ANNUAL REPORT

For The Year Ended June 30, 2013

NAGINA

NAGINA GROUP

NAGINA COTTON MILLS LTD.

بسم الله الرحمن الرحيم

CONTENTS

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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
	Mr. Javaid Bashir Sheikh	Non-Executive Director
	Mr. Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shafqat 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. Shafqat Ellahi Shaikh	Chairman
	Mr. Shaikh Enam Ellahi	Member
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Shahzada Sultan Mubashir	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Shafqat Ellahi Shaikh	Chairman
	Mr. Shahzada 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

46th Annual General Meeting of NAGINA COTTON MILLS LTD. will be held at the Registered Office of the Company, 2nd Floor, Shaikh Sultan Trust Bldg. No.2, 26, Civil Lines, Beaumont Road, Karachi - 75530 on Friday, October 25, 2013 at 3:00 p.m. to transact the following business:-

1) To confirm minutes of the 45th Annual General Meeting held on October 30, 2012.
2) To receive and adopt Audited Accounts of the Company for the year ended June 30, 2013 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.

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

By Order of the Board

Shahzada Sultan Mubashir
Corporate Secretary

September 26, 2013

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from Saturday, October 19, 2013 to Friday, October 25, 2013 (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 Friday, October 18, 2013 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 yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company.

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). An awareness session shall be conducted in AGM to inform shareholders about the mechanism and its benefits. The e- Dividend mandate forms are available with the Company Secretary.

7. Shareholders are requested to promptly notify the Company of any change in their registered address.

NAGINA
NAGINA GROUP

STATEMENT UNDER SECTION 160
OF THE COMPANIES ORDINANCE, 1984.

In compliance with 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 2012-13.</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, 2013</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>6,006.175</td><td>4,858.426</td><td>3,634.559</td><td>2,441.020</td></tr>
<tr><td>Gross Profit</td><td>666.533</td><td>654.755</td><td>368.861</td><td>273.099</td></tr>
<tr><td>Profit before tax</td><td>395.472</td><td>422.249</td><td>108.120</td><td>5.254</td></tr>
<tr><td>Profit after tax</td><td>342.573</td><td>352.203</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 46th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2013. Figures for the previous year ended June 30, 2012 are included for comparison.

Company Performance

Your Company has achieved satisfying results for the financial year 2012-13 ended on June 30, 2013. The Company earned after tax profits of Rs.605,152,457 and achieved earning per share (EPS) of Rs.32.36 for the current year as compared to after tax profits of Rs.329,166,340 and EPS of Rs.17.60 during the previous year, hence showing a growth of 83.84% over previous year.

Despite all the challenges faced by the textile sector, we achieved success through timely procurement of cotton due to which our average cost of production remained low, timely and intelligent capital investments to diversify the product range, full utilization of production capacity, effective business planning, aggressive marketing strategies and strong customer base.

Sales revenue for the year under review is Rs.4,451,552,889 as compared to Rs.3,674,769,216 for the previous year showing growth of 21.14%. Gross profit increased by 51.88% from Rs.616,633,133 (16.78% of sales) to Rs.936,547,061 (21.04% of sales) over the previous year. This was due to continued strong demand of cotton yarn from international markets and efficient procurement of raw cotton.

Distribution and administrative expenses increased due to inflationary impact, where as these expenses as percentage of sales remained almost same compared to previous year. However, other operating expenses increased as compared to previous year mainly owing to increase in the provision for Workers Profit Participation Fund in line with growth in profitability of the Company and recognition of Workers Welfare Fund.

During the year under review, finance costs decreased to Rs.77,017,092 or 1.73% of sales from Rs.102,374,102 or 2.79% of sales, showing decrease of 24.77% over the previous year. This is mainly due to repayments of long-term loans, reduction in mark up rates and focused and effective funds management. The Company has been able to discharge all its operating and financial liabilities in time through generation of stable cash flows.

Capital Assets Investment

During the year your Company invested Rs. 226,185,738 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 @ 100% i.e. Rs.10/=* per ordinary share. The dividend will amount to Rs. 187,000,000.

Future Outlook

We are hopeful to maintain profitability in the upcoming year. However, our ability to repeat the performance of financial year 2012-13 is dependent on uninterrupted supply of energy, continued strong demand and stability in prices in both local and International markets, stable law and order situation and economic policies of the new government. Government has increased the tariffs of both electricity and gas during the month of August 2013 and next phase of increase in gas tariff is expected later during the year. Due to these measures cost of energy shall be significantly increased in the coming year, which can put pressure on the bottom line of the Company.

State Bank of Pakistan (SBP) has been following a relaxed monetary policy owing to controlled inflation and continued to decrease interest rates during the last two years in giving much needed incentive to the industry. However, in its monetary policy statement announced in September 2013, SBP raised the interest rates by 50 bps owing to rupee devaluation and recent revenue generation measures taken by the Government to check its daunting fiscal deficit. In the coming year, the inflationary pressures are expected to further exert pressure on the economy and necessitate further increase in interest rates.

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

In line with its growth plans and better profitability, your Company is planning capital investment to further expand its production capacity in the coming year.

Corporate Social Responsibility

The Company strongly believed 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 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 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, 2013 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 Director's Report.

j) During 2012-2013, no trade in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children except Mr. Shahzada Sultan Mubahsir who purchased 500 qualifying shares of the Company.

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 auditors of the Company.

Shareholding Pattern

The shareholding pattern as at June 30, 2013 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 of Directors' Meetings

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

S #	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	3
6	Mr. Munawar Iqbal	3
7	Mr. Iftikhar Taj Mian*	2
8	Mr. Shahzada Sultan Mubashir**	2

Notes:

* Resigned on November 14, 2012.
** Appointed to fill casual vacancy on the Board w.e.f November 14, 2012.

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:

S #	Name of Director	Attendance
1	Mr. Shafqat Ellahi Shaikh	5
2	Mr. Shaikh Enam Ellahi	5
3	Mr. Shahzada Ellahi Shaikh	5

Executive Committee Meetings

During the year, eleven (11) meetings of Executive Committee of the Board were held. Attendance by each Director is as follows:

S #	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	11
2	Mr. Shahzada Ellahi Shaikh	10
3	Mr. Shaukat Ellahi Shaikh	11
4	Mr. Shafqat Ellahi Shaikh	11

Human Resource and Remuneration (HR&R) Committee Meetings

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

S #	Name of Director	Attendance
1	Mr. Shafqat Ellahi Shaikh	5
2	Mr. Shahzada Ellahi Shaikh	5
3	Mr. Iftikhar Taj Mian*	2
4	Mr. Shahzada Sultan Mubashir**	2

Notes:
* Resigned on November 14, 2012.
** Appointed w.e.f November 14, 2012.

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 Program during the year.

1. Mr. Shafqat Ellahi Shaikh
2. Mr. Shahzada Sultan Mubashir.

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 2013-14.

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 26, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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. Javaid Bashir Sheikh	Non-Executive Director
Mr. Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shafqat 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. Casual vacancy occurred on the Board on November 14, 2012 was filled up by the Directors on the same day.

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.

On behalf of the Board

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

September 26, 2013

SHAREHOLDERS' INFORMATION

Annual General Meeting

46th Annual General Meeting of NAGINA COTTON MILLS LTD. will be held at the Registered Office of the Company, 2nd Floor, Shaikh Sultan Trust Bldg. No.2, 26, Civil Lines, Beaumont Road, Karachi - 75530 on Friday, October 25, 2013 at 3:00 p.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2013, the Company has 968 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 26, 2013, payment of final cash dividend at the rate of Rs.10/= per share i.e.100% for the year ended June 30, 2013.

