NAGINA

NAGINA GROUP

ANNUAL REPORT

for the year ended June 30, 2015

NAGINA COTTON MILLS LTD.

بسم الله الرحمن الرحيم

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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
	Mr. Tajammal Husain Bokharee	Independent Non-Executive Director
	Mr. Javaid Bashir Sheikh	Non-Executive Director
	Mr. Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shafqat Ellahi Shaikh	Non-Executive Director
	Mr. Raza Ellahi Shaikh	Non-Executive Director
	Mr. Shaukat Ellahi Shaikh	Executive Director
	Mr. Tariq Zafar Bajwa	Executive Director
	Mr. Munawar Iqbal	Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shaukat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Tajammal Husain Bokharee	Chairman
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Raza Ellahi Shaikh	Member
	Mr. Syed Mohsin Gilani	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Raza Ellahi Shaikh	Chairman
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Tariq Zafar Bajwa	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. Syed Mohsin Gilani

CHIEF FINANCIAL OFFICER (CFO) — Mr. Tariq Zafar Bajwa

AUDITORS
Messrs Deloitte Yousuf Adil
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.
Meezan Bank Ltd.
Industrial Development Bank of Pakistan
MCB Bank Ltd.
National Bank of Pakistan
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

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

WEB REFERENCE — www.nagina.com

SHARE REGISTRAR
M/s Hameed Majeed Associates (Pvt.) Ltd.
5th Floor, Karachi Chambers,
Hasrat Mohani Road,
Karachi.
Phone # 021-32412754, 32424826
Fax # 021-32424835

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 48th Annual General Meeting of members of NAGINA COTTON MILLS LTD will be held at the Registered Office of the Company situated at 2nd Floor, Shaikh Sultan Trust Bldg. No.2, 26, Civil Lines, Beaumont Road, Karachi - 75530 on Friday, October 30, 2015 at 03:30 p.m. to transact the following business:-

A. Ordinary Business

1) To confirm minutes of the Annual General Meeting held on October 29, 2014.

2) To receive and adopt Audited Accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.

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

4) To appoint Auditors and fix their remuneration.

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

B. Special Business

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

RESOLVED that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, **Nagina Cotton Mills Ltd.,** (the “Company”) be and is hereby authorized to make investment of up to PKR 75,000,000 (Rupees Seventy Five Million Only) from time to time in each of the following associated companies (a) Prosperity Weaving Mills Ltd, (b) Ellcot Spinning Mills Ltd, by way of advances and / loans, as and when required by these associated companies provided that the return on such loans and / advances shall not be less than the average borrowing cost of the Company and that such loans / or advances shall be repayable within one year from the date of disbursement.

FURTHER RESOLVED that the above said resolution shall be valid for 5 (five) years and the Chief Executive Officer of the Company be and is hereby authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and the Chief Executive and / or Company Secretary be and are here by singly authorized to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

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

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

September 29, 2015

NOTES:

1) The share transfer books for ordinary shares of the Company will be closed from Saturday, October 24, 2015 to Friday, October 30, 2015 (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 23, 2015 will be in time to be passed for payment of dividend to the transferee(s).

2) A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.

3) The shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their bankers, account number and participant I.D number for identification purpose.

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

5) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 19(I)/2014 dated January 10, 2014 read with Notification S.R.O. 831(I)/2012 dated July 5, 2012.

   Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

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

7) The financial statements for the year ended June 30, 2015 shall be uploaded on the Company's website on or before October 9, 2015.

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

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

10) IMPORTANT:

a) Pursuant to the Finance Act 2015, effective July 1, 2015, all individuals/ companies / association of persons whose CNIC/NTN is **NOT** included in the **“List of FILERS”** available at Federal Board of Revenue's website (http://www.fbr.gov.pk) are liable to deduction of a tax at source at higher rate (@17.50%) on dividend.

   Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on “Filer/ Non-Filer” status of principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts.

   In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s).

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

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

Ref. #	Requirement	Information
i.	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established.	**a) M/s. Prosperity Weaving Mills Ltd. (PWML) due to common directorship by the following directors:** **1. Mr. Shaikh Enam Ellahi** **2. Mr. Shahzada Ellahi Shaikh** **3. Mr. Shaukat Ellahi Shaikh** **4. Mr. Shafqat Ellahi Shaikh** **5. Mr. Tariq Zafar Bajwa** **6. Mr. Javaid Bashir Sheikh** **b) M/s. Ellcot Spinning Mills Ltd., (ESML) due to common directorship by the following directors:** **1. Mr. Shaikh Enam Ellahi** **2. Mr. Shahzada Ellahi Shaikh** **3. Mr. Shaukat Ellahi Shaikh** **4. Mr. Shafqat Ellahi Shaikh**
ii.	Amount of loans or advances.	**Rs.75.00 million as a running finance facility in each of the associated company mentioned above.**
iii.	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advance.	**To provide an option to the associated companies to avail finance as and when required and to park any surplus funds with the associated companies to earn a return over and above offered in the market.**
iv.	In case of any loan has already been granted to the said associated company or associated undertakings, the complete details thereof.	**None**
v.	Financial position including main items of balance sheet and profit and loss account of the associated company(s) or associated undertaking(s) on the basis of its latest financial statements for the year ended June 30, 2015.	(see table below)

	ESML	PWML
	Rupees in millions	
Paid Up Capital	109.500	184.800
Non-Current Liabilities	489.922	1,329.552
Current Liabilities	502.913	510.637
Non-Current Assets	1,027.259	1,913.202
Current Assets	1,350.263	875.917
Sales	4,588.788	5,811.482
Gross Profit	291.992	318.755
Finance Cost	60.299	107.221
Profit After Tax	54.299	60.831

Ref. #	Requirement	Information
vi.	Average borrowing cost of the investing company.	**9.96% for the year ended June 30, 2015.**
vii.	Rate of interest, mark-up, profit, fees or commission etc. to be charged.	**Not less than average borrowing cost of the Company to be decided by Chief Executive (Mg. Director).**
viii.	Sources of funds from where loans or advances will be given.	**Surplus funds of the Company**
ix.	Where loans or advances are being granted using borrowed funds:- (I) Justification for granting loan or advance out of borrowed funds; (II) Detail of guarantees/ assets pledged for obtaining such funds, if any; (III) Repayment schedules of borrowing of the investing company.	**Not applicable.**
x.	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	**No security to be obtained as all companies are under common management.**
xi.	If the loan or advances carry conversion feature.	**Not applicable**
xii.	Repayment schedule and terms of loans or advances to be given to the investee company.	**Repayment of loan will be made in one year from the date of disbursement or such shorter period as may be mutually decided.**
xiii.	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment.	**Agreement will be executed before extending the loan on the basis of the terms and conditions as approved by the shareholders.**
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	**The Directors, sponsors, majority shareholders and their relatives are interested in the business to the extent of their shareholding of the aforesaid associated companies.**

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

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

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

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

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on October 29, 2014. The Company has not made any investment under the resolution. Following is the status:

a. Total investment approved	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)
b. Amount of investment made to date:	Nil
c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.	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 2014-15.
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.	See table below

	Present Financial Position as on June, 30, 2015		Financial Position at the time of Approval as on June 30, 2014	
	PWML	ESML	PWML	ESML
	Rupees in Millions			
Net sales	5,811.482	4,588.788	6,346.901	5,709.484
Gross profit	318.755	291.992	480.701	594.188
Profit before tax	31.188	90.206	243.114	361.435
Profit after tax	60.831	54.299	182.417	297.571

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 48th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2015. Figures for the previous year ended June 30, 2014 are included for comparison.

Company Performance

It has been a challenging year in which the company had to cope with extreme volatility in yarn and raw cotton markets. Demand for textile products in general and cotton yarn in particular declined during the year. Customers blamed the situation on high inventory levels and global recession in textiles. Sale prices remained on a declining path throughout the year. Despite all odds, Alhamdullilah, our company managed to remain profitable due to management's success in accurately anticipating market trends. Net profit after tax stood at Rs.133,688,757 which was 3.18% of sales with EPS of Rs.7.15 (Rs. 253,832,932 in last year 2013-14 with EPS of Rs. 13.57).

Sales revenue dropped by 7.90% over the corresponding year of 2013-14. This fall in revenues was due to decrease in unit price of yarn sold. Cost of sales increased from 87.59% of sales to 90.75% of sales thus causing reduction in GP by 31.33% over the corresponding last year. GP for the year 2014-15 stood at 9.25% of sales.

Distribution cost decreased by 16.37% over the corresponding last year 2013-14 partly due to fall in sales and fall in transportation costs. However, administrative expenses rose by 10%. Other operating expenses decreased by 44.96% over the previous year mainly owing to decrease in the provisions for Workers Profit Participation Fund and Workers Welfare Fund in line with decrease in profitability of the Company. Due to efficient utilization of financial resources, repayment of long term loans and hard negotiations with banks for pricing of loans, the finance cost remained lower by 22.05% over the last year.

Capital Assets Investment

During the year your Company invested Rs. 358,167,289 in Balancing, Modernization, Replacement (BMR)/ expansion in 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 @35% i.e. Rs.3.50* per ordinary share. The dividend will amount to Rs. 65,450,000.

