NAGINA

NAGINA GROUP

ANNUAL REPORT 2011

NAGINA COTTON MILLS LTD.

بسم الله الرحمن الرحيم

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shaikh Enam Ellahi	Chairman
Mr. Javaid Bashir Sheikh	
Mr. Shahzada Ellahi Shaikh	
Mr. Shaukat Ellahi Shaikh	
Mr. Iftikhar Taj Mian	
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. Iftikhar Taj Mian	Secretary

CHIEF FINANCIAL OFFICER (CFO)

Mr. Tariq Zafar Bajwa

CORPORATE SECRETARY

Mr. Iftikhar Taj Mian

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

44th 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 Friday the 28th October, 2011 at 3:00 p.m. to transact the following business:-

1) To confirm minutes of the Extraordinary General Meeting held on 25th January, 2011.

2) To receive and adopt audited accounts of the Company for the year ended on 30th June, 2011 together with the Directors' and Auditors' reports thereon.

3) To approve Dividend 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 is annexed.

By Order of the Board

Iftikhar Taj Mian
Corporate Secretary

September 29, 2011

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from Saturday the 22nd October, 2011 to Friday the 28th October, 2011 (both days inclusive). Valid transfer(s) received in order by our Shares Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi by the close of business on Friday, the 21st October, 2011 will be in time to be passed for payment of Dividend 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 Computerised 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 Computerised National Identity Card with copy thereof duly attested by their Bankers for identification purpose.

4. In case of corporate entity, certified copy of 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 registered 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 has not made any investment under the resolution. The following is the status:

• Name of Investee Companies.	a) Prosperity Weaving Mills Ltd. (PWML) b) Ellcot Spinning Mills Ltd. (ESML)
• Reason for not having made investment so far.	Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2010-2011.
• Major change in financial position of investee Companies since date of last resolution.	See table below

	Present Financial Position as on 30th June, 2011		Financial Position at the time of Approval as on 30th June, 2009	
	PWML	ESML	PWML	ESML
	Rupees in Millions			
Net sales	5,952.133	4,991.956	3,634.559	2,441.020
Gross Profit	485.007	689.245	368.861	273.099
Profit before tax	201.098	421.921	108.120	5.254
Profit after tax	138.606	352.101	83.902	0.997

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 44th Annual Report of your Company together with audited accounts and auditors' report thereon for year ended June 30, 2011. Figures for the previous year ended 30th June, 2010 are included for comparison.

During the year, yarn production was 11,369,605 Kgs, as compared to the last year 11,746,804 Kgs showing decrease of 377,199 Kgs being 3.21%. This year 11,750,645 Kgs. of yarn was sold as compared to the last year 11,944,200 Kgs. Gross sales value of yarn for the year is Rs.4,353,500,904 as compared to last year Rs.2,512,655,916 showing increase of Rs.1,840,844,988 or 73.26%.

Wages, salaries & benefits for the year are Rs.187,893,628 as compared to last year Rs.166,003,030. The increase of Rs.21,890,598 being 13.19% is due to high inflation in Pakistan. Administrative expenses during the year are Rs.65,665,312 or 1.43% of sales as compared to last year Rs.58,681,840 or 2.14% of sales showing increase of Rs.6,983,472 or 11.90%. Distribution cost is Rs.128,653,055 or 2.80% of sales as compared to last year Rs.82,676,189 equivalent to 3.01% of sales showing increase of Rs.45,976,866 or 55.61%. Workers Profit Participation Fund is Rs.24,915,607 and Workers Welfare Fund is Rs.8,699,232 as compared to last year Rs.14,125,292 and Rs.5,358,000 respectively.

This year finance costs is Rs.94,873,635 or 2.06% of sales as compared to last year Rs.116,311,355 or 4.23% of sales showing decrease of Rs.21,437,720. Other operating income is Rs.27,818,988 or 0.61% of sales as compared to last year Rs.12,406,055 or 0.45% showing increase of Rs.15,412,933.

Gross profit for the year is Rs.888,745,406 or 19.33% of sales as compared last year Rs.486,758,761 or 17.72% of sales showing increase of Rs.401,986,645 or 82.58%. Profit before taxation is Rs.489,530,200 or 10.65% of sales as compared to last year Rs.262,549,759 or 9.56% of sales showing increase of Rs.226,980,441 being 86.45%. This year Rs.22,944,765 provided for taxation as compared to last year Rs.14,038,359. Net profit after tax for the year is Rs.466,585,435 or 10.15% of sales as compared to last year Rs.248,511,400 or 9.05% of sales showing increase of Rs.218,074,035 or 87.75%.

This year earning per ordinary share (EPS) is Rs.24.95 as compared to last year Rs.13.29 per ordinary share showing increase of Rs.11.66 per share.

During the year profits have been reduced by Rs. 118,363,809 on account of disposal of investment in associates by way of specie dividend and by Rs.152,457,036 on account of write down of cost of inventories to their net realizable values. Here it is pertinent to mention that these were special events and losses were recognized to comply with the requirements of the International Accounting Standards.

As Balancing, Modernization & Replacement (BMR) of Buildings, Plant & equipment is continuous requirement, we continuously undertake BMR activity. During the year Rs.8,946,198 as compared to last year Rs.91,432,865 were invested in Plant and Machinery and other assets.

By the Grace of Almighty Allah, your company has earned an historical profit for the year. Despite all the challenges faced by our textile sector, we achieved this success through timely procurement of cotton due to which our average cotton cost remained low, full utilization of the production capacity, timely investments, effective business planning, aggressive marketing strategy, strong customer base and diversified product range.

For the next financial year of 2011-12 directors are optimistic about the profitability of the Company. However, uncertainty in the international financial and commodity markets, possibility of international recession, volatility in raw cotton prices, energy shortages in Pakistan, expected increase in gas and utility prices, rising inflation and other economic and political factors may affect the profitability of the company.

The Directors have pleasure to recommend payment of *Cash Dividend @60% i.e. Rs.6/=* per ordinary share. The Dividend will amount to Rs.112,200,000/=.

The recent heavy rains in Sindh have caused damage to cotton crop but the loss estimates are still uncertain and hopefully will not create much shortfall of Cotton in Pakistan.

In the light of the company's overall objectives, the Board of Directors regularly reviews the company's strategic direction, business plans and performance targets set out 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 are based on reasonable and prudent judgment.

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

System of internal controls 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.

The transactions with related parties were carried out at an arm's length basis.

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

The statement of shareholdings, in Form 34 and form prescribed in Listing Regulations, as at June 30, 2011are annexed.

During 2010-2011, all trades in the shares of the Company, carried out by any of its Directors, CEO, CFO, Company Secretary and their spouses and minor children is being presented as under:

• Mr. Shaikh Enam Ellahi	23,498 Shares
• Mr. Shaukat Ellahi Shaikh	21,000 Shares
• Mr. Javaid B. Sheikh	500 Shares
• Mr. Iftikhar Taj Mian	500 Shares

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

S #	Name	Attended
1.	Mr. Shaikh Enam Ellahi	3 (three)
2.	Mr. Shahzada Ellahi Shaikh	3 (three)
3.	Mr. S. M. Yusuf	3 (three)
4.	Mr. Shaukat Ellahi Shaikh	4 (four)
5.	Mr. Shafqat Ellahi Shaikh	4 (four)
6.	Mr. Munawar Iqbal	1 (one)
7.	Mr. Khawaja Muhammad Ali	4 (four)
8.	Mr. Javaid Bashir Sheikh	1 (one)
9.	Mr. Iftikhar Taj Mian	Nil

Leave of absence was granted to Directors who could not attend some of the Board meetings. Mr. S.M. Yusuf remained board member for about 16 years and contributed in the success of the Company. He resigned from the Board on 10th March, 2011. The Directors wish to acknowledge his services to the Company. In the vacancy thus arising, Mr. Javaid Bashir Sheikh, was co-opted. He is a MBA Finance, from National University, Sandiego California, USA and has vast experience spread over 24 years in investment banking in Pakistan and has worked on key positions of different banks. Mr. Khawaja Muhammad Ali, also resigned on 28th June, 2011 and Mr. Iftikhar Taj Mian who is Chartered Accountant was Co-opted.

