ANNUAL REPORT

For The Year Ended June 30, 2014

NAGINA GROUP

NAGINA COTTON MILLS LTD.

بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
	Mr. Tajammal Husain Bokharee	Independent Non-Executive Director
	Mr. Javaid Bashir Sheikh	Non-Executive Director
	Mr. Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shafqat Ellahi Shaikh	Non-Executive Director
	Mr. Raza Ellahi Shaikh	Non-Executive Director
	Mr. Shaukat Ellahi Shaikh	Executive Director
	Mr. Shahzada Sultan Mubashir	Executive Director
	Mr. Munawar Iqbal	Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shaukat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Tajammal Husain Bokharee	Chairman
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Raza Ellahi Shaikh	Member
	Mr. Shahzada Sultan Mubashir	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Raza Ellahi Shaikh	Chairman
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Shahzada Sultan Mubashir	Member
	Mr. Muhammad Azam	Secretary
EXECUTIVE COMMITTEE	Mr. Shaikh Enam Ellahi	Chairman
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Muhammad Azam	Secretary
CORPORATE SECRETARY	Mr. Shahzada Sultan Mubashir	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Tariq Zafar Bajwa	
AUDITORS	Messrs M. Yousuf Adil Saleem & Co. Chartered Accountants	
LEGAL ADVISOR	Makhdoom & Makhdoom Advocates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. Habib Metropolitan Bank Ltd. HSBC Bank Middle East Ltd. Industrial Development Bank of Pakistan MCB Bank Ltd. National Bank of Pakistan Samba Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	2nd Floor, Shaikh Sultan Trust Bldg. No.2 26, Civil Lines, Beaumont Road, Karachi - 75530	
WEB REFERENCE	www.nagina.com	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi. Phone # 021-32412754, 32424826 Fax # 021-32424835	
MILLS	Aminabad, A-16, S.I.T.E., National Highway, Kotri	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting of members of NAGINA COTTON MILLS LTD will be held at the Registered Office of the Company situated at 2nd Floor, Shaikh Sultan Trust Bldg. No.2, 26, Civil Lines, Beaumont Road, Karachi - 75530 on Wednesday, October 29, 2014 at 3:00 p.m. to transact the following business:-

A. Ordinary Business

1) To confirm minutes of the Extraordinary General Meeting held on January 28, 2014.

2) To receive and adopt Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.

3) To approve and declare final dividend as recommended by the Board of Directors.

4) To appoint Auditors and fix their remuneration.

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

B. Special Business

1) To discuss, consider, approve and, if thought fit, pass the following Special Resolution with or without modification(s):

"RESOLVED THAT pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Nagina Cotton Mills Ltd. ("the Company") be and is hereby authorized to extend a loan as running finance facility of up to PKR 75,000,000 (Rupees Seventy Five Million Only) to each of the following Associated Companies (a) Prosperity Weaving Mills Ltd. (b) Ellcot Spinning Mills Ltd., as and when required by these Associated Companies, provided that the return on such running finance shall not be less than the average borrowing cost of the Company and that such loan shall be for a period of one year renewable by the members of the Company;

FURTHER RESOLVED THAT the Chief Executive Officer and / or Corporate Secretary of the Company be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary for the purpose of giving effect to the spirit and intent of the Special Resolution."

A Statement under Section 160(1) (b) of the Companies Ordinance, 1984, along with the information required under Clause (b) of Sub-Regulation (1) of Regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 is annexed.

By Order of the Board

Shahzada Sultan Mubashir
Corporate Secretary

September 25, 2014

NOTES:

1) The share transfer books for ordinary shares of the Company will be closed from Thursday, October 23, 2014 to Wednesday, October 29, 2014 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi by the close of business on Wednesday, October 22, 2014 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. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.

3) The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their Bankers, Account Number and Participant I.D Number 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) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 19(I)/2014 dated January 10, 2014 read with Notification S.R.O. 831(I)/2012 dated July 5, 2012.

6) SECP has taken new initiative to make the process of payment of cash dividend to shareholders more efficient through e – Dividend mechanism where shareholders can get amount of dividend credited to their respective bank accounts electronically without delay. In order to avail this benefit the members are encouraged to provide dividend mandates (i.e. Bank detail for deposit of dividend). The e-Dividend Mandate forms are available with the Company Secretary.

7) The financial statements for the year ended June 30, 2014 shall be uploaded on the Company's website on or before October 7, 2014.

8) Pursuant to SECP Notification S.R.O 787(I)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.

9) Members are requested to promptly notify the Company of any change in their registered address.

10) IMPORTANT:

a) Pursuant to the Finance Act 2014, all individuals/ companies/association of persons whose CNIC/NTN is **NOT** included in the **"List of FILERS"** available at Federal Board of Revenue's website (http://www.fbr.gov.pk) are liable to deduction of tax at source at higher rate (@15%) on dividend.

b) Shareholders are requested to provide CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt.) Ltd.. 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1) (B) OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS

Ref. #	Requirement	Information
i.	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established.	**a) M/s. Prosperity Weaving Mills Ltd. (PWML) due to common directorship by the following directors:** **1. Mr. Shaikh Enam Ellahi** **2. Mr. Shahzada Ellahi Shaikh** **3. Mr. Shaukat Ellahi Shaikh** **4. Mr. Shafqat Ellahi Shaikh** **5. Mr. Shahzada Sultan Mubashir** **6. Mr. Javaid Bashir Sheikh** **b) M/s. Ellcot Spinning Mills Ltd., (ESML) due to common directorship by the following directors:** **1. Mr. Shaikh Enam Ellahi** **2. Mr. Shahzada Ellahi Shaikh** **3. Mr. Shaukat Ellahi Shaikh** **4. Mr. Shafqat Ellahi Shaikh**
ii.	Amount of loans or advances.	**Rs.75.00 million as a running finance facility in each of the Associated Company mentioned above.**
iii.	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advance.	**To provide an option to the Associated Companies to avail finance as and when required and to park any surplus funds with the Associated Companies to earn a return over and above offered in the market.**
iv.	In case of any loan has already been granted to the said associated company or associated undertakings, the complete details thereof.	**None**
v.	Financial position including main items of balance sheet and profit and loss account of the associated company(s) or associated undertaking(s) on the basis of its latest financial statements for the year ended June 30, 2014.	See table below

	ESML	PWML
	Rupees in millions	
Paid Up Capital	109.500	184.800
Non-Current Liabilities	452.532	703.206
Current Liabilities	506.375	632.790
Non-Current Assets	1,018.613	1,411.353
Current Assets	1,338.342	887.722
Sales	5,709.484	6,346.901
Gross Profit	552.520	480.480
Finance Cost	83.975	60.536
Profit After Tax	255.903	182.197

Ref. #	Requirement	Information
vi.	Average borrowing cost of the investing company.	**9.71 % for the year ended June 30, 2014.**
vii.	Rate of interest, mark-up, profit, fees or commission etc. to be charged.	**Not less than Average Borrowing cost of the Company to be decided by Chief Executive (Mg. Director).**
viii.	Sources of funds from where loans or advances will be given.	**Surplus Funds of the Company**
ix.	Where loans or advances are being granted using borrowed funds:- (I) Justification for granting loan or advance out of borrowed funds; (II) Detail of guarantees/ assets pledged for obtaining such funds, if any; (III) Repayment schedules of borrowing of the investing company.	**Not applicable.**
x.	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	**No Security to be obtained as all Companies are under common management.**
xi.	If the loan or advances carry conversion feature.	**Not applicable**
xii.	Repayment schedule and terms of loans or advances to be given to the investee company.	**This is running finance for the period of one year and will be renewed with approval of members.**
xiii.	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment.	**Agreement will be executed by CEO before extending the loan on the basis of the terms and conditions as approved by the shareholders.**
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	**The Directors of the Company are interested in the business to the extent of their shareholding of the aforesaid Associated Companies.**

Ref. #	Requirement	Information
xv.	Any other important details necessary for the members to understand the transaction.	**None**
xvi.	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely:- (I) a description of the project and its history since conceptualization; (II) starting date and expected date of completion; (III) time by which such project shall become commercially operational; (IV) expected return on total capital employed in the project; and (V) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts;	**Not applicable**

As per the disclosure requirement of Regulation 4(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012, it is informed that the following Directors of the Company are also the Directors in the investee company; however, they have no direct or indirect interest except to the extent of shareholding in the investee company:

Ellcot Spinning Mills Ltd.	Prosperity Weaving Mills Ltd.
1. Mr. Shaikh Enam Ellahi 2. Mr. Shahzada Ellahi Shaikh 3. Mr. Shaukat Ellahi Shaikh 4. Mr. Shafqat Ellahi Shaikh	1. Mr. Shaikh Enam Ellahi 2. Mr. Shahzada Ellahi Shaikh 3. Mr. Shaukat Ellahi Shaikh 4. Mr. Shafqat Ellahi Shaikh 5. Mr. Shahzada Sultan Mubashir 6. Mr. Javaid Bashir Sheikh

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STATEMENT AS REQUIRED UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2012.

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on October 28, 2009. The Company has not made any investment under the resolution. The following is the status:

<table>
<tr><td>a. Total investment approved</td><td>Rs. 75,000,000/= (Rupees seventy five million only) to each of the following Associated Company:
i) Ellcot Spinning Mills Ltd. (ESML)
ii) Prosperity Weaving Mills Ltd. (PWML)</td></tr>
<tr><td>b. Amount of investment made to date.</td><td>Nil</td></tr>
<tr><td>c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.</td><td>Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2013-14.</td></tr>
<tr><td>d. Material change in Financial Statements of Associated Company or Associated Undertaking since date of the resolution passed for approval of investment in such Company.</td><td>
<table>
<tr><th></th><th colspan="2">Present Financial Position as on June 30, 2014</th><th colspan="2">Financial Position at the time of Approval as on June 30, 2009</th></tr>
<tr><th></th><th>PWML</th><th>ESML</th><th>PWML</th><th>ESML</th></tr>
<tr><th></th><th colspan="4">Rupees in Millions</th></tr>
<tr><td>Net sales</td><td>6,346.901</td><td>5,709.484</td><td>3,634.559</td><td>2,441.020</td></tr>
<tr><td>Gross Profit</td><td>480.480</td><td>552.520</td><td>368.861</td><td>273.099</td></tr>
<tr><td>Profit before tax</td><td>242.894</td><td>319.767</td><td>108.120</td><td>5.254</td></tr>
<tr><td>Profit after tax</td><td>182.197</td><td>255.903</td><td>83.902</td><td>0.997</td></tr>
</table>
</td></tr>
</table>

Vision:

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

Mission:

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

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

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

DIRECTORS' REPORT TO THE MEMBERS

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

The Directors have the honor to present 47th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2014. Figures for the previous year ended June 30, 2013 are included for comparison.