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	
Cell number of Shareholder	
Landline number of Shareholder, 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

An awareness session shall be conducted in AGM to inform shareholders about the e-Dividend mechanism and its benefits.

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

With reference to the notifications of Securities and Exchange Commission of Pakistan (SECP), SRO 779(I)/2011 dated August 18, 2011 and SRO 831(I)2012 dated July 5, 2012 which state that dividend warrants should bear CNIC number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) or in case of corporate entity valid National Tax Number (NTN) Certificate, 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.) Limited,
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 may be constrained to withhold the dispatch of dividend warrant.

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 26, 2013 has approved the increase in remuneration of Mr. Shaukat Ellahi Sheikh, Mg. Director (Chief Executive), Mr. Shazada Sultan Mubashir, Corporate Secretary and Mr. Munawar Iqbal, full time working Director, effective from July 1, 2013 as under:

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

Description	Present Remuneration	Remuneration after increase
Remuneration	Rs.325,000/= per month inclusive of 10% medical allowance.	Rs.357,500/= 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

Description	Present Remuneration	Remuneration after increase
Remuneration	Rs.150,000/= per month.	Rs.165,000/= per month.
Other benefits	As per Company policy	As per Company policy

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

Description	Present Remuneration	Remuneration after increase
Remuneration	Rs.100,000/= per month.	Rs.110,0000/= per month.
Other benefits	As per Company policy	As per Company policy

Shahzada Sultan Mubashir
Corporate Secretary

September 26, 2013

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2013
CUIN (INCORPORATION NUMBER) 0002500

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
416	1	100	13,664
288	101	500	80,512
67	501	1000	54,151
135	1001	5000	338,483
32	5001	10000	240,841
9	10001	15000	110,798
2	15001	20000	32,198
2	20001	25000	48,869
1	25001	30000	27,500
1	30001	35000	34,368
1	35001	40000	39,000
-	40001	45000	-
3	45001	50000	146,000
-	50001	60000	-
1	60001	65000	63,000
-	65001	75000	-
1	75001	80000	78,192
-	80001	100000	-
1	100001	105000	100,736
-	105001	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
968	**Total:-**		**18,700,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	13,935,234	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	6,588	0.04
Insurance Companies	318,658	1.70
Modarabas and Mutual Funds	Nil	Nil
Shareholders Holding 10% or more	13,484,480	72.11
General Public		
a. Local	1,308,992	7.00
b. Foreign	Nil	Nil
Others (Joint Stock Companies)	68,556	0.37

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2013

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	4,248	0.02
	vi)	MRS. MONA SHAUKAT	4,248	0.02
	vii)	MRS. SHAISTA SHAFQAT	4,248	0.02
	viii)	MR. MUNAWAR IQBAL	2	-
	ix)	MR. JAVAID BASHIR SHEIKH	500	-
	x)	MR. SHAHZADA SULTAN MUBASHIR	500	-
			13,935,234	**74.52**
4)		***Executives***	**21**	**-**
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.***	**325,246**	**1.74**
7)		***Shareholders Holding Five Percent or More Voting Rights***		
	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)	MR. SHAHZADA ELLAHI SHAIKH	4,481,680	23.97
	v)	MR. SHAUKAT ELLAHI SHAIKH	4,521,400	24.18
	vi)	MR. SHAFQAT ELLAHI SHAIKH	4,481,400	23.97

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2013	2012	2011	2010	2009 Restated	2008 Restated
Sales	Rs.'000	4,451,553	3,674,769	4,596,740	2,746,754	2,158,571	1,833,591
Gross profit	Rs.'000	936,547	616,633	888,745	486,759	216,856	141,367
Operating profit	Rs.'000	702,373	466,407	675,875	338,323	119,431	82,618
Profit before tax	Rs.'000	625,356	364,033	489,530	262,550	14,650	12,609
Profit after tax	Rs.'000	605,152	329,166	466,585	248,511	7,576	1,109
Share capital - paid up	Rs.'000	187,000	187,000	187,000	187,000	187,000	187,000
Shareholders' equity	Rs.'000	1,782,879	1,271,227	1,054,261	660,407	411,896	404,320
Total assets	Rs.'000	2,652,601	1,851,471	2,049,587	1,255,841	1,290,139	1,190,503
Earnings per share - pre tax	Rs.	33.44	19.47	26.18	14.04	0.78	0.20
Earnings per share - after tax	Rs.	32.36	17.60	24.95	13.29	0.41	(0.41)
Cash Dividend per share	Rs.	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.	71.79	22.96	15.00	11.29	8.00	15.50
Gross profit to sales	%	21.04	16.78	19.33	17.72	10.05	7.71
Operating profit to sales	%	15.78	12.69	14.70	12.32	5.53	4.51
Profit before tax to sales	%	14.05	9.91	10.65	9.56	0.68	0.69
Profit after tax to sales	%	13.59	8.96	10.15	9.05	0.35	0.06
Current ratio		4.77:1	3.95:1	2.03:1	1.5:1	1.04:1	1.01:1
Total debt to total assets ratio	%	32.79	31.34	48.57	47.27	67.93	65.86
Debt equity ratio	%	24.61	22.16	28.00	30.12	44.30	43.19

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of Nagina Cotton Mills Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2013.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner
Nadeem Yousuf Adil

Place: Karachi
Date: September 26, 2013

Deloitte.

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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, 2013 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;

  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, 2013 and of the profit, 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

Karachi
Date: September 26, 2013

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 (2012: 50,000,000) ordinary 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
Accumulated profit		**1,341,914,922**	830,262,465
TOTAL EQUITY		**1,782,879,339**	1,271,226,882
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term finances	7	**480,228,900**	274,018,051
Liabilities against assets subject to finance lease	8	**536,472**	2,250,408
Deferred liabilities	9	**49,237,466**	20,670,764
		530,002,838	296,939,223
CURRENT LIABILITIES			
Trade and other payables	10	**215,226,887**	142,539,747
Accrued interest/mark-up	11	**17,622,203**	16,289,809
Short-term borrowings	12	**5,563,284**	38,918,086
Current portion of long-term finances	7	**100,305,068**	83,404,444
Current portion of liabilities against assets subject to finance lease	8	**1,001,842**	2,152,446
		339,719,284	283,304,532
TOTAL LIABILITIES		**869,722,122**	580,243,755
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**2,652,601,461**	1,851,470,637

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

September 26, 2013

Shahzada Ellahi Shaikh
Director

	Note	2013 Rupees	2012 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,014,527,118**	714,050,491
Investment properties	15	**15,757,577**	16,110,504
Long-term deposits		**1,317,729**	1,653,300
		1,031,602,424	731,814,295
CURRENT ASSETS			
Stores and spares	16	**16,139,978**	21,228,615
Stock-in-trade	17	**722,790,632**	528,066,937
Trade debts	18	**818,841,751**	399,617,602
Loans and advances	19	**40,415,677**	25,186,112
Short-term deposits and prepayments	20	**1,860,187**	1,546,959
Other receivables	21	**1,256,016**	4,262,679
Sales tax refundable		**18,249,799**	7,814,386
Other financial assets	22	**-**	70,514,411
Cash and bank balances	23	**1,444,997**	61,418,641
		1,620,999,037	1,119,656,342
TOTAL ASSETS		**2,652,601,461**	1,851,470,637