Future Outlook

As reflected in financial results the completed year has been a difficult one for the textile industry. In this year we have witnessed significant fall in commodity prices. Our regional competitors have been devaluing their currencies against the US Dollar whereas Pak Rupee to Dollar parity remained stable. Continuous reduction of prices for yarn from regional competitors and their aggressive marketing has marred our ability to compete with them. Resultantly product margins for yarn have been eroded. The Board is apprehensive that the current recessionary environment may continue to prevail during major part of next financial year. We hope that our Government would extend its support to industry in order to revive exports of the country which have fallen sharply since the start of the financial year 2014-15. Measures such as rationalizing the currency exchange rates, lowering the energy costs, providing uninterrupted supply of energy to industries, timely payment of sales tax, income tax and customs duty refunds and lowering interest rates are required to improve the situation.

Cotton prices both in local and global market continue to show downward trend. Price of new cotton is fluctuating between 4600 to 5000 per maund. Demand for yarn continues to remain slow consequent to which prices are low. Wages and salaries are rising continuously. Therefore, we are foreseeing another challenging year ahead of us but at the same time management is cognizant of the situation and taking all measures to cope with these challenges.

Corporate Social Responsibility

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

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

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

Corporate Governance & Financial Reporting Framework

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

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

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

c) Appropriate accounting policies have been consistently applied 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, 2015 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 2014-2015, 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. Tariq Zafar Bajwa (Director) who purchased 501 Shares. Shares totaling to 600,000 were transferred as gift by Directors, the detail of which is given below:

Name of Transferor	Designation	Name of Transferee	No. of Shares
Mr. Shahzada Ellahi Shaikh	Director	Mr. Haroon Shahzada Ellahi Shaikh	100,000
Mr. Shahzada Ellahi Shaikh	Director	Mr. Omer Ellahi Shaikh	100,000
Mr. Shaukat Ellahi Shaikh	CEO / Director	Mr. Raza Ellahi Shaikh	200,000
Mr. Shafqat Ellahi Shaikh	Director	Mr. Amin Ellahi Shaikh	200,000

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 Deloitte Yousuf Adil (formerly M. Yousuf Adil Saleem & Co.), Chartered Accountants, the statutory external auditors of the Company.

Shareholding Pattern

The shareholding pattern as at June 30, 2015 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:-

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

* Resigned on December 27, 2014.
** Appointed to fill casual vacancy on the Board on December 27, 2014.

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

Audit Committee Meetings

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

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

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

Executive Committee Meetings

During the year, ten (10) meetings of Executive Committee of the Board were held. Attendance by each Director is as follows:

Sr. No.	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	10
2	Mr. Shahzada Ellahi Shaikh	10
3	Mr. Shaukat Ellahi Shaikh	8
4	Mr. Shafqat Ellahi Shaikh	9

Leave of absence was granted to Directors who could not attend any of the Executive Committee meetings.

Human Resource and Remuneration (HR&R) Committee Meetings

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

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

* Ceased to be member with with effect from December 27, 2014.
** Appointed as member with effect from December 27, 2014

Director's Training Program

The Company has complied with the requirements of clause (xi) of the Code of Corporate Governance. Mr. Tariq Zafar Bajwa, Director of the Company has taken certification of the Director's Training Programs during the year.

Appointment of Auditors

Messrs Deloitte Yousuf Adil, Chartered Accountants, Karachi are due to retire and being eligible, offer themselves for re-appointment as Auditors for the year 2015-16. The Audit Committee has recommended for re-appointment of present Auditors.

Acknowledgment

The profitable 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 and other stake holders for their continued support to the Company.

On behalf of the Board

Shaukat Ellahi Shaikh

September 29, 2015

Mg. Director (Chief Executive)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

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

The independent Director meet the criteria of independence under clause 5.19.1. (b) of the CCG.

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. A casual vacancy occurred on the Board on December 27, 2014 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. 5.19.7 has been complied with.

11. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms & conditions of employment 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 and the Chairman of the Committee is an independent Director.

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 29, 2015

SHAREHOLDERS' INFORMATION

Annual General Meeting

48th 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 30, 2015 at 3:30 p.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2015, the Company has 980 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 29, 2015, payment of final cash dividend at the rate of Rs.3.50 per share i.e.35% for the year ended June 30, 2015.

Dividend Mandate (Optional)

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

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

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

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

____
Signature of the Shareholder

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

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

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

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

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

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

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

Pursuant to the provisions of the Finance Act, 2015 with effect from July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

(a) Rate of tax deduction for filer of income tax returns @12.5%
(b) Rate of tax deduction for non-filer of income tax returns @17.5%

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

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

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

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on "Filer/ Non-Filer" status of principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s).

Requirement of Valid Tax Exemption Certificate for Claiming Exemption from Withholding Tax.

As per FBR Circulars C.No.1(29)WHT/2006 dated June 30, 2010 and C.No. 1(43)DG(WHT)/2008-Vol.II-66417-R dated May 12, 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under Clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrars before book closure otherwise tax will be deducted on dividend as per applicable rates.

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

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

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

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

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

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

____

Signature of the Shareholder.

Please send the above request form at the following address:

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

Investor Relations Contact

Mr. Syed Mohsin Gilani, Corporate Secretary
Email: mohsin.gilani@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 29, 2015 has approved the increase in remuneration of Mr. Shaukat Ellahi Sheikh, Mg. Director (Chief Executive), Mr. Syed Mohsin Gilani, Corporate Secretary, Mr. Munawar Iqbal, full time working Director, and Mr. Tariq Zafar Bajwa, full time working Director & CFO effective from July 1, 2015 as under:

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

Description	Present Remuneration	Remuneration After Increase
Remuneration	Rs.393,250/= per month inclusive of 10% medical allowance.	**Rs.452,238/= 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. Syed Mohsin Gilani, Corporate Secretary

Remuneration	Rs.125,000/= per month.	**Rs.137,500/= per month.**
Other benefits	As per Company policy	**As per Company policy**

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

Remuneration	Rs.125,000/= per month	**Rs.137,500/= per month.**
Other benefits	As per Company policy	**As per Company policy**

d) Remuneration of Mr. Tariq Zafar Bajwa, full time working Director & CFO

Remuneration	Rs.125,000/= per month	**Rs.165,000/= per month.**
Other benefits	As per Company policy	**As per Company policy**

Syed Mohsin Gilani
Corporate Secretary

September 29, 2015

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2015
CUIN (INCORPORATION NUMBER) 0002500

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
415	1	100	13,370
289	101	500	83,503
73	501	1,000	58,855
134	1,001	5,000	333,262
35	5,001	10,000	246,290
8	10,001	15,000	103,038
4	15,001	20,000	71,498
3	20,001	25,000	64,700
-	25,001	30,000	-
2	30,001	35,000	64,868
2	35,001	40,000	79,000
-	40,001	75,000	-
1	75,001	80,000	79,692
-	80,001	90,000	-
1	90,001	95,000	91,000
2	95,001	100,000	200,000
-	100,001	115,000	-
1	115,001	120,000	118,736
-	120,001	195,000	-
1	195,001	200,000	200,000
1	200,001	205,000	200,500
-	205,001	315,000	-
1	315,001	320,000	318,658
-	320,001	435,000	-
1	435,001	440,000	437,008
-	440,001	1,015,000	-
3	1,015,001	1,020,000	3,051,542
-	1,020,001	4,280,000	-
2	4,280,001	4,285,000	8,563,080
-	4,285,001	4,320,000	-
1	4,320,001	4,325,000	4,321,400
980	**Total:-**		**18,700,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	13,536,237	72.39
Associated Companies, Undertakings and Related Parties	3,060,542	16.37
NIT and ICP	1,430	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions	6,090	0.03
Insurance Companies	318,658	1.70
Modarabas and Mutual Funds	Nil	Nil
Shareholders Holding 10% or more	12,884,480	68.90
General Public		
a. Local	1,667,308	8.92
b. Foreign	678	0.00
Others (Joint Stock Companies)	109,057	0.58

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2015

S #		Name	Shares Held	Percentage
1)		***Associated Companies, Undertaking and Related Parties***		
	i)	HAROON OMER (PVT) LTD	1,017,147	5.44
	ii)	MONELL (PVT) LTD.	1,017,147	5.44
	iii)	ICARO (PVT) LTD,	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	4,281,680	22.90
	iii)	MR. SHAUKAT ELLAHI SHAIKH	4,321,400	23.11
	iv)	MR. SHAFQAT ELLAHI SHAIKH	4,281,400	22.90
	v)	MR. RAZA ELLAHI SHAIKH	200,500	1.07
	vi)	MRS. HUMERA SHAHZADA ELLAHI SHEIKH	4,248	0.02
	vii)	MRS. MONA SHAUKAT SHAIKH	4,248	0.02
	viii)	MRS. SHAISTA SHAFQAT SHAIKH	4,248	0.02
	ix)	MR. TAJAMMAL HUSAIN BOKHAREE	502	-
	x)	MR. JAVAID BASHIR SHEIKH	500	-
	xi)	MR. TARIQ ZAFAR BAJWA	501	-
	xii)	MR. MUNAWAR IQBAL	2	-
			13,536,237	**72.38**
4)		***Executives***	**200,018**	**1.07**
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.***	**324,748**	**1.74**
7)		***Shareholders Holding Five Percent or More Voting Rights***		
	i)	MONELL (PVT) LTD.	1,017,147	5.44
	ii)	HAROON OMER (PVT) LTD.	1,017,147	5.44
	iii)	ICARO (PVT) LTD.	1,017,248	5.44
	iv)	MR. SHAFQAT ELLAHI SHAIKH	4,281,400	22.90
	v)	MR. SHAHZADA ELLAHI SHAIKH	4,281,680	22.90
	vi)	MR. SHAUKAT ELLAHI SHAIKH	4,321,400	23.11