Company Performance

Despite stiff competition and other challenges, your Company has been able to announce profitable results for the year ended June 30, 2014. The Company earned after tax profits of Rs. 253,832,932 (5.56% of sales) and achieved earning per share (EPS) of Rs.13.57 for the current year compared to after tax profits of Rs. 643,733,820 (restated) (14.46% of sales) and EPS of Rs. 34.42 (restated) during the previous year.

Sales for the year under review is Rs. 4,569,161,442 compared to Rs. 4,451,552,889 for the previous year showing growth of 2.64%. Cost of sales rose by 14.94% compared to the previous year. Gross profit (GP) decreased from Rs. 969,462,632 (restated) (21.78% of sales) to Rs. 566,855,803 (12.41% of sales) over the previous year due to increase in raw cotton prices and surge in energy costs and wages.

Distribution and administrative expenses increased due to inflationary impact. Other operating expenses decreased from 1.37% of sales to 0.44% of sales mainly owing to decrease in the provisions for Workers' Profit Participation Fund and Workers' Welfare Fund in line with decrease in profitability of the Company.

The Company has been able to generate stable cash flows and discharged all its operating and financial liabilities in time. During the year under review, finance cost increased by 16.53% over the previous year. This is mainly due to increase in debt servicing of long term loans taken for Balancing, Modernization, Replacement (BMR) of building, plant and machinery and other assets.

Capital Assets Investment

During the year your Company invested Rs. 344,458,070 in Balancing, Modernization, Replacement (BMR) of building, plant and machinery and other assets. This was done in line with Company's strategic plans to continue to diversify its product range, addition of new qualities and blends of yarn and improvement in the production capacity of the plant to cater both domestic and International markets.

Dividend

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.

Future Outlook

In FY 2013-14, Strong competition from competing countries has caused reduction in yarn prices which coupled with appreciation of PKR vs US$ eroded the margins from export sales. Cotton prices have declined despite flooding in the country. Cotton crop has largely remained unaffected from floods and it is hoped that the country is on-course to meet the production targets of FY15. Pak Rupee has devalued against US$ since the start of the financial year. These factors bode well for export oriented sector and management hopes that the company shall be able to benefit from these opportunities. Management is concerned about the ever increasing energy costs and frequent load shedding of gas due to which cost of inputs are rising. Wages and salaries are rising continuously. Due to recent floods in the province of Punjab and other parts of the country, there may be rise in the general inflation in the country. The performance over the next year may be affected due to these adverse factors.

The Board of Directors is cognizant of these facts and strives to take all necessary steps to protect the interests of the Company.

Corporate Social Responsibility

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and consistently endeavors to uplift communities that are influenced directly or indirectly by our business.

Environment, Health and Safety: The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their safety and living facilities.

Safety is a matter of concern for machinery as well as the employees working at plant. Fire extinguishers and other fire safety equipments have been placed at sites as well as registered and head office of the Company. Regular drills are performed to ensure efficiency of fire safety equipments.

Corporate Governance & Financial Reporting Framework

As required by the Code of Corporate Governance, Directors are pleased to report that:

a) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied, except as disclosed in the financial statements, in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

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

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

g) Key operating and financial data for the last six years is annexed.

h) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2014 except for those disclosed in the financial statements.

i) No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Directors' Report.

j) During 2013-2014, no trade in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Related Parties

The transactions between the related parties were carried out at an arm's length basis. The Company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, the statutory external auditors of the Company.

Shareholding Pattern

The shareholding pattern as at June 30, 2014 including the information under the Code of Corporate Governance, for ordinary shares is annexed.

Notice u/s 218 of the Companies Ordinance, 1984

Notice u/s 218 of the Companies Ordinance, 1984 is annexed.

Committees of the Board

In compliance with the Code of Corporate Governance and Articles of Association of the Company the Board of Directors had formed following Committees.

- Audit Committee
- Human Resource and Remuneration (HR&R) Committee
- Executive Committee

The names of the members of above committees are given in the Company information.

Board and Committee Changes

During the financial year 2013-14, election of Directors was held on January 28, 2014. All the retiring Directors consented for re-election and were re-elected. In addition Mr. Tajammal Hussain Bokharee and Mr. Raza Ellahi Shaikh have also been elected as Independent Non-Executive Director and Non-Executive Director, respectively, making total number of Directors as 9 (2013: 7).

After election of Directors, newly elected Board, reconstituted Audit Committee and Human Resource and Remuneration (HR & R) Committee by appointing the following Directors:

Sr.No.	Audit Committee	Status	Designation
1.	Mr. Tajammal Husain Bokharee	Independent Non - Executive Director	Chairman
2.	Mr. Shafqat Ellahi Shaikh	Non-Executive Director	Member
3.	Mr. Raza Ellahi Shaikh	Non-Executive Director	Member

Sr.No.	HR & R Committee	Status	Designation
1.	Mr. Raza Ellahi Shaikh	Non-Executive Director	Chairman
2.	Mr. Shafqat Ellahi Shaikh	Non-Executive Director	Member
3.	Mr. Shahzada Sultan Mubashir	Executive Director & Company Secretary	Member

Board of Directors' Meetings

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

Sr No.	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	4
2	Mr. Javaid Bashir Sheikh	4
3	Mr. Shahzada Ellahi Shaikh	3
4	Mr. Shaukat Ellahi Shaikh	4
5	Mr. Shafqat Ellahi Shaikh	2
6	Mr. Munawar Iqbal	2
7	Mr. Shahzada Sultan Mubashir	4
8	Mr. Tajammal Husain Bokharee	2
9	Mr. Raza Ellahi Shaikh	2

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

Audit Committee Meetings

During the year, five (5) meetings of Audit Committee of the Board were held. Attendance by each Director is as follows:

Sr No.	Name of Director	Attendance
1	Mr. Tajammal Husain Bokharee	2
2	Mr. Shafqat Ellahi Shaikh	4
3	Mr. Raza Ellahi Shaikh	2
4	Mr. Shaikh Enam Ellahi*	3
5	Mr. Shahzada Ellahi Shaikh*	3

*Ceased to be member w.e.f. January 30, 2014.

Leave of absence was granted to Director who could not attend some of the Audit Committee meetings.

Executive Committee Meetings

During the year, three (3) meetings of Executive Committee of the Board were held. Attendance by each Director is as follows:

Sr No.	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	3
2	Mr. Shahzada Ellahi Shaikh	3
3	Mr. Shaukat Ellahi Shaikh	3
4	Mr. Shafqat Ellahi Shaikh	3

Human Resource and Remuneration (HR&R) Committee Meetings

During the year, two (2) meetings of HR & R Committee of the Board were held. Attendance by each Director is as follows:

Sr No.	Name of Director	Attendance
1	Mr. Shafqat Ellahi Shaikh	2
2	Mr. Shahzada Ellahi Shaikh*	1
3	Mr. Shahzada Sultan Mubashir	2
4	Mr. Raza Ellahi Shaikh	Nil

*Ceased to be member w.e.f. January 30, 2014.

Leave of absence was granted to Director who could not attend some of the HR & R Committee meetings.

Director's Training Program

The Company has complied with the requirements of clause (xi) of the Code of Corporate Governance. Following Directors of the Company have taken certification of the Director's Training Programs during the year.

Sr No.	Name of Director
1	Mr. Shaukat Ellahi Shaikh
2	Mr. Raza Ellahi Shaikh

Appointment of Auditors

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 2014-15.

Acknowledgment

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 25, 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

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

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

1. The Board of Directors of the Nagina Cotton Mills Ltd., has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

2. The Company encourages representation of Independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
Mr. Tajammal Husain Bokharee	Independent Non-Executive Director
Mr. Javaid Bashir Sheikh	Non-Executive Director
Mr. Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non_Executive Director
Mr. Raza Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Executive Director
Mr. Shahzada Sultan Mubashir	Executive Director
Mr. Munawar Iqbal	Executive Director

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

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

5. No casual vacancy occurred on the Board during the year 2013-14.

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

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

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board in line with Articles of Association of the Company.

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

10. Requirement under Listing Regulation No. 35 (xi) has been complied with.

11. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit in line with Code of Corporate Governance.

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

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

14. 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.

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.

16. The Board has formed an Audit Committee. It comprises three members, all members are Non-Executive Directors.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the Chairman.

19. The Board has formed an Executive Committee comprising four Directors to meet and take decisions on behalf of Board in the absence of full Board in line with Articles of Association of the Company. The minutes of the meetings are properly maintained.

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

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

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

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

24. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

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

26. We confirm that all other material principles enshrined in the CCG have been complied with. However, the mechanism is in process for the development of an annual evaluation of the Board's own performance.

on behalf of the Board

Shaukat Ellahi Shaikh

September 25, 2014

Mg. Director (Chief Executive)

SHAREHOLDERS' INFORMATION

Annual General Meeting

47th 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 Wednesday, October 29, 2014 at 3:00 p.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2014, the Company has 1,013 Shareholders.

Web Reference

The Company maintains a functional website. Annual, half-yearly and quarterly reports are regularly posted at the Company's website: www.nagina.com

Dividend

The Board of Directors have recommended in their meeting held on September 25, 2014, payment of final cash dividend at the rate of Rs.6/= per share i.e. 60% for the year ended June 30, 2014.

Dividend Mandate (Optional)

Securities and Exchange Commission of Pakistan has taken new initiative to make the process of payment of cash dividend to shareholders more efficient through e – Dividend mechanism, where shareholders can get amount of dividend credited to their respective bank accounts electronically without delay. By opting this mechanism, there will be instant credit of dividend and no chance of dividend warrants getting lost in the post, undelivered or delivered to the wrong address etc.

In order to avail this benefit, the members are encouraged to provide dividend mandates by sending the mandate information on the following format, directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

Detail of Bank Mandate	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Branch Code	
Cell Number of Shareholder / Transferee	
Landline Number of Shareholder / Transferee, if any	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

____

Signature of the Shareholder

Requirement of CNIC Number / National Tax Number (NTN) Certificate.

As has already notified from time to time, the Securities and Exchange Commission of Pakistan (SECP), vide SRO 19(I)/2014 dated January 10, 2014 read with SRO 831(I)2012 dated July 5, 2012 required that dividend warrants should bear Computerized National Identity Card (CNIC) number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) / National Tax Number (NTN) Certificate (in case of Corporate Entity) are requested to submit the same at the earliest.

Copy of CNIC/NTN may be sent directly to the Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Ltd.
5th Floor, Karachi Chambers,
Hasrat Mohani Road,
Karachi
Ph # (+92-21) 32412754, 32424826
Fax # (+92-21) 32424835

Kindly note that in case of non compliance of the submission of CNIC, the Company shall be constrained to withhold the dispatch of dividend warrant in future.

Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001 ("Income Tax Ordinance").

Pursuant to the provisions of the Finance Act, 2014 with effect from July 1, 2014, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

(a) Rate of tax deduction for filer of income tax returns @10%
(b) Rate of tax deduction for non-filer of income tax returns @15%

All shareholders of the Company who hold shares in physical form are therefore requested to send a valid copy of their CNIC and NTN certificate to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt.) Ltd. to allow the Company to ascertain the status of the shareholder.

