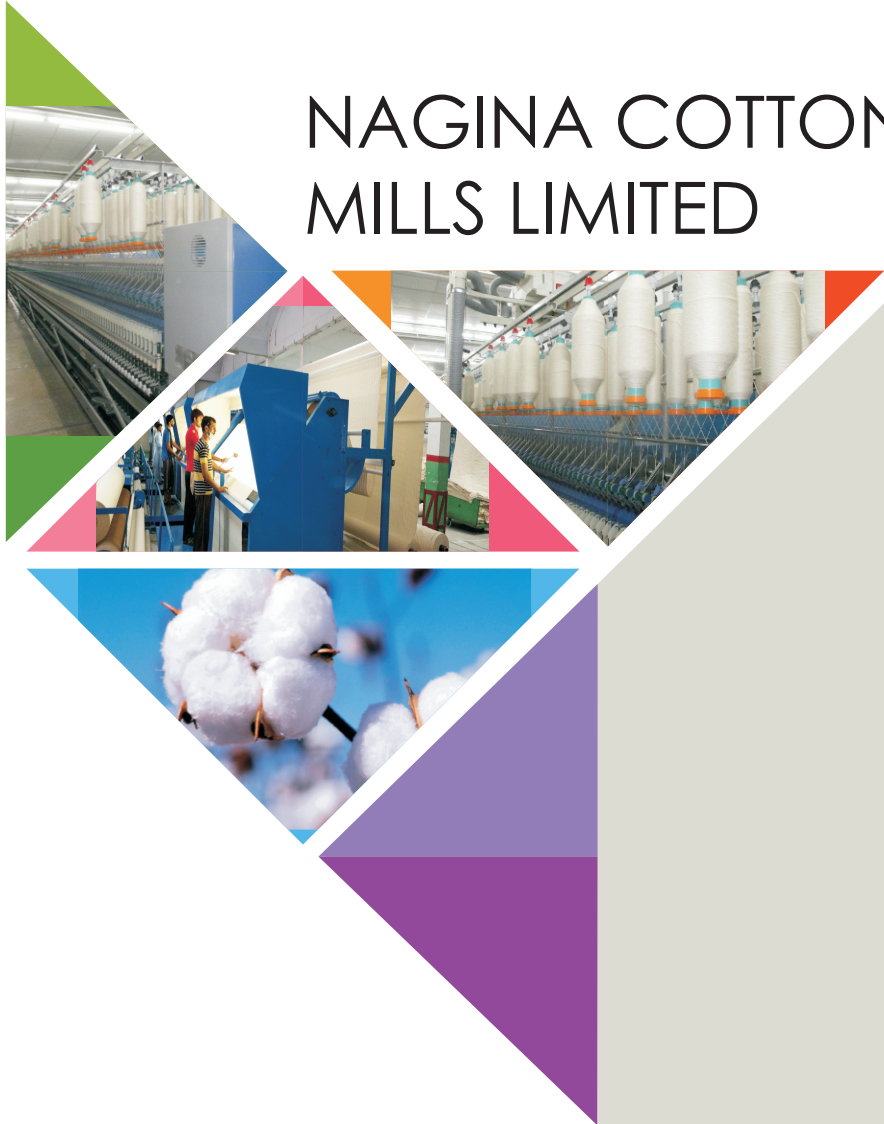




# NAGINA COTTON MILLS LIMITED



Annual  
Report 2016

**Mr. Shaikh Enam Ellahi**  
(1926 - 2016)



Shaikh Enam Ellahi our illustrious chairman passed away on September 20, 2016.

إِنَّا لِلّٰهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

Enam Sahib lived a disciplined and principled life based on hard work and honest dealings. He lived his life based on a philosophy inspired by his deep religious beliefs and a strict moral code. He was an optimist and believed that the future will be better. His entrepreneurial skills were legendary and he took calculated risks to forge ahead. He displayed great administrative, organisational and leadership skills throughout his life. As a visionary, he was able to anticipate the turn of events. These qualities earned him the respect of the community while enabling him to become a very successful person. He was extremely concerned about the less fortunate and gave freely to help them. He leaves behind a grateful family, respectful colleagues in the NAGINA GROUP and an admiring community.