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2015	2014	2013 (restated)	2012	2011	2010
Sales	Rs.'000	4,208,114	4,569,161	4,451,553	3,674,769	4,596,740	2,746,754
Gross profit	Rs.'000	389,233	566,856	969,563	616,633	888,745	486,759
Operating profit	Rs.'000	217,991	360,207	740,955	466,407	675,875	338,323
Profit before tax	Rs.'000	148,032	270,460	663,938	364,033	489,530	262,550
Profit after tax	Rs.'000	133,689	253,833	643,734	329,166	466,585	248,511
Share capital - paid up	Rs.'000	187,000	187,000	187,000	187,000	187,000	187,000
Shareholders' equity	Rs.'000	1,870,217	1,842,813	1,782,879	1,271,227	1,054,261	660,407
Total assets	Rs.'000	2,768,308	2,883,654	2,652,601	1,851,471	2,049,587	1,255,841
Earning per share - pre tax	Rs.	7.92	14.46	35.50	19.47	26.18	14.04
Earnings per share - after tax	Rs.	7.15	13.57	34.42	17.60	24.95	13.29
Cash Dividend per share	Rs.	3.50	6.00	10.00	5.00	6.00	-
Specie Dividend - Ellcot	%	-	-	-	-	-	15.00
Specie Dividend - Prosperity	%	-	-	-	-	-	5.00
Market value per share as on 30 June	Rs.	63.00	69.01	71.79	22.96	15.00	11.29
Gross profit to sales	%	9.25	12.41	21.78	16.78	19.33	17.72
Operating profit to sales	%	5.18	7.88	16.64	12.69	14.70	12.32
Profit before tax to sales	%	3.52	5.92	14.91	9.91	10.65	9.56
Profit after tax to sales	%	3.18	5.56	14.46	8.96	10.15	9.05
Current ratio		3.46:1	3.21:1	4.77:1	3.95:1	2.03:1	1.5:1
Total debt to total assets ratio	%	32.44	36.09	32.79	31.34	48.57	47.27
Debt equity ratio	%	20.09	22.47	24.61	22.16	28.00	30.12

Deloitte.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **Nagina Cotton Mills Limited** (the Company) for the year ended June 30, 2015 to comply with the requirements of Regulation of the Karachi Stock Exchange and the Lahore Stock Exchange, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended June 30, 2015.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Date: September 29, 2015
Place: Karachi

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, 2015 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, 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Date: September 29, 2015
Place: Karachi

NAGINA
NAGINA GROUP

BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 shares of Rs. 10/- each		**500,000,000**	500,000,000
Issued, subscribed and paid-up capital	5	**187,000,000**	187,000,000
Capital reserves	6	**253,964,417**	253,964,417
Unappropriated profit		**1,429,252,178**	1,401,848,201
Total Equity		**1,870,216,595**	1,842,812,618
LIABILITIES			
NON CURRENT LIABILITIES			
Long - term finances	7	**398,853,549**	427,024,977
Deferred liabilities	9	**83,628,947**	59,076,666
		482,482,496	486,101,643
CURRENT LIABILITIES			
Trade and other payables	10	**311,338,463**	241,340,902
Accrued interest/mark-up	11	**6,148,894**	12,916,435
Short - term borrowings	12	**26,744,279**	193,523,821
Current portion of long-term finances	7	**71,376,895**	106,506,189
Current portion of liabilities against assets subject to finance lease	8	**-**	452,476
		415,608,531	554,739,823
TOTAL LIABILITIES		**898,091,027**	1,040,841,466
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**2,768,307,622**	2,883,654,084

The annexed notes from 1 to 43 form an integral part of these financial statements.

September 29, 2015

Shahzada Ellahi Shaikh
Director

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	**1,315,501,708**	1,088,031,051
Investment properties	15	**15,103,781**	15,422,297
Long-term deposits		**1,068,980**	1,233,829
		1,331,674,469	1,104,687,177
CURRENT ASSETS			
Stores and spares	16	**25,116,025**	19,991,364
Stock-in-trade	17	**478,506,703**	638,772,492
Trade debts	18	**66,280,225**	207,322,038
Loans and advances	19	**122,448,878**	91,280,479
Prepayments	20	**2,359,653**	2,291,733
Other receivables	21	**1,905,360**	1,750,044
Sales tax refundable		**51,083,739**	27,457,990
Other financial assets	22	**599,319,634**	785,681,725
Cash and bank balances	23	**89,612,936**	4,419,042
		1,436,633,153	1,778,966,907
TOTAL ASSETS		**2,768,307,622**	2,883,654,084

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales	24	**4,208,113,516**	4,569,161,442
Cost of goods sold	25	**(3,818,880,520)**	(4,002,305,639)
Gross profit		**389,232,996**	566,855,803
Distribution cost	26	**(104,495,620)**	(124,953,670)
Administrative expenses	27	**(99,073,058)**	(90,075,382)
Other operating expenses	28	**(11,092,746)**	(20,155,186)
		(214,661,424)	(235,184,238)
Other income	29	**43,419,046**	28,535,881
Operating profit		**217,990,618**	360,207,446
Finance cost	30	**(69,959,094)**	(89,747,918)
Profit before taxation		**148,031,524**	270,459,528
Provision for taxation	31	**(14,342,767)**	(16,626,596)
Profit after taxation		**133,688,757**	253,832,932
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit liability		**5,915,220**	(6,899,653)
Items that may be reclassified subsequently to profit and loss account		**-**	-
Total other comprehensive income/loss for the year		**5,915,220**	(6,899,653)
Total comprehensive income for the year		**139,603,977**	**246,933,279**
Earnings per share - basic and diluted	32	**7.15**	13.57

The annexed notes from 1 to 43 form an integral part of these financial statements.

September 29, 2015

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**688,182,457**	1,147,959,614
(Payments) made / receipt of:			
Employees retirement benefits		**(17,664,555)**	(12,032,189)
Finance cost		**(76,726,634)**	(94,453,686)
Income tax		**(51,724,832)**	(58,168,213)
Long term deposits		**164,849**	83,900
Net cash generated from operating activities	A	**542,231,285**	983,389,426
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		**(353,199,130)**	(178,018,329)
Proceeds from disposal of property, plant and equipment		**11,286,200**	4,408,000
Purchase of other financial assets		**(3,382,476,038)**	(769,950,000)
Proceeds from disposal of other financial assets		**2,812,924,179**	777,587,829
Rental Income received		**15,633,696**	14,211,663
Net cash used in investing activities	B	**(895,831,093)**	(151,760,837)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finances obtained		**136,883,930**	96,316,407
Repayment of long-term finances		**(200,184,652)**	(143,319,209)
Repayment of principal portion of liabilities against assets subject to finance leases		**(452,476)**	(1,085,838)
Net (decrease) / increase in short-term borrowings excluding running finance		**(180,385,897)**	179,569,951
Dividend paid		**(112,200,000)**	(187,000,000)
Net cash used in financing activities	C	**(356,339,095)**	(55,518,689)
Net (decrease) / increase in cash and cash equivalents	(A+B+C)	**(709,938,903)**	776,109,900
Cash and cash equivalents at the beginning of the year		**775,556,721**	(553,179)
Cash and cash equivalents at the end of the year		**65,617,818**	775,556,721
Cash and cash equivalents			
Cash and bank balances	23	**89,612,936**	4,419,042
Short-term running finances		**(23,995,118)**	(14,544,046)
Other financial assets -Term Deposit Reciepts		**-**	785,681,725
		65,617,818	775,556,721

The annexed notes from 1 to 43 form an integral part of these financial statements.

September 29, 2015

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Issued subscribed and paid-up capital	Capital reserves: Amalgamation reserve Note 6.1	Capital reserves: Capital redemption reserve Note 6.2	Revenue reserve: Unappropriated profit	Total
	---------- Rupees ----------				
Balance as at June 30, 2013	187,000,000	12,104,417	241,860,000	1,341,914,922	1,782,879,339
Total Comprehensive Income					
Profit for the year	-	-	-	253,832,932	253,832,932
Other comprehensive income	-	-	-	(6,899,653)	(6,899,653)
Total comprehensive income for the year	-	-	-	246,933,279	246,933,279
Transaction with owners:					
Final dividend @ 100% i.e. Rs. 10 per ordinary share	-	-	-	(187,000,000)	(187,000,000)
Balance as at June 30, 2014	**187,000,000**	**12,104,417**	**241,860,000**	**1,401,848,201**	**1,842,812,618**
Total Comprehensive Income					
Profit for the year	**-**	**-**	**-**	**133,688,757**	**133,688,757**
Other comprehensive income	**-**	**-**	**-**	**5,915,220**	**5,915,220**
Total Comprehensive Income for the year	**-**	**-**	**-**	**139,603,977**	**139,603,977**
Transaction with owners;					
Final dividend @ 60% i.e. Rs. 6 per ordinary share	**-**	**-**	**-**	**(112,200,000)**	**(112,200,000)**
Balance as at June 30, 2015	**187,000,000**	**12,104,417**	**241,860,000**	**1,429,252,178**	**1,870,216,595**

The annexed notes from 1 to 43 form an integral part of these financial statements.