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	24	**4,451,552,889**	3,674,769,216
Cost of goods sold	25	**(3,515,005,828)**	(3,058,136,083)
Gross profit		**936,547,061**	616,633,133
Distribution cost	26	**(121,789,125)**	(109,676,918)
Administrative expenses	27	**(82,860,984)**	(67,611,879)
Other operating expenses	28	**(60,955,913)**	(19,603,698)
		(265,606,022)	(196,892,495)
Other income	29	**31,432,202**	46,666,407
Operating profit		**702,373,241**	466,407,045
Finance cost	30	**(77,017,092)**	(102,374,102)
Profit before taxation		**625,356,149**	364,032,943
Provision for taxation	31	**(20,203,692)**	(34,866,603)
Profit after taxation		**605,152,457**	329,166,340
Other comprehensive income		**-**	-
Total comprehensive income for the year		**605,152,457**	329,166,340
Earnings per share - basic and diluted	32	**32.36**	17.60

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

September 26, 2013

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

		Note	2013 Rupees	2012 Rupees
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Cash generated from operations	34	**277,571,485**	155,890,005
	(Payments) made / receipt of:			
	Employees retirement benefits		**(9,490,598)**	(10,597,058)
	Finance cost		**(75,684,698)**	(105,919,035)
	Income tax		**(52,686,315)**	(38,886,432)
	Long term deposits		**335,571**	167,800
	Net cash generated from operating activities	A	**140,045,445**	655,280
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Purchase of property, plant and equipment		**(398,530,349)**	(114,801,962)
	Proceeds from disposal of property, plant and equipment		**17,127,856**	1,595,603
	Purchase of other financial assets		**(1,737,500,000)**	(420,576,029)
	Proceeds from disposal of other financial assets		**1,825,491,273**	1,081,266,883
	Net cash (used in) / generated from investing activities	B	**(293,411,220)**	547,484,495
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Long-term finances obtained		**303,683,762**	63,520,539
	Repayment of long-term finances		**(80,572,289)**	(108,369,646)
	Repayment of principal portion of liabilities against assets subject to finance leases		**(2,864,540)**	(3,255,997)
	Net decrease in short-term borrowings excluding running finance		**(17,158,892)**	(344,262,056)
	Dividend paid		**(93,500,000)**	(112,200,000)
	Net cash generated from / (used in) financing activities	C	**109,588,041**	(504,567,160)
	Net (decrease) / increase in cash and cash equivalents	(A+B+C)	**(43,777,734)**	43,572,615
	Cash and cash equivalents at the beginning of the year		**43,224,555**	(348,060)
	Cash and cash equivalents at the end of the year		**(553,179)**	43,224,555
	Cash and cash equivalents			
	Cash and bank balances	23	**1,444,997**	61,418,641
	Short-term running finances		**(1,998,176)**	(18,194,086)
			(553,179)	43,224,555

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

September 26, 2013

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA GROUP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

		Capital reserves		Revenue reserve	
	Issued subscribed and paid-up capital	Amalgamation reserve Note 6.1	Capital redemption reserve Note 6.2	Accumulated profit	Total
	---------- Rupees ----------				
Balance as at July 1, 2011	187,000,000	12,104,417	241,860,000	613,296,125	1,054,260,542
Comprehensive income					
Profit for the year	-	-	-	329,166,340	329,166,340
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	329,166,340	329,166,340
Transaction with owners;					
Final dividend @ 60% i.e. Rs. 6 per ordinary share	-	-	-	(112,200,000)	(112,200,000)
Balance as at June 30, 2012	187,000,000	12,104,417	241,860,000	830,262,465	1,271,226,882
Comprehensive income					
Profit for the year	**-**	**-**	**-**	**605,152,457**	**605,152,457**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**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**

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

September 26, 2013

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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 preparation

These financial statements have been prepared under the historical cost convention, except for staff retirement benefits at present value, and financial instruments at fair value.

2.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2013

The following standards, amendments and interpretations are effective for the year ended June 30, 2013. These standards, interpretation and the amendments are either not relevent 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 to IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	Effective from accounting period beginning on or after July 01, 2012

2.4 New accounting standards and IFRS interpretations that are not yet effective

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments 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 to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	Effective from accounting period beginning on or after January 01, 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	Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	Effective from accounting period beginning on or after January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	Effective from accounting period beginning on or after January 01, 2013

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 locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognise changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognised immediately through other comprehensive income. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 01, 2013 and the application of amendments will be that instead of recognising actuarial gains or losses amounting to Rs. 38.5 million (June 30,2012 Rs. Nil) into profit and loss account, all actuarial gains or losses will be recognised into other comprehensive income.

3 ACCOUNTING POLICIES

3.1 Accounting for leases

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

Assets held under finance leases are recognised 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 Employee benefits cost - Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial assumptions and are charged to profit and loss account. The most recent valuation was carried out on July 17, 2013 using the 'Project Unit Credit Method' by M/s Nauman Associates.

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

Cumulative net unrecognised actuarial gains and losses are recognised in profit and loss account when they arise.

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

3.3 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.

3.4 Provisions

Provisions are recognised 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.

3.5 Property, plant and equipment

Owned

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

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

Depreciation is charged to income applying the reducing balance method at the rates specified in the note 14.1. Depreciation on all additions is charged from the 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 recognised 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.

3.6 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.

3.7 Investments

Regular way purchase or sale of investments

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.

Financial assets at fair value through profit or loss

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

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.

Derecognition

All investments 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.

3.8 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.

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 recognised 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 recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised 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 setoff and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the transactions and also intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.15 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 recognised 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 recognised 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 recognised 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 0.5% of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

Deferred income tax asset is recognised 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 distribution

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

i. Provision for taxation and deferred taxation (note 3.18, 9.2 & 31)
ii. Retirement benefits (note 3.2 & 9.1)
iii. Provision for doubtful debts (note 18)
iv. Determining the residual values and useful lives of property, plant and equipment (note 3.5 & 14)

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
No. of Shares			Rupees	Rupees
		Ordinary shares of Rs.10/- each fully paid		
3,133,000	3,133,000	In cash	**31,330,000**	31,330,000
15,567,000	15,567,000	As bonus shares	**155,670,000**	155,670,000
18,700,000	18,700,000		**187,000,000**	187,000,000

5.1 There were no movements in shares during the reporting periods.

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

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

	No. of ordinary share of Rs.10/- each	
Associates - due to common directorship	**2013**	**2012**
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
M/s Ellahi International (Private) Limited	**9,000**	9,000
	3,060,542	3,060,542

6. CAPITAL RESERVES	**Note**	**2013 Rupees**	**2012 Rupees**
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	2013 Rupees	2012 Rupees
7. LONG-TERM FINANCES			
From banking companies and other financial institutions - secured			
Demand finances	7.1	**276,886,477**	49,804,500
Term finances	7.2	**286,598,129**	265,264,827
Export oriented projects (EOP)		**-**	15,955,598
Long-term financing facility (LTFF)	7.3	**14,217,207**	23,565,415
Custom debentures	7.4	**2,832,155**	2,832,155
		580,533,968	357,422,495
Less: Current portion:			
Demand finances		**(24,856,994)**	(16,601,500)
Term finance		**(63,267,711)**	(38,666,983)
Export oriented projects (EOP)		**-**	(15,955,598)
Long-term financing facility (LTFF)		**(9,348,208)**	(9,348,208)
Custom debentures		**(2,832,155)**	(2,832,155)
		(100,305,068)	(83,404,444)
		480,228,900	274,018,051

7.1 These demand finance facilities comprise of :

Facility I from National Bank of Pakistan amounting to Rs. 66.406 million 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 (2012 : 3 month average KIBOR ask side plus 200 bps) repayable in 16 equal quarterly installments commenced from August 2011.

Facility II from National Bank of Pakistan amounting to Rs. 99.065 million 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 225 bps (2012 :Nil) repayable in 24 equal quarterly installments commencing from January 2014.