May ALLAH the Almighty grant Shaikh Enam Ellahi a place in JANAT UL FIRDOUS. Ameen



## CONTENTS

Company Information	04
Notice of Annual General Meeting	05
Vision and Mission Statement	09
Directors' Report to the Members	13
Statement of Compliance with the Code of Corporate Governance	23
Shareholders' Information	26
Notice u/s 218 of the Companies Ordinance, 1984	29
Pattern of Shareholding	30
Key Financial Information	32
Auditors' Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance	33
Auditors' Report to the Members	34
Balance Sheet	36
Profit and Loss Account	38
Cash Flow Statement	39
Statement of Changes in Equity	40
Notes to the Financial Statements	41
Form of Proxy	71

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Shahzada Ellahi Shaikh	Non-Executive Director / Chairman
Mr. Tajammal Husain Bokharee	Independent Non-Executive Director
Mr. Javaid Bashir Sheikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non-Executive Director
Mr. Raza Ellahi Shaikh	Non-Executive Director
Mr. Haroon Shahzada 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. Shafqat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shaukat Ellahi Shaikh	Member
Mr. Raza 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](http://www.nagina.com)

### SHARE REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.  
5<sup>th</sup> 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 49<sup>th</sup> Annual General Meeting of members of NAGINA COTTON MILLS LTD will be held at the Registered Office of the Company situated at 2<sup>nd</sup> Floor, Shaikh Sultan Trust Bldg. No.2, 26, Civil Lines, Beaumont Road, Karachi - 75530 on Monday, October 31, 2016 at 12:45 p.m. to transact the following business:-

**A. Ordinary Business**

- 1) To confirm minutes of the Annual General Meeting held on October 30, 2015.
- 2) To receive, consider and adopt Audited Accounts of the Company for the year ended June 30, 2016 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 for the year ending June 30, 2017 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 resolutions with or without modification(s):
  - a) **RESOLVED** that, subject to obtaining the requisite permissions and clearances, the insertion of the following new Article 57A, appearing after the existing Article 57, in the Articles of Association of the Company be and is hereby approved.

Electronic Voting: 57A The Company shall comply with the provisions and requirements prescribed under the applicable laws with respect to the use of electronic voting by its members at general meetings. The same shall be deemed to be incorporated in this Article notwithstanding the other provisions of these Articles of Association including anything contradictory herein. Members may be allowed to appoint members as well as non-members as proxies for purposes of electronic voting to the extent permitted under the applicable laws.

**FURTHER RESOLVED** that the Company Secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company, and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution.

- b) **RESOLVED** that transmission of annual audited accounts to the shareholders in soft form i.e. CD/DVD/USB as notified by Securities & Exchange Commission of Pakistan vide its SRO No. 470(I)/2016 dated May 31, 2016 or in hard copy be and is hereby approved.

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

By Order of the Board



**Syed Mohsin Gilani**  
Corporate Secretary

September 29, 2016

**NOTES:**

- 1) The share transfer books for ordinary shares of the Company will be closed from Tuesday, October 25, 2016 to Monday, October 31, 2016 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 5<sup>th</sup> Floor, Karachi Chambers, Hasrat Mohani Road, Karachi by the close of business on Monday, October 24, 2016 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. 275(i)/2016 dated March 31, 2016 read with Notification S.R.O. 19(I)/2014 dated January 10, 2014 and 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, 2016 shall be uploaded on the Company's website on or before October 10, 2016.
- 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 provisions of the Finance Act, 2016, effective July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
  - i) Rate of tax deduction for filer of income tax return 12.5%
  - ii) Rate of tax deduction for non-filers of income tax return 20%

To enable the company to make tax deduction on the amount of cash dividend @12.5% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @20% instead of 12.5%.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding 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., 5<sup>th</sup> Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

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

This statement sets out the material facts concerning the special business, given in agenda item No.1 (a) and (b) of Special Business:

##### **a) Amendment in the Articles of Association**

The amendment to the Articles of Association of the Company are being carried out in order to give effect to the requirements of newly announced Companies (E-voting) Regulations, 2016 by the Securities and Exchange Commission of Pakistan. The detail of amendments proposed in the Articles of Association is part of the resolution mentioned in the Notice.

##### **b) Dissemination of information regarding Annual Audited Accounts to the shareholder through CD/DVD/USB**

In order to implement SECP directions with respect to transmit / circulate information such as annual audited accounts through CD/DVD/USB or in hard copies, resolution is part of the notice for concurrence of shareholders to adopt the newly inducted mode of transmission.

The Directors are not interested, directly or indirectly, in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors' Report.

**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 30, 2015. 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 2015-16.				
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.	Present Financial Position as on June, 30, 2016		Financial Position at the time of Approval as on June 30, 2015		
	<u>PWML</u>	<u>ESML</u>	<u>PWML</u>	<u>ESML</u>	
	Rupees in Millions				
	Net sales	5,211.429	4,227.910	5,811.482	4,588.788
	Gross profit	359.653	245.286	318.755	291.992
	Profit before tax	72.362	59.490	31.188	90.206
	Profit after tax	39.972	71.165	60.831	54.299

## **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.

# CERTIFICATE



Instituto Tecnológico Textil  
Plaza Emilio Sala, 1-1º  
E-03801 Alcoy (Alicante)

Institute of the International Association for Research and Testing in the Field of Textile Ecology (OEKO-TEX®)

The company

**NAGINA COTTON MILLS LTD**

**91, B1 M.M ALAM ROAD GULBERG III**

**54000 LAHORE, PAKISTAN**

is granted authorisation according to Oeko-Tex® Standard 100 to use the Oeko-Tex® mark, based on our **test report 2016OK0153**



**Tested for harmful substances**  
according to Oeko-Tex® Standard 100

2016OK0153

AITEX

for the following articles:

**Greige yarns made of 100% cotton and its mixtures with elastane. Partly based on pre-certified material according to OEKO-TEX® Standard 100.**

The results of the inspection made according to Oeko-Tex® Standard 100, **product class II** have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established for products with direct contact to skin.