Shareholders of the Company who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd. (CDC) are requested to send valid copies of their CNIC and NTN certificate to their CDC Participants / CDC Investor Account Services.

Where the required documents are not submitted, the Company will be constrained to treat the non-complying shareholders as a non-filer thereby attracting a higher rate of withholding tax.

Electronic Transmission of Audited Financial Statements and Notice of Annual General Meeting (Notice) Through E-Mail.

Pursuant to SECP notification S.R.O 787(I)/ 2014 dated September 8, 2014, members, who hold shares in physical form, may inform the Company or Company's Share Registrar M/s. Hameed Majeed Associates (Pvt.) Ltd., and who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd (CDC) may inform their CDC Participants / CDC Investor Account Services, to receive the Audited Financial Statements and Notices through e-mail by submitting Standard Request Form as given below:

REQUEST FORM FOR ELECTRONIC TRANSMISSION OF AUDITED FINANCIAL STATEMENTS AND NOTICE THROUGH E-MAIL

In terms of SECP notification SRO 787(I)/2014 dated September 8, 2014, I, ____ hereby give my consent for electronic transmission of Audited Financial Statements and Notice through e-mail. My e-mail address is _____________________________.

I undertake that by sending the Audited Financial Statements and Notice through e-mail, by the Company, the Company shall be considered compliant with relevant requirements of sections 50, 158 and 233 of the Companies Ordinance, 1984.

It is stated that the above mentioned e-mail address is correct, that I will intimate the changes in the above mentioned e-mail address to the Company and the Share Registrar as soon as these occur.

____
Signature of the Shareholder.

Please send the above request form at the following address:

The Secretary,
Nagina Cotton Mills Ltd., 2nd Floor, Shaikh Sultan Trust Building, No. 2, 26-Civil Lines, Beaumont Road, Karachi.
e-mail address: mubashir.sultan@nagina.com
or
M/s. Hameed Majeed Associates (Pvt.) Ltd.
5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi
e-mail address: shares@hmaconsultants.com

Investor Relations Contact

Mr. Shahzada Sultan Mubashir, Corporate Secretary
Email: mubashir.sultan@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares

Members are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi for collection of their shares which they have not received due to any reasons.

To: All members of the Company

NOTICE UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resource and Remuneration (HR&R) Committee, Board of Directors in their meeting held on September 25, 2014 has approved the increase in remuneration of Mr. Shaukat Ellahi Sheikh, Mg. Director (Chief Executive), Mr. Shahzada Sultan Mubashir, Corporate Secretary and Mr. Munawar Iqbal, full time working Director, effective from July 1, 2014 as under:

a) Remuneration of Mr. Shaukat Ellah Shaikh, Mg. Director (Chief Executive)

Description	Present Remuneration	Remuneration After Increase
Remuneration	Rs.357,500/= per month inclusive of 10% medical allowance.	**Rs.393,250/= per month inclusive of 10% medical allowance.**
Other Benefits		
Transport	Two company maintained cars with drivers	**No Change**
Utilities	Actual cost of utilities, i.e. gas, electricity and water at his residence and telecommunication facilities	**No Change**
Leave Fare Assistance (LFA)	Leave passage for self and family.	**No Change**

b) Remuneration of Mr. Shahzada Sultan Mubashir, Corporate Secretary

Remuneration	Rs.165,000/= per month.	**Rs. 175,000/= per month.**
Other benefits	As per Company policy	**As per Company policy**

c) Remuneration of Mr. Munawar Iqbal, full time working Director

Remuneration	Rs.110,000/= per month.	**Rs. 125,000/= per month.**
Other benefits	As per Company policy	**As per Company policy**

Shahzada Sultan Mubashir
Corporate Secretary

September 25, 2014

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2014
CUIN (INCORPORATION NUMBER) 0002500

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
421	1	100	13,386
306	101	500	90,790
82	501	1000	67,776
145	1001	5000	367,164
31	5001	10000	221,682
8	10001	15000	101,038
3	15001	20000	49,980
1	20001	25000	20,200
1	25001	30000	26,500
1	30001	35000	34,368
-	35001	45000	-
2	45001	50000	100,000
-	50001	60000	-
1	60001	65000	64,000
1	65001	70000	68,000
-	70001	75000	-
1	75001	80000	75,692
-	80001	105000	-
1	105001	110000	107,736
-	110001	315000	-
1	315001	320000	318,658
-	320001	435000	-
1	435001	440000	437,008
-	440001	1015000	-
3	1015001	1020000	3,051,542
-	1020001	4480000	-
2	4480001	4485000	8,963,080
-	4485001	4520000	-
1	4520001	4525000	4,521,400
1,013	**Total:-**		**18,700,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	13,936,236	74.52
Associated Companies, Undertakings and Related Parties	3,060,542	16.37
NIT and ICP	1,430	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions	6,090	0.03
Insurance Companies	324,158	1.73
Modarabas and Mutual Funds	Nil	Nil
Shareholders Holding 10% or more	13,484,480	72.11
General Public		
a. Local	1,296,810	6.93
b. Foreign	678	0.00
Others (Joint Stock Companies)	74,056	0.40

NAGINA GROUP

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2014

S #		Name	Shares Held	Percentage
1)		***Associated Companies, Undertaking and Related Parties***		
	i)	HAROON OMER (PVT) LIMITED	1,017,147	5.44
	ii)	MONELL (PVT) LIMITED	1,017,147	5.44
	iii)	ICARO (PVT) LIMITED	1,017,248	5.44
	iv)	ELLAHI INTERNATIONAL (PVT) LTD.	9,000	0.05
			3,060,542	**16.37**
2)		**Mutual Funds**	**Nil**	**Nil**
3)		***Directors, Chief Executive Officer and their Spouse and Minor Children***		
	i)	MR. SHAIKH ENAM ELLAHI	437,008	2.34
	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. HUMERA SHAHZADA ELLAHI SHEIKH	4,248	0.02
	vi)	MRS. MONA SHAUKAT SHAIKH	4,248	0.02
	vii)	MRS. SHAISTA SHAFQAT SHAIKH	4,248	0.02
	viii)	MR. RAZA ELLAHI SHAIKH	500	-
	ix)	MR. TAJAMMAL HUSAIN BOKHAREE	502	-
	x)	MR. JAVAID BASHIR SHEIKH	500	-
	xi)	MR. SHAHZADA SULTAN MUBASHIR	500	-
	xii)	MR. MUNAWAR IQBAL	2	-
			13,936,236	**74.52**
4)		***Executives***	**19**	**-**
5)		***Public Sector Companies and Corporations***	**1,430**	**0.01**
6)		***Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.***	**330,248**	**1.77**
7)		***Shareholders Holding Five Percent or More Voting Rights***		
	i)	MONELL (PVT) LIMITED	1,017,147	5.44
	ii)	HAROON OMER (PVT)LTD	1,017,147	5.44
	iii)	ICARO (PVT) LIMITED	1,017,248	5.44
	iv)	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.97
	v)	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	vi)	MR. SHAUKAT ELLAHI SHAIKH	4,521,400	24.18

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2014	2013 Restated	2012	2011	2010	2009 Restated
Sales	Rs. '000	4,569,161	4,451,553	3,674,769	4,596,740	2,746,754	2,158,571
Gross profit	Rs. '000	566,856	969,463	616,633	888,745	486,759	216,856
Operating profit	Rs. '000	360,207	740,955	466,407	675,875	338,323	119,431
Profit before tax	Rs. '000	270,460	663,938	364,033	489,530	262,550	14,650
Profit after tax	Rs. '000	253,833	643,734	329,166	466,585	248,511	7,576
Share capital - paid up	Rs. '000	187,000	187,000	187,000	187,000	187,000	187,000
Shareholders' equity	Rs. '000	1,842,813	1,782,879	1,271,227	1,054,261	660,407	411,896
Total assets	Rs. '000	2,883,654	2,652,601	1,851,471	2,049,587	1,255,841	1,290,139
Earnings per share - pre tax	Rs.	14.46	35.50	19.47	26.18	14.04	0.78
Earnings per share - after tax	Rs.	13.57	34.42	17.60	24.95	13.29	0.41
Cash Dividend per share	Rs.	6.00	10.00	5.00	6.00	-	-
Specie Dividend - Ellcot	%	-	-	-	-	15.00	-
Specie Dividend - Prosperity	%	-	-	-	-	5.00	-
Market value per share as on 30 June	Rs.	69.01	71.79	22.96	15.00	11.29	8.00
Gross profit to sales	%	12.41	21.78	16.78	19.33	17.72	10.05
Operating profit to sales	%	7.88	16.64	12.69	14.70	12.32	5.53
Profit before tax to sales	%	5.92	14.91	9.91	10.65	9.56	0.68
Profit after tax to sales	%	5.56	14.46	8.96	10.15	9.05	0.35
Current ratio		3.21:1	4.77:1	3.95:1	2.03:1	1.5:1	1.04:1
Total debt to total assets ratio	%	36.09	32.79	31.34	48.57	47.27	67.93
Debt equity ratio	%	22.47	24.61	22.16	28.00	30.12	44.30

Deloitte.

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

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **Nagina Cotton Mills Limited** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation no. 35 of the Karachi Stock Exchange and Lahore Stock Exchange, where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board'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.

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

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

Further, we highlight the instance as reflected in paragraph 26 of Statement of Compliance where it is stated that the mechanism for annual evaluation for the Board's own performance is in process.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Date: September 25, 2014
Place: Karachi

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
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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, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a. in our opinion, proper books of 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 except for the change as disclosed in note 3.21 to the accompanying financial statements with which we concur;

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

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

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

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

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner
Nadeem Yousuf Adil

Date: September 25, 2014
Place: Karachi

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 shares of Rs. 10/- each		**500,000,000**	500,000,000
Issued, subscribed and paid-up capital	5	**187,000,000**	187,000,000
Capital reserves	6	**253,964,417**	253,964,417
Unappropriated profit		**1,401,848,201**	1,341,914,922
Total Equity		**1,842,812,618**	1,782,879,339
LIABILITIES			
NON CURRENT LIABILITIES			
Long - term finances	7	**427,024,977**	480,228,900
Liabilities against assets subject to finance lease	8	**-**	536,472
Deferred liabilities	9	**59,076,666**	49,237,466
		486,101,643	530,002,838
CURRENT LIABILITIES			
Trade and other payables	10	**241,340,902**	215,226,887
Accrued interest/mark-up	11	**12,916,435**	17,622,203
Short - term borrowings	12	**193,523,821**	5,563,284
Current portion of long-term finances	7	**106,506,189**	100,305,068
Current portion of liabilities against assets subject to finance lease	8	**452,476**	1,001,842
		554,739,823	339,719,284
TOTAL LIABILITIES		**1,040,841,466**	869,722,122
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**2,883,654,084**	2,652,601,461

