDING FIGURES

Following figure has been reclassified consequent upon the change in current year's presentation.

Reclassification		Rupees
From	**To**	
Other receivables	Sales tax refundable	3,474,977
Current portion of non current liabilities	Current portion of long term financing	106,806,523
Current portion of non current liabilities	Current portion of liabilities against assets subject to finance lease	1,371,819
Sales	Distribution cost	21,725,042
Workers' profit participation fund	Other operating expenses	838,666
Workers welfare fund	Other operating expenses	812,000
Other operating income	Other operating expenses	33,694
Investing activities -long-term deposit	Operating activities -long-term deposit	270,750

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2010 by the Board of Directors of the Company.

42. GENERAL

Figures have been rounded off nearest to Rupee.

September 29, 2010

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

FORM 34

THE COMPANIES ORDINANCE, 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. **Incorporation Number** **0002500**

2. **Name of the Company** NAGINA COTTON MILLS LTD.

3. **Pattern of holding of the shares held by the shareholders as at** 30-06-2010

4.

No. of Shareholders	Shareholding From	To	Total Shares Held
401	1	100	14,294
294	101	500	79,894
74	501	1,000	59,347
140	1,001	5,000	331,516
30	5,001	10,000	209,404
7	10,001	15,000	83,670
1	15,001	20,000	16,998
4	20,001	25,000	88,367
1	25,001	30,000	28,614
3	30,001	35,000	96,538
3	35,001	40,000	112,000
-	40,001	45,000	-
3	45,001	50,000	145,169
-	50,001	60,000	-
1	60,001	65,000	62,500
-	65,001	110,000	-
1	110,001	115,000	113,499
-	115,001	315,000	-
1	315,001	320,000	318,658
-	320,001	400,000	-
1	400,001	405,000	403,510
-	405,001	1,015,000	-
2	1,015,001	1,020,000	2,034,395
-	1,020,001	1,035,000	-
1	1,035,001	1,040,000	1,038,147
-	1,040,001	4,480,000	-
2	4,480,001	4,485,000	8,963,080
-	4,485,001	4,500,000	-
1	4,500,001	4,505,000	4,500,400
971	**Total:-**		**18,700,000**

5.	Categories of Shareholders	Shares Held	Percentage
5.1	**Directors, Chief Executive Officer, and their spouse and minor children.**		
	MR. SHAIKH ENAM ELLAHI	403,510	2.16
	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	MR. SHAUKAT ELLAHI SHAIKH	4,500,400	24.07
	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.96
	MRS. HUMAIRA SHAHZADA	4,248	0.02
	MRS. MONA SHAUKAT	4,248	0.02
	MRS. SHAISTA SHAFQAT	4,248	0.02
	MR. MUNAWAR IQBAL	2	0.00
	MR. S.M. YUSUF	1,100	0.01
	MR. KHAWAJA MUHAMMAD ALI	500	0.00
		13,881,336	74.23
5.2	**Associated Companies, undertakings and related parties**		
	M/S. HAROON OMER (PVT) LIMITED	1,017,147	5.44
	M/S. MONELL (PVT) LIMITED	1,038,147	5.55
	M/S. ICARO (PVT) LIMITED	1,017,248	5.44
		3,072,542	16.43
5.3	**NIT and ICP**		
	NATIONAL BANK OF PAKISTAN	113,499	0.61
	INVESTMENT CORPORATION OF PAKISTAN	1,430	0.01
		114,929	0.62
5.4	**Banks Development Financial Institutions, Non Banking**	7,190	0.04
	Financial Institutions.	7,190	0.04
5.5	**Insurance Companies**	318,658	1.70
		318,658	1.70
5.6	**Modarabas and Mutual Funds**	Nil	Nil
5.7	**Shareholders Holding 10% or more**		
	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	MR. SHAUKAT ELLAHI SHAIKH	4,500,400	24.07
	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.96
		13,463,480	72.00
5.8	**General Public**		
	a. Local	1,269,521	6.79
	b. Foreign	Nil	Nil
5.9	**Others**	35,824	0.19
	TOTAL:-	**18,700,000**	**100**

FORM OF PROXY

The Secretary,
NAGINA COTTON MILLS LTD.
2nd Floor, Shaikh Sultan Trust Building No. 2,
26-Civil Lines, Beaumont Road,
Karachi – 75530

I/We ____ of _______________ being member(s) of **NAGINA COTTON MILLS LTD**., and holder of __________________ Ordinary Shares as per Share Register Folio No. ______________ (In case of Central Depository System Account Holder A/c No. _____________ Participant I.D. No. _______________________) hereby appoint _____________________________________ of ________________ who is member of the company as per Register Folio No. ____________________ (In case of Central Depository System Account Holder A/c No. _____________ Participant I.D. No. ____________-____________) or failing him/her ____ of ________________ who is member of the Company as per Register Folio No. ___________________ (In case of Central Depository System Account Holder A/c No. _____________ Participant I.D. No. ______________) as my/our proxy to vote for me/us and on my/our behalf at the 43rd Annual General Meeting of the Company to be held on October 28, 2010 and at any adjournment thereof.

Affix Rs. 5/- Revenue Stamp

(Signature should agree with the Specimen signature registered with the Company)

Signed at __________________ this the _____________ day of _________________ 2010

NOTE:

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.

2. Account holders and sub-account holders, holding book entry securities of the Company in CDS of Central Depository Company of Pakistan Ltd., who wish to attend the Annual General Meeting are requested to please bring original National Identity Card with copy thereof duly attested by their Bankers for identification purpose.

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