Facility III from National Bank of Pakistan amounting to Rs. 144.617 million 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 with 25% margin. The loan carries mark-up at a rate of 3 month average KIBOR ask side plus 225 bps (2012 :Nil) repayable in 24 equal quarterly installments commencing from August 2014.

7.2 These term finance facilities comprise of :

Facility I from Habib Bank Limited amounting to Rs. 14 million 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 (2012 : 6 month average KIBOR plus 175 bps) repayable in 8 equal half yearly installments commenced from December 2010.

Facility II from Habib Bank Limited amounting to Rs. 21.792 million 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 (2012 : 6 month average KIBOR plus 175 bps) repayable in 8 equal half yearly installments commenced from December 2010.

Facility III from Habib Bank Limited amounting to Rs. 60 million 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 (2012 : Nil) repayable in 22 equal quarterly installments commencing from February 2015.

Facility I from Faysal Bank Limited amounting to Rs. 100 million 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 (2012 : 6 month KIBOR plus 200 bps) repayable in 9 equal half yearly installments commenced from March 2013.

Facility II from Faysal Bank Limited amounting to Rs. 84.868 million 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 (2012 : 6 months KIBOR plus 200 bps) repayable in 11 equal half yearly installments commenced from February 2013.

Facility from Pakistan Kuwait Investment Company Private Limited amounting to Rs. 75 million 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.

7.3 The loans are 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 facilities amounting to Rs. 15.594 million from National Bank of Pakistan carrying mark-up at the rate of 10.4% and loan facilities of Rs. 6.893 million, Rs. 3.708 million and Rs. 11.190 million from Habib Bank Limited carry mark-up at the rate of 9.7%, 9.7% and 10.4% respectively. These loans were obtained under SBP's LTFF scheme and SMEFD circular no. 06 dated, March 31, 2010 and circular no. 16 dated, October 31, 2009.

7.4 Debentures had been issued in favour of Collector of Customs of Karachi to cover deferred payment of custom duty on imported machinery. Debentures are subject to surcharge @ 11% per annum. Repayment is secured against a bank guarantee.

7.5 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	2013 Rupees	2012 Rupees
6 months or less			
- Short-term borrowings	12	**5,563,284**	38,918,086
- Long-term finances	7	**563,484,606**	315,069,327
- Liabilities against assets subject to finance lease	8	**1,538,314**	4,402,854

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:

	2013		2012	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees			
Within one year	**1,193,599**	**1,001,842**	2,565,147	2,152,446
After one year but not more than five years	**460,108**	**536,472**	2,407,966	2,250,408
Total minimum lease payments	**1,653,707**	**1,538,314**	4,973,113	4,402,854
Amount representing finance charges	**(115,393)**	**-**	(570,259)	-
Present value of minimum lease payments	**1,538,314**	**1,538,314**	4,402,854	4,402,854
Less: Current portion	**(1,001,842)**	**(1,001,842)**	(2,152,446)	(2,152,446)
	536,472	**536,472**	2,250,408	2,250,408

8.1 These represent vehicles acquired under finance lease. The effective financing rate used as discounting factor is ranging from 11.62% to 15.06% per annum (2012: 12.90% to 16.78% 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	2013 Rupees	2012 Rupees
9.	**DEFERRED LIABILITIES**			
	Provision for gratuity	9.1	**49,237,466**	14,217,145
	Deferred taxation	9.2	**-**	6,453,619
			49,237,466	20,670,764

9.1 Provision for gratuity

	2013 Rupees	2012 Rupees
Movement in the net liability is as follows:		
Opening balance	**14,217,145**	19,910,140
Charge for the year	**44,510,919**	4,904,063
Payment made during the year	**(9,490,598)**	(10,597,058)
	49,237,466	14,217,145
Reconciliation:		
Present value of defined benefit obligation	**49,237,466**	14,217,145
Unrecognised actuarial loss	**-**	-
	49,237,466	14,217,145
Charge for the year:		
Current service cost	**3,939,156**	2,593,399
Interest cost	**1,990,400**	2,310,664
Actuarial losses recognised	**38,581,363**	-
	44,510,919	4,904,063
Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	**14,217,145**	19,910,140
Current service cost	**3,939,156**	2,593,399
Interest cost	**1,990,400**	2,310,664
Actuarial losses	**38,581,363**	-
Benefits paid	**(9,490,598)**	(10,597,058)
	49,237,466	14,217,145

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

	2013	2012
- Discount rate	**10.5%**	14%
- Expected rate of salary increase	**8.5%**	10%
- Average expected remaining working life of the employees	**10 years**	15 years

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

Experience adjustments on obligation and plan assets

	2013	2012	2011	2010	2009
	----------	----------	Rupees	----------	----------
Present value of obligation	**49,237,466**	14,217,145	19,910,140	19,545,821	17,791,051
Fair value of plan assets	**-**	-	-	-	-
Deficit	**49,237,466**	14,217,145	19,910,140	19,545,821	17,791,051
Actuarial (loss) on obligation	**(38,581,363)**	-	(4,716,787)	(2,419,575)	-
Actuarial (gain) / loss on assets	**-**	-	-	-	-

9.2 Deferred taxation

9.2.1 As the Company's export sales were more than 80%, management opted for the Income Tax Circular No. 20 of 1992, according to which local sales of goods (manufactured for export) as well as waste material, not constituting more than 20% of such production, may also be treated as export sales if the assessee opts to pay tax on such sales at the rate applicable to export sales. As a result, management recognised the provision for taxation for local sale at rate applicable to export sales. Therefore, no deferred tax has been recognised as all income of the company falls under the Final Tax Regime.

	Opening balance	Recognised in profit and loss account	Closing balance
	---- Rupees ----		
Movement for the year ended June 30, 2013			
Deferred tax liability on taxable temporary differences arising in respect of :			
Accelerated tax depreciation allowance	**9,302,297**	**(9,302,297)**	-
Assets subject to finance lease	**203,935**	**(203,935)**	-
Other financial assets	**18,004**	**(18,004)**	-
	9,524,236	**(9,524,236)**	-
Deferred tax asset on deductible temporary differences arising in respect of :			
Provision for bad debts	**(88,415)**	**88,415**	-
Finance leases	**(154,100)**	**154,100**	-
Provision for gratuity	**(497,600)**	**497,600**	-
Carry forward tax losses	**(143,359)**	**143,359**	-
Unused tax credit for Investment u/s 65-B	**(2,187,143)**	**2,187,143**	-
	6,453,619	**(6,453,619)**	-

	Opening balance	Recognised in profit and loss account	Closing balance
	---- Rupees ----		
Movement for the year ended June 30, 2012			
Deferred tax liability on taxable temporary differences arising in respect of :			
Accelerated tax depreciation allowance	27,106,864	(17,804,567)	9,302,297
Assets subject to finance lease	-	203,935	203,935
Other financial assets	889,941	(871,937)	18,004
	27,996,805	(18,472,569)	9,524,236
Deferred tax asset on deductible temporary differences arising in respect of :			
Provision for bad debts	(368,284)	279,869	(88,415)
Finance leases	77,221	(231,321)	(154,100)
Provision for gratuity	(2,090,565)	1,592,965	(497,600)
Provision for write down on stock-in-trade due to NRV testing	(16,007,989)	16,007,989	-
Carry forward tax losses	-	(143,359)	(143,359)
Unused tax credit for Investment u/s 65-B	-	(2,187,143)	(2,187,143)
	9,607,188	(3,153,569)	6,453,619