The certified articles fulfil the requirements of Annex XVII of REACH (incl. the use of azo-dyes, nickel, etc.) as well as the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the Oeko-Tex® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

**This authorisation is valid until 28.02.2017**

Alcoy (Alicante) España, 17.02.2016



Silvia Devesa Valencia  
Innovation Assistant Manager

Isabel Soriano Sarrió  
Chief of Innovation Area



Control Union Certifications  
P.O. Box 161, 8000 AD Zwolle, The Netherlands  
<http://www.controlunion.com>  
tel.: +31(0)38-4260100

**CERTIFICATE OF COMPLIANCE**  
(Scope Certificate)

**CERTIFICATE No: CU848333GOTS-01.2016**  
**REGISTRATION No: CU 848333**

Control Union Certifications declares that  
**Nagina Cotton Mills Limited**  
Nagina Group, 91-B-1, M.M. Alam Road,  
Gulberg III,  
Lahore  
Punjab PAKISTAN

has been inspected and assessed according to the  
**Global Organic Textile Standard (GOTS)**  
version 4.0

and that products of the categories as mentioned below (and further specified in the annex)  
comply with this standard:

**Yarns**

Processing steps / activities carried out under responsibility of the above mentioned company  
(by the operations as detailed in the annex) for certified products

**Administration, Exporting, Spinning**

**This certificate is Valid until: 20 September 2017**

Place and date of issue:  
Colombo-07, 21 September 2016

Stamp of the issuing body

Standard's Logo

Name of authorised person

On behalf of the Managing Director  
Miss H.M.U.K. Herath  
Certifier



This Certificate of Compliance provides no proof that any goods delivered by its holder are GOTS certified. Proof of GOTS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them.

The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.

Accredited by: Dutch Accreditation Council (RVA), Accreditation No: C 412



Control Union Certifications  
P.O. Box 161, 8000 AD Zwolle, The Netherlands  
<http://www.controlunion.com>  
tel.: +31(0)38-4260100

## CERTIFICATE OF COMPLIANCE

(Scope Certificate)

**CERTIFICATE No: CU848333OCS-01.2016**

**REGISTRATION No: CU 848333**

Control Union Certifications declares that

**Nagina Cotton Mills Limited**  
**Nagina Group, 91-B-1, M.M. Alam Road,**  
**Gulberg III,**  
**Lahore**  
**Punjab PAKISTAN**

has been inspected and assessed according to the

**Organic Content Standard (OCS-NL)**

**Version 1.0**

**Organic Content Standard 100**

**Organic Content Standard Blended**

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:

**Yarns**

Processing steps / activities carried out under responsibility of the above mentioned company (by the operations as detailed in the annex) for certified products

**Administration, Exporting, Spinning**

**This certificate is Valid until: 20 September 2017**

Place and date of issue:  
Colombo-07, 21 September 2016

Stamp of the issuing body

Standard's Logo

Name of authorised person

On behalf of the Managing Director  
Miss H.M.U.K. Herath  
Certifier



This certificate cannot be used as a transaction certificate.  
The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.

Certificate of Compliance, Page 1 of 3

## DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honor to present 49<sup>th</sup> Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2016. Figures for the previous year ended June 30, 2015 are included for comparison.

### Company Performance

Financial year 2016 was a turbulent year. Lower demand, particularly of basic textiles from China and Europe has adversely affected financial results of the company. Lower cotton production by around 28% has further aggravated the situation. Yarn prices remain depressed due to low demand in international markets. Reduced exports have been the major drag for the Company. Depressed yarn selling price and lower margins resulted in after tax loss of Rs.92,944,967 compared to profit of Rs.133,688,757 during the corresponding previous year. Earning per share (EPS) for the year is negative at Rs.4.97 compared to earnings of Rs.7.15 during the correspondence previous year.

Sales revenue slightly increased by 1.42% over the previous year and stood at Rs.4,267,868,825. Cost of sales significantly surged from 90.75% of sales to 96.45% of sales thus causing reduction in GP by 61.08% over the corresponding last year. GP for the year under review is 3.55% compared to 9.25% of the corresponding last year.