September 29, 2015

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 yarn. The Company's manufacturing facilities are located in Kotri Industrial Trading Estate in the province of Sindh.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and Presentation Currency

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

2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015

2.4.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2015. 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 / Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 19 Employee Benefits: Employee contributions	July 1, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	January 1, 2014
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 1, 2014
IFRIC 21 - Levies	January 1, 2014

2.5 New accounting standards / amendments 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.

Standards / Amendments / Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 1, 2016
IAS 27 (Revised 2011) – Separate Financial Statements	January 1, 2015. IAS 27 (Revised 2011) will concurrently apply with
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 1, 2015
IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015

Certain annual improvements have also been made to a number of IFRSs.

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 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Leases

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

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

3.2 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest method.

3.3 Provisions

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

3.4 Property, plant and equipment

Owned

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

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

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

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

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

Assets held under finance lease

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

Capital work in progress

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

3.5 Investment properties

Investment properties are properties held to earn rentals and / or capital appreciation. The investment property of the Company comprises land and buildings which are valued using the cost method i.e. at cost less accumulated depreciation and impairment, if any.

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

3.6 Investments

Regular way purchase or sale of 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.

Investment at Fair value through profit or loss

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

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

* such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
* the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s risk management; or
* it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit & loss.

Held-to-maturity

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

Derecognition

All 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.

3.7 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. The most recent valuation of the scheme was carried out as at June 30, 2015.

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

3.8 Stores and spares

These are valued at lower of moving average cost and net realizable value less allowance for obsolete and slow moving items. Items in transit are valued at cost accumulated up to the balance sheet date.

3.9 Stock in trade

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

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

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

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

During the year, the company has made a change in the method of valuation of raw material from weighted average to moving average, the effect of which is not material.

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, short-term running finances and term deposit receipts of less than 3 months.

3.12 Impairment

Financial assets

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

Non-financial assets

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

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

3.13 Financial instruments

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

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

3.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.15 Foreign currency translations

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

3.16 Revenue recognition

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

Dividend is recognized when right to receive is established.

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

Rental income is recognized when it is due.

3.17 Borrowing costs

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

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

3.18 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of 1% of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

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

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

Deferred tax has not not been recognized as the entire income of the Company is subject to deduction of tax at source that is taken as a final tax liability (under any provision of the Income Tax Ordinance, 2001), consequently there will be no temporary differences.

3.19 Dividend and other appropriations

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

3.20 Earnings per share

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

3.21 Segment Reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker (CODM). The Company considers Chief Executive as its CODM who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 39 to these financial statements.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

i. Assumptions and estimates used in the recognition of current and deferred taxation (note 3.18 & 31)
ii. Assumptions and estimates used in accounting for defined benefit plan (note 3.7 & 9.1)
iii. Assumptions and estimates used in calculating the provision for impairment of trade debts (note 18)
iv. Assumptions and estimates used in determining the residual values and useful lives of property,plant and equipment (note 3.4 & 14)
v. Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 17)

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
Number of shares			Rupees	Rupees
		Ordinary shares of Rs.10/- each fully paid		
3,133,000	3,133,000	In cash	**31,330,000**	31,330,000
15,567,000	15,567,000	As bonus shares	**155,670,000**	155,670,000
18,700,000	18,700,000		**187,000,000**	187,000,000

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

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

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

	2015	2014
Associates - due to common directorship	**Number Of Shares**	
Monell (Private) Limited	**1,017,147**	1,017,147
Haroon Omer (Private) Limited	**1,017,147**	1,017,147
ICARO (Private) Limited	**1,017,248**	1,017,248
Ellahi International (Private) Limited	**9,000**	9,000
	3,060,542	3,060,542

6. CAPITAL RESERVES	Note	2015 Rupees	2014 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.

7. LONG-TERM FINANCES

	Note	2015	2014
From banking companies and other financial institutions - secured			
Demand finances	7.1	**274,999,904**	331,666,552
Term finances	7.2	**54,545,455**	194,163,459
Long-term financing facility (LTFF)	7.3	**969,000**	4,869,000
Long-term financing facility (NIDF)	7.4	**136,883,930**	-
Custom debentures	7.5	**2,832,155**	2,832,155
		470,230,444	533,531,166
Less: Current portion:			
Demand finances		**(56,666,648)**	(56,666,648)
Term finance		**(10,909,092)**	(43,107,386)
Long-term financing facility (LTFF)		**(969,000)**	(3,900,000)
Custom debentures		**(2,832,155)**	(2,832,155)
		(71,376,895)	(106,506,189)
		398,853,549	427,024,977

7.1 Demand finances

Name of institution	Limit 2015	Limit 2014	Outstanding amount 2015	Outstanding amount 2014	Details of financing, security and repayment terms
	Rupees		Rupees		
National Bank of Pakistan (Facillity I)	100,000,000	100,000,000	74,999,983	91,666,647	Facility is secured against first pari passu hypothecation charge over all present and future fixed assets and first pari passu equitable mortgage charge over land and building of the Company. The loan carries mark-up at a rate of 3 month average KIBOR ask side plus 175 bps (2014 : 3 months average KIBOR ask side plus 175 bps) repayable in 24 equal quarterly installments commenced from January 2014.
National Bank of Pakistan (Facillity II)	240,000,000	240,000,000	199,999,921	239,999,905	Facility is secured against first pari passu hypothecation charge over all present and future fixed assets and first pari passu equitable mortgage charge over land and building with 25% margin. The loan carries mark-up at a rate of 3 month average KIBOR ask side plus 175 bps (2014 : 3 months average KIBOR ask side plus 175 bps) repayable in 24 equal quarterly installments commenced from August 2014.
			274,999,904	331,666,552	

7.2 Term Finance Facillities

Name of institution	Limit 2015	Limit 2014	Outstanding amount 2015	Outstanding amount 2014	Details of financing, security and repayment terms
Habib Bank Limited	60,000,000	60,000,000	54,545,455	60,000,000	Facility is secured against first pari passu charge on entire present and future fixed assets of the Company and personal 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 (2014 : 3 month average KIBOR plus 135 bps) repayable in 22 equal quarterly installments commenced from February 2015.
Faysal Bank	-	100,000,000	-	66,666,667	Facility was secured against first pari passu charge over fixed assets of the Company. This loan carried mark-up at the rate of 6 month KIBOR offer rate plus 135 bps and was repayable in 9 equal half yearly installments commenced from March 2013. The facility was fully paid during the year.
Faysal Bank	-	84,864,000	-	67,496,792	Facility was secured against first pari passu charge over fixed assets. This loan carried mark-up at the rate of 6 months average KIBOR offer rate plus 135 bps and was repayable in 11 equal half yearly installments commenced from February 2013. The facility was fully paid during the year.
			54,545,455	194,163,459	

7.3 Long Term Finance Facilities (LTFF)

Name of institution	Limit 2015 Rupees	Limit 2014	Outstanding amount 2015 Rupees	Outstanding amount 2014	Details of financing, security and repayment terms
National Bank of Pakistan	15,594,000	15,594,000	969,000	4,869,000	The facility is secured against first pari passu charge over fixed assets (land, building, plant and machinery) of the Company excluding power generation plant and personal guarantees of all the sponsoring directors. It comprises of loan facility amounting to Rs. 15.594 million carrying mark-up at the rate of 10.4% (2014: 10.4%). The facility was obtained under SBP's LTFF scheme and SMEFD circular no. 06 dated, March 31, 2010 and circular no. 16 dated October 31, 2009.
			969,000	4,869,000	

7.4 Long Term Finance Facilities (NIDF)

Name of institution	Limit 2015 Rupees	Limit 2014	Outstanding amount 2015 Rupees	Outstanding amount 2014	Details of financing, security and repayment terms
United Bank Limited	450,000,000	-	136,883,930	-	Facility is secured against first pari passu charge by way of equitable mortage over fixed assets (land, building & machinery) of the company. The facility carries mark-up at the rate of 3 months KIBOR plus 100 bps.(2014:Nil) repayable in 22 equal quarterly installments commencing from March 2017.
			136,883,930	-	

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

7.6 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	2015 Rupees	2014 Rupees
6 months or less			
- Short-term borrowings	12	**26,744,279**	193,523,821
- Long-term finances	7	**466,429,289**	525,830,011
- Liabilities against assets subject to finance lease	8	**-**	452,476

7.7 Management considers that there is no 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:

	2015		2014	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	- - - - - - - - - - Rupees - - - - - - - - - -			
Within one year	-	-	460,362	452,476
After one year but not more than five years	-	-	-	-
Total minimum lease payments	-	-	460,362	452,476
Amount representing finance charges	-	-	(7,886)	-
Present value of minimum lease payments	-	-	452,476	452,476
Less: Current portion	-	-	(452,476)	(452,476)
	-	-	-	-

8.1 These represented vehicles acquired under finance lease. In prior year, the effective financing rate used as discounting factor ranged from 11.29% to 13.14% per annum. These were secured against demand promissory notes and security deposits having terms of 3 to 5 years. The Company has exercised its option to purchase the vehicles upon completion of the lease period.