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

September 25, 2014

Shahzada Sultan Mubashir
Director

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	**1,088,031,051**	1,014,527,118
Investment properties	15	**15,422,297**	15,757,577
Long-term deposits		**1,233,829**	1,317,729
		1,104,687,177	1,031,602,424
CURRENT ASSETS			
Stores and spares	16	**19,991,364**	16,139,978
Stock-in-trade	17	**638,772,492**	722,790,632
Trade debts	18	**207,322,038**	818,841,751
Loans and advances	19	**91,280,479**	40,415,677
Prepayments	20	**2,291,733**	1,860,187
Other receivables	21	**1,750,044**	1,256,016
Sales tax refundable		**27,457,990**	18,249,799
Other financial assets - Held to maturity	22	**785,681,725**	-
Cash and bank balances	23	**4,419,042**	1,444,997
		1,778,966,907	1,620,999,037
TOTAL ASSETS		**2,883,654,084**	2,652,601,461

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 (Restated) Rupees
Sales	24	**4,569,161,442**	4,451,552,889
Cost of goods sold	25	**(4,002,305,639)**	(3,482,090,257)
Gross profit		**566,855,803**	969,462,632
Distribution cost	26	**(124,953,670)**	(121,789,125)
Administrative expenses	27	**(90,075,382)**	(77,195,192)
Other operating expenses	28	**(20,155,186)**	(60,955,913)
		(235,184,238)	(259,940,230)
Other income	29	**28,535,881**	31,432,202
Operating profit		**360,207,446**	740,954,604
Finance cost	30	**(89,747,918)**	(77,017,092)
Profit before taxation		**270,459,528**	663,937,512
Provision for taxation	31	**(16,626,596)**	(20,203,692)
Profit after taxation		**253,832,932**	643,733,820
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit liability		**(6,899,653)**	(38,581,363)
Items that may be reclassified subsequently to profit and loss account		**-**	-
Total other comprehensive loss for the year		**(6,899,653)**	(38,581,363)
Total comprehensive income for the year		**246,933,279**	**605,152,457**
Earnings per share - basic and diluted	32	**13.57**	34.42

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

September 25, 2014

Shahzada Sultan Mubashir
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 (Restated) Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**1,147,959,614**	264,719,012
(Payments) made / receipt of:			
Employees retirement benefits		**(12,032,189)**	(9,490,598)
Finance cost		**(94,453,686)**	(75,684,698)
Income tax		**(58,168,213)**	(52,686,315)
Long term deposits		**83,900**	335,571
Net cash generated from operating activities	A	**983,389,426**	127,192,972
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		**(178,018,329)**	(398,530,349)
Proceeds from disposal of property, plant and equipment		**4,408,000**	17,127,856
Purchase of other financial assets		**(769,950,000)**	(1,737,500,000)
Proceeds from disposal of other financial assets		**777,587,829**	1,825,491,273
Rental Income received		**14,211,663**	12,852,473
Net cash used in investing activities	B	**(151,760,837)**	(280,558,747)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finances obtained		**96,316,407**	303,683,762
Repayment of long-term finances		**(143,319,209)**	(80,572,289)
Repayment of principal portion of liabilities against assets subject to finance leases		**(1,085,838)**	(2,864,540)
Net increase / (decrease) in short-term borrowings excluding running finance		**179,569,951**	(17,158,892)
Dividend paid		**(187,000,000)**	(93,500,000)
Net cash (used in) / generated from financing activities	C	**(55,518,689)**	109,588,041
Net increase / (decrease) in cash and cash equivalents	(A+B+C)	**776,109,900**	(43,777,734)
Cash and cash equivalents at the beginning of the year		**(553,179)**	43,224,555
Cash and cash equivalents at the end of the year		**775,556,721**	(553,179)
Cash and cash equivalents			
Cash and bank balances	23	**4,419,042**	1,444,997
Short-term running finances		**(14,544,046)**	(1,998,176)
Other financial assets		**785,681,725**	-
		775,556,721	(553,179)

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

September 25, 2014

Shahzada Sultan Mubashir
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued subscribed and paid-up capital	Capital reserves: Amalgamation reserve Note 6.1	Capital reserves: Capital redemption reserve Note 6.2	Revenue reserve: Unppropriated profit	Total
	------- Rupees -------				
Balance as at June 30, 2012	187,000,000	12,104,417	241,860,000	830,262,465	1,271,226,882
Total Comprehensive Income					
Profit for the year (as restated)	-	-	-	643,733,820	643,733,820
Other comprehensive income (as restated)	-	-	-	(38,581,363)	(38,581,363)
Total comprehensive income for the year (as restated)	-	-	-	605,152,457	605,152,457
Transaction with owners:					
Final dividend @ 50% i.e. Rs. 5 per ordinary share	-	-	-	(93,500,000)	(93,500,000)
Balance as at June 30, 2013	**187,000,000**	**12,104,417**	**241,860,000**	**1,341,914,922**	**1,782,879,339**
Total Comprehensive Income					
Profit for the year				**253,832,932**	**253,832,932**
Other comprehensive income				**(6,899,653)**	**(6,899,653)**
Total Comprehensive Income for the year	**-**	**-**	**-**	**246,933,279**	**246,933,279**
Transaction with owners;					
Final dividend @ 100% i.e. Rs. 10 per ordinary share	**-**	**-**	**-**	**(187,000,000)**	**(187,000,000)**
Balance as at June 30, 2014	**187,000,000**	**12,104,417**	**241,860,000**	**1,401,848,201**	**1,842,812,618**

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

September 25, 2014

Shahzada Sultan Mubashir
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 26-Civil Lines, Beaumont Road, Karachi in the province of Sindh. The principal business of the Company is manufacture and sale of blended yarn. The Company's manufacturing facilities are located in Kotri Industrial Trading Estate in the province of Sindh.

2. BASIS OF PREPARATION

2.1 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.

2.2 Basis of measurement

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.

2.3 Functional And Presentation Currency

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

2.4 New accounting standard / amendments and IFRS interpretation that are effective for the year ended June 30, 2014

2.4.1 The following amendments and interpretation are effective for the year ended June 30, 2014. These amendments and interpretation are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments / Interpretation	**Effective date (accounting periods beginning on or after)**
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of requirements for comparative information	January 1, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

2.4.2 The amendments to IAS 19 - Employee Benefits are effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as described in note 3.21. This change is considered as change in accounting policy.

2.5 New accounting standards / amendments and IFRS interpretation that are not yet effective

The following standards, amendments and interpretation are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretation are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards / Amendments / Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 19 Employee Benefits: Employee contributions	July 1, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 – Levies	January 1, 2014
IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 1, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 1, 2015

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 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.

3.3 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.

3.4 Property, plant and equipment

Owned

Property, plant and equipment except freehold land, lease hold land and capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land, lease hold 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 date on which the asset is available for use and no depreciation is charged from the date 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.

3.5 Investment properties

Investment properties are properties held to earn rentals and / or capital appreciation. 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.

3.6 Investments

Regular way purchase or sale of investment

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

Investment 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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit & loss account upon initial recognition if:

* such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

* the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's risk management or

* it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit & loss.

Held-to-maturity

Held-to-maturity Investments are initially recognized at acquisition cost, which includes transaction cost associated with the investment. Subsequently these are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Derecognition

All investment are de-recognised 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.

3.7 Staff retirement benefits

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 scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. The most recent valuation of the scheme was carried out as at June 30, 2014.

Remeasurement which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

3.8 Stores and spares

These are valued at lower of moving average cost 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.

3.9 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.

3.10 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.

3.11 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 and term deposit receipts of less than 3 months.

3.12 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.

3.13 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.

3.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability shall be set off 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.

3.15 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.

3.16 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 proportionate basis, by reference to the principal outstanding and at the applicable effective interest rate.

Rental income is recognized when it is due.

3.17 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.

3.18 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 1% 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.

3.19 Dividend and other appropriations

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 shareholders of the Company.

3.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Change in Accounting Policy

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has adopted IAS 19 Employees Benefits (as revised in 2011) along with related consequential amendments.

The revised IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the gratuity assets or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on retrospective basis in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of change in accounting policy for the year ended June 30, 2012 was not material, therefore, third balance sheet for the year 2012 has not been presented. The effect of retrospective application of change in accounting policy is as follows:

For the year ended June 30, 2013	Amount as reported earlier	Effect of change in accounting policy	Amount as restated
		Rupees	
Effect on profit and loss account			
Cost of goods sold	3,515,005,828	32,915,571	3,482,090,257
Administrative expenses	82,860,984	5,665,792	77,195,192
	3,597,866,812	38,581,363	3,559,285,449
Profit after taxation	605,152,457	38,581,363	643,733,820
Earning per share	32.36	2.06	34.42
Effect on Statement of Comprehensive Income			
Other comprehensive loss for the year	-	(38,581,363)	38,581,363

4. 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 3.18 & 31)
ii. Retirement benefits (note 3.7 & 9.1)
iii. Provision for doubtful debts (note 18)
iv. Determining the residual values and useful lives of property, plant and equipment (note 3.4 & 14)

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
Number of shares			Rupees	Rupees
		Ordinary shares of Rs.10/- each fully paid		
3,133,000	3,133,000	In cash	**31,330,000**	31,330,000
15,567,000	15,567,000	As bonus shares	**155,670,000**	155,670,000
18,700,000	18,700,000		**187,000,000**	187,000,000

5.1 There were no movements 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 right in the Company's residual assets.