Distribution cost decreased from 2.48% of sales to 2.17% of sales. Administrative expenses also decreased from 2.35% of sales to 2.24% of sales. Other operating expenses decreased by 78.75% over the previous year mainly due to no provision for Workers Profit Participation Fund and reduction in provision of Workers Welfare Fund because of losses 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 decreased by 5.09% over the last year.

### Capital Assets Investment

During the year your Company invested Rs.254,531,809 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

Inspite of loss during the year, the Board of Directors recommend cash dividend @10% i.e. Rs.1 per ordinary share for the year ended June 30, 2016. The dividend will amount to Rs.18,700,000.

## Future Outlook

The past financial year was a difficult one for the textile industry in general and the spinning sector in particular. Demand for yarn was depressed in the export as well as local markets. Prices of the company's products remained under pressure causing decline in margins. The current market situation is not encouraging. Overall textile exports of the country has declined by 7.40% in the financial year (FY) 2016 compared to 2015. There was a substantial reduction in the production of raw cotton in the country. FY 2017 looks to be another challenging year for the spinning sector, as general and global economic uncertainty may dampen the demand for textiles. Exchange rate of USD to PKR showed stable trend and remained range bound. Our regional competitors have been devaluing their currencies to remain competitive. Local yarn market is also showing bearish trend. Resultantly product margins are squeezing for yarn. 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 FY 2015. Measures such as rationalizing the currency exchange rates, zero rating of exports, 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. We expect that long awaited technology up-gradation fund (TUF) support would also be released during the FY 2017.

Raw cotton prices have remained volatile. However, production estimates for raw cotton are encouraging compared to last year. It is hoped that a larger crop will help the textile industry to become internationally competitive. Energy prices in Pakistan are higher than regional competitors. Wages and salaries are rising continuously. Therefore, we are foreseeing another challenging year ahead of us. However, 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.

## Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" (CCG) is annexed.

## 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 (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements, and any departures therefrom has been adequately disclosed and explained.
- 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, 2016 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 2015-2016, no trade in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children except the 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 Pakistan Stock Exchange Ltd.

### Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs Deloitte Yousaf 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, 2016 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	4
4	Mr. Shaukat Ellahi Shaikh	4
5	Mr. Shafqat Ellahi Shaikh	2
6	Mr. Munawar Iqbal	4
7	Mr. Tajammal Husain Bokharee	4
8	Mr. Raza Ellahi Shaikh	3
9	Mr. Tariq Zafar Bajwa	4

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

### Audit Committee Meetings

During the year, four (4) 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	4
2	Mr. Shafqat Ellahi Shaikh	3
3	Mr. Raza Ellahi Shaikh	2

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

### Executive Committee Meetings

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

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

### Human Resource and Remuneration (HR&R) Committee Meetings

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

Sr. No.	Name of Director	Attendance
1	Mr. Shafqat Ellahi Shaikh	2
2	Mr. Raza Ellahi Shaikh	2
3	Mr. Tariq Zafar Bajwa	2

### Director's Training Program

The Company has complied with the requirements of regulation 5.19.7 of PSX rule book. Mr. Javaid Bashir Sheikh, Director of the Company has taken certification of the Director's Training Program 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 2016-17. The Audit Committee and Board of the Directors have recommended for re-appointment of present Auditors.

### Acknowledgment

Continued diligence and devotion of the staff and workers of the Company and 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**  
Mg. Director (Chief Executive)

September 29, 2016

### ممبران کے لئے مجلس انضمام کی رپورٹ

مجلس انضمام 30 جون 2016 کو اختتام سال کے لئے کمپنی کی 49 ویں سالانہ رپورٹ معہ نظر ثانی شدہ مالیاتی حسابات اور اس پرائیڈر کی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہی ہے۔ 30 جون 2015 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

### کمپنی کی کارکردگی

مالی سال 2016 ایک مشکل سال تھا۔ چین اور یورپ سے خاص طور پر بنیادی ٹیکسٹائل کی کم طلب نے کمپنی کے مالی نتائج کو بُری طرح متاثر کیا۔ کپاس کی تقریباً 28 فیصد کم پیداوار نے حالات کو مزید بگاڑ دیا۔ یارن کی قیمتیں بین الاقوامی منڈیوں میں کم طلب کے باعث دباؤ کا شکار رہیں۔ برآمدات کی کمی نے کمپنی کی مشکلات بڑھائیں۔ یارن کی مندی اور کم مارجنز کے نتیجے میں گزشتہ سال کے دوران 133,688,757 روپے کے منافع کے مقابلے بعد از ٹیکس نقصان 92,944,967 روپے ہوا۔ فی حصص آمدنی (EPS) گزشتہ سال کے دوران 7.15 روپے فی شیئر آمدنی کے مقابلے میں 4.97 روپے ہے۔