	2015 Rupees	2014 Rupees
9. DEFERRED LIABILITIES		
Provision for gratuity	**83,628,947**	59,076,666

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

Actuarial assumptions	**2015**	**2014**
- Discount rate	**9.75%**	13.25%
- Expected rate of salary increase	**7.75%**	11.25%
- Average expected remaining working life of the employees	**10 years**	10 years

Movement in the net defined benefit liability

Balance at the beginning of the year	**59,076,666**	49,237,466
Recognised in profit and loss account		
Current service cost	**41,474,675**	10,433,492
Interest cost	**6,657,381**	4,538,244
	48,132,056	14,971,736
Recognised in other comprehensive income		
Actuarial (gain)/loss on remeasurement of defined benefit liability	**(5,915,220)**	6,899,653
Benefits paid during the year	**(17,664,555)**	(12,032,189)
	83,628,947	59,076,666

Acturial gains and losses

Actuarial (gain) / loss from changes in demographic and financial assumptions	**-**	-
Experience adjustments	**(5,915,220)**	6,899,653
	(5,915,220)	**6,899,653**

During the year, the management has used gross salary for calculation of gratuity expense rather than basic salary due to which an increase of Rs. 27.88 million was accounted for in current service cost.

Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated:

		Increase / (decrease) in defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		2015	
Discount Rate	1%	**(6,396,526)**	**7,528,032**
Salary Increase	1%	**7,802,781**	**(6,742,820)**
Average duration of defined benefit obligation in years		**8**	

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

The scheme exposes the Company to the actuarial risks such as:

Salary risks

The risks that the gross salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the gross salary, the benefit amount increases similarly.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Longevity risks

The risk arises when the actual lifetime of the retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

	Note	2015 Rupees	2014 Rupees
10. TRADE AND OTHER PAYABLES			
Creditors		**45,354,430**	42,225,968
Accrued liabilities	10.1	**188,926,744**	123,063,787
Advance from customers		**10,205,588**	7,418,547
Unclaimed dividend		**5,832,916**	5,369,866
Workers' Profit Participation Fund	10.2	**8,071,694**	14,635,604
Workers' Welfare Fund	10.3	**38,416,320**	35,395,268
Preference shares redemption liability and dividend		**733,365**	733,365
Other Government expenses - Infrastructure fee	10.4	**13,549,878**	11,931,125
Others		**247,528**	567,372
		311,338,463	241,340,902

10.1 This includes an amount of Rs. 124,104,735 (2014 : Rs. 43,463,816) in respect of gas infrastructure development cess which is a disputed amount and will be paid on Court's decision.

	Note	2015 Rupees	2014 Rupees
10.2 Workers' Profit Participation Fund			
Opening balance		**14,635,604**	34,126,587
Interest on fund utilized in the Company's business		**2,309,609**	8,625,140
		16,945,213	42,751,727
Allocation for the year	28	**8,071,694**	14,635,604
		25,016,907	57,387,331
Amount paid to the fund		**(16,945,213)**	(42,751,727)
		8,071,694	14,635,604

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

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, the Company together with other stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against the Company and other stakeholders. Currently management has filed appeal before the Supreme Court of Pakistan against the decision of the Sindh High Court. On prudent basis, the Company has recognized provision amounting to Rs. 38.416 million as at June 30, 2015, although management based on advise of the legal counsel is confident that the ultimate decision will be in favor of the Company, so no payment is being made in this respect.

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

	Note	2015 Rupees	2014 Rupees
11. ACCRUED INTEREST / MARK-UP			
Long-term finances			
From banking companies		**5,846,777**	12,029,317
Liabilities against assets subject to finance lease		**-**	2,052
Short-term borrowings		**302,117**	885,066
		6,148,894	12,916,435
12. SHORT-TERM BORROWINGS			
- Banking companies - secured			
Running finance	12.1	**23,995,118**	14,544,046
Cash finance	12.1	**2,749,161**	-
Foreign currency finance	12.1	**-**	178,979,775
	12.2	**26,744,279**	193,523,821

12.1 The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 2,520 million (2014 : Rs. 2,505 million). These borrowings are secured against hypothecation of stocks and book debts / receivables of the Company and pari passu charge on present and future current assets, demand promissory notes, personal guarantee of directors and lien on export orders / contracts.Cash and running finance facilities are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.1% to 0.75% (2014 : from 1 to 3 month KIBOR plus 0.1% to 1.25%) payable on quarterly basis where as there are no foreign currency loans. (2014 : markup rate from 0.75% to 2.65175%).

12.2 The aggregate unavailed short-term borrowing facilities available amounted to Rs. 2,493 million (2014 : Rs. 2,311 million).

	Note	2015 Rupees	2014 Rupees
13. CONTINGENCIES AND COMMITMENTS			
13.1 Contingencies			
Bank guarantees issued on behalf of the Company	13.1.1	**14,602,000**	14,161,000
Bills discounted		**690,181,911**	800,969,001

13.1.1 These include bank guarantee issued in favour of Hyderabad Electric Supply Company (HESCO) for Rs.14,602,000 (2014: Rs. 14,161,000) in connection with new connection for a load of 4,900 KW.

	Note	2015 Rupees	2014 Rupees
13.2 Commitments			
Stores and spares		**2,854,516**	9,270,487
Machinery		**87,202,598**	6,481,960
Civil Work		**13,990,888**	10,837,367
Commitments for rentals of assets under operating lease agreements as at June 30, 2015:			
Not later than one year		**2,583,184**	1,902,066
- Later than one year and not later than five years		**-**	558,135
- Later than five years		**-**	-
14. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	**1,294,647,924**	1,062,209,108
Capital work in progress	14.2	**20,853,784**	25,821,943
		1,315,501,708	1,088,031,051

14.1 Operating fixed assets

Particulars	Cost at July 01, 2014	Additions / (Deletions)	Cost at June 30, 2015	Accumulated depreciation at July 01, 2014	Depreciation for the year	Accumulated depreciation at June 30, 2015	Written down value at June 30, 2015	Rate of Depreciation
	2015							
	(Rupees)							
Owned								
Land - freehold	**7,400,318**	**-**	**7,400,318**	**-**	**-**	**-**	**7,400,318**	**-**
Land - leasehold	**2,474,682**	**-**	**2,474,682**	**-**	**-**	**-**	**2,474,682**	**-**
Commercial building on free hold land	**16,699,610**	**-**	**16,699,610**	**9,196,425**	**375,159**	**9,571,584**	**7,128,026**	**5**
Mills buildings on lease hold land	**166,720,668**	**1,627,573**	**168,348,241**	**96,795,971**	**7,122,829**	**103,918,800**	**64,429,441**	**10**
Other buildings on leasehold land	**25,105,632**	**-**	**25,105,632**	**13,816,808**	**564,441**	**14,381,249**	**10,724,383**	**5**
Machinery and equipment	**1,634,680,837**	**339,114,593** **(12,388,907)**	**1,961,406,523**	**780,460,217**	**92,034,736** **(4,229,653)**	**868,265,300**	**1,093,141,223**	**10**
Electric installations and equipment	**103,376,010**	**5,839,984**	**109,215,994**	**44,792,379**	**5,938,027**	**50,730,406**	**58,485,588**	**10**
Gas installations	**3,671,136**	**-**	**3,671,136**	**2,469,883**	**120,133**	**2,590,016**	**1,081,120**	**10**
Office equipment	**15,053,902**	**943,261**	**15,997,163**	**9,071,190**	**661,815**	**9,733,005**	**6,264,158**	**10**
Furniture and fixtures	**21,979,430**	**1,192,889** **(19,000)**	**23,153,319**	**10,939,601**	**1,166,464** **(6,281)**	**12,099,784**	**11,053,535**	**10**
Vehicles	**55,068,594**	**9,448,989** **3,498,000** **(5,336,110)**	**62,679,473**	**23,970,536**	**7,788,923** **2,013,790** **(3,559,226)**	**30,214,023**	**32,465,450**	**20**
	2,052,230,819	**361,665,289** **(17,744,017)**	**2,396,152,091**	**991,513,010**	**117,786,317** **(7,795,160)**	**1,101,504,167**	**1,294,647,924**	
Held under finance lease								
Vehicles	**3,498,000**	**-** **(3,498,000)**	**-**	**2,006,701**	**7,089** **(2,013,790)**	**-**	**-**	**20**
	2,055,728,819	**358,167,289** **(17,744,017)**	**2,396,152,091**	**993,519,711**	**115,779,616** **(7,795,160)**	**1,101,504,167**	**1,294,647,924**	

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

	Note	2015 Rupees	2014 Rupees
14.1.1 Total depreciation			
Owned and leased assets	14.1	**115,779,616**	100,816,674
Investment property	15	**318,516**	335,280
	14.1.2	**116,098,132**	**101,151,954**
14.1.2 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	25.1	**105,766,933**	90,890,254
Administrative expenses	27	**10,331,199**	10,261,700
		116,098,132	101,151,954