	Note	2013 Rupees	2012 Rupees
10. TRADE AND OTHER PAYABLES			
Creditors		**39,827,672**	31,328,357
Accrued liabilities		**87,974,043**	64,188,114
Advance from customers and tenants		**7,250,781**	5,654,825
Unclaimed dividend		**4,617,143**	4,070,679
Workers' Profit Participation Fund	10.1	**34,126,587**	19,603,698
Workers' Welfare Fund	28.1	**29,875,686**	9,684,072
Preference shares redemption liability and dividend		**853,365**	893,365
Other Government Expenses - Infrastructure fee	10.2	**10,404,662**	6,888,045
Others		**296,948**	228,592
		215,226,887	142,539,747

10.1 Workers' Profit Participation Fund

	Note	2013 Rupees	2012 Rupees
Opening balance		**19,603,698**	24,915,607
Interest on fund utilized in the Company's business		**2,477,317**	8,056,727
		22,081,015	32,972,334
Allocation for the year	28	**34,126,587**	19,603,698
		56,207,602	52,576,032
Amount paid to the fund		**(22,081,015)**	(32,972,334)
		34,126,587	19,603,698

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

11. ACCRUED INTEREST / MARK-UP

	2013 Rupees	2012 Rupees
Long-term finances		
From banking companies	**10,628,816**	8,691,001
Custom debentures	**6,527,778**	6,147,703
	17,156,594	14,838,704
Liabilities against assets subject to finance lease	**9,655**	26,267
Short-term borrowings	**455,954**	1,424,838
	17,622,203	16,289,809

12. SHORT-TERM BORROWINGS

Banking Companies - secured

	2013 Rupees	2012 Rupees
Foreign currency finance	**-**	20,724,000
Cash finance	**3,565,108**	-
Running finance	**1,998,176**	18,194,086
	5,563,284	38,918,086

12.1 The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 2,480 million (2012 : Rs. 2,580 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. These are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.1% to 1.50% (2012 : from 1 to 3 month KIBOR plus 0.1% to 1.85%) payable on quarterly basis.

12.2 The aggregate unavailed short-term borrowing facilities available amounted to Rs. 2,474 million (2012 : Rs. 2,541 million).

	Note	2013 Rupees	2012 Rupees

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

	Note	2013 Rupees	2012 Rupees
Bank guarantees issued on behalf of the Company	13.1.1	**14,308,000**	14,308,000
Bills discounted		**397,819,591**	223,335,713
Letter of credit	13.1.2	**26,381,018**	26,381,018
		438,508,609	264,024,731

13.1.1 This includes bank guarantee issued in favour of Hyderabad Electric Supply Company (HESCO) for Rs.14,161,000 (2012 : 14,161,000) in respect of connection for a load of 4,900 KW.

13.1.2 These are irrevocable revolving letters of credit issued in favour of Sui Southern Gas Company Limited.

13.2 Commitments

	Note	2013 Rupees	2012 Rupees
Stores and spares		**36,070,882**	3,861,456
Machinery		**85,487,483**	36,580,000
Civil work		**17,906,691**	-
		139,465,056	40,441,456
Commitments for rentals of assets under operating lease agreements as at June 30, 2013:			
- Not later than one year		**727,466**	891,664
		140,192,522	41,333,120

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Operating assets	14.1	**822,265,434**	694,133,418
Capital work in progress	14.2	**192,261,684**	19,917,073
		1,014,527,118	714,050,491

14.1 Operating assets

2013

Particulars	Cost			Depreciation			Written down	Annual
	As at July 1, 2012	Additions / transfer/ (disposals)	As at June 30, 2013	As at July 1, 2012	For the year / transfer/ (disposals)	As at June 30, 2013	value as at June 30, 2013	rate of Dep. %
	Rupees							
Owned								
Land - free hold	**7,527,701**	**1,281,249**	**8,808,950**	**-**	**-**	**-**	**8,808,950**	**-**
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**	

2012

Particulars	Cost			Depreciation			Written down	Annual
	As at July 1, 2011	Additions / transfer/ (disposals)	As at June 30, 2012	As at July 1, 2011	For the year / transfer/ (disposals)	As at June 30, 2012	value as at June 30, 2012	rate of Dep. %
	Rupees							
Owned								
Land - free hold	7,527,701	-	7,527,701	-	-	-	7,527,701	-
Commercial building on free hold land	13,917,064	2,782,546	16,699,610	8,021,490	364,342	8,385,832	8,313,778	5
Mills buildings on freehold land	124,643,788	16,923,916	141,567,704	81,092,635	4,417,081	85,509,716	56,057,988	10
Other buildings on freehold land	25,105,632	-	25,105,632	11,938,903	658,336	12,597,239	12,508,393	5
Machinery and equipment	1,097,394,732	204,492,892 (1,764,000)	1,300,123,624	701,908,366	53,511,514 (645,324)	754,774,556	545,349,068	10
Electric installations and equipment	55,247,871	14,221,410	69,469,281	34,761,432	2,919,686	37,681,118	31,788,163	10
Gas installations	3,264,556	-	3,264,556	2,094,117	117,044	2,211,161	1,053,395	10
Office equipment	11,961,387	859,382	12,820,769	7,449,741	498,465	7,948,206	4,872,563	10
Furniture and fixtures	13,356,325	6,730,177	20,086,502	7,599,123	932,408	8,531,531	11,554,971	10
Vehicles	17,709,126	4,211,460 2,312,760 (640,962)	23,592,384	11,693,995	1,819,976 1,201,878 (404,143)	14,311,706	9,280,678	20
	1,370,128,182	252,534,543 (2,404,962)	1,620,257,763	866,559,802	66,440,730 (1,049,467)	931,951,065	688,306,698	
Held under finance lease								
Vehicles	12,883,760	- (2,312,760)	10,571,000	4,489,478	1,456,680 (1,201,878)	4,744,280	5,826,720	20
	1,383,011,942	250,221,783 (2,404,962)	1,630,828,763	871,049,280	66,695,532 (1,049,467)	936,695,345	694,133,418	

	Note	2013 Rupees	2012 Rupees
14.1.1 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	25.1	**67,434,786**	61,348,566
Administrative expenses	27	**7,206,295**	5,718,469
Total depreciation on property, plant and equipment and investment property	14.1.2	**74,641,081**	67,067,035