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

	2014	2013
	Number Of Shares	
Associates - due to common directorship		
Monell (Private) Limited	**1,017,147**	1,017,147
Haroon Omer (Private) Limited	**1,017,147**	1,017,147
ICARO (Private) Limited	**1,017,248**	1,017,248
Ellahi International (Private) Limited	**9,000**	9,000
	3,060,542	3,060,542

	Note	2014 Rupees	2013 Rupees
6. CAPITAL RESERVES			
Amalgamation reserve	6.1	**12,104,417**	12,104,417
Capital redemption reserve	6.2	**241,860,000**	241,860,000
		253,964,417	253,964,417

6.1 This represents capital reserve created when Ellahi Electric Company Limited was amalgamated with the Company.

6.2 This represents capital reserve for the redemption of preference shares.

	Note	2014 Rupees	2013 Rupees
7. LONG-TERM FINANCES			
From banking companies and other financial			
institutions - secured			
Demand finances	7.1	**331,666,552**	276,886,477
Term finances	7.2	**194,163,459**	286,598,129
Long-term financing facility (LTFF)	7.3	**4,869,000**	14,217,207
Custom debentures	7.4	**2,832,155**	2,832,155
		533,531,166	580,533,968
Less: Current portion:			
Demand finances		**(56,666,648)**	(24,856,994)
Term finance		**(43,107,386)**	(63,267,711)
Long-term financing facility (LTFF)		**(3,900,000)**	(9,348,208)
Custom debentures		**(2,832,155)**	(2,832,155)
		(106,506,189)	(100,305,068)
		427,024,977	480,228,900

7.1 Demand finances

Name of institution	Limit 2014	Limit 2013	Outstanding amount 2014	Outstanding amount 2013	Details of financing, security and repayment terms
	Rupees		Rupees		
National Bank of Pakistan (Facillity I)	-	66,406,000	-	33,203,000	Facility is secured against first pari passu hypothecation charge over all present and future fixed assets and first pari passu mortgage charge over land and building of the Company The loan carries mark-up at a rate of 3 month average KIBOR ask side plus 200 bps (2013 : 3 month average KIBOR ask side plus 200 bps) repayable in 16 equal quarterly installments commenced from August 2011. The facility was expired and fully paid during the year.
National Bank of Pakistan (Facillity II)	**100,000,000**	100,000,000	**91,666,647**	99,065,939	Facility is secured against first pari passu hypothecation charge over all present and future fixed assets and first pari passu equitable mortgage charge over land and building of the Company. The loan carries mark-up at a rate of 3 month average KIBOR ask side plus 175 bps (2013 : 3 months average KIBOR ask side plus 175 bps) repayable in 24 equal quarterly installments commencing from January 2014.
National Bank of Pakistan (Facillity III)	**240,000,000**	240,000,000	**239,999,905**	144,617,538	Facility is secured is against first pari passu hypothecation charge over all present and future fixed assets and first pari passu equitable mortgage charge over land and building with 25% margin. The loan carries mark-up at a rate of 3 month average KIBOR ask side plus 175 bps (2013 : 3 months average KIBOR ask side plus 175 bps) repayable in 24 equal quarterly installments commencing from August 2014.
			331,666,552	276,886,477	

7.2 Term Finance Facillities

Name of institution	Limit 2014	Limit 2013	Outstanding amount 2014	Outstanding amount 2013	Details of financing, security and repayment terms
Habib Bank Limited	-	14,000,000	-	3,500,000	Facility is secured against first pari passu charge over fixed assets excluding power generation plant and personal guarantees of all sponsoring directors. This loan carries mark-up at the rate of 6 month average KIBOR ask side plus 175 bps (2013 : 6 month average KIBOR plus 175 bps) repayable in 8 equal half yearly installments commenced from December 2010. The facility was expired and fully paid during the year.
Habib Bank Limited	-	21,792,000	-	5,448,207	Facility is secured against first pari passu charge over fixed assets excluding power generation plant and personal guarantees of all sponsoring directors. This loan carries mark-up at the rate of 6 month average KIBOR ask side plus 175 bps (2013 : 6 month average KIBOR plus 175 bps) repayable in 8 equal half yearly installments commenced from December 2010. The facility was expired and fully paid during the year.
Habib Bank Limited	**60,000,000**	60,000,000	**60,000,000**	60,000,000	Facility is secured against first pari passu charge on entire present and future fixed assets of the Company and personnel guarantees of i) Mr. Shaikh Enam Ellahi ii) Mr. Shaukat Ellahi Shaikh iii) Mr. Shahzada Ellahi Shaikh and iv) Mr. Shafqat Ellahi Shaikh. This loan carries mark-up at the rate of 3 month average KIBOR offer rate plus 135 bps (2013 : 3 month average KIBOR plus 135 bps) repayable in 22 equal quarterly installments commencing from February 2015.
Faysal Bank	**100,000,000**	100,000,000	**66,666,667**	88,888,889	Facility is secured against first pari passu charge over fixed assets of the Company. This loan carries mark-up at the rate of 6 month KIBOR offer rate plus 135 bps (2013 : 6 month KIBOR offer rate plus 135 bps) repayable in 9 equal half yearly installments commenced from March 2013.
Faysal Bank	**84,864,000**	84,864,000	**67,496,792**	82,927,695	Facility is secured against first pari passu charge over fixed assets. This loan carries mark-up at the rate of 6 months average KIBOR offer rate plus 135 bps (2013 : 6 months KIBOR plus 135 bps) repayable in 11 equal half yearly installments commenced from February 2013.
Pakistan Kuwait Investment Company	-	75,000,000	-	45,833,338	Facility is secured against exclusive charge on specific fixed assets with 25% margin and personal guarantee of Mr. Shaukat Ellahi Shaikh and Mr. Shafqat Ellahi Shaikh. This loan carries mark-up at the rate of 6 month average KIBOR offer rate plus 250 bps (2012 : 6 month average KIBOR offer rate plus 250 bps) repayable in 18 equal quarterly installments commenced from December 2011. The facility was expired and fully paid during the year.
			194,163,459	286,598,129	

7.3 Long Term Finance Facilities

Name of institution	Limit 2014	Limit 2013	Outstanding amount 2014	Outstanding amount 2013	Details of financing, security and repayment terms
National Bank of Pakistan	**15,594,000**	15,594,000	**4,869,000**	8,769,000	The loan is secured against first pari passu charge over fixed assets (land, building, plant and machinery) of the Company excluding power generation plant and personal guarantees of all the sponsoring directors. It comprises of loan facility amounting to Rs. 15.594 million from National Bank of Pakistan carrying mark-up at the rate of 10.4% . The loan was obtained under SBP's LTFF scheme and SMEFD circular no. 06 dated, March 31, 2010 and circular no. 16 dated, October 31, 2009.
			4,869,000	8,769,000	

7.4 Debentures had been issued in favour of Collector of Customs of Karachi to cover deferred payment of custom duty on imported machinery.

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

	Note	2014 Rupees	2013 Rupees
6 months or less			
- Short-term borrowings	12	**193,523,821**	5,563,284
- Long-term finances	7	**525,830,011**	563,484,606
- Liabilities against assets subject to finance lease	8	**452,476**	1,538,314

7.6 Management considers that there is no significant non compliance of the financing agreements with banking companies and financial institutions 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:

	2014		2013	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	------ Rupees ------			
Within one year	**460,362**	**452,476**	1,193,599	1,001,842
After one year but not more than five years	**-**	**-**	460,108	536,472
Total minimum lease payments	**460,362**	**452,476**	1,653,707	1,538,314
Amount representing finance charges	**(7,886)**	**-**	(115,393)	-
Present value of minimum lease payments	**452,476**	**452,476**	1,538,314	1,538,314
Less: Current portion	**(452,476)**	**(452,476)**	(1,001,842)	(1,001,842)
	-	**-**	536,472	536,472

8.1 These represent vehicles acquired under finance lease. The effective financing rate used as discounting factor ranges from 11.29% to 13.14% per annum (2013: 11.62% to 15.06% per annum). These are secured against demand promissory notes and security deposits having terms of 3 to 5 years. The Company intends to exercise its option to purchase the vehicles upon completion of the lease period.

	Note	2014 Rupees	2013 (Restated) Rupees
9. DEFERRED LIABILITIES			
Provision for gratuity	9.1	**59,076,666**	49,237,466

The company operates unfunded gratuity scheme for all its confirmed employees who have completed the minimum qualifying period of service as defined under the respective Scheme. Provision is made to cover the obligations under the scheme on the basis of actuarial assumptions and is determined using Projected Unit Credit Method. Details of amounts charged in these financial statements are as follows:

Actuarial assumptions	**2014**	**2013**
- Discount rate	**13.25%**	10.5%
- Expected rate of salary increase	**11.25%**	8.5%
- Average expected remaining working life of the employees	**10 years**	10 years

9.1 Movement in the net defined benefit liability

Balance at the beginning of the year	**49,237,466**	14,217,145
Recognised in profit and loss account		
Current service cost	**10,433,492**	3,939,156
Interest cost	**4,538,244**	1,990,400
	14,971,736	5,929,556
Recognised in other comprehensive income		
Actuarial losses on remeasurement of defined benefit liability	**6,899,653**	38,581,363
Benefits paid during the year	**(12,032,189)**	(9,490,598)
	59,076,666	49,237,466

Acturial gains and losses

Actuarial (gain) / losses from changes in demographic assumptions	**-**	-
Experience adjustments	**6,899,653**	38,581,363
	6,899,653	**38,581,363**

Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Increase / (decrease) in defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		(Rupees in '000)	
		2014	
Discount Rate	1%	**(4,505,232)**	**5,288,101**
Salary Increase	1%	**5,485,241**	**(4,751,037)**
Average duration of defined benefit obligation in years		**8**	

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

	Note	**2014 Rupees**	**2013 Rupees**
10. TRADE AND OTHER PAYABLES			
Creditors		**42,225,968**	39,827,672
Accrued liabilities	10.1	**123,063,787**	87,974,043
Advance from customers		**7,418,547**	7,250,781
Unclaimed dividend		**5,369,866**	4,617,143
Workers' Profit Participation Fund	10.2	**14,635,604**	34,126,587
Workers' Welfare Fund	10.3	**35,395,268**	29,875,686
Preference shares redemption liability and dividend		**733,365**	853,365
Other Government Expenses - Infrastructure fee	10.4	**11,931,125**	10,404,662
Others		**567,372**	296,948
		241,340,902	215,226,887

10.1 This includes an amount of Rs. 43,463,816 (2013 : Rs. 17,464,380) in respect of gas infrastructure development cess which is a disputed amount and will be paid on Court's decision.

	Note	2014 Rupees	2013 Rupees
10.2 Workers' Profit Participation Fund			
Opening balance		**34,126,587**	19,603,698
Interest on fund utilized in the Company's business		**8,625,140**	2,477,317
		42,751,727	22,081,015
Allocation for the year	28	**14,635,604**	34,126,587
		57,387,331	56,207,602
Amount paid to the fund		**(42,751,727)**	(22,081,015)
		14,635,604	34,126,587

10.3 Prior to certain amendments made through Finance Acts of 2006 & 2008, Worker Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). An amendment was made in Section 4 of the WWF Ordinance, 1971 (the Ordinance) whereby WWF liability was required at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, the Company together with other stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against the Company and other stakeholders. Currently management has filed appeal before the Supreme Court of Pakistan against the decision of the Sindh High Court. On prudent basis, the Company has recognized provision amounting to Rs. 35.376 million as at June 30, 2014, although management based on advise of the legal counsel is confident that the ultimate decision will be in favor of the Company, so no payment is being made in this respect.

10.4 This represents infrastructure cess imposed by the Government at import stage payable to the custom authorities.

	Note	2014 Rupees	2013 Rupees
11. ACCRUED INTEREST / MARK-UP			
Long-term finances			
From banking companies		**12,029,317**	10,628,816
Custom debentures		**-**	6,527,778
		12,029,317	17,156,594
Liabilities against assets subject to finance lease		**2,052**	9,655
Short-term borrowings		**885,066**	455,954
		12,916,435	17,622,203
12. SHORT-TERM BORROWINGS			
- Banking companies - secured			
Foreign currency finance	12.1	**178,979,775**	-
Cash finance		**-**	3,565,108
Running finance	12.1	**14,544,046**	1,998,176
	12.2	**193,523,821**	5,563,284

12.1 The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 2,505 million (2013 : Rs. 2,480 million). These borrowings are secured against hypothecation of stocks and book debts / receivables of the Company and pari passu charge on present and future current assets, demand promissory notes, personal guarantee of directors and lien on export orders / contracts.Cash and running finance facilities are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.1% to 1.25% (2013 : from 1 to 3 month KIBOR plus 0.1% to 1.5%) payable on quarterly basis where as foreign currency loans are subject to markup rate of 0.75% to 2.65175% (2013 : 1.73%).