The Board of Directors of the Company in compliance with the Code of Corporate Governance has established an Audit Committee. The names of its members are given in the Company information.

The audit committee has recommended for re-appointment of present auditors, Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, Karachi. They are due to retire and being eligible, offer themselves for re-appointment as auditors for the year 2011-12.

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, 2011.

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 four non-executive directors on the Board, including one director 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. None of the Directors are or were members of any Stock Exchange.

4. Casual vacancies occurred in the Board and filled by co-option 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, one of our Director has completed “Corporate Governance Leadership Skills” offered by Pakistan Institute of Corporate Governance and became a certified Director as required u/s 35 (xiv) of the Listing Regulation of Karachi Stock Exchange (G) Ltd.

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, 2011

OPERATING FINANCIAL & INVESTMENT RATIOS
AS ON 30TH JUNE:

		YEAR ENDED 30TH JUNE						PERIOD ENDED 30TH JUNE	YEAR ENDED 30TH SEPTEMBER		
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
				(Restated)	(Restated)						
Cost of sales as % of sales	%	80.67	82.28	89.95	92.29	89.30	89.49	85.48	93.13	88. 54	82.72
Gross profit as % of sales	%	19.33	17.72	10.05	7.71	10.70	10.51	14.52	6.87	11. 46	17.28
Operating profit as % of sales	%	14.10	11.87	4.95	3.56	6.03	5.79	9.48	3.60	*9. 45	14.28
Net profit after tax as % of sales	%	10.15	9.05	0.35	0.06	2.83	1.51	7.05	2.18	4.58	6.48
Share holders' equity (millions)	Rs.	1,054.26	660.40	411.90	404.32	560.98	682.25	517.40	597.39	592.38	624.00
Pre-tax profit to equity	%	46.43	39.76	3.56	3.12	9.78	4.85	20.15	8.25	13.37	16.04
Sales to Capital employed ratio		3.33	2.98	3.04	2.57	1.75	1.40	1.53	2.21	1.64	1.32
Gross profit to Capital employed	%	64.43	52.88	30.85	19.82	18.72	14.74	22.15	15.25	18.86	22.80
Pre-tax profit to Capital exployed	%	35.49	28.52	2.08	1.77	6.28	3.24	13.88	6.53	9.47	10.41
Earning per ordinary share Pre-tax	Rs.	26.18	14.04	0.78	0.20	2.14	1.14	4.94	0.95	2.55	5.35
Dividend to Capital:											
Cash	%	60.00	-	-	-	15.00	8.80	20.00	15.00	11.00	15.00
Specie Dividend											
Ellcot	%	-	15.00	-	-	-	20.00	-	-	-	-
Prosperity	%	-	5.00	-	-	-	-	-	-	40.00	-
Break up value per ordinary share	Rs.	56.38	35.32	22.03	21.62	23.53	30.02	19.66	19.00	18.74	20.44
Debt equity ratio		28.00	30.12	44.30	43.19	34.47	32.70	31.08	20.90	29.20	35.09
Current ratio		2.03	1.50	1.04	1.01	1.57	1.33	1.45	1.85	2.17	1.75
Acid test ratio		1.17	0.26	0.43	0.36	0.93	0.73	0.66	1.00	1.60	1.27
Total Debts to total assets	%	48.57	47.27	67.93	65.86	53.66	55.49	56.20	13.98	21.63	55.73
Stocks as % of sales	%	12.55	15.09	16.62	16.80	12.12	19.33	24.38	12.12	8.30	12.28

Pattern of Shareholding

As at 30th June, 2011

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	1,017,147	5.44
	iii)	M/S. ICARO (PVT) LIMITED	1,017,248	5.44
	iv)	M/S. ELLAHI INTERNATIONAL (PVT) LTD.	9,000	0.05
2)		***NIT and ICP***		
	i)	INVESTMENT CORPORATION OF PAKISTAN	1,430	0.01
3)		***DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN.***		
	i)	MR. SHAIKH ENAM ELLAHI	427,008	2.28
	ii)	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	iii)	MR. SHAUKAT ELLAHI SHAIKH	4,521,400	24.18
	iv)	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.97
	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. JAVAID BASHIR SHEIKH	500	-
	x)	MR. IFTIKHAR TAJ MIAN	502	-
4)		***EXECUTIVES***	Nil	Nil
5)		***PUBLIC SECTOR COMPANIES & CORPORATIONS***		
	i)	NATIONAL DEVELOPMENT FINANCE CORPORATION	7,160	0.04
	ii)	STATE LIFE INSURANCE CORP. OF PAKISTAN	318,658	1.70
6)		***BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS***		
	i)	NATIONAL BANK OF PAKISTAN	113,499	0.61
	ii)	ESCORTS INVESTMENT BANK LTD.	30	-
		GENERAL PUBLIC	1,273,445	6.81
		Total:-	**18,700,000**	**100.00**

S #		Name	Total Shares	%
7)		***SHAREHOLDERS HOLDING 10% OR MORE***		
	i)	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	ii)	MR. SHAUKAT ELLAHI SHAIKH	4,521,400	24.18
	iii)	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.96

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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 Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XI of Lahore Stock Exchange 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, Sub - Regulation (xiii a) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 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, 2011.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Place: Karachi
Date: September 29, 2011

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nagina Cotton Mills Limited ("the Company") as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b. in our opinion :

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

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

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

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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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, total comprehensive income, 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
Date: September 29, 2011

BALANCE SHEET AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50,000,000 ordinary share of Rs 10/- each		500,000,000	500,000,000
Issued, subscribed and paid up capital	5	187,000,000	187,000,000
Reserves	6	867,260,542	473,407,220
		1,054,260,542	660,407,220
Share of surplus on revaluation of property plant and equipment of associate - net of deferred tax		-	1,833,119
NON-CURRENT LIABILITIES			
Long-term financing	7	291,067,660	201,430,846
Liabilities against assets subject to finance lease	8	4,595,934	4,633,943
Deferred liabilities	9	29,517,328	54,092,458
CURRENT LIABILITIES			
Trade and other payables	10	164,294,320	158,881,838
Interest / mark-up accrued on loans	11	19,834,742	15,534,238
Short-term borrowings	12	371,749,271	80,446,176
Current portion of: long-term financing	7	111,203,942	76,454,467
Current portion of: liabilities against assets subject to finance lease	8	3,062,916	2,126,262
		670,145,191	333,442,981
CONTINGENCIES AND COMMITMENTS	13		
		2,049,586,655	1,255,840,567

The annexed notes from 1 to 41 form an integral part of these financial statements.