14.1.2 It includes depreciation on investment properties amounting to Rs. 352,927 (2012: Rs. 371,502).

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
Vehicle	1,069,000	558,705	510,295	526,000	15,705	Negotiation	Mr. Jamshed Ahmed Mughal House No 4, Street No 4-C Naseerabad Lahore
Vehicle	797,843	553,023	244,820	370,000	125,180	Negotiation	Captan Rifaqat Ali Khan House No B-105 Block 3 Clifton Garden No.1 Karachi
Vehicle	803,500	485,815	317,685	340,000	22,315	Negotiation	United Oriental Shipping & logistic Holding 10th Floor Sheikh Sultan Trust Building Beamount Road Karachi
Vehicle	1,387,760	933,743	454,017	500,000	45,983	Negotiation	Mr. Arshad Hussain House No B-61 Central Govt Housing Society Block 10-A Karachi
Vehicle	979,850	669,808	310,042	500,000	189,958	Negotiation	Mr.Waseem Mirza House No A-32 Block 10 - A Near Lasania Resturant Gulshan-E-Iqbal Karachi
Vehicle	639,960	125,930	514,030	550,000	35,970	Negotiation	New Hampshire Insurance Co Room No 907-908 9th Floor Busniess and Finance Centre I.I.Chundrigar Road Karachi
Vehicle	1,391,785	790,491	601,294	635,000	33,706	Negotiation	Mr.Yasir Habib House No R-151 Naseerabad Block-14 F.B.Area Karachi
Machinery & Equipment	12,959,122	9,271,836	3,687,286	3,559,787	(127,499)	Negotiation	Abdullah Traders Godown No 219 Dar-Ul-Ehsan Town Samundri Road Faisalabad
Machinery & Equipment	22,140,256	17,319,439	4,820,817	3,568,966	(1,251,851)	Negotiation	Mazhar Abbass Dar-Ul-Ehsan Town Baloch Road Faisalabad
Machinery & Equipment	6,378,215	4,661,320	1,716,895	1,168,103	(548,792)	Negotiation	Mazhar Abbass Dar-Ul-Ehsan Town Baloch Road Faisalabad
Machinery & Equipment	17,239,438	15,924,981	1,314,457	1,600,000	285,543	Negotiation	Faisal Mehmood House No B-211 Mohalla Adamjee Nagar Ghazi Salahuddin Road Block - B Karachi
Machinery & Equipment	5,404,895	4,909,558	495,337	450,000	(45,337)	Negotiation	M/s Abdul Majid Sons Old Abdul Majeed & Son 27-A New Cloth Market M.A.Jinnah Road Karachi
Machinery & Equipment	15,945,879	8,451,848	7,494,031	2,250,000	(5,244,031)	Negotiation	Ellcot Spinning Mills Limited Nagina House 91-B1 M.M.Alam Road Lahore
Machinery & Equipment	368,579	236,134	132,445	105,000	(27,445)	Negotiation	Ellcot Spinning Mills Limited Nagina House 91-B1 M.M.Alam Road Lahore
Machinery & Equipment	1,017,500	794,707	222,793	165,000	(57,793)	Negotiation	Ellcot Spinning Mills Limited Nagina House 91-B1 M.M.Alam Road Lahore
Machinery & Equipment	12,929,578	12,000,254	929,324	840,000	(89,324)	Negotiation	M/s Abdul Majid Sons Old Abdul Majeed & Son 27-A New Cloth Market M.A.Jinnah Road Karachi
Rupees 2013	**101,453,160**	**77,687,592**	**23,765,568**	**17,127,856**	**(6,637,712)**		
Rupees 2012	2,404,962	1,049,467	1,355,495	1,595,603	240,108		

	Note	2013 Rupees	2012 Rupees
14.2 Capital work-in-Progress			
Civil work	14.2.1	**7,153,938**	438,371
Machinery and electrical installations	14.2.2	**185,107,746**	19,478,702
		192,261,684	19,917,073

14.2.1 Civil work

	Note	2013 Rupees	2012 Rupees
Opening balance		**438,371**	15,861,053
Additions during the year	14.2.3	**8,291,822**	16,321,970
		8,730,193	32,183,023
Transfer to property, plant and equipment during the year		**(1,576,255)**	(31,744,652)
Closing balance		**7,153,938**	438,371

14.2.2 Machinery and electrical installations

	Note	2013 Rupees	2012 Rupees
Opening balance		**19,478,702**	139,475,841
Additions during the year	14.2.3	**355,009,781**	78,996,654
		374,488,483	218,472,495
Transfer to property, plant and equipment during the year		**(189,380,737)**	(198,993,793)
Closing balance		**185,107,746**	19,478,702

14.2.3 These include advances to suppliers amounting to Rs. 6,195,829 (2012 : Nil)

15. INVESTMENT PROPERTIES

	Cost			Depreciation			Written down	Annual
	As at July 1, 2012	Additions / (disposals)	As at June 30, 2013	As at July 1, 2012	For the year	As at June 30, 2013	value as at June 30, 2013	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	10,480,777	352,927	10,833,704	6,705,608	5%
2013 Rupees	**26,591,281**	**-**	**26,591,281**	**10,480,777**	**352,927**	**10,833,704**	**15,757,577**	
2012 Rupees	26,591,281	-	26,591,281	10,109,275	371,502	10,480,777	16,110,504	

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	2013 Rupees	2012 Rupees
16. STORES AND SPARES			
Stores		**7,354,943**	11,632,400
Spares		**8,785,035**	9,596,215
		16,139,978	21,228,615
17. STOCK-IN-TRADE			
Raw material in hand		**645,709,973**	443,006,183
Work-in-process		**50,665,531**	41,643,960
Finished goods		**25,033,584**	41,704,826
Waste		**1,381,544**	1,711,968
		722,790,632	528,066,937
18. TRADE DEBTS			
Considered good			
Foreign - secured	18.1	**801,185,185**	394,341,772
Local - unsecured	18.2	**16,445,148**	5,275,830
		817,630,333	399,617,602
Considered doubtful		**3,155,427**	2,526,149
		820,785,760	402,143,751
Less: Provision for doubtful debts		**(1,944,009)**	(2,526,149)
		818,841,751	399,617,602

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

18.2 Trade debts are non-interest bearing and are generally on 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.

18.4 Trade debts include debtors with a carrying amount of Rs. 0.685 million (2012: 1.852 million) which are past due at the reporting date, against which the Company has not made a provision as there has not been a significant change in credit quality and the amount is considered recoverable.

	Note	2013 Rupees	2012 Rupees
18.4.1 Aging of past due but not impaired			
46-90 days		**60,468**	-
91-180 days		**624,683**	32
181 days and above		**-**	1,852,309
		685,151	1,852,341

		Note	2013 Rupees	2012 Rupees
19.	**LOANS AND ADVANCES**			
	Considered good			
	Advances:			
	Employees		**151,454**	91,015
	Income tax	19.1	**38,093,318**	12,064,314
	Suppliers		**1,792,536**	11,912,082
	Expenses		**25,249**	162,784
	Letters of credit		**353,120**	955,917
			40,415,677	25,186,112
19.1	Movement of advance tax is as under:			
	Opening balance		**12,064,314**	11,198,054
	Paid during the year		**52,686,315**	38,886,432
	Provision for tax	31	**(26,644,848)**	(37,995,558)
	Prior year charge	31	**(12,463)**	(24,614)
			38,093,318	12,064,314
20.	**SHORT-TERM DEPOSITS AND PREPAYMENTS**			
	Short-term deposits		**-**	38,100
	Prepayments		**1,860,187**	1,508,859
			1,860,187	1,546,959
21.	**OTHER RECEIVABLES**			
	Income tax refundable		**892,665**	892,665
	Other receivables		**363,351**	3,370,014
			1,256,016	4,262,679

22. **OTHER FINANCIAL ASSETS**

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

2013 Number of Units	2012 Number of Units		Fair value 2013	Fair value 2012	Unrealized gain on revaluation of investments 2013	Unrealized gain on revaluation of investments 2012
			---------- Rupees	----------	----------	----------
-	584,809	HBL Money Market Fund (Cost : Nil) (2012: Rs. 60,000,000)	-	60,154,848	-	154,848
-	903,293	NIT Government Bond Fund (Cost : Nil) (2012: Rs. 10,000,000)	-	10,007,859	-	7,859
-	1,488,102	c/f.	-	70,162,707	-	162,707

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2013	2012		Fair value		Unrealized gain on revaluation of investments	
Number of Units			2013	2012	2013	2012
			---------- Rupees ----------			
-	1,488,102	b/f.	-	70,162,707	-	162,707
-	1,463	Faisal Saving Growth Fund (Cost: Nil) (2012 : Bonus Units)	-	151,025	-	151,025
-	1,152	UBL Liquidity Fund (Cost : Nil) (2012: Bonus Units)	-	115,563	-	115,563
-	6,492	NAFA Government Securities Fund (Cost : Nil) (2012: Bonus Units)	-	65,257	-	65,257
-	195	MCB Cash Management Optimizer (Cost : Nil) (2012: Bonus Units)	-	19,859	-	19,859
-	1,497,404	[Total Cost - Nil (2012: Rs. 70,000,000)]	-	70,514,411	-	514,411