سال کے لئے فروخت کی آمدن گزشتہ سال سے کچھ 1.42 فیصد زیادہ رہی اور جس کی مجموعی مالیت 4,267,868,825 روپے ہو گئی۔ فروخت کی لاگت فروخت کے 90.75 فیصد سے فروخت کے 96.45 فیصد تک نمایاں طور پر بڑھ گئی اور اس وجہ سے گزشتہ سال سے مجموعی منافع میں 61.08 فیصد کمی واقع ہوئی۔ زیر جائزہ سال کے لئے مجموعی منافع گزشتہ سال کے 9.25 فیصد کے مقابلے میں 3.55 فیصد رہا ہے۔

تقسیم کے اخراجات فروخت کے 2.48 فی صد سے فروخت کے 2.17 فی صد تک کم ہو گئے۔ انتظامی اخراجات بھی فروخت کے 2.35 فیصد سے فروخت کے 2.24 فیصد تک کم ہو گئے۔ دیگر آپریٹنگ اخراجات کمپنی کے نقصانات کی بدولت ورکرز پرافٹ پارٹیشن فنڈ کیلئے کوئی پروویژن نہ ہونے اور ورکرز ویلفیئر فنڈ کی پروویژن میں بنیادی کمی کے باعث گزشتہ سال سے 78.75 فیصد تک کم ہو گئے۔ مالی وسائل کے موثر استعمال، طویل مدتی قرضوں کی واپس ادائیگی اور قرضوں کی قیمت تعین کرنے کے لئے بینکوں کے ساتھ گفت و شنید کے باعث مالی لاگت گزشتہ سال سے 5.09 فیصد کم ہوئی۔

### طویل مدتی اثاثوں کی سرمایہ کاری

سال کے دوران کمپنی نے (BMR)، پلانٹ اور مشینری اور دیگر اثاثوں کی توسیع/توازن اور جدت میں 254,531,809 روپے کی سرمایہ کاری کی۔ یہ سرمایہ کاری ملکی اور بین الاقوامی دونوں مارکیٹوں کی ضروریات کو پورا کرنے کے لئے پلانٹ کی پیداواری صلاحیت میں بہتری اور نئی خوبیوں والے یارن اور بلینڈز کی بہتری، اس کی مصنوعات کی تنوع کے لئے جاری کمپنی کے کلیدی منصوبوں کے مطابق کی گئی ہے۔

### منافع منقسمہ

مالیاتی نقصان کے باوجود اپنی درینہ روایات کی پاسداری کرتے ہوئے مجلس انضمام 10% نقد منافع منقسمہ جو کہ 1 روپے فی عام حصص ہوتا ہے برائے سال 30 جون 2016 کی سفارش کرتی ہے۔ نقدی منافع منقسمہ کی مجموعی رقم 18,700,000 روپے بنتی ہے۔

### مستقبل کے امکانات

گزشتہ مالی سال عام طور پر ٹیکسٹائل کی صنعت اور خاص طور پر سپننگ کے شعبے کے لیے ایک مشکل سال تھا۔ یارن کی طلب برآمدات کے ساتھ ساتھ مقامی مارکیٹوں میں بھی دباؤ کا شکار تھی۔ کمپنی کی مصنوعات کی قیمتیں مارجن میں کمی کے باعث دباؤ کا شکار رہیں۔ مارکیٹ کی موجودہ صورت حال حوصلہ افزاء نہیں ہے۔ ملک کی مجموعی ٹیکسٹائل برآمدات سال 2015 کے مقابلے میں سال (FY) 2016 میں 7.40 فیصد تک کم واقع ہوئی ہے۔ ملک میں خام کپاس کی پیداوار میں قابل ذکر کمی ہوئی تھی۔ غیر یقینی اقتصادی صورت حال کے باعث ٹیکسٹائل کی طلب دباؤ کا شکار نظر آتی ہے۔ لہذا مالی سال 2017 بھی ایک مشکل سال رہنے کا امکان ہے۔ ڈالر اور پاکستانی روپے کے تبادلے کی شرح نے مستحکم رجحان کا مظاہرہ کیا اور مستقبل پر برقرار رہی۔ ہمارے علاقائی حریف مقابلہ میں رہنے کے لئے اپنی کرنسی کی قدر کو گرا رہے ہیں۔ مقامی یارن مارکیٹ مندی کا رجحان ظاہر کر رہی ہے جس کے نتیجے میں یارن کی مصنوعات کا مارجن سکڑ رہا ہے۔ ہم امید کرتے ہیں کہ ہماری حکومت ملک کی برآمدات کو بحال کرنے کی مدد میں صنعت کے لئے اپنی مدد کو وسیع دے گی جو مالی سال 2015 کے آغاز سے ہی بُری طرح گر چکی ہے۔ حالات کی بہتری کے لئے کرنسی کے تبادلے کی شرح کو جدید حالات کے مطابق ڈھالنا، برآمدات کی زیروریٹنگ، بجلی کی لاگوں میں کمی، صنعتوں کو توانائی کی بلا تعلق فراہمی، سیلز ٹیکس، انکم ٹیکس اور کسٹم ڈیوٹی ریفنڈ کی واپسی اور شرح سود کی کمی جیسے اقدامات کرنے کی ضرورت ہے۔