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
Machinery & Equipment	326,575	21,599	304,976	330,000	25,024	Negotiation	Ellcot Spinning Mills Limited 91-B-1, M.M. Alam Road, Gulberg III, Lahore
Machinery & Equipment	260,341	219,436	40,905	110,000	69,095	Negotiation	Nadeem Textile Mills Limited A-265 S.I.T.E. Nooriabad, Jamshoro
Machinery & Equipment	2,038,491	1,863,634	174,857	490,000	315,143	Negotiation	Abdullah Traders Godown No. 219 Dar-Ul-Ehsan Town, Samundri Road, Faisalabad
Machinery & Equipment	2,440,000	713,522	1,726,478	1,642,560	(83,918)	Negotiation	Textile Central Company Limited 109-33 Moo 1 Sukhontawit Road, Donkaidee Kra Tumban, Samutsakorn, 74110, Thailand
Machinery & Equipment	4,523,500	1,294,796	3,228,704	3,285,120	56,416	Negotiation	Textile Central Company Limited 109-33 Moo 1 Sukhontawit Road, Donkaidee Kra Tumban, Samutsakorn, 74110, Thailand
Machinery & Equipment	2,800,000	116,667	2,683,333	3,285,120	601,787	Negotiation	Textile Central Company Limited 109-33 Moo 1 Sukhontawit Road, Donkaidee Kra Tumban, Samutsakorn, 74110, Thailand
Furniture and fixtures	19,000	6,281	12,719	5,000	(7,719)	Negotiation	Ideal Electronics Shop No 18, Beauty House, Abdullah Haroon Road, Saddar Karachi
Vehicles	1,416,000	745,738	670,262	900,000	229,738	Negotiation	Shehzada Sultan Mubashir House No. 151-D, Mohalla Askari Housing Complex, Gulberg III, Lahore
Vehicles	891,995	549,878	342,117	355,000	12,883	Negotiation	Muhammad Waseem Flat No. 307, Maryam Complex, Jubilee Cloth Market, Karachi
Vehicles	72,900	7,256	65,644	69,900	4,256	Negotiation	New Hampshire Insurance Company 907-908, 9th Floor Business And Financial Centre, I.I. Chundrigar Road, Karachi
Vehicles	67,400	47,151	20,249	31,500	11,251	Negotiation	Muhammad Waqas Siddiqi Flat No. B-16, Sector 14-B, Gulshan View Apartments, Metroville-III Scheme No. 33, Karachi
Vehicles	1,691,560	1,592,736	98,824	210,000	111,176	Negotiation	Moosa Suleman Azad Road, New Kalri Lyari, House No AK-7B-555-1, Street No 4, Karachi
Vehicles	605,000	266,105	338,895	320,000	(18,895)	Negotiation	Zaheer Abbas Mohalla Arshad, New Abadi, Shahdra Town, Lahore
Vehicles	521,355	303,816	217,539	232,000	14,461	Negotiation	Dawood Khan House No. 273, Mohalla Badar Chowk, Khyber Colony, Orangi Town, Sector 4-F, Karachi
Vehicles	69,900	46,545	23,355	20,000	(3,355)	Negotiation	Hafiz ur Rehman House No. N-255, Samanabad, Lahore
Rupees 2015	**17,744,017**	**7,795,160**	**9,948,857**	**11,286,200**	**1,337,343**		
Rupees 2014	44,290,592	40,592,870	3,697,722	4,408,000	710,278		

	Note	2015 Rupees	2014 Rupees
14.2 Capital work-in-Progress			
Civil work	14.2.1	**13,045,638**	5,414,747
Machinery and electrical installations	14.2.2	**2,347,772**	17,273,822
Advance for computer software		**3,229,374**	3,133,374
Advance for vehicles		**2,231,000**	-
		20,853,784	**25,821,943**

14.2.1 Civil work

	Note	2015 Rupees	2014 Rupees
Opening balance		**5,414,747**	7,153,938
Additions during the year	14.2.3	**9,258,464**	22,999,425
		14,673,211	30,153,363
Transfer to property, plant and equipment during the year		**(1,627,573)**	(24,738,616)
Closing balance		**13,045,638**	5,414,747

14.2.2 Machinery and electrical installations

	Note	2015 Rupees	2014 Rupees
Opening balance		**17,273,822**	185,107,746
Additions during the year		**325,803,868**	142,543,356
		343,077,690	327,651,102
Transfer to property, plant and equipment during the year		**(340,729,917)**	(310,377,280)
Closing balance		**2,347,772**	17,273,822

14.2.3 These include advances to suppliers amounting to Rs. 4,102,793 (2014 : 5,054,152)

15. INVESTMENT PROPERTIES

	Cost			Depreciation			Written down	Annual
	As at July 1, 2014	Additions / (disposals)	As at June 30, 2015	As at July 1, 2014	Charge For the year	As at June 30, 2015	value as at June 30, 2015	rate of Dep. %
Building on free hold land in Lahore	**17,539,312**	**-**	**17,539,312**	**11,168,984**	**318,516**	**11,487,500**	**6,051,812**	**5%**
Land in Sheikhupura - freehold	**751,338**	**-**	**751,338**	**-**	**-**	-	**751,338**	-
Land in Lahore - free hold	**8,300,631**	**-**	**8,300,631**	**-**	**-**	**-**	**8,300,631**	**-**
2015 Rupees	**26,591,281**	**-**	**26,591,281**	**11,168,984**	**318,516**	**11,487,500**	**15,103,781**	
2014 Rupees	26,591,281	-	26,591,281	10,833,704	335,280	11,168,984	15,422,297	

15.1 The free hold land was revalued by a professional valuer M/s Surval on May 22, 2015. As per that Valuation, the fair value of land in Sheikhupura is Rs. 37 million and of land and building in Lahore - free hold is Rs. 367.436 million as at June 30, 2015.

	Note	2015 Rupees	2014 Rupees
16. STORES AND SPARES			
Stores		**12,177,921**	6,921,469
Spares		**12,938,104**	13,069,895
		25,116,025	19,991,364
17. STOCK-IN-TRADE			
Raw material in hand		**417,522,678**	551,442,728
Work-in-process		**29,200,532**	43,867,820
Finished goods		**30,599,818**	40,565,977
Waste		**1,183,675**	2,895,967
		478,506,703	638,772,492
18. TRADE DEBTS			
Considered good			
Foreign - secured	18.1	**47,028,529**	176,280,250
Local - unsecured	18.2	**19,251,696**	31,041,788
		66,280,225	207,322,038
Considered doubtful		**1,044,009**	1,944,009
		67,324,234	209,266,047
Less: Provision for doubtful debts		**(1,044,009)**	(1,944,009)
		66,280,225	207,322,038

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

18.2 These are non-interest bearing. The normal credit period is 30 to 45 day terms.

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

18.4 Trade debts include debtors with a carrying amount of Rs. 1.313 million (2014: 17.155 million) which are past due at the reporting date, against which the Company has not made a provision as there has not been a significant change in credit quality and the amount is considered recoverable.

18.4.1 Aging of past due but not impaired	Note	2015 Rupees	2014 Rupees
46-90 days		**1,161,306**	17,011,858
91-180 days		**-**	7,826
181 days and above		**152,490**	135,678
		1,313,796	17,155,362

	Note	2015 Rupees	2014 Rupees
19. LOANS AND ADVANCES			
Considered good			
Advances			
Employees		**197,322**	118,949
Income tax	19.1	**117,017,000**	79,634,935
Suppliers		**4,855,433**	5,624,842
Expenses		**207,777**	220,129
Letters of credit		**171,346**	5,681,624
		122,448,878	91,280,479

		Note	2015 Rupees	2014 Rupees
19.1	Movement of advance tax is as under:			
	Opening balance		**79,634,935**	38,093,318
	Paid during the year		**51,724,832**	58,168,213
	Provision for tax	31	**(14,342,767)**	(16,626,596)
			117,017,000	79,634,935

20. PREPAYMENTS

Prepaid expenses	**2,359,653**	2,291,733
	2,359,653	2,291,733

21. OTHER RECEIVABLES

Income tax refundable	**892,665**	892,665
Other receivables	**1,012,695**	857,379
	1,905,360	1,750,044

22. OTHER FINANCIAL ASSETS

Investment in mutual funds - Held for trading	22.1	**599,319,634**	-
Investment in PLS Term Deposit - Held to Maturity	22.2	-	785,681,725
		599,319,634	785,681,725

22.1 Units of open ended mutual funds

NBP NAFA money market fund 33,016,947 units	**343,221,070**	-
MCB Cash management fund 2,010,228 units	**201,221,992**	-
UBL Liquidity plus fund 349,570 units	**35,124,558**	-
HBL Mustahekum Sarmaya 196,770 units	**19,752,014**	-
	599,319,634	-

22.2 In 2014, other financial assets included PLS Term Deposit maintained with Habib Bank Limited and Allied Bank Limited amounting to Rs. 385 million and Rs. 400 million respectively for the period of one month having mark up of 10.11% to 10.5%.