23. CASH AND BANK BALANCES

	2013 Rupees	2012 Rupees
Cash with banks		
In current accounts	**1,442,568**	61,416,212
In deposit accounts	**81**	81
Cash in hand	**2,348**	2,348
	1,444,997	61,418,641

24. SALES

	Note	Local	Export	2013	2012
		---------- Rupees ----------			
Yarn	24.1 & 24.2	**188,750,164**	**4,195,556,320**	**4,384,306,484**	3,569,298,259
Waste		**53,693,568**	**13,552,837**	**67,246,405**	105,470,957
		242,443,732	**4,209,109,157**	**4,451,552,889**	3,674,769,216

24.1 Export sales include net exchange gain of Rs. 19,135,142 (2012 : net loss Rs. 9,118,923).

24.2 Export sales include indirect export sales of Rs. 54,977,200 (2012 : Rs. 94,215,470).

25. COST OF GOODS SOLD

	Note	2013 Rupees	2012 Rupees
Opening stock - finished goods		**43,416,794**	101,919,390
Cost of goods manufactured	25.1	**3,487,219,632**	2,976,793,318
Purchase of finished goods		**10,784,530**	22,840,169
		3,541,420,956	3,101,552,877
Closing stock - finished goods		**(26,415,128)**	(43,416,794)
		3,515,005,828	3,058,136,083

	Note	2013 Rupees	2012 Rupees
25.1 Cost of goods manufactured			
Raw material consumed	25.1.1	**2,722,375,386**	2,331,974,495
Packing material consumed		**67,270,792**	56,578,274
Stores and spares consumed		**50,008,751**	63,294,528
Salaries, wages and benefits	25.1.2	**295,749,112**	208,562,195
Fuel		**266,258,109**	235,558,813
Rent, rates and taxes		**431,088**	378,529
Insurance		**9,925,410**	8,178,176
Repairs and maintenance		**6,280,795**	5,422,759
Depreciation	14.1.1	**67,434,786**	61,348,566
Other manufacturing overheads		**10,506,974**	4,193,315
		3,496,241,203	2,975,489,650
Work in process			
Opening stock		**41,643,960**	42,947,628
Closing stock		**(50,665,531)**	(41,643,960)
		(9,021,571)	1,303,668
		3,487,219,632	2,976,793,318

25.1.1 Raw material consumed

	2013 Rupees	2012 Rupees
Opening stock	**443,006,183**	415,032,539
Purchases	**2,925,079,176**	2,359,948,139
	3,368,085,359	2,774,980,678
Closing stock	**(645,709,973)**	(443,006,183)
	2,722,375,386	2,331,974,495

25.1.2 It includes Rs. 37,974,353 (2012 : Rs. 4,143,933) in respect of staff retirement benefits.

26. DISTRIBUTION COST

	2013 Rupees	2012 Rupees
Freight	**46,921,045**	42,444,039
Commission:		
-Local	**800,758**	870,659
-Export	**39,195,696**	37,109,169
Stamp duty	**4,755,327**	4,445,254
Travelling	**3,830,827**	4,974,949
Export development surcharge	**10,360,499**	8,193,719
Quality claims	**1,108,510**	1,599,324
Distribution expense	**1,085,200**	774,000
Other	**13,731,263**	9,265,805
	121,789,125	109,676,918

	Note	2013 Rupees	2012 Rupees

27. ADMINISTRATIVE EXPENSES

	Note	2013 Rupees	2012 Rupees
Directors' remuneration, fees and benefits		**6,711,384**	4,435,178
Staff salaries and benefits	27.1	**36,073,689**	27,597,080
Travelling and conveyance		**1,624,865**	1,298,002
Printing and stationery		**1,390,226**	1,211,798
Postage and telephone		**3,027,325**	2,818,069
Fees, subscription and periodicals		**1,049,105**	813,804
Legal and professional		**1,489,343**	559,412
Advertisement		**77,339**	52,967
Utilities - net of recoveries		**2,803,443**	3,532,786
Rent, rates and taxes		**4,214,222**	2,868,280
Insurance		**1,625,062**	1,292,726
Auditors' remuneration	27.2	**780,000**	802,000
Repairs and maintenance		**4,195,463**	3,988,199
Vehicles running and maintenance		**8,449,042**	7,976,078
Entertainment		**1,138,801**	1,121,441
Depreciation	27.3 & 14.1.1	**7,206,295**	5,718,469
Charity and donations	27.4	**500,000**	1,000,000
Other		**505,380**	525,590
		82,860,984	67,611,879

27.1 It includes Rs. 6,536,566 (2012: Rs. 760,130) in respect of staff retirement benefits.

27.2 Auditors' remuneration

	2013	2012
Annual audit fee	**500,000**	500,000
Half yearly review fee	**130,000**	130,000
Out of pocket	**-**	59,500
Other certifications	**-**	37,500
Tax advisory services	**150,000**	75,000
	780,000	802,000

27.3 It includes depreciation on investment properties amounting to Rs. 352,927 (2012 : Rs. 371,502).

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.

28. OTHER OPERATING EXPENSES

	Note	2013 Rupees	2012 Rupees
Workers' Profit Participation Fund		**34,126,587**	19,603,698
Workers' Welfare Fund	28.1	**20,191,614**	-
Loss on disposal of property, plant and equipment	14.1.3	**6,637,712**	-
		60,955,913	19,603,698

28.1 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 recognised provision amounting to Rs. 29.875 million as at June 30, 2013, although management based on advise of the legal counsel is confident that the ultimate decision will be in favor of the Company.

	Note	2013 Rupees	2012 Rupees
29. OTHER INCOME			
Income from financial assets			
Gain on sale of other financial assets - held for trading		**17,476,862**	32,785,085
Unrealized gain on revaluation of investments - held for trading		**-**	514,411
Income from assets other than financial assets			
Scrap sales		**1,102,867**	1,281,997
Gain on disposal of property, plant and equipment		**-**	240,108
Rental income from investment property		**12,852,473**	11,844,806
		31,432,202	46,666,407
30. FINANCE COST			
Mark-up / interest on:			
Custom debentures		**380,075**	380,599
Long term finances		**46,468,991**	57,135,577
Liabilities against assets subject to finance lease		**352,121**	848,640
Short term borrowings		**9,177,672**	26,823,579
Workers' Profit Participation Fund		**2,477,317**	8,056,727
Bank charges and commission		**18,160,916**	9,128,980
		77,017,092	102,374,102
31. PROVISION FOR TAXATION			
Current			
- for the year		**26,644,848**	37,995,558
- for prior year		**12,463**	24,614
Deferred	9.2.1	**(6,453,619)**	(3,153,569)
		20,203,692	34,866,603

31.1 Reconciliation between accounting profit and tax expense

	2013 Rupees	2012 Rupees
Relationship between tax expense and accounting profit:		
Accounting profit before tax	**625,356,149**	364,032,943
Tax @ 35% (2012: 35%)	**218,874,652**	127,411,530
Effect of:		
Income chargeable to tax at reduced rates	**(173,108,876)**	(89,312,316)
Tax impact of tax credit	**(19,120,928)**	-
Reversal of previously recognised deferred tax liability	**(6,453,619)**	(5,444,368)
Prior year charge	**12,463**	24,614
Deferred tax impact of tax credit	**-**	2,187,143
	20,203,692	34,866,603

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 :