خام کپاس کی قیمتیں غیر مستحکم رہی ہیں۔ تاہم، خام کپاس کے پیداواری تخمینے گزشتہ سال کے مقابلے میں حوصلہ افزاء ہیں۔ امید ہے کپاس کی بھرپور فصل بین الاقوامی سطح پر مسابقتی بننے کے لئے ٹیکسٹائل صنعت کی مدد کرے گی۔ پاکستان میں توانائی کی قیمتیں علاقائی حریفوں کے مقابلے میں زیادہ ہیں۔ اجرت اور تنخواہ مسلسل اضافہ ہو رہا ہے۔ لہذا، ہم آگے ایک اور مشکل سال کی توقع کر رہے ہیں۔ تاہم، انتظامیہ صورتحال سے واقف ہے اور ان مسائل سے نمٹنے کے لئے تمام ضروری اقدامات اٹھا رہی ہے۔

#### کارپوریٹ سماجی ذمہ داری

کمپنی اپنے کاروبار میں کارپوریٹ سماجی ذمہ داری کے انضمام پر پختہ یقین رکھتی ہے، اور جدید مسلسل سے معاشرتی بہتری جو کہ بلواسطہ اور بلاواسطہ ہمارے کاروبار سے تعلق ہو کیلئے کوشاں ہے۔ ماحول، صحت اور تحفظ

کمپنی اپنے ملازمین اور عوام کی صحت کے لئے خطرات سے بچنے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنی تمام کارروائیوں میں محفوظ ماحول کو برقرار رکھا ہے اور مسلسل ان کی حفاظت اور زندگی کی سہولیات کو بہتر بنا رہی ہے۔

مشینری اور ان پر کام کرنے والے ملازمین کا تحفظ کمپنی کی ترجیحات ہیں۔ آگ بجھانے والے آلات اور آگ سے بچاؤ کا دیگر ساز و سامان کمپنی کی سائنس کے ساتھ ساتھ اس کے رجسٹرڈ اور صدر دفتر میں رکھا گیا ہے۔ آگ سے بچاؤ کے ساز و سامان کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ مشق کی جاتی ہے۔

#### کارپوریٹ گورننس کے ضابطہ کی تعمیل

"کارپوریٹ گورننس (CCG) کے ضابطہ کی تعمیل کا بیان" منسلک ہے۔

کارپوریٹ گورننس اور عمومی مالیاتی رپورٹنگ کا طریقہ کار

کارپوریٹ گورننس کے ضابطہ کے مطابق، ڈائریکٹرز بخوشی بیان کرتے ہیں:

۱۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

۲۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

۳۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

۴۔ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

۵۔ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

۶۔ کمپنی کے رواں دواں رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔

۷۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی شماریات منسلک ہیں۔

۸۔ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے جو 30 جون 2016 کو بقایا ہوں، سوائے ان کے جن کا مالی حسابات میں ظاہر کیا گیا ہے؛

۹۔ مالی سال کے اختتام سے اب تک، کمپنی مالی حالت کو متاثر کرنے والی کوئی خفیہ مادی تبدیلیاں اور وعدے جن کا تعلق اس بیلنس شیٹ سے ہو وقوع پذیر نہیں ہوئے ہیں۔

۱۰۔ 2015-2016 کے دوران کمپنی کے حصص میں اس کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی بیکٹری اور ان کے ازواج اور نابالغ بچوں کی طرف سے کوئی تجارت نہیں کی گئی سوائے درج ذیل کل

600,000 حصص، جو ڈائریکٹرز کی طرف سے بطور تحفہ منتقل کئے گئے تھے۔

نام منتقل کنندہ	عہدہ	نام وصول کنندہ	حصص کی تعداد
جناب شہزادہ الہی شیخ	ڈائریکٹر	جناب بارون شہزادہ الہی شیخ	100,000
جناب شہزادہ الہی شیخ	ڈائریکٹر	جناب عمر الہی شیخ	100,000
جناب شوکت الہی شیخ	سی ای او/ڈائریکٹر	جناب رضا الہی شیخ	200,000
جناب شفقت الہی شیخ	ڈائریکٹر	جناب امین الہی شیخ	200,000