September 29, 2011

Shahzada Ellahi Shaikh
Director

	Note	2011 Rupees	2010 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	14	667,299,556	554,590,806
Investment properties	15	16,482,006	16,873,061
Long - term investments	16	-	181,253,083
Long - term deposits		1,821,100	1,621,250
CURRENT ASSETS			
Stores and spares	17	17,235,277	11,226,797
Stock-in-trade	18	559,899,557	403,274,926
Trade debts	19	26,835,008	62,142,316
Loans and advances	20	36,739,467	6,153,474
Short-term deposits and prepayments	21	1,987,141	1,168,721
Other receivables	22	13,277,012	6,735,697
Sales tax refundable		3,689,604	9,026,936
Other financial assets	23	697,905,772	-
Cash and bank balances	24	6,415,155	1,773,500
		1,363,983,993	501,502,367
		2,049,586,655	1,255,840,567

The annexed notes from 1 to 41 form an integral part of these financial statements.

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales	25	4,596,740,385	2,746,753,923
Cost of goods sold	26	(3,707,994,979)	(2,259,995,162)
Gross profit		888,745,406	486,758,761
Other operating income	27	27,818,988	12,406,055
		916,564,394	499,164,816
Distribution cost	28	(128,653,055)	(82,676,189)
Administrative expenses	29	(65,665,312)	(58,681,840)
Other operating expenses	30	(46,370,730)	(19,483,292)
Finance cost	31	(94,873,635)	(116,311,355)
Loss on investments in associates distributed to owners as specie dividend	16.2	(115,437,304)	-
Loss on sale of investments in associates	16.3	(2,926,505)	-
Share of profit from associated undertakings		26,892,347	40,537,619
Profit before taxation		489,530,200	262,549,759
Taxation	32	(22,944,765)	(14,038,359)
Profit for the year		466,585,435	248,511,400
Other comprehensive income		-	-
Total comprehensive income for the year		466,585,435	248,511,400
Earnings per share - basic and diluted	33	24.95	13.29

The annexed notes from 1 to 41 form an integral part of these financial statements.

September 29, 2011

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

		2011 Rupees	2010 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		489,530,200	262,549,759
Adjustments for :			
Depreciation		56,632,480	56,645,248
Provision for gratuity		11,808,801	9,820,023
Provision of impairment on stock-in-trade		152,457,036	-
Gain on disposal of property, plant and equipment		(502,844)	(655,036)
Unrealized gain on revaluation of investment		(8,899,414)	-
Share of profit from associated undertakings		(26,892,347)	(40,537,619)
Gain on sale of investments - held for trading		(5,761,741)	(329,934)
Finance cost		94,873,635	116,311,355
Loss on investments in associates distributed to owners as specie dividend		115,437,304	-
Loss on sale of Investment in Associates		2,926,505	-
		881,609,615	403,803,796
Decrease / (increase) in current assets;			
Stores and spares		(6,008,480)	9,414,765
Stock - in - trade		(309,081,667)	(65,241,597)
Trade debts		35,307,308	94,655,438
Loans and advances		(21,050,661)	2,833,998
Short-term deposits and prepayments		(818,420)	2,416,841
Other receivables		(9,041,315)	(616,490)
Sales tax refundable		5,337,332	(5,551,959)
		(305,355,903)	37,910,996
Increase / (decrease) in current liabilities;			
Trade and other payables		11,012,462	69,693,904
Cash generated from operations		587,266,174	511,408,696
Financial charges paid		(90,573,131)	(119,349,148)
Payment for gratuity		(11,444,482)	(8,065,253)
Income taxes paid		(60,519,526)	(26,714,235)
Long term deposits		(199,850)	69,900
Net cash generated from operating activities	A	424,529,185	357,349,960
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(166,574,331)	(91,720,701)
Purchase of investment -- held for trading		(1,226,000,000)	-
Proceeds from sale of investment -- held for trading		542,755,383	60,357,423
Proceeds on disposal of property, plant and equipment		1,625,000	1,787,000
Proceeds from sale of long term investment		2,180,000	-
Dividend received		13,036,389	4,154,352
Net cash used in investing activities	B	(832,977,559)	(25,421,926)

		2011 Rupees	2010 Rupees
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long - term financing		200,731,639	119,954,430
Repayment of long - term financing		(76,345,350)	(163,974,368)
Repayment of principal portion of finance lease		(2,599,355)	(1,917,329)
Repayment of / proceeds from short - term borrowings excluding running finances		289,986,056	(213,959,335)
Net cash generated from / (used in) financing activities	**C**	411,772,990	(259,896,602)
Net increase in cash and cash equivalent (A+B+C)		3,324,616	72,031,432
Cash and cash equivalents at the beginning of the year		(3,672,676)	(75,704,108)
Cash and cash equivalents at the end of the year		(348,060)	(3,672,676)
Cash and cash equivalents			
Cash and bank balances		6,415,155	1,773,500
Short-term running finances		(6,763,215)	(5,446,176)
		(348,060)	(3,672,676)

The annexed notes from 1 to 41 form an integral part of these financial statements.

September 29, 2011

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

		Capital reserves			Revenue reserve	
	Share capital	Amalgamation reserve	Share of capital reserves of associates	Redemption reserve fund	(Accumulated loss) / Unappropriated profit	Total
	----------	----------	---------- Rupees	----------	----------	----------
Balance as at July 1, 2009	187,000,000	12,104,417	2,934,363	241,860,000	(32,002,960)	411,895,820
Comprehensive income						
Profit for the year	-	-	-	-	248,511,400	248,511,400
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	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
Comprehensive income						
Profit for the year	-	-	-	-	466,585,435	466,585,435
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	466,585,435	466,585,435
Transactions with owners						
Specie dividend (note 16.1)	-	-	-	-	(69,797,750)	(69,797,750)
Reversal of capital reserves of associates	-	-	(2,934,363)	-	-	(2,934,363)
Balance as at June 30, 2011	187,000,000	12,104,417	-	241,860,000	613,296,125	1,054,260,542

The annexed notes from 1 to 41 form an integral part of these financial statements.

September 29, 2011

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 to 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. NEW, REVISED AND AMENDED STANDARDS AND IFRIC INTERPRETATIONS TO THE EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE COMPANY

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011. These standards are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements;

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures (Amendment)	January 1, 2011
IFRS 7 - Financial Instruments: Disclosures (Amendment)	July 1, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	January 1, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	July 1, 2012
IAS 12 - Income Taxes (Amendment)	January 1, 2012
IAS 24 - Related Party Disclosures (Revised)	January 1, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 1, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 1, 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 1, 2011

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the 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, 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 August 30, 2011 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 are recognised in the year when they arises.

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, less impairment if any.

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 or (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 up to 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 proportion 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 assets 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 proportional 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 one percent 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 appropriate authority.

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. Provision for taxation and deferred taxation (note 3.21, 9.2 & 32)
ii. Retirement benefits (note 3.4 & 9.1)
iii. Provision for doubtful debts (note 19)
iv. Net realisable value of stock-in-trade (note 18)
v. Determining the residual values and useful lives of property, plant and equipment (note 3.7 & 14)

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011 No. of Shares	2010 No. of Shares		2011 Rupees	2010 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 in shares 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 2011	No. of ordinary share of Rs.10/- each 2010
Associates		
Monell (Private) Limited	1,017,147	1,038,147
Haroon Omer (Private) Limited	1,017,147	1,017,147
ICARO (Private) Limited	1,017,248	1,017,248
M/s Ellahi International (Private) Limited	9,000	-
	3,060,542	3,072,542

6. RESERVES

	2011 Rupees	2010 Rupees
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
Unappropriated profit	613,296,125	216,508,440
	867,260,542	473,407,220

	Note	2011 Rupees	2010 Rupees
7. LONG -TERM FINANCING			
From banking companies and other financial institutions - secured			
Demand finances	7.1	66,406,000	77,616,232
Term finances	7.2	269,191,226	127,790,299
Export oriented projects (EOP)	7.3	31,903,598	47,853,796
Long term financing facility	7.4	31,938,623	21,792,831
		399,439,447	275,053,158
Custom debentures	7.5	2,832,155	2,832,155
		402,271,602	277,885,313
Less: Current portion:			
Demand finances		(16,601,500)	-
Term finance		(67,446,940)	(54,946,944)
Export oriented projects (EOP)		(15,951,264)	(15,951,264)
Long term financing facility		(8,372,083)	(2,724,104)
Custom debentures		(2,832,155)	(2,832,155)
		(111,203,942)	(76,454,467)
		291,067,660	201,430,846

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 of the Company and personal guarantee of directors. The loan carries mark-up at a rate of 3 month's average KIBOR ask side plus 200 bps (2010 : 3 month's average KIBOR ask side plus 200 bps). The loan is repayable in 16 quarterly equal installments commencing from August 2011.