		Note	2015 Rupees	2014 Rupees
23.	**CASH AND BANK BALANCES**			
	Cash with banks			
	In current accounts		**89,610,507**	4,417,614
	In deposit accounts		**81**	81
	Cash in hand		**2,348**	1,347
			89,612,936	4,419,042

24. SALES	Note	Local	Export	Total 2015	Total 2014
		------------	------------	(Rupees) ------------	------------
Yarn	24.1 & 24.2	**198,767,754**	**3,967,287,745**	**4,166,055,499**	4,520,203,797
Waste		**37,581,927**	**9,860,793**	**47,442,720**	55,352,913
		236,349,681	**3,977,148,538**	**4,213,498,219**	4,575,556,709
Less : Sales tax				**(5,384,703)**	(6,395,267)
				4,208,113,516	**4,569,161,442**

24.1 Export sales include net exchange loss of Rs. 15,375,109 (2014 : exchange gain of Rs. 72,645,746).

24.2 Export sales include indirect export sales of Rs. 33,163,930 (2014 : Rs. 11,430,100)

25. COST OF GOODS SOLD	Note	2015 Rupees	2014 Rupees
Opening stock - finished goods		**43,461,944**	26,415,128
Cost of goods manufactured	25.1	**3,774,927,756**	4,013,892,455
Purchase of finished goods		**32,274,313**	5,460,000
		3,850,664,013	4,045,767,583
Closing stock - finished goods		**(31,783,493)**	(43,461,944)
		3,818,880,520	**4,002,305,639**

25.1 Cost of goods manufactured

	Note	2015 Rupees	2014 Rupees
Raw material consumed	25.1.1	**2,716,940,661**	3,045,637,240
Packing material consumed		**72,676,839**	73,714,041
Stores and spares consumed		**86,479,983**	112,914,577
Salaries, wages and benefits	25.1.2	**358,301,140**	314,436,855
Fuel		**392,772,493**	341,288,842
Rent, rates and taxes		**539,345**	582,645
Insurance		**9,773,230**	12,035,464
Repairs and maintenance		**5,602,520**	4,973,152
Depreciation	14.1.2	**105,766,933**	90,890,254
Other manufacturing overheads		**11,407,324**	10,621,674
		3,760,260,468	4,007,094,744
Work in process			
Opening stock		**43,867,820**	50,665,531
Closing stock		**(29,200,532)**	(43,867,820)
		14,667,288	6,797,711
		3,774,927,756	4,013,892,455

25.1.1 Raw material consumed

	2015	2014
Opening stock	**551,442,728**	645,709,973
Purchases	**2,583,020,611**	2,951,369,995
	3,134,463,339	3,597,079,968
Closing stock	**(417,522,678)**	(551,442,728)
	2,716,940,661	3,045,637,240

25.1.2 It includes Rs. 40,512,752 (2014 : Rs. 12,700,104) in respect of staff retirement benefits.

		Note	2015 Rupees	2014 Rupees
26.	**DISTRIBUTION COST**			
	Freight		**40,231,569**	45,639,131
	Commission:			
	-Local		**846,011**	1,800,213
	-Export		**26,295,845**	38,557,159
	Stamp duty		**5,414,139**	4,721,672
	Travelling		**4,856,710**	5,011,185
	Export development surcharge		**9,770,568**	10,489,913
	Quality claims		**573,675**	2,261,533
	Distribution expense		**1,188,800**	1,168,000
	Other		**15,318,303**	15,304,864
			104,495,620	124,953,670
27.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration, fees and benefits		**8,491,300**	8,370,489
	Staff salaries and benefits	27.1	**46,323,984**	36,206,821
	Travelling and conveyance		**993,495**	1,717,611
	Printing and stationery		**1,614,199**	1,495,135
	Postage and telephone		**3,128,069**	3,125,253
	Fees, subscription and periodicals		**1,841,545**	2,150,389
	Legal and professional		**890,585**	403,702
	Advertisement		**140,143**	103,087
	Utilities - net of recoveries		**4,036,095**	4,586,419
	Rent, rates and taxes		**4,531,185**	3,759,703
	Insurance		**1,858,010**	2,027,742
	Auditors' remuneration	27.2	**900,000**	780,000
	Repairs and maintenance		**3,547,983**	3,513,055
	Vehicles running and maintenance		**8,098,739**	9,038,895
	Entertainment		**1,307,063**	1,245,002
	Depreciation	27.3 & 14.1.2	**10,331,199**	10,261,700
	Charity and donations	27.4	**30,000**	646,000
	Other		**1,009,464**	644,379
			99,073,058	90,075,382

27.1 It includes Rs. 7,619,304 (2014: Rs. 2,271,632) in respect of staff retirement benefits.

			2015 Rupees	2014 Rupees
27.2	**Auditors' remuneration**			
	Annual audit fee		**550,000**	500,000
	Half yearly review fee		**150,000**	130,000
	Code of Corporate Governance certification		**50,000**	-
	Tax advisory services		**150,000**	150,000
			900,000	780,000

27.3 It includes depreciation on investment properties amounting to Rs. 318,516 (2014 : Rs. 335,280).

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

		Note	2015 Rupees	2014 Rupees
28.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund	10.2	**8,071,694**	14,635,604
	Workers' Welfare Fund	10.3	**3,021,052**	5,519,582
			11,092,746	20,155,186

	Note	2015 Rupees	2014 Rupees
29. OTHER INCOME			
Income from financial assets			
Net gain on sale of other financial assets - held for trading		**24,275,398**	7,517,581
Interest on other financial assets - held to maturity		**5,645,507**	801,974
Unrealized loss on revaluation of other financial assets		**(153,130)**	-
(Loss) / unrealized gain on revaluation of FCY Short Term finance (FE 25)		**(4,155,283)**	4,155,283
Income from assets other than financial assets			
Scrap sales		**835,515**	1,139,103
Gain on disposal of property, plant and equipment	14.1.3	**1,337,343**	710,278
Rental income from investment property		**15,633,696**	14,211,663
		43,419,046	28,535,881

30. FINANCE COST

	2015 Rupees	2014 Rupees
Mark-up / interest on:		
Long term finances	**49,436,598**	55,926,656
Liabilities against assets subject to finance lease	**5,834**	98,840
Short term borrowings	**6,423,713**	13,617,536
Workers' Profit Participation Fund	**2,309,609**	8,625,140
Bank charges and commission	**11,783,340**	11,479,746
	69,959,094	89,747,918

31. PROVISION FOR TAXATION

	2015 Rupees	2014 Rupees
Current tax for the year	**14,342,767**	16,626,596

31.1 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current year in these financial statements as the total income of the Company for the current year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

31.2 Under section 5A of the Income Tax Ordinance, 2001, the Company is obligated to pay tax at the rate of 10 percent on its undistributed reserves exceeding 100 percent of its paid-up capital. The said tax is applicable to a company which derives profits in a tax year but has not distributed a certain amount of profit as cash dividend ("the Requisite Dividend") within 6 months of the end of the year (the "Requisite time"). The board of directors in its meeting held on September 29, 2015 proposed to distribute to the shareholders of the Company the Requisite Dividend. Accordingly, any tax liability in this respect will only be recognized when the Requisite time expires without the Company having distributed the requisite dividend.

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 :

	2015	2014
Profit after taxation (Rupees)	**133,688,757**	253,832,932
Weighted average number of ordinary shares	**18,700,000**	18,700,000
Earnings per share (Rupees)	**7.15**	13.57

33. CASH GENERATED FROM OPERATIONS

	2015 Rupees	2014 Rupees
Profit before taxation	**148,031,524**	270,459,528
Adjustments for:		
Depreciation	**116,098,132**	101,151,954
Provision for gratuity	**48,132,056**	14,971,736
Gain on disposal of property, plant and equipment	**(1,337,343)**	(710,278)
Interest income on other financial assets - held for maturity	**(5,645,507)**	(120,249)
Gain on sale of other financial assets - held for trading	**(24,275,398)**	(7,517,581)
Unrealised loss on revaluation of other financial assets	**153,130**	-
Loss / unrealized (gain) on revaluation of FCY Short Term Loan (FE 25)	**4,155,283**	(4,155,283)
Finance cost	**69,959,094**	89,747,918
Rental Income	**(15,633,696)**	(14,211,663)
	339,637,275	449,616,082
Decrease / (increase) in current assets:		
Stores and spares	**(5,124,661)**	(3,851,386)
Stock-in-trade	**160,265,789**	84,018,140
Trade debts	**141,041,813**	611,519,713
Loans and advances	**6,213,665**	(9,323,185)
Prepayments	**(67,920)**	(431,546)
Other receivables	**(155,316)**	(494,028)
Sales tax refundable	**(23,625,749)**	(9,208,191)
	278,547,621	672,229,517
Increase in current liabilities:		
Trade and other payables	**69,997,561**	26,114,015
Cash generated from operations	**688,182,457**	1,147,959,614

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2015				2014			
	Chief Executive	Director		Executives	Chief Executive	Director		Executives
		Executive	Non-Executive			Executive	Non-Executive	
	Rupees							
Remuneration	**3,775,200**	**2,000,000**	**-**	**14,331,733**	3,432,000	2,200,000	-	12,536,843
House rent		**-**						
allowance	**943,800**	**900,000**	**-**	**6,449,280**	858,000	990,000	-	5,641,580
Other allowances	**-**	**100,000**	**-**	**716,587**	-	110,000	-	626,842
Retirement		**-**		**-**				
benefits	**-**	**164,384**	**-**	**1,071,211**	-	180,822	-	851,899
Leave		**-**						2,092,012
encashment	**-**	**285,416**	**-**	**2,399,340**	-	399,667	-	-
Bonus/ex-gratia	**-**	**-**	**-**	**504,076**	-	-	-	283,641
Meeting fee	**-**	-	**322,500**	**-**	-	-	200,000	-
	4,719,000	**3,449,800**	**322,500**	**25,472,227**	4,290,000	3,880,489	200,000	22,032,817
No. of persons	**1**	**2**	**2**	**14**	1	2	2	15

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

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 34 and amount due in respect of staff retirement benefits is disclosed in note 9. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	2015 Rupees	2014 Rupees
Associated companies	Purchase of goods	**144,610**	5,705,219
	Sale of goods	**35,496,120**	11,054,862
	Rental income	**1,562,500**	1,403,000
	Purchase of fixed assets	**3,276,000**	-
	Dividend paid	**18,363,252**	30,605,420
Directors, family members of directors and key management personnel	Dividend paid	**83,617,416**	139,352,340

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.