12.2 The aggregate unavailed short-term borrowing facilities available amounted to Rs. 2,311 million (2013 : Rs. 2,474 million).

	Note	2014 Rupees	2013 Rupees
13. CONTINGENCIES AND COMMITMENTS			
13.1 Contingencies			
Bank guarantees issued on behalf of the Company	13.1.1	**14,161,000**	14,308,000
Bills discounted		**800,969,001**	397,819,591
		815,130,001	412,127,591

13.1.1 These include bank guarantee issued in favour of Hyderabad Electric Supply Company (HESCO) for Rs.14,161,000 (2013: Rs. 14,161,000) in connection with new connection for a load of 4,900 KW.

	Note	2014 Rupees	2013 Rupees
13.2 Commitments			
Stores and spares		**9,270,487**	36,070,882
Machinery		**6,481,960**	85,487,483
Civil Work		**10,837,367**	17,906,691
		26,589,814	139,465,056
Commitments for rentals of assets under operating lease agreements as at June 30, 2014:			
Not later than one year		**1,902,066**	727,466
- Later than one year and not later than five years		**558,135**	-
- Later than five years		**-**	-
		29,050,015	140,192,522

	Note	2014 Rupees	2013 Rupees
14. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	**1,062,209,108**	822,265,434
Capital work in progress	14.2	**25,821,943**	192,261,684
		1,088,031,051	1,014,527,118

14.1 Operating fixed assets

2014

Particulars	Cost at July 01, 2013	Additions / (Deletions)	Cost at June 30, 2014	Accumulated depreciation at July 01, 2013	Depreciation for the year	Accumulated depreciation at June 30, 2014	Written down value at June 30, 2014	Rate of Depreciation
	(Rupees)							
Owned								
Land - freehold	7,400,318	-	7,400,318	-	-	-	7,400,318	-
Land - leasehold	1,408,632	1,066,050	2,474,682	-	-	-	2,474,682	-
Commercial building on free hold land	16,699,610	-	16,699,610	8,801,521	394,904	9,196,425	7,503,185	5
Mills buildings on lease hold land	142,533,276	24,187,392	166,720,668	91,143,997	5,651,974	96,795,971	69,924,697	10
Other buildings on leasehold land	25,105,632	-	25,105,632	13,222,659	594,149	13,816,808	11,288,824	5
Machinery and equipment	1,393,713,998	282,647,611 (41,680,772)	1,634,680,837	738,801,120	80,274,785 (38,615,688)	780,460,217	854,220,620	10
Electric installations and equipment	72,755,845	31,053,215 (433,050)	103,376,010	41,001,477	4,185,143 (394,241)	44,792,379	58,583,631	10
Gas installations	3,571,172	99,964	3,671,136	2,339,518	130,365	2,469,883	1,201,253	10
Office equipment	13,740,639	1,313,263	15,053,902	8,479,734	591,456	9,071,190	5,982,712	10
Furniture and fixtures	21,484,560	494,870	21,979,430	9,736,857	1,202,744	10,939,601	11,039,829	10
Vehicles	52,810,659	3,595,705 839,000 (2,176,770)	55,068,594	17,648,041	7,401,554 503,882 (1,582,941)	23,970,536	31,098,058	20
	1,751,224,341	345,297,070 (44,290,592)	2,052,230,819	931,174,924	100,930,956 (40,592,870)	991,513,010	1,060,717,809	
Held under finance lease								
Vehicles	4,337,000	- (839,000)	3,498,000	2,120,983	389,600 (503,882)	2,006,701	1,491,299	20
	1,755,561,341	344,458,070 (44,290,592)	2,055,728,819	933,295,907	100,816,674 (40,592,870)	993,519,711	1,062,209,108	

2013

Particulars	Cost at July 01, 2012	Additions / (Deletions)	Cost at June 30, 2013	Accumulated depreciation at July 01, 2012	Depreciation for the year	Accumulated depreciation at June 30, 2013	Written down value at June 30, 2013	Rate of depreciation
	(Rupees)							
Owned								
Land - freehold	6,119,069	1,281,249	7,400,318	-	-	-	7,400,318	-
Land - leasehold	1,408,632	-	1,408,632	-	-	-	1,408,632	-
Commercial building on free hold land	16,699,610	-	16,699,610	8,385,832	415,689	8,801,521	7,898,089	5
Mills buildings on freehold land	141,567,704	965,572	142,533,276	85,509,716	5,634,281	91,143,997	51,389,279	10
Other buildings on freehold land	25,105,632	-	25,105,632	12,597,239	625,420	13,222,659	11,882,973	5
Machinery and equipment	1,300,123,624	187,973,836 (94,383,462)	1,393,713,998	754,774,556	57,596,640 (73,570,076)	738,801,120	654,912,878	10
Electric installations and equipment	69,469,281	3,286,564	72,755,845	37,681,118	3,320,359	41,001,477	31,754,368	10
Gas installations	3,264,556	306,616	3,571,172	2,211,161	128,357	2,339,518	1,231,654	10
Office equipment	12,820,769	919,870	13,740,639	7,948,206	531,528	8,479,734	5,260,905	10
Furniture and fixtures	20,086,502	1,398,058	21,484,560	8,531,531	1,205,326	9,736,857	11,747,703	10
Vehicles	23,592,384	30,053,973 6,234,000 (7,069,698)	52,810,659	14,311,706	3,934,502 3,519,349 (4,117,516)	17,648,041	35,162,618	20
	1,620,257,763	232,419,738 (101,453,160)	1,751,224,341	931,951,065	76,911,451 (77,687,592)	931,174,924	820,049,417	
Held under finance lease								
Vehicles	10,571,000	- (6,234,000)	4,337,000	4,744,280	896,052 (3,519,349)	2,120,983	2,216,017	20
	1,630,828,763	226,185,738 (101,453,160)	1,755,561,341	936,695,345	74,288,154 (77,687,592)	933,295,907	822,265,434	

	Note	2014 Rupees	2013 Rupees
14.1.1 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	25.1	**90,890,254**	67,434,786
Administrative expenses	27	**10,261,700**	7,206,295
	14.1.2	**101,151,954**	74,641,081

14.1.2 It includes depreciation on investment properties amounting to Rs. 335,280 (2013: Rs. 352,927).

14.1.3 Detail of disposal of assets

Description of Assets	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
Electrict Installation and Equipments	433,050	394,240	38,810	50,000	11,190	Negotiation	Mr. Hameed House no 1726-260 Mohollah Jam Nagar Baldia Town
Machinery & Equipment	5,404,895	4,947,897	456,998	500,000	43,002	Negotiation	Abdullah Traders, Godown no. 219, Darul-Ehsan Town, Samundari Road, Faisalabad
Machinery & Equipment	621,880	533,858	88,022	100,000	11,978	Negotiation	Basharat Ali, Chak No 225-B, Street No 1, Mohalllah Nazir Colony, Faisalabad
Machinery & Equipment	1,226,159	1,144,603	81,556	90,000	8,444	Negotiation	GN Spinning Mills Limited, Tata Factory, Faisalabad
Machinery & Equipment	3,567,007	3,329,821	237,186	115,000	(122,186)	Negotiation	Shafqat Ali, Near Jhanda Pir, Chak No. 225, Rub Gali No. 1, Mohallah Nazir Colony, Faisalabad
Machinery & Equipment	6,108,379	5,663,756	444,623	540,000	95,377	Negotiation	Shafqat Ali, Near Jhanda Pir, Chak No. 225, Rub Gali No. 1, Mohallah Nazir Colony, Faisalabad
Machinery & Equipment	4,309,860	4,015,794	294,066	300,000	5,934	Negotiation	Muhammad Sabir, House No. 58, Gali No. 2, Sir Syed Town, Faisalabad
Machinery & Equipment	6,108,380	5,679,020	429,360	540,000	110,640	Negotiation	Abdullah Traders Godown No 219 Dar-Ul-Ehsan Town Samundri Road Faisalabad
Machinery & Equipment	3,054,189	2,842,984	211,205	270,000	58,795	Negotiation	Basharat Ali, Chak No 225-B, Street No 1, Mohalllah Nazir Colony, Faisalabad
Machinery & Equipment	3,054,189	2,843,046	211,143	270,000	58,857	Negotiation	Basharat Ali, Chak No 225-B, Street No 1, Mohalllah Nazir Colony, Faisalabad
Machinery & Equipment	3,567,007	3,344,650	222,357	115,000	(107,357)	Negotiation	Basharat Ali, Chak No 225-B, Street No 1, Mohalllah Nazir Colony, Faisalabad
Machinery & Equipment	4,658,827	4,270,259	388,568	500,000	111,432	Negotiation	Mohammad Nazir, Noor Sada Bahar Apartments, Shop No 5, Block 13, D-2, Gulshan-e-Iqbal, Karachi
Vehicles	69,900	56,594	13,306	22,000	8,694	Negotiation	Ata-Ur Rehman, House No 1115, Street No 18-G, Wah Cant,Taxila, Rawalpindi
Vehicles	65,000	49,309	15,691	16,000	309	Negotiation	Tanveer Hussain, House no 104-C, Mohallah Model Town, Lahore
Vehicles	69,900	57,994	11,906	30,000	18,094	Negotiation	Mohammad Umer Cheema, House No. 21, Bhond Pura, Mazang Jalal Din Road, Lahore
Vehicles	536,230	330,200	206,030	300,000	93,970	Negotiation	Jamil Hasan, House No. 102, Mohollah Housing Colony, Sheikhupura, District Sheikhupura
Vehicles	841,390	569,690	271,700	400,000	128,300	Negotiation	Masood Ur Rehman, House No. A-571, Block 1, North Nazimbad, Karachi
Vehicles	594,350	519,155	75,195	250,000	174,805	Negotiation	Waseem Mirza, House No. A-32, Block No 10-A, Gulshan-E-Iqbal Karachi
Rupees 2014	**44,290,592**	**40,592,870**	**3,697,722**	**4,408,000**	**710,278**		
Rupees 2013	101,453,160	77,687,592	23,765,568	17,127,856	(6,637,712)		

	Note	2014 Rupees	2013 Rupees

14.2 Capital work-in-Progress

	Note	2014 Rupees	2013 Rupees
Civil work	14.2.1	**5,414,747**	7,153,938
Machinery and electrical installations	14.2.2	**17,273,822**	185,107,746
Advance for computer software		**3,133,374**	-
		25,821,943	192,261,684

14.2.1 Civil work

	Note	2014 Rupees	2013 Rupees
Opening balance		**7,153,938**	438,371
Additions during the year	14.2.3	**22,999,425**	8,291,822
		30,153,363	8,730,193
Transfer to property, plant and equipment during the year		**(24,738,616)**	(1,576,255)
Closing balance		**5,414,747**	7,153,938

14.2.2 Machinery and electrical installations

	Note	2014 Rupees	2013 Rupees
Opening balance		**185,107,746**	19,478,702
Additions during the year	14.2.3	**142,543,356**	355,009,781
		327,651,102	374,488,483
Transfer to property, plant and equipment during the year		**(310,377,280)**	(189,380,737)
Closing balance		**17,273,822**	185,107,746

14.2.3 These include advances to suppliers amounting to Rs. 5,054,152 (2013 : 6,195,829)

15. INVESTMENT PROPERTIES

	Cost			Depreciation			Written down	Annual
	As at July 1, 2013	Additions / (disposals)	As at June 30, 2014	As at July 1, 2013	Charge For the year	As at June 30, 2014	value as at June 30, 2014	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**	**10,833,704**	**335,280**	**11,168,984**	**6,370,328**	**5%**
2014 Rupees	**26,591,281**	**-**	**26,591,281**	**10,833,704**	**335,280**	**11,168,984**	**15,422,297**	
2013 Rupees	26,591,281	-	26,591,281	10,480,777	352,927	10,833,704	15,757,577	

15.1 The free hold land was revalued by the professional valuer M/s Surval on August 08, 2012. As per that Valuation, the fair value of land in Sheikhupura is Rs. 27.75 million and of land and building in Lahore - free hold is Rs. 255.348 million as at June 30, 2012. Management considers that there is no material change in the fair values of the above properties since last revaluation.