		2013	2012
Profit after taxation	Rupees	**605,152,457**	329,166,340
Weighted average number of ordinary shares		**18,700,000**	18,700,000
Earnings per share	Rupees	**32.36**	17.60

33. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2013				2012			
	Chief Executive	Director Executive	Director Non-Executive	Executives	Chief Executive	Director Executive	Director Non-Executive	Executives
	Rupees							
Remuneration	**3,120,000**	**1,600,000**	**-**	**10,238,151**	2,539,200	720,000	-	9,211,200
House rent allowance	**780,000**	**720,000**	**-**	**4,607,168**	634,800	324,000	-	4,145,040
Other allowances	**-**	**80,000**	**-**	**511,908**	-	36,000	-	460,560
Retirement benefits	**-**	**164,384**	**-**	**742,357**	-	59,178	-	686,400
Leave encashment	**-**	**147,000**	**-**	**1,545,800**	-	77,000	-	1,283,504
Bonus/ex-gratia	**-**	**-**	**-**	**363,013**	-	-	-	354,115
Meeting fee	**-**	-	**100,000**	**-**	-	-	45,000	-
	3,900,000	**2,711,384**	**100,000**	**18,008,397**	3,174,000	1,216,178	45,000	16,140,819
No. of persons	**1**	**2**	**1**	**14**	1	2	1	13

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

	2013 Rupees	2012 Rupees
Profit before taxation	**625,356,149**	364,032,943
Adjustments for:		
Depreciation	**74,641,081**	67,067,035
Provision for gratuity	**44,510,919**	4,904,063
Loss / (gain) on disposal of property, plant and equipment	**6,637,712**	(240,108)
Unrealized gain on revaluation of other financial assets	**-**	(514,411)
Gain on sale of other financial assets - held for trading	**(17,476,862)**	(32,785,085)
Finance cost	**77,017,092**	102,374,102
	810,686,091	504,838,539
Decrease / (increase) in current assets:		
Stores and spares	**5,088,637**	(3,993,338)
Stock-in-trade	**(194,723,695)**	31,832,620
Trade debts	**(419,224,149)**	(372,782,594)
Loans and advances	**10,799,439**	12,419,615
Short-term deposits and prepayments	**(313,228)**	440,182
Other receivables	**3,006,663**	9,014,333
Sales tax refundable	**(10,435,413)**	(4,124,782)
	(605,801,746)	(327,193,964)
Increase / (decrease) in current liabilities:		
Trade and other payables	**72,687,140**	(21,754,570)
Cash generated from operations	**277,571,485**	155,890,005

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	2013 Rupees	2012 Rupees
Associated companies	Purchase of goods	**9,125,682**	10,353,789
	Sale of goods	**42,160,224**	76,456,373
	Rental income	**1,283,000**	1,235,000
	Purchase of fixed assets	**3,323,088**	8,700,000
	Disposal of fixed assets	**2,948,400**	-
	Dividend paid	**15,302,710**	18,363,252
Directors, family members of directors and key management personnel	Dividend paid	**69,676,180**	83,551,416

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.

		2013	2012
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	**15,271,604**	16,468,753

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**	1,093

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

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

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

37.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 822.472 million (2012: 537.659 million), the financial assets which are subject to credit risk amounted to Rs. 822.470 million (2012: Rs 537.656 million). 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	STANDARD & POOR'S	A1+	AA-
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. 34.47% of the Company's financial liabilities will mature in less than one year at June 30, 2013 (2012: 45.73%) 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.

	2013					
	Less than 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	Rupees					
Financial Liabilities						
On balance sheet						
Long-term finances	**6,839,291**	**32,332,889**	**121,571,125**	**495,279,068**	**110,193,234**	**766,215,607**
Liabilities against assets subject to finance lease	**116,543**	**260,258**	**816,798**	**460,108**	**-**	**1,653,707**
Short term borrowings	**-**	**-**	**5,563,284**	**-**	**-**	**5,563,284**
Accrued interest / mark-up	**-**	**17,622,203**	**-**	**-**	**-**	**17,622,203**
Trade and other payables - non interest bearing	**-**	**133,569,171**	**-**	**-**	**-**	**133,569,171**
	6,955,834	**183,784,521**	**127,951,207**	**495,739,176**	**110,193,234**	**924,623,972**

	2012					
	Less than 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	Rupees					
Financial Liabilities						
On balance sheet						
Long-term finances	11,827,505	19,592,416	102,009,836	321,949,711	22,947,748	478,327,216
Liabilities against assets subject to finance lease	65,519	968,923	1,955,063	1,983,608	-	4,973,113
Short term borrowings	-	-	38,918,086	-	-	38,918,086
Accrued interest / mark-up	-	16,289,809	-	-	-	16,289,809
Trade and other payables - non interest bearing	-	100,709,107	-	-	-	100,709,107
	11,893,024	137,560,255	142,882,985	323,933,319	22,947,748	639,217,331

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, 2013 would decrease/increase by Rs. 5.705 million (2012 : Rs. 3.584 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, 2013 financial assets include Rs. 801.185 million (2012: Rs. 394.341 million) which are subject to foreign currency risk against US Dollars.

Foreign currency sensitivity analysis

At June 30, 2013, 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. 40.059 million (2012: decreased / increased by Rs. 19.717 million), mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade debts.

Equity price risk management

The Company is exposed to equity price risk arising from equity investments. If the Prices of units had increased / decreased by 5% with all variables held constant, the Company's profit for the year would have increased / decreased by Rs. Nil (2012: decreased / increased by Rs. 3,525,721).

37.4 Fair values of financial instruments

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

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

37.5 Fair value hierarchy

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

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

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

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

The Company's total investments constitutes investments in financial assets through profit and loss account - held for trading and the fair values of such investments are readily quoted. These investments are categorised as level 1 investments in accordance with the fair value method used. The fair values of such investments held were Nil (June 2012: Rs. 70,514,411) as at the balance sheet date.

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

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

37.6 Financial Instruments by Category

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

	Loans and receivables	Held for trading	Total June 30, 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**

	Loans and receivables	Held for trading	Total June 30, 2012
	----------------------	Rupees	----------------------
Assets as per balance sheet			
Long term deposits	1,653,300	-	1,653,300
Trade debts	399,617,602	-	399,617,602
Other receivables	3,370,014	-	3,370,014
Loans and advances	1,046,932	-	1,046,932
Short-term deposits	38,100	-	38,100
Other financial assets	-	70,514,411	70,514,411
Cash and bank balances	61,418,641	-	61,418,641

	Financial liabilities measured at amortized cost	Total June 30, 2012
	---------------- Rupees	----------------
Liabilities as per balance sheet		
Long-term finances	357,422,495	357,422,495
Liabilities against assets subject to finance lease	4,402,854	4,402,854
Short-term borrowings	38,918,086	38,918,086
Trade and other payables	100,709,107	100,709,107
Accrued interest / mark-up	16,289,809	16,289,809

38. CAPITAL RISK MANAGEMENT

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

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

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

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2012.

39. NUMBER OF EMPLOYEES

Total number of employees at the end was 1,093 (2012 : 987). Average number of employees was 1,057 (2012 : 986).

40. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on September 26, 2013, proposed to distribute to the shareholders of the Company a cash dividend at the rate of 100 percent i.e. Rs. 10 per ordinary share (2012: Rs. 5 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 26, 2013 by the Board of Directors of the Company.

42. GENERAL

Figures have been rounded off nearest to rupee.

September 26, 2013

Shahzada Ellahi Shaikh
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 46th Annual General Meeting of the Company to be held on October 25, 2013 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 ________________ 2013

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.