		2015	2014
Spinning			
Number of spindles installed	No.	**53,484**	46,428
Plant capacity on the basis of utilization converted in to 20s' count	Kgs	**18,693,587**	15,955,615
Actual production converted into 20s' count	Kgs	**14,457,682**	14,318,436

	2015	2014
Total number of spindles installed	**53,484**	46,428
Total number of spindles worked	**53,484**	46,428
Number of shifts per day	**3**	3
Actual number of shifts in a year	**1,090**	1,090

37. FINANCIAL RISK MANAGEMENT

The Company’s principal financial liabilities, comprise long term finances, trade and other payables and short term borrowings. The main purpose of these financial liabilities is to raise finance for the Company’s operations. The Company's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables and cash and bank balances that arrive directly from its operations. The Company also has 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. 757.663 million (2014: Rs. 1,005.314 million), the financial assets which are subject to credit risk amounted to Rs. 757.663 million (2014: Rs. 1,005.314 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
Meezan Bank Limited	JCR-VIS	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-
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
Habib Metropolitan Bank	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	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.

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. 46.4% of the Company's financial liabilities will mature in less than one year at June 30, 2015 (2014: 49.39%) 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.

	2015					
	Carrying values	Contractual Cash flows	Less than 3 month	3 months - 1 year	1 - 5 years	More than 5 years
	Rupees					
Financial Liabilities						
On balance sheet						
Long-term finances	**470,230,444**	**470,230,444**	**20,695,090**	**50,681,805**	**349,077,577**	**49,775,972**
Liabilities against assets subject to finance lease	**-**	**-**	**-**	**-**	**-**	**-**
Short term borrowings	**26,744,279**	**26,744,279**	**26,744,279**	**-**	**-**	**-**
Accrued interest / mark-up	**6,148,894**	**6,148,894**	**6,148,894**	**-**	**-**	**-**
Trade and other payables - non interest bearing	**241,094,983**	**241,094,983**	**241,094,983**	**-**	**-**	**-**
	744,218,600	**744,218,600**	**294,683,246**	**50,681,805**	**349,077,577**	**49,775,972**

	2014					
	Carrying values	Contractual Cash flows	Less than 3 month	3 months - 1 year	1 - 5 years	More than 5 years
	Rupees					
Financial Liabilities						
On balance sheet						
Long-term finances	533,531,166	533,531,166	14,006,397	101,813,915	417,710,854	-
Liabilities against assets subject to finance lease	452,476	460,362	460,362	-	-	-
Short term borrowings	193,523,821	193,523,821	193,523,821	-	-	-
Accrued interest / mark-up	12,916,435	12,916,435	12,916,435	-	-	-
Trade and other payables - non interest bearing	171,960,358	171,960,358	171,960,358	-	-	-
	912,384,256	912,392,142	392,867,373	101,813,915	417,710,854	-

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

37.2.2 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical business standards;
- risk mitigation, including insurance where it is effective;
- operational and qualitative track record of suppliers and service providers.

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, 2015 would decrease/increase by Rs. 4.932 million (2014 : Rs. 7.189 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, 2015 financial assets include Rs. 47.028 million (2014: Rs. 176.280 million) which are subject to foreign currency risk against US Dollars.

Foreign currency sensitivity analysis

At June 30, 2015, 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. 2.351 million (2014: decreased / increased by Rs 8.814 million), mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade debts.

37.4 Fair values of financial instruments

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

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

37.5 Financial Instruments by Category

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

	Held-to-maturity	Loans and receivables	Held for trading	Total June 30, 2015
	-----------------------	Rupees	-----------------------	
Assets as per balance sheet				
Long term deposits	-	1,068,980	-	1,068,980
Trade debts	-	66,280,225	-	66,280,225
Loans and advances	-	368,668	-	368,668
Other receivables	-	1,012,695	-	1,012,695
Other financial assets	-	-	599,319,634	599,319,634
Cash and bank balances	-	89,612,936	-	89,612,936

	Financial liabilities measured at amortized cost	**Total June 30, 2015**
	---------------- Rupees ----------------	
Liabilities as per balance sheet		
Long-term finances	**470,230,444**	**470,230,444**
Short-term borrowings	**26,744,279**	**26,744,279**
Trade and other payables	**241,094,983**	**241,094,983**
Accrued interest / mark-up	**6,148,894**	**6,148,894**

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

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

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 benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

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

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

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged since June 30, 2014.

39. OPERATING SEGMENTS

Chief Executive considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis. Sales of the Company related to export customers is 94.51 percent (2014: 93.30 percent) . As at year end, all non-current assets of the Company are located within Pakistan.

40. NUMBER OF EMPLOYEES

Total number of employees at the year end was 1,145 (2014 : 1,129). Average number of employees during the year was 1,143 (2014 : 1,127).

41. SUBSEQUENT EVENTS

The board of directors in its meeting held on September 29, 2015, proposed to distribute to the shareholders of the Company a cash dividend at the rate of 35 percent i.e. Rs. 3.50 per ordinary share (2014: Rs. 6 per ordinary share). The dividend is subject to the approval by the shareholders of the Company in its forthcoming Annual General Meeting. These financial statements do not reflect the effect of such dividend which will be accounted for in the financial statements of the Company subsequent to the year end, when it is approved by the shareholders of the Company.

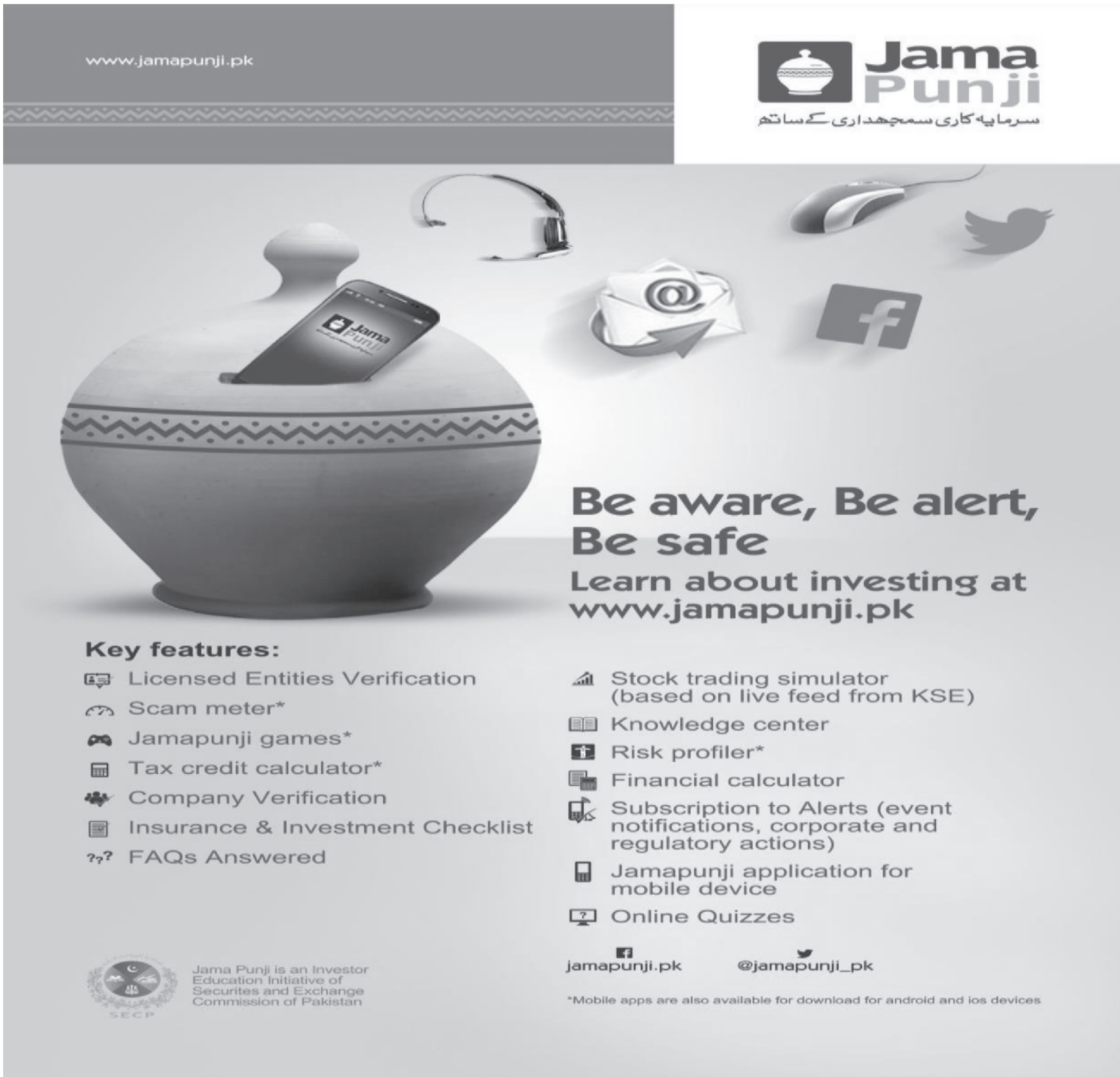
42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2015 by the Board of Directors of the Company.

43. GENERAL

Figures have been rounded off nearest to rupee.

September 29, 2015	**Shahzada Ellahi Shaikh** Director	**Shaukat Ellahi Shaikh** Mg. Director (Chief Executive)



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NOTES

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 48th Annual General Meeting of the Company to be held on October 30, 2015 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 _______________ 2015.

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.