### متعلقہ پارٹیز

متعلقہ پارٹیوں کے درمیان لین دین بازار کے مطابق قیمتیں مقرر کر کے کیا گیا۔ کمپنی پاکستان میں شاخ آنکھنچور کی اسٹنگ کے ضابطے میں موجود منتقلی قیمتوں کے تعین کے بہترین طریقوں پر عمل پیرا ہے۔

### مالیاتی حسابات کا آڈٹ

کمپنی کے مالی حسابات کا آڈٹ بغیر کسی بے ضابطگی کی نشان دہی کے میسرز ڈیلوئٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس، نے کیا ہے، جو کہ کمپنی کے بیرونی ایڈیٹر ہیں۔

### تقسیم حصص داری

30 جون 2016 کے مطابق تقسیم عام حصص داری کی معلومات کارپوریٹ گورننس کے ضابطے کے تحت منسلک ہے۔

### کمپنیز آرڈیننس 1984 کی دفعہ 218 کے تحت نوٹس

کمپنیز آرڈیننس 1984 کی دفعہ 218 کے تحت نوٹس منسلک ہے۔

### بورڈ کی کمیٹیاں

کارپوریٹ گورننس کے ضابطہ اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں:

#### • آڈٹ کمیٹی

• ہیومن ریسورس اینڈ ریمنٹیشن (HR&R) کمیٹی

#### • ایگزیکٹو کمیٹی

مندرجہ بالا کمیٹیوں کے ارکان کے نام کمپنی کی معلومات میں دیئے گئے ہیں۔

### بورڈ آف ڈائریکٹرز کے اجلاس

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے حاضری کی پوزیشن حسب ذیل تھی:-

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب شیخ انعام الہی	4
2	جناب جاوید بشیر شیخ	4
3	جناب شہزادہ الہی شیخ	4
4	جناب شوکت الہی شیخ	4
5	جناب شفیقت الہی شیخ	2
6	جناب منورا قبال	4
7	جناب قتل حسین بخاری	4
8	جناب رضا الہی شیخ	3
9	جناب طارق ظفر باجوہ	4

ڈائریکٹرز جو بورڈ کے کسی اجلاس میں نہیں آ سکتے تھے کو غیر موجودگی کی رخصت عطا کی گئی۔

#### آڈٹ کمیٹی کے اجلاس

زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل تھی:-

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب خمل حسین بخاری	4
2	جناب شفقت الہی شیخ	3
3	جناب رضا الہی شیخ	2

ڈائریکٹرز جو آڈٹ کمیٹی کے کسی اجلاس میں نہیں آ سکتے تھے کو غیر موجودگی کی رخصت عطا کی گئی۔

#### ایگزیکٹو کمیٹی کے اجلاس

زیر جائزہ سال کے دوران، ایگزیکٹو کمیٹی کے تین (3) اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل تھی:-

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب شیخ انعام الہی	3
2	جناب شہزادہ الہی شیخ	3
3	جناب شوکت الہی شیخ	3
4	جناب شفقت الہی شیخ	3

#### ہیومن ریسورس اینڈ ریمیزیشن (R&HR) کمیٹی کے اجلاس

زیر جائزہ سال کے دوران، ہیومن ریسورس اینڈ ریمیزیشن (R&HR) کمیٹی کے دو اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل تھی:-

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب شفقت الہی شیخ	2
2	جناب رضا الہی شیخ	2
3	جناب طارق ظفر باجوہ	2

#### ڈائریکٹری تربیت کے پروگرام

کمپنی نے PSX رول بک کے قوانین 5.19.7 کی ضروریات پر عمل کیا ہے۔

کمپنی کے ڈائریکٹر جناب جاوید بشیر شیخ نے سال کے دوران ڈائریکٹر ٹریننگ پروگرام کی سرٹیفیکیشن حاصل کی ہے۔

### آڈیٹر کی تقرری

میسرز ڈیلوئٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر سال 2016-17 کے لئے بطور آڈیٹر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ آڈٹ کمیٹی اور مجلس نظام نے موجودہ آڈیٹر کی دوبارہ تعیناتی کے لئے سفارش کی ہے۔

### اعتراف

کمپنی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز بینکرز اور دیگر حصہ داروں کا بھی کمپنی کی مسلسل حمایت پر شکریہ ادا کرتے ہیں۔

منجانب بورڈ



شوکت الہی شیخ

مینیجنگ ڈائریکٹر (چیف ایگزیکٹو)

29 ستمبر 2016

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Chapter 5.19 of Rule Book of Pakistan Stock Exchange Limited 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 Company encourages representation of Independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Tajammal Husain Bokharee
Executive Directors	Mr. Shaukat Ellahi Shaikh Mr. Tariq Zafar Bajwa Mr. Munawar Iqbal
Non-Executive Directors	Mr. Shaikh Enam Ellahi* Mr. Javaid Bashir Sheikh Mr. Shahzada Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Raza Ellahi Shaikh

\*Mr. Shaikh Enam Ellahi has passed away on September 20, 2016.