7.2 These term finance facilities comprise of :

Term Finance Facility I from National Bank of Pakistan amounting to Rs. 29.191 million carries mark-up at the rate of 3 months average KIBOR ask side plus 100 bps (2010 : 3 months average KIBOR ask side plus 100 bps) which is repayable in 20 equal quarterly installments commenced from July 2007.

Term Finance Facility II from National Bank of Pakistan amounting to Rs. 16.808 million carries mark-up at the rate of 3 months average KIBOR ask side plus 140 bps (2010 : 3 months average KIBOR ask side plus 140 bps) which is repayable in 16 equal quarterly installments commenced from August 2008.

Term Finance Facility I from Habib Bank Limited amounting to Rs. 10.5 million carries mark-up at the rate of 6 months average ask side KIBOR offer rate plus 175 bps (2010 : 6 months average KIBOR offer rate plus 175 bps) which is repayable in 8 equal half yearly installments commenced from December 2010.

Term Finance Facility II from Habib Bank Limited amounting to Rs. 16.345 million carries mark-up at the rate of 6 months average KIBOR offer rate plus 175 bps (2010 : 6 months average KIBOR offer rate plus 175 bps) which is repayable in 8 equal half yearly installments commenced from December 2010. The aggregate unavailed balance amounting to Rs. 4.413 million (2010: 4.413 million).

Term Finance Facility I from Faysal Bank Limited amounting to Rs. 100 million carries mark-up at the rate of 6 months KIBOR offer rate plus 200 bps (2010 : NIL) which is repayable in 9 equal half yearly installments commencing from March 2013.

Term Finance Facility II from Faysal Bank Limited amounting to Rs. 100 million carries mark-up at the rate of 6 months average KIBOR offer rate plus 200 bps (2010 : NIL) which is repayable in 11 equal half yearly installments commencing from February 2013. The aggregate unavailed balance amounting to Rs. 78.652 million (2010 : NIL).

Term Finance Facility from Pakistan Kuwait Investment Company Private Limited amounting to Rs. 75 million carries mark-up at the rate of 6 months average KIBOR offer rate plus 250 bps (2010 : NIL) which is repayable in 18 equal quarterly installments commencing from December 2011.

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 and personal guarantees of sponsoring directors. These comprise of loans amounting to Rs. 21.618 million and Rs. 10.285 million respectively, which are repayable in 20 and 16 equal quarterly installments, commenced from July 2007 and August 2008 respectively. These loans carry mark-up at the rate of 7% (2010: 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 loan facilities amounting to Rs. 15.594 million from National Bank of Pakistan which carries mark-up at the rate of 10.4% and loan facilities Rs. 5.170 million, Rs. 2.781 million and Rs. 8.393 million from Habib Bank Limited carry mark-up at the rate of 9.7%, 9.7% and 10.4% respectively. These loans were obtained under SBP's LTFF scheme as per SBP circular no. MFD 05, dated July 02, 2008 and SMEFD circular no. 16 dated, October 31, 2009.

7.5 Debentures had been issued in favour of Collector of Customs of Karachi 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 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2011 Rupees	2010 Rupees
6 months or less		
- Short-term borrowings	371,749,271	80,446,176
- Long-term loans	335,597,226	205,406,531
- Liabilities against assets subject to finance lease	7,685,850	6,760,205

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

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:

	2011		2010	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	< - - - - - - - - - - - - - - - - Rupees - - - - - - - - - - - - - - - - >			
Within one year	3,977,461	3,062,916	2,904,160	2,126,262
After one year but not more than five years	5,239,061	4,595,934	4,612,712	4,633,943
Total minimum lease payments	9,216,522	7,658,850	7,516,872	6,760,205
Amount representing finance charges	(1,557,672)	-	(756,667)	-
Present value of minimum lease payments	7,658,850	7,658,850	6,760,205	6,760,205
Less: Current portion	(3,062,916)	(3,062,916)	(2,126,262)	(2,126,262)
	4,595,934	4,595,934	4,633,943	4,633,943

8.1 These represent vehicles acquired under finance lease. The effective financing rate used as discounting factor is ranging from 14.24% to 16.76% per annum (2010: 13.43% to 15.56% 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	2011 Rupees	2010 Rupees
Provision for gratuity	9.1	19,910,140	19,545,821
Deferred taxation	9.2	9,607,188	34,546,637
		29,517,328	54,092,458

9.1 Provision for gratuity

	2011 Rupees	2010 Rupees
Movement in the net liability is as follows:		
Opening balance	19,545,821	17,791,051
Charge for the year	11,808,801	9,820,023
Payment made during the year	(11,444,482)	(8,065,253)
Provision for gratuity	19,910,140	19,545,821

	2011 Rupees	2010 Rupees
Reconciliation:		
Present value of defined benefit obligation	19,910,140	19,545,821
Unrecognized actuarial loss	-	-
	19,910,140	19,545,821
Charge for the year:		
Current service cost	5,709,656	5,139,747
Interest cost	1,382,358	2,260,701
Actuarial losses recognised	4,716,787	2,419,575
	11,808,801	9,820,023
Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	19,545,821	17,791,051
Current service cost	5,709,656	5,139,747
Interest cost	1,382,358	2,260,701
Actuarial losses	4,716,787	2,419,575
Benefits paid	(11,444,482)	(8,065,253)
Closing defined benefit obligation	19,910,140	19,545,821

The Projected Unit Credit acturial cost method based on the following significant assumptions was used for valuation of the Scheme. The basis of recognition are as follows:

	2011	2010
Discount rate	14%	10%
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

	2011	2010	2009	2008	2007
	<----------	----------	Rupees	----------	---------->
Present value of obligation	19,910,140	19,545,821	17,791,051	17,369,661	14,694,138
Fair value of plan assets	-	-	-	-	-
Deficit	19,910,140	19,545,821	17,791,051	17,369,661	14,694,138
Actuarial (loss) on obligation	(4,716,787)	(2,419,575)	-	(3,164,534)	-
Actuarial (gain) / loss on assets	-	-	-	-	-

9.2 Deferred taxation

	Opening balance	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	Closing balance
	(----------	---------- Rupees	----------	----------)
Movement for the year ended June 30, 2011				
This comprises of the following;				
Deferred tax liability on taxable temporary differences arising in respect of :				
Accelerated tax depreciation allowance	20,845,970	6,260,894	-	27,106,864
Investment in associated undertakings	15,239,802	(15,239,802)	-	-
Other financial assets	-	889,941	-	889,941
	36,085,772	(8,088,967)	-	27,996,805
Deferred tax asset on deductible temporary differences arising in respect of :				
Provision for bad debts	(233,247)	(135,037)	-	(368,284)
Finance leases	(6,091)	83,312	-	77,221
Provision for gratuity	(1,299,797)	(790,768)	-	(2,090,565)
Provision for write down on stock-in-trade due to NRV testing	-	(16,007,989)	-	(16,007,989)
	34,546,637	(24,939,449)	-	9,607,188
Movement for the year ended June 30, 2010				
Deferred tax liability on taxable temporary differences arising in respect of :				
Accelerated tax depreciation allowance	58,522,030	(37,676,060)	-	20,845,970
Investment in associated undertakings (restated)	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