	Note	2014 Rupees	2013 Rupees
16. STORES AND SPARES			
Stores		**6,921,469**	7,354,943
Spares		**13,069,895**	8,785,035
		19,991,364	16,139,978
17. STOCK-IN-TRADE			
Raw material in hand		**551,442,728**	645,709,973
Work-in-process		**43,867,820**	50,665,531
Finished goods		**40,565,977**	25,033,584
Waste		**2,895,967**	1,381,544
		638,772,492	722,790,632
18. TRADE DEBTS			
Considered good			
Foreign - secured	18.1	**176,280,250**	801,185,185
Local - unsecured	18.2	**31,041,788**	16,445,148
		207,322,038	817,630,333
Considered doubtful		**1,944,009**	3,155,427
		209,266,047	820,785,760
Less: Provision for doubtful debts		**(1,944,009)**	(1,944,009)
		207,322,038	818,841,751

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

18.2 Trade debts are non-interest bearing. The normal credit period of trade debts is 30 to 45 day terms.

18.3 Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of credit customers, to assists whether or not provision is required.

18.4 Trade debts include debtors with a carrying amount of Rs. 17.155 million (2013: 0.685 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.

18.4.1 Aging of past due but not impaired	Note	2014 Rupees	2013 Rupees
46-90 days		**17,011,858**	60,468
91-180 days		**7,826**	624,683
181 days and above		**135,678**	-
		17,155,362	685,151

	Note	2014 Rupees	2013 Rupees
19. LOANS AND ADVANCES			
Considered good			
Advances:			
Employees		**118,949**	151,454
Income tax	19.1	**79,634,935**	38,093,318
Suppliers		**5,624,842**	1,792,536
Expenses		**220,129**	25,249
Letters of credit		**5,681,624**	353,120
		91,280,479	40,415,677

		Note	2014 Rupees	2013 Rupees
19.1	Movement of advance tax is as under:			
	Opening balance		**38,093,318**	12,064,314
	Paid during the year		**58,168,213**	52,686,315
	Provision for tax	31	**(16,626,596)**	(26,644,848)
	Prior year charge	31	**-**	(12,463)
			79,634,935	38,093,318

20. PREPAYMENTS

	2014 Rupees	2013 Rupees
Prepaid expenses	**2,291,733**	1,860,187
	2,291,733	1,860,187

21. OTHER RECEIVABLES

	2014 Rupees	2013 Rupees
Income tax refundable	**892,665**	892,665
Other receivables	**857,379**	363,351
	1,750,044	1,256,016

22. OTHER FINANCIAL ASSETS - HELD TO MATURITY

Other financial assets includes PLS Term Deposit maintained with Habib Bank Limited and Allied Bank Limited amounting to Rs. 385 million, and Rs. 400 million respectively (2013: Nil) for the period of one month having mark up ranging from 10.11% to 10.5% (2013: Nil)

23. CASH AND BANK BALANCES

	2014 Rupees	2013 Rupees
Cash with banks		
In current accounts	**4,417,614**	1,442,568
In deposit accounts	**81**	81
Cash in hand	**1,347**	2,348
	4,419,042	1,444,997

24. SALES

	Note	Local	Export	Total 2014	Total 2013
		(Rupees)			
Yarn	24.1 & 24.2	**260,652,044**	**4,254,073,888**	**4,514,725,932**	4,384,306,484
Waste		**45,330,700**	**9,104,810**	**54,435,510**	67,246,405
		305,982,744	**4,263,178,698**	**4,569,161,442**	4,451,552,889

24.1 Export sales include net exchange gain of Rs. 72,645,746 (2013 : Rs. 19,135,142).

24.2 Export sales include indirect export sales of Rs. 11,430,100 (2013 : Rs. 54,977,200)

	Note	2014 Rupees	2013 (Restated) Rupees
25. COST OF GOODS SOLD			
Opening stock - finished goods		**26,415,128**	43,416,794
Cost of goods manufactured	25.1	**4,013,892,455**	3,454,304,061
Purchase of finished goods		**5,460,000**	10,784,530
		4,045,767,583	3,508,505,385
Closing stock - finished goods		**(43,461,944)**	(26,415,128)
		4,002,305,639	3,482,090,257

25.1 Cost of goods manufactured

	Note	2014 Rupees	2013 (Restated) Rupees
Raw material consumed	25.1.1	**3,045,637,240**	2,722,375,386
Packing material consumed		**73,714,041**	67,270,792
Stores and spares consumed		**112,914,577**	50,008,751
Salaries, wages and benefits	25.1.2	**314,436,855**	262,833,541
Fuel		**341,288,842**	266,258,109
Rent, rates and taxes		**582,645**	431,088
Insurance		**12,035,464**	9,925,410
Repairs and maintenance		**4,973,152**	6,280,795
Depreciation	14.1.1	**90,890,254**	67,434,786
Other manufacturing overheads		**10,621,674**	10,506,974
		4,007,094,744	3,463,325,632
Work in process			
Opening stock		**50,665,531**	41,643,960
Closing stock		**(43,867,820)**	(50,665,531)
		6,797,711	(9,021,571)
		4,013,892,455	3,454,304,061

25.1.1 Raw material consumed

	2014 Rupees	2013 (Restated) Rupees
Opening stock	**645,709,973**	443,006,183
Purchases	**2,951,369,995**	2,925,079,176
	3,597,079,968	3,368,085,359
Closing stock	**(551,442,728)**	(645,709,973)
	3,045,637,240	2,722,375,386

25.1.2 It includes Rs. 12,700,104 (2013 : Rs. 5,058,782) in respect of staff retirement benefits.

26. DISTRIBUTION COST

	2014 Rupees	2013 (Restated) Rupees
Freight	**45,639,131**	46,921,045
Commission:		
-Local	**1,800,213**	800,758
-Export	**38,557,159**	39,195,696
Stamp duty	**4,721,672**	4,755,327
Travelling	**5,011,185**	3,830,827
Export development surcharge	**10,489,913**	10,360,499
Quality claims	**2,261,533**	1,108,510
Distribution expense	**1,168,000**	1,085,200
Other	**15,304,864**	13,731,263
	124,953,670	121,789,125

	Note	2014 Rupees	2013 (Restated) Rupees
27. ADMINISTRATIVE EXPENSES			
Directors' remuneration, fees and benefits		**8,370,489**	6,711,384
Staff salaries and benefits	27.1	**36,206,821**	30,407,897
Travelling and conveyance		**1,717,611**	1,624,865
Printing and stationery		**1,495,135**	1,390,226
Postage and telephone		**3,125,253**	3,027,325
Fees, subscription and periodicals		**2,150,389**	1,049,105
Legal and professional		**403,702**	1,489,343
Advertisement		**103,087**	77,339
Utilities - net of recoveries		**4,586,419**	2,803,443
Rent, rates and taxes		**3,759,703**	4,214,222
Insurance		**2,027,742**	1,625,062
Auditors' remuneration	27.2	**780,000**	780,000
Repairs and maintenance		**3,513,055**	4,195,463
Vehicles running and maintenance		**9,038,895**	8,449,042
Entertainment		**1,245,002**	1,138,801
Depreciation	27.3 & 14.1.1	**10,261,700**	7,206,295
Charity and donations	27.4	**646,000**	500,000
Other		**644,379**	505,380
		90,075,382	77,195,192

27.1 It includes Rs. 2,271,632 (2013: Rs. 870,774) in respect of staff retirement benefits.

27.2 Auditors' remuneration

	2014	2013
Annual audit fee	**500,000**	500,000
Half yearly review fee	**130,000**	130,000
Tax advisory services	**150,000**	150,000
	780,000	780,000

27.3 It includes depreciation on investment properties amounting to Rs. 335,280 (2013 : Rs. 352,927).

27.4 Donations were not made to any donee in which a director or his spouse had any interest at any time during the year.

	Note	2014 Rupees	2013 Rupees
28. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	10.2	**14,635,604**	34,126,587
Workers' Welfare Fund	10.3	**5,519,582**	20,191,614
Loss/ on disposal of property, plant and equipment	14.1.3	**-**	6,637,712
		20,155,186	60,955,913

	Note	2014 Rupees	2013 Rupees
29. OTHER INCOME			
Income from financial assets			
Gain on sale of other financial assets - held for trading		**7,517,581**	17,476,862
Interest on other financial assets - held to maturity		**801,974**	-
Unrealized gain on revaluation of FCY Short Term Loan (FE 25)		**4,155,283**	-
Income from assets other than financial assets			
Scrap sales		**1,139,102**	1,102,867
Gain on disposal of property, plant and equipment		**710,278**	-
Rental income from investment property		**14,211,663**	12,852,473
		28,535,881	31,432,202

	Note	2014 Rupees	2013 Rupees
30. FINANCE COST			
Mark-up / interest on:			
Long term finances	30.1	**55,926,656**	46,849,066
Liabilities against assets subject to finance lease		**98,840**	352,121
Short term borrowings		**13,617,536**	9,177,672
Workers' Profit Participation Fund		**8,625,140**	2,477,317
Bank charges and commission		**11,479,746**	18,160,916
		89,747,918	77,017,092

30.1 This includes markup on Custom debentures amounting to Rs. 6,527,778 reversed on the decision of Alternative Dispute Resolution which is also supported by the legal opinion.