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

	Note	2011 Rupees	2010 Rupees
10. TRADE AND OTHER PAYABLES			
Creditors		21,436,392	17,639,594
Foreign bills payable		-	42,254,680
Accrued liabilities		85,381,507	58,463,696
Advance from customers and tenants		5,386,987	15,131,792
Unclaimed dividend		3,674,447	3,674,447
Workers' Profit Participation Fund	10.1	24,915,607	14,125,292
Workers' Welfare Fund		9,684,072	6,584,820
Preference shares redemption liability and dividend		893,365	893,365
Other Government Expenses - Infrastructure fee		12,847,488	-
Others		74,455	114,152
		164,294,320	158,881,838

10.1 Workers' Profit Participation Fund

	2011 Rupees	2010 Rupees
Opening balance	14,125,292	838,666
Interest on fund utilized in the Company's business	1,679,362	92,712
	15,804,654	931,378
Allocation for the year	24,915,607	14,125,292
	40,720,261	15,056,670
Amount paid to the fund	(15,804,654)	(931,378)
	24,915,607	14,125,292

11. INTEREST / MARK-UP ACCRUED ON LOANS

	2011 Rupees	2010 Rupees
Long-term financing;		
Custom debentures	5,767,104	5,387,029
From banking companies	10,229,327	4,901,700
	15,996,431	10,288,729
Liabilities against assets subject to finance lease	58,800	46,627
Short term borrowings	3,779,511	5,198,882
	19,834,742	15,534,238

12. SHORT TERM BORROWINGS - SECURED
Banking Companies

	2011 Rupees	2010 Rupees
Borrowings;		
Foreign currency finance	355,547,033	-
Term finance	-	75,000,000
Cash Finance	9,439,023	-
	364,986,056	75,000,000
Running finance	6,763,215	5,446,176
	371,749,271	80,446,176

12.1 Company can avail foreign currency, term, cash and running finance facilities from various banks aggregating to Rs. 2,330 million (2010 : Rs.988 million). These borrowings are secured against hypothecation of stock and floating and pari passu charge on present and future current assets of the Company, demand promissory notes, personal guarantee of the Directors and lien on export orders / contracts. These are subject to variable mark-up ranging from one and three months KIBOR + 1% to 2.25% (2010 : from one and three months KIBOR + 1% to 2.25%) payable on quarterly basis.

12.2 The aggregate unavailed short-term borrowing facilities available amounted to Rs. 1,958 million (2010 : Rs. 907 million).

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(a) Irrevocable revolving letter of credit issued in favour of Sui Southern Gas Company Limited amounting to Rs.19,862,500 (2010 : Rs.19,862,500).

(b) 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 reduced tax loss of Rs 4,640,350 for tax year 2008. The Company has filed appeals with the Commissioner of Income Tax Appeals which were decided in company's favor. CIT appeals has directed the concerned taxation officer to reassess the income and taxes based on facts mentioned in his order.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 favour of the Company.

	Note	2011 Rupees	2010 Rupees
13.2 Commitments			
Stores and spares		16,266,852	8,442,356
Machinery		31,529,084	-
		47,795,936	8,442,356

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2011 Rupees	2010 Rupees
Operating assets	14.1	511,962,662	553,831,275
Capital work in progress	14.2	155,336,894	759,531
		667,299,556	554,590,806

14.1 Operating assets

Particulars	2011							
	COST			DEPRECIATION			Written down	
	As at July 1, 2010	Additions / (deletion)	As at June 30, 2011	As at July 1, 2010	For the year / (deletions)	As at June 30, 2011	value as at June 30, 2011	Annual rate of Dep. %
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	7,711,197	310,293	8,021,490	5,895,574	5
Mills buildings on freehold land	124,228,552	415,236	124,643,788	76,265,121	4,827,514	81,092,635	43,551,153	10
Other buildings on freehold land	25,105,632	-	25,105,632	11,245,917	692,986	11,938,903	13,166,729	5
Machinery and equipment	1,088,863,770	8,530,962	1,097,394,732	658,411,854	43,496,512	701,908,366	395,486,366	10
Electric installations and equipment	55,112,063	135,808	55,247,871	32,492,971	2,268,461	34,761,432	20,486,439	10
Gas installations	3,264,556	-	3,264,556	1,964,068	130,049	2,094,117	1,170,439	10
Office equipment	10,772,983	1,188,404	11,961,387	7,034,843	414,898	7,449,741	4,511,646	10
Furniture and fixtures	12,409,317	947,008	13,356,325	7,032,680	566,443	7,599,123	5,757,202	10
Vehicles	20,401,816	779,550 (3,472,240)	17,709,126	12,465,321	1,578,758 (2,350,084)	11,693,995	6,015,131	20
	1,361,603,454	11,996,968 (3,472,240)	1,370,128,182	814,623,972	54,285,914 (2,350,084)	866,559,802	503,568,380	
Held under finance lease								
Vehicles	9,385,760	3,498,000	12,883,760	2,533,967	1,955,511	4,489,478	8,394,282	20
2011 Rupees	1,370,989,214	15,494,968 (3,472,240)	1,383,011,942	817,157,939	56,241,425 (2,350,084)	871,049,280	511,962,662	

14.1 Operating assets

Particulars	COST As at July 1, 2009	COST Additions / (deletion) / 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 - - - - >							
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.

	Note	2011 Rupees	2010 Rupees

14.1.1 Depreciation for the year has been allocated as under:

	Note	2011 Rupees	2010 Rupees
Cost of goods manufactured	26.1	51,048,134	50,771,617
Administrative expenses	29	5,584,346	5,873,631
Total depreciation on property, plant and equipment and investment property		56,632,480	56,645,248

It includes depreciation on investment properties amounting to Rs. 391,055/- (2010: Rs. 411,636/-).

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
Vehicle	555,000	404,652	150,348	205,000	Negotiation	Syed Ali Husain -House No 360 A-1 Gulberg III Lahore.
Vehicle	599,750	467,720	132,030	215,000	Negotiation	Muhammad Irfan -Flat No A-202 Panama Centre Block 13-D Gulshan-e-Iqbal Karachi.
Vehicle	867,300	598,295	269,005	405,000	Negotiation	Mohammad Hassan Khan -Block 12 F.B. Area Gulberg Karachi.
Vehicle	535,590	180,224	355,366	400,000	Negotiation	Mohammad Waqas-House No 24-Q Block 2 P.E.C.H. Society Karachi.
Vehicle	592,100	412,515	179,585	300,000	Negotiation	Mohammad Waqas-House No 24-Q Block 2 P.E.C.H. Society Karachi.
Vehicle	322,500	286,678	35,822	100,000	Negotiation	Mohammad Waqas-House No 24-Q Block 2 P.E.C.H. Society Karachi.
Rupees 2011	3,472,240	2,350,084	1,122,156	1,625,000		
Rupees 2010	5,727,376	4,595,412	1,131,964	1,787,000		

	Note	2011 Rupees	2010 Rupees
14.2 Capital work-in-Progress			
Civil work	14.2.1	15,861,053	-
Machinery and electrical installations	14.2.2	139,475,841	759,531
		155,336,894	759,531

	2011 Rupees	2010 Rupees
14.2.1 Civil work		
Opening balance	-	4,623,223
Additions during the year	16,511,704	408,026
	16,511,704	5,031,249
Transfer to property, plant and equipment during the year	(650,651)	(5,031,249)
Closing balance	15,861,053	-

14.2.2 Machinery and electrical installations

	2011 Rupees	2010 Rupees
Opening balance	759,531	-
Additions during the year	141,859,054	89,281,998
	142,618,585	89,281,998
Transfer to property, plant and equipment during the year	(3,142,744)	(88,318,306)
Transfer to stores and spares	-	(204,161)
Closing balance	139,475,841	759,531

15. INVESTMENT PROPERTIES

	COST			DEPRECIATION			Written down	Annual
	As at July 1, 2010	Additions / (deletions)	As at June 30, 2011	As at July 1, 2010	For the year	As at June 30, 2011	value as at June 30, 2011	Rate of Dep. %
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	9,718,220	391,055	10,109,275	7,430,037	5%
2011 Rupees	26,591,281	-	26,591,281	9,718,220	391,055	10,109,275	16,482,006	
2010 Rupees	26,591,281	-	26,591,281	9,306,584	411,636	9,718,220	16,873,061	

15.1 The free hold land was revalued by the professional valuer M\s Surval on May 15, 2009. Fair value of land in Sheikhupura is Rs. 20.35 million (2010: Rs. 20.35 million) and of land and building in Lahore - free hold is Rs.261.815 (2010: Rs. 261.815 million).

	Note	2011 Rupees	2010 Rupees

16. LONG TERM INVESTMENTS

- Investment in associated undertakings

	Note	2011 Rupees	2010 Rupees
Carrying value as of July 1, 2010		181,253,083	144,869,816
Add: Share of profit of associate		26,892,347	40,537,619
Less: Dividend received		(13,036,389)	(4,154,352)
Less: Reversal of share of surplus on revaluation of land / capital reserves		(4,767,482)	-
		190,341,559	181,253,083
Carrying value of shares distributed to owners as dividend in specie	16.1 & 16.2	(185,235,054)	-
Carrying value of shares sold in open market	16.3	(5,106,505)	-
		-	181,253,083

16.1 The shareholders of the Company in the annual general meeting held on October 28, 2010 approved specie dividend at the rate of 15 ordinary shares of Ellcot Spinning Mills Limited (ESML) for every 100 shares of the Company and 5 ordinary shares of Prosperity Weaving Mills Limited (PWML) for every 100 shares of the Company.

		2011 Rupees	2010 Rupees
16.2	Carrying value of shares distributed to owners as dividend in specie	(185,235,054)	-
	Market value	69,797,750	-
	Loss on investments in associates distributed to owners as specie dividend	(115,437,304)	-
16.3	Carrying value of shares sold in open market	(5,106,505)	-
	Market value	2,180,000	-
	Loss on sale of investments in associates	(2,926,505)	-

17. STORES AND SPARES

	2011 Rupees	2010 Rupees
In hand		
Stores	8,268,241	6,111,326
Spares	8,967,036	5,115,471
	17,235,277	11,226,797

	Note	2011 Rupees	2010 Rupees
18. STOCK-IN-TRADE			
Raw material in hand		415,032,539	260,073,238
Work in process		42,947,628	21,891,446
Finished goods		97,992,671	118,209,088
Waste		3,926,719	3,101,154
	18.1	559,899,557	403,274,926

18.1 At current year end, net realizable values of raw material, work-in-process and finished goods were lower than their cost, which resulted in write-downs of Rs. 145.130 million (2010: Rs Nil), Rs. 5.416 million (2010: Rs. Nil) and Rs. 1.911 million (2010: Rs. Nil) respectively and were charged to cost of sales.

	Note	2011 Rupees	2010 Rupees
19. TRADE DEBTS			
Considered good:			
Foreign - secured	19.1	19,480,201	10,224,523
Local - unsecured		7,354,807	51,917,793
		26,835,008	62,142,316
Considered doubtful		3,507,469	3,507,469
		30,342,477	65,649,785
Less: Provision for doubtful debts		(3,507,469)	(3,507,469)
		26,835,008	62,142,316

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

19.2 Trade debts are non-interest bearing and are generally on 30 to 45 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. 2.115 million (2010: 17.161 million) 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 amount is considered recoverable.

	Note	2011 Rupees	2010 Rupees
19.4.1 Aging of past due but not impaired			
46-90 days		-	-
91-180 days		34,415	6,501,871
181 days and above		2,080,697	10,659,439
		2,115,112	17,161,310

	Note	2011 Rupees	2010 Rupees
20. LOANS AND ADVANCES - CONSIDERED GOOD			
Loans:			
Employees		125,154	130,661
Advances:			
Income tax	20.1	11,198,054	1,662,722
Suppliers		11,666,650	4,064,988
Expenses		72,669	284,130
Letters of credit		13,676,940	10,973
		36,739,467	6,153,474

20.1 Movement of advance tax is as under: -

Opening balance	1,662,722	8,143,890
Paid during the year	60,519,526	26,714,235
Adjusted during the year	2,500,000	-
Provision for tax	(50,958,207)	(33,195,403)
Reversal of prior years	(2,525,987)	-
	11,198,054	1,662,722

21. SHORT-TERM DEPOSITS AND PREPAYMENTS

Short-term deposits	38,100	38,100
Prepayments	1,949,041	1,130,621
	1,987,141	1,168,721

22. OTHER RECEIVABLES

Income tax refundable	892,665	3,392,665
Other receivables	12,384,347	3,343,032
	13,277,012	6,735,697

23. OTHER FINANCIAL ASSETS

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

2011	2010		Fair value 2011	Fair value 2010	Unrealized gain on revaluation of investments 2011	Unrealized gain on revaluation of investments 2010
Number of Units			---------- Rupees ----------			
1,039,248	-	Faisal Saving Growth Fund (Cost : Rs.106,006,358)	107,021,733	-	1,015,375	-
1,622,992	-	UBL Liquidity Fund (Cost : Rs. 160,000,000)	162,643,592	-	2,643,592	-
36,445,114	-	NAFA Government Securities Fund (Cost : Rs. 373,000,000)	377,549,514	-	4,549,514	-
505,836	-	MCB Cash management optimizer (Cost : Rs. 50,000,000)	50,690,933	-	690,933	-
39,613,190	-	[Total Cost -Rs. 689,006,358 (2010: Nil)]	697,905,772	-	8,899,414	-

24. CASH AND BANK BALANCES

	Note	2011 Rupees	2010 Rupees
Cash with banks			
In current accounts		6,412,426	1,771,071
In deposit accounts	24.1	81	81
Cash in hand		2,648	2,348
		6,415,155	1,773,500

24.1 Deposit account carries mark up at the rate of 5% per annum (2010 : 5% per annum).

25. SALES

	Note	Local	Export	2011	2010
		< ---------- Rupees			---------- >
Yarn	25.1 & 25.2	220,921,522	4,132,579,383	4,353,500,905	2,512,655,916
Raw cotton		-	-	-	106,954,306
Waste		84,908,928	158,330,552	243,239,480	127,143,701
		305,830,450	4,290,909,935	4,596,740,385	2,746,753,923