	2014 Rupees	2013 Rupees
31. PROVISION FOR TAXATION		
Current		
- for the year	**16,626,596**	26,644,848
- for prior year	**-**	12,463
Deferred	**-**	(6,453,619)
	16,626,596	20,203,692

31.1 Reconciliation between accounting profit and tax expense

	2014 Rupees	2013 Rupees
Relationship between tax expense and accounting profit:		
Accounting profit before tax	**270,459,528**	663,937,512
Tax @ 34% (2013: 35%)	**91,956,240**	232,378,129
Effect of:		
Income chargeable to tax at reduced rates	**(46,264,626)**	(186,612,353)
Tax impact of tax credit	**(29,065,018)**	(19,120,928)
Reversal of previously recognised deferred tax liability	**-**	(6,453,619)
Prior year charge	**-**	12,463
	16,626,596	20,203,692

32. EARNINGS PER SHARE - basic and diluted

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

	2014	2013 (Restated)
Profit after taxation (Rupees)	**253,832,932**	643,733,820
Weighted average number of ordinary shares	**18,700,000**	18,700,000
Earnings per share (Rupees)	**13.57**	34.42

33. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2014				2013			
	Chief Executive	Director - Executive	Director - Non-Executive	Executives	Chief Executive	Director - Executive	Director - Non-Executive	Executives
	Rupees							
Remuneration	**3,432,000**	**2,200,000**	**-**	**12,536,843**	3,120,000	1,600,000	-	10,238,151
House rent allowance	**858,000**	**990,000**	**-**	**5,641,580**	780,000	720,000	-	4,607,168
Other allowances	**-**	**110,000**	**-**	**626,842**	-	80,000	-	511,908
Retirement benefits	**-**	**180,822**	**-**	**851,899**	-	164,384	-	742,357
Leave encashment	**-**	**399,667**	**-**	**2,092,012**	-	147,000	-	1,545,800
Bonus/ex-gratia	**-**	**-**	**-**	**283,641**	-	-	-	363,013
Meeting fee	**-**	-	**200,000**	**-**	-	-	100,000	-
	4,290,000	**3,880,489**	**200,000**	**22,032,817**	3,900,000	2,711,384	100,000	18,008,397
No. of persons	**1**	**2**	**2**	**15**	1	2	1	14

33.1 Chief Executive and Executive Directors are provided with free use of the Company's maintained car and Chief Executive is reimbursed with utilities bills.

34. CASH GENERATED FROM OPERATIONS

	2014 Rupees	2013 (Restated) Rupees
Profit before taxation	**270,459,528**	663,937,512
Adjustments for:		
Depreciation	**101,151,954**	74,641,081
Provision for gratuity	**14,971,736**	5,929,556
Loss / (gain) on disposal of property, plant and equipment	**(710,278)**	6,637,712
Interest income on other financial assets	**(120,249)**	-
Gain on sale of other financial assets - held for trading	**(7,517,581)**	(17,476,862)
Unrealized gain on revaluation of FCY Short Term Loan (FE 25)	**(4,155,283)**	-
Finance cost	**89,747,918**	77,017,092
Rental Income	**(14,211,663)**	(12,852,473)
	449,616,082	797,833,618
Decrease / (increase) in current assets:		
Stores and spares	**(3,851,386)**	5,088,637
Stock-in-trade	**84,018,140**	(194,723,695)
Trade debts	**611,519,713**	(419,224,149)
Loans and advances	**(9,323,185)**	10,799,439
Prepayments	**(431,546)**	(313,228)
Other receivables	**(494,028)**	3,006,663
Sales tax refundable	**(9,208,191)**	(10,435,413)
	672,229,517	(605,801,746)
Increase / (decrease) in current liabilities:		
Trade and other payables	**26,114,015**	72,687,140
Cash generated from operations	**1,147,959,614**	264,719,012

35. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors of the Company and key management personnel. The Company carries out transactions with various related parties as per agreed terms. There is no balance outstanding with or from associated undertakings. Remuneration of directors and key management personnel are disclosed in note 33 and amount due in respect of staff retirement benefits is disclosed in note 9.1. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	2014 Rupees	2013 Rupees
Associated companies	Purchase of goods	**5,705,219**	9,125,682
	Sale of goods	**11,054,862**	42,160,224
	Rental income	**1,403,000**	1,283,000
	Purchase of fixed assets	**-**	3,323,088
	Disposal of fixed assets	**-**	2,948,400
	Dividend paid	**30,605,420**	15,302,710
Directors, family members of directors and key management personnel	Dividend paid	**139,352,340**	69,676,180

36. PLANT CAPACITY AND ACTUAL PRODUCTION

It is difficult to describe precisely the production capacity and the resultant production converted into base count in the 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.

		2014	2013
Spinning			
Number of spindles installed	No.	**46,428**	46,428
Plant capacity on the basis of utilization converted in to 20s' count	Kgs	**15,955,615**	15,955,615
Actual production converted into 20s' count	Kgs	**14,318,436**	15,271,604

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	**1,090**	1,090

37. FINANCIAL RISK MANAGEMENT

The Company’s principal financial liabilities, comprise long term finances, 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's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables and cash and bank balances that arrive directly from its operations. The Company also have long term 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. 1,005.314 million (2013: 822.472million), the financial assets which are subject to credit risk amounted to Rs. 1,005.313 million (2013: Rs 822.470million). 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
HSBC Bank Middle East Limited	MOODY'S	P1	A2
Bank Al-falah Limited	PACRA	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
National Bank of Pakistan Limited	JCR-VIS	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA-
Barclays Bank Limited	STANDARD & POOR'S	A1	A
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Pak Kuwait Investment Company (Private) Limited	PACRA	A1+	AAA
Habib Metropolitan Bank	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A1+	AA+
Soneri Bank Limited	PACRA	A1+	AA-
Bank of Punjab Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA

Credit risk related to receivables

Customers' 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. 49.39% of the Company's financial liabilities will mature in less than one year at June 30, 2014 (2013: 34.47%) 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.

	2014					
	Carrying values	Contractual Cash flows	Less than 3 month	3 months - 1 year	1 - 5 years	More than 5 years
	Rupees					
Financial Liabilities						
On balance sheet						
Long-term finances	**533,531,166**	**692,597,805**	**18,182,255**	**132,168,650**	**542,246,900**	**-**
Liabilities against assets subject to finance lease	**452,476**	**460,362**	**460,362**	**-**	**-**	**-**
Short term borrowings	**193,523,821**	**193,523,821**	**193,523,821**	**-**	**-**	**-**
Accrued interest / mark-up	**12,916,435**	**12,916,435**	**12,916,435**	**-**	**-**	**-**
Trade and other payables - non interest bearing	**171,960,358**	**171,960,358**	**171,960,358**	**-**	**-**	**-**
	912,384,256	**1,071,458,781**	**397,043,231**	**132,168,650**	**542,246,900**	**-**

	2013					
	Carrying values	Contractual Cash flows	Less than 3 month	3 months - 1 year	1 - 5 years	More than 5 years
	Rupees					
Financial Liabilities						
On balance sheet						
Long-term finances	580,533,968	766,215,607	39,172,180	121,571,125	495,279,068	110,193,234
Liabilities against assets subject to finance lease	1,538,314	1,653,707	376,801	816,798	460,108	-
Short term borrowings	5,563,284	5,563,284	5,563,284	-	-	-
Accrued interest / mark-up	17,622,203	17,622,203	17,622,203	-	-	-
Trade and other payables - non interest bearing	133,569,171	133,569,171	133,569,171	-	-	-
	738,826,940	924,623,972	196,303,639	122,387,923	495,739,176	110,193,234

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, 2014 would decrease/increase by Rs. 7.189 million (2013 : Rs. 5.705 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 materially exposed to foreign currency risk on assets. The Company enters into forward foreign exchange contract to manage the foreign currency exchange risk associated with the anticipated sales. As at June 30, 2014 financial assets include Rs. 176.280 million (2013: Rs. 801.185 million) which are subject to foreign currency risk against US Dollars.

Foreign currency sensitivity analysis

At June 30, 2014, 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. 8.814 million (2013: decreased / increased by Rs 40.059 million), mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade debts.

37.4 Fair values of financial instruments

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

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

37.5 Financial Instruments by Category

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

	Held-to-maturity	Loans and receivables	Held for trading	Total June 30, 2014
	-----------------------	Rupees	-----------------------	
Assets as per balance sheet				
Long term deposits	**-**	**1,233,829**	**-**	**1,233,829**
Trade debts	**-**	**207,322,038**	**-**	**207,322,038**
Loans and advances	**-**	**5,800,573**	**-**	**5,800,573**
Other receivables	**-**	**857,379**	**-**	**857,379**
Other financial assets	**785,681,725**	**-**	**-**	**785,681,725**
Cash and bank balances	**-**	**4,419,042**	**-**	**4,419,042**

	Financial liabilities measured at amortized cost	Total June 30, 2014
	---------------- Rupees	----------------
Liabilities as per balance sheet		
Long-term finances	**533,531,166**	**533,531,166**
Liabilities against assets subject to finance lease	**452,476**	**452,476**
Short-term borrowings	**193,523,821**	**193,523,821**
Trade and other payables	**171,960,358**	**171,960,358**
Accrued interest / mark-up	**12,916,435**	**12,916,435**

	Held-to-maturity	Loans and receivables	Held for trading	Total June 30, 2013
	-----------------------	Rupees	-----------------------	
Assets as per balance sheet				
Long term deposits	-	1,317,729	-	1,317,729
Trade debts	-	818,841,751	-	818,841,751
Other receivables	-	363,351	-	363,351
Loans and advances	-	504,574	-	504,574
Cash and bank balances	-	1,444,997	-	1,444,997

	Financial liabilities measured at amortized cost	Total June 30, 2013
	----------------- Rupees	----------------
Liabilities as per balance sheet		
Long-term finances	580,533,968	580,533,968
Liabilities against assets subject to finance lease	1,538,314	1,538,314
Short-term borrowings	5,563,284	5,563,284
Trade and other payables	133,569,171	133,569,171
Accrued interest / mark-up	17,622,203	17,622,203

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 since June 30, 2013.

39. NUMBER OF EMPLOYEES

Total number of employees at the end was 1,129 (2013 : 1,093). Average number of employees was 1127 (2013 : 1,057).

40. SUBSEQUENT EVENTS

The board of directors in its meeting held on September 25, 2014, proposed to distribute to the shareholders of the Company a cash dividend at the rate of 60 percent i.e. Rs. 6 per ordinary share (2013: Rs. 10 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, when it is approved by the shareholders of the Company.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2014 by the Board of Directors of the Company.

42. GENERAL

Figures have been rounded off nearest to rupee.

September 25, 2014	**Shahzada Sultan Mubashir** Director	**Shaukat Ellahi Shaikh** Mg. Director (Chief Executive)

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 47th Annual General Meeting of the Company to be held on October 29, 2014 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 _______________ 2014

NOTES:

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. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) with the proxy form.

3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their Bankers, Account Number and Participant I.D Number 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.