25.1 Export sales includes exchange net gain of Rs.75,677,982/- (2010 : Rs.12,000,202/-).

25.2 Export sales includes indirect export sales of Rs.167,970,840/- (2010 : Rs.212,269,220).

	Note	2011 Rupees	2010 Rupees
26. COST OF GOODS SOLD			
Opening stock - finished goods		121,310,242	43,986,197
Cost of goods manufactured	26.1 & 26.2	3,664,477,163	2,231,905,967
Purchase of finished goods		24,126,964	107,785,720
		3,809,914,369	2,383,677,884
Claim on stock destroyed in fire		-	(2,372,480)
Closing stock - finished goods		(101,919,390)	(121,310,242)
		3,707,994,979	2,259,995,162

26.1 Cost of goods manufactured

	Note	2011 Rupees	2010 Rupees
Raw material consumed	26.1.1	3,126,035,087	1,690,941,016
Packing material consumed		48,032,128	38,288,395
Stores and spares consumed		48,298,259	67,400,297
Salaries, wages and benefits	26.1.2	187,893,628	166,003,030
Fuel		188,783,312	188,194,648
Rent, rates and taxes		378,619	330,758
Insurance		9,425,091	7,027,302
Repairs and maintenance		1,725,299	9,484,640
Depreciation	14.1.1	51,048,134	50,771,617
Doubling charges		20,219,856	9,494,098
Other manufacturing overheads		3,693,932	3,425,100
		3,685,533,345	2,231,360,901
Work in process			
Opening stock		21,891,446	22,436,512
Closing stock		(42,947,628)	(21,891,446)
		(21,056,182)	545,066
		3,664,477,163	2,231,905,967

26.1.1 Raw material consumed

	Note	2011 Rupees	2010 Rupees
Opening stock		260,073,238	243,778,879
Purchases		3,280,994,388	1,707,235,375
		3,541,067,626	1,951,014,254
Closing stock		(415,032,539)	(260,073,238)
	26.3	3,126,035,087	1,690,941,016

26.1.2 It includes Rs. 9,978,438/- (2010 : Rs.8,297,920/-) in respect of staff retirement benefits.

26.2 It includes cost of raw cotton sold amounting to Rs. Nil (2010 : Rs.92,997,733/-).

26.3 Raw materials consumed, work in process and finished goods have been adjusted for NRV write downs of Rs. 145.130 million (2010: Rs Nil), Rs. 5.416 million (2010: Rs. Nil) and Rs. 1.911 million (2010: Rs. Nil) respectively.

		Note	2011 Rupees	2010 Rupees
27.	**OTHER OPERATING INCOME**			
	Rental income from investment property		10,912,776	10,127,533
	Gain on sale of investments - held for trading		5,761,741	329,934
	Scrap sales		1,721,770	1,253,676
	Gain on disposal of property, plant and equipment		502,844	655,036
	Profit on bank deposits		20,443	39,876
	Unrealized gain on revaluation of investments - held for trading		8,899,414	-
			27,818,988	12,406,055
28.	**DISTRIBUTION COST**			
	Freight		41,415,384	30,628,972
	Commission:			
	-Local		1,142,729	2,695,176
	-Export		58,264,899	23,599,329
	Stamp duty		6,423,153	3,300,251
	Travelling		1,759,501	1,628,975
	Export development surcharge		10,254,572	4,796,358
	Quality claims		96,083	397,277
	Distribution expense		715,577	559,755
	Other		8,581,157	15,070,096
			128,653,055	82,676,189
29.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration and benefits		3,870,000	3,335,500
	Staff salaries and benefits	29.1	27,859,211	26,147,211
	Travelling and conveyance		1,453,889	681,057
	Printing and stationery		1,631,549	1,351,183
	Postage and telephone		2,807,942	2,579,261
	Fees, subscription and periodicals		785,091	1,032,289
	Legal and professional		1,241,488	1,481,320
	Advertisement		66,828	27,844
	Utilities - net of recoveries		2,909,002	2,459,671
	Rent, rates and taxes		2,752,328	2,270,218
	Insurance		1,149,587	1,076,584
	Auditors' remuneration	29.2	973,000	820,000
	Repairs and maintenance		4,526,942	2,983,478
	Vehicles running and maintenance		6,326,229	5,544,389
	Entertainment		1,132,017	739,276
	Depreciation	29.3 & 14.1.1	5,584,346	5,873,631
	Other		595,863	278,928
			65,665,312	58,681,840

29.1 It includes Rs. 1,830,363 /- (2010 : Rs.1,522,103 /-) in respect of staff retirement benefits.

	2011 Rupees	2010 Rupees
29.2 Auditors' remuneration		
Annual audit fee	500,000	500,000
Half yearly review fee	150,000	150,000
Other certifications	142,500	37,500
Tax advisory services	180,500	132,500
	973,000	820,000

29.3 It includes depreciation on investment properties amounting to Rs. 391,055/- (2010 : Rs.411,636/-).

30. OTHER OPERATING EXPENSES

	2011 Rupees	2010 Rupees
Workers' Profit Participation Fund	24,915,607	14,125,292
Workers' Welfare Fund	8,699,232	5,358,000
Other government expenses - infrastructure fees	12,755,891	-
	46,370,730	19,483,292

31. FINANCE COST

	2011 Rupees	2010 Rupees
Mark-up / interest on:		
Debentures	380,075	380,075
Long term loans	39,685,066	31,043,263
Liabilities against assets subject to finance lease	1,202,245	889,025
Short term borrowings including bills discounting	39,689,049	74,309,562
Workers' Profit Participation Fund	1,679,362	92,712
Bank charges and commission	12,237,838	9,596,718
	94,873,635	116,311,355

32. TAXATION

	2011 Rupees	2010 Rupees
Current		
-for the year	50,958,207	33,195,403
-for prior year	(3,073,993)	-
Deferred	(24,939,449)	(19,157,044)
	22,944,765	14,038,359

32.1 TAXATION

	2011 Rupees	2010 Rupees
Relationship between tax expense and accounting profit:		
Accounting profit before tax	489,530,200	262,549,759
Tax @ 35% (2010: 35%)	171,335,570	91,892,416
Effect of:		
Income chargeable to tax at reduced rates	(149,819,230)	(56,376,996)
Reversal of previously recognised deferred tax	509,780	(23,237,329)
Reversal of prior year tax	3,073,993	-
Inadmissible expenses	-	1,343,533
Tax on income not included in accounting profit	(2,155,348)	416,735
	22,944,765	14,038,359

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 :

		2011	2010
Profit after taxation	**Rupees**	466,585,435	248,511,400
Weighted average number of ordinary shares		18,700,000	18,700,000
Earnings per share	**Rupees**	24.95	13.29

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Other Executives	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	< - - - - - - - - - - - - - -	- - - - - - - - - - - - - -	**Rupees**	- - - - - - - - - - - - - -	- - - - - - - - - - - - - -	- - - - - >
Remuneration	2,226,975	1,904,400	660,000	600,000	7,308,000	5,408,000
House rent allowance	533,025	476,100	297,000	270,000	3,288,600	2,433,600
Other allowances	-	-	33,000	30,000	365,400	270,400
	2,760,000	2,380,500	990,000	900,000	10,962,000	8,112,000
Number of persons	1	1	1	1	11	9

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 of 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	2011 Rupees	2010 Rupees
Ellcot Spinning Mills Limited			
Associated undertaking*	Purchase of goods and services	167,305,793	68,850,980
	Sale of goods and services	42,484,948	175,137,425
	Rental income	480,000	480,000
	Dividend income	9,999,483	2,142,746
Prosperity Weaving Mills Limited			
Associated undertaking*	Purchase of goods and services	-	129,940
	Sale of goods and services	1,647,750	1,912,500
	Rental income	755,000	755,000
	Dividend income	3,036,906	2,024,604

* These entities ceased to be associates from October 28, 2010, as the Company transfered the shares held as specie dividend to the sharehoders

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.

	2011	2010	2011	2010
	Production Capacity		Actual Production	
	Kgs.	Kgs.	Kgs.	Kgs.
Coarse	3,755,315	3,755,315	4,921,411	4,791,695
Medium	2,133,701	2,133,701	6,294,465	6,770,122
Fine	256,043	256,043	153,729	184,987
	6,145,059	6,145,059	11,369,605	11,746,804

	2011	2010
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	1,089

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, units of open ended mutual fund and cash and bank balances that arrive directly from its operations. The Company also have 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.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

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. 745,524,636 (2010: Rs. 69,048,859), the financial assets which are subject to credit risk amounted to Rs. 745,521,988 (2010: Rs. 69,046,511). 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
Samba Bank Limited	JCR-VIS	A1	A+
Barclays Bank Limited	STANDARD & POOR'S	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-
Pak Kuwait Investment Company (Pvt) ltd	PACRA	A1+	AAA
Habib Metropoliton Bank	PACRA	A1+	AA+

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 export 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.

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. 62% of the Company's debt will mature in less than one year at June 30, 2011 (2010: 45%) 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.

	2011					
	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	19,637,875	78,733,912	261,082,576	29,985,084	402,271,602
Liabilities against assets subject to finance lease	46,317	740,981	2,275,618	4,595,934	-	7,658,850
Short term borrowings	-	-	371,749,271	-	-	371,749,271
Interest / mark-up payable - non interest bearing	-	19,834,742	-	-	-	19,834,742
Trade and other payables - non interest bearing	-	124,307,654	-	-	-	124,307,654
	12,878,472	164,521,252	452,758,801	265,678,510	29,985,084	925,822,119

	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 - non interest bearing	-	15,534,238	-	-	-	15,534,238
Trade and other payables - non interest bearing	-	123,039,934	-	-	-	123,039,934
	12,885,168	144,734,699	139,981,210	206,064,789	-	503,665,866

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 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, 2011 would decrease/increase by Rs. 7.150 million (2010 : Rs. 3.017 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Foreign currency 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. The Company enters into forward foreign exchange contract to manage the foreign currency exchange risk associated with the anticipated sales. As at June 30, 2011 financial assets include Rs. 19.614 million (2010: Rs. 9.829 million) and financial liabilities include NIL (2010: Rs. 42.2 million) which are subject to foreign currency risk against US Dollars.

Foreign currency sensitivity analysis

At June 30, 2011, 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 increased / decreased by Rs. 980,708 (2010: decreased / increased by Rs. 1,618,549), mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade debts.

Equity price risk management

The Company is exposed to equity price risk arising from equity investments. These investments are held for strategic rather than trading purposes.

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 Fair value hierachy

The fair values of the financial instruments have been analysed in various levels as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's total investments constitutes investments in financial assets through profit and loss account - held for trading and the fair values of such investments are readily quoted. These investments are categorised as level 1 investments in accordance with the fair value method used. The fair values of such investments held were Rs. 697,905,772 (June 2010: Nil) as at the balance sheet date.

There were no Level 2 and Level 3 investments held during the year.

There were no transfers between Level 1, 2 and 3 during the year.

37.6 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, 2011
	---------- Rupees ----------		
Assets as per balance sheet			
Long term deposits	1,821,100	-	1,821,100
Trade debts	26,835,008	-	26,835,008
Other receivables	12,384,347	-	12,384,347
Loans and advances	125,154	-	125,154
Short-term deposits and prepayments	38,100	-	38,100
Cash and cash bank balances	6,415,155	-	6,415,155
Other financial assets	-	697,905,772	697,905,772

	Financial Liabilities measured at amortized cost	Total June 30, 2011
	---------- Rupees ----------	
Liabilities as per balance sheet		
Long-term financing	402,271,602	402,271,602
Liabilities against assets subject to finance lease	7,658,850	7,658,850
Short-term borrowings	371,749,271	371,749,271
Trade and other payables	124,307,654	124,307,654
Interest / mark-up accrued on loans	19,834,742	19,834,742

	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
Short-term deposits and prepayments	38,100	-	38,100
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	123,049,934	123,049,934
Interest / mark-up accrued on loans	15,534,238	15,534,238

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 2010.

39. OTHERS

39.1 NON CASH TRANSACTIONS

Additions to vehicles during the year amounting to Rs. 3,498,000/- (2010: Rs 2,977,000) 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.

39.2 SUBSEQUENT EVENTS

The Board of Directors in its meeting held on September 29, 2011, proposed to distribute to the shareholder of the Company. a cash dividend at the rate of sixty percent (i.e Rs. 6/= per ordinary share). The Dividend is subject to the approval by the shareholders of the Company in its forthcoming Annual General Meeting. These Financial Statements do not reflect the effect of such dividend which will be accounted for in the financial statements of the Company subsequent to the year end.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2011 by the Board of Directors of the Company.

41. GENERAL

Figures have been rounded off nearest to Rupee.

September 29, 2011	**Shahzada Ellahi Shaikh** Director	**Shaukat Ellahi Shaikh** Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

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** 30-06-2011

4.

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
412	1	100	14,366
287	101	500	77,591
73	501	1,000	57,826
141	1,001	5,000	327,005
28	5,001	10,000	189,689
7	10,001	15,000	85,596
1	15,001	20,000	16,998
4	20,001	25,000	81,181
-	25,001	30,000	-
3	30,001	35,000	97,289
4	35,001	40,000	151,741
-	40,001	45,000	-
1	45,001	50,000	46,000
-	50,001	75,000	-
1	75,001	80,000	75,001
1	80,001	85,000	84,530
-	85,001	110,000	-
1	110,001	115,000	113,499
-	115,001	315,000	-
1	315,001	320,000	318,658
-	320,001	425,000	-
1	425,001	430,000	427,008
-	430,001	1,015,000	-
3	1,015,001	1,020,000	3,051,542
-	1,020,001	4,480,003	-
2	4,480,004	4,485,003	8,963,080
-	4,485,004	4,520,000	-
1	4,520,001	4,525,000	4,521,400
972	**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	427,008	2.28
	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	MR. SHAUKAT ELLAHI SHAIKH	4,521,400	24.18
	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.97
	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. JAVAID BASHIR SHEIKH	500	0.00
	MR. IFTIKHAR TAJ MIAN	502	0.00
		13,925,236	74.46
5.2	**Associated Companies, undertakings and related parties**		
	M/S. HAROON OMER (PVT) LIMITED	1,017,147	5.44
	M/S. MONELL (PVT) LIMITED	1,017,147	5.44
	M/S. ICARO (PVT) LIMITED	1,017,248	5.44
	M/S. ELLAHI INTERNATIONAL (PVT) LTD.	9,000	0.05
		3,060,542	16.37
5.3	**NIT and ICP**		
	INVESTMENT CORPORATION OF PAKISTAN	1,430	0.01
		1,430	0.01
5.4	**Banks Development Financial Institutions, Non Banking Financial Institutions.**	120,689	0.65
		120,689	0.65
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	4,521,400	24.18
	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.96
		13,484,480	72.11
5.8	**General Public**		
	a. Local	1,211,929	6.48
	b. Foreign	Nil	Nil
5.9	**Others (Joint Stock Companies etc.)**	61,516	0.33
	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 44th Annual General Meeting of the Company to be held on October 28, 2011 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 _________________ 2011

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.