The Independent Director meets the criteria of Independence under clause 5.19.1.(b) of the CCG

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the financial year 2015-16.
5. 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.
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board in line with Articles of Association of the Company.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in Code of Corporate Governance, six (6) Directors have obtained certification under Directors' Training Program (DTP) and two (2) Directors' are exempted. All the Directors are fully conversant with their duties and responsibilities as Directors, they were further apprised through presentations during the year.
10. No new appointment of CFO and Company Secretary has been made during the year. However, Head of Internal Audit has been appointed and the remuneration and terms and conditions of his employment were approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. 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.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive Directors and the Chairman of the Committee is a non-executive Director.
18. The Board has setup an effective internal audit function.
19. 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.
20. 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.

21. 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.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. 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, 2016

## SHAREHOLDERS' INFORMATION

### Annual General Meeting

49<sup>th</sup> 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 Monday, October 31, 2016 at 12:45 p.m.

Eligible shareholders are encouraged to participate and vote.

### Ownership

On June 30, 2016, the Company has 961 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](http://www.nagina.com)

### Dividend

The Board of Directors have recommended in their meeting held on September 29, 2016, payment of final cash dividend at the rate of Rs.1 per share i.e. 10% for the year ended June 30, 2016.

### 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).

<i>Detail of Bank Mandate</i>	
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 Notification SRO 275(I)/2016 dated March 31, 2016 read with Notification SRO 19(I)/2014 dated January 10, 2014 and Notification 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.  
5<sup>th</sup> 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, 2016 with effect from July 1, 2016, 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 @20%

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), withholding 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 30 June 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 Registrar 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, 5<sup>th</sup> 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, 2016 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, 2016 as under:

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

Description	Present Remuneration	Remuneration After Increase
Remuneration	Rs. 452,238/= per month inclusive of 10% medical allowance.	Rs.497,462/= per month inclusive of 10% medical allowance.
<b>Other Benefits</b>		
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.137,500/= per month.	Rs.152,500/= per month.
<b>Other benefits</b>	As per Company policy	As per Company policy

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

Remuneration	Rs.137,500/= per month	Rs.152,500/= per month.
<b>Other benefits</b>	As per Company policy	As per Company policy

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

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

  
**Syed Mohsin Gilani**  
 Corporate Secretary

September 29, 2016

**PATTERN OF SHAREHOLDING**  
**AS AT JUNE 30, 2016**  
**CUIN (INCORPORATION NUMBER) 0002500**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
410	1	100	12,983
288	101	500	84,360
65	501	1000	51,676
129	1001	5000	318,841
31	5001	10000	217,703
11	10001	15000	138,255
6	15001	20000	111,998
2	20001	25000	41,700
1	25001	30000	26,000
2	30001	35000	64,868
-	35001	45000	-
1	45001	50000	50,000
-	50001	75000	-
1	75001	80000	79,692
-	80001	90000	-
1	90001	95000	91,000
-	95001	115000	-
1	115001	120000	118,736
-	120001	195000	-
2	195001	200000	400,000
-	200001	315000	-
1	315001	320000	318,658
-	320001	395000	-
1	395001	400000	400,000
1	400001	405000	400,500
-	405001	435000	-
1	435001	440000	437,008
-	440001	1015000	-
3	1015001	1020000	3,051,542
-	1020001	4080000	-
2	4080001	4085000	8,163,080
-	4085001	4120000	-
1	4120001	4125000	4,121,400
<b>961</b>	<b>Total:-</b>		<b>18,700,000</b>

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	13,136,237	70.24
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	12,284,480	65.69
General Public		
a. Local	2,078,973	11.12
b. Foreign	-	0.00
Others (Joint Stock Companies)	98,070	0.52

**INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE  
AS AT JUNE 30, 2016**

S #	Name	Shares Held	Percentage
1)	<b><u>Associated Companies, Undertaking and Related Parties</u></b>		
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
		<b>3,060,542</b>	<b>16.37</b>
2)	<b><u>Mutual Funds</u></b>	<b>Nil</b>	<b>Nil</b>
3)	<b><u>Directors, Chief Executive Officer and their Spouse and Minor Children</u></b>		
i)	MR. SHAIKH ENAM ELLAHI	437,008	2.34
ii)	MR. SHAHZADA ELLAHI SHAIKH	4,081,680	21.83
iii)	MR. SHAUKAT ELLAHI SHAIKH	4,121,400	22.04
iv)	MR. SHAFQAT ELLAHI SHAIKH	4,081,400	21.83
v)	MR. RAZA ELLAHI SHAIKH	400,500	2.14
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	-
		<b>13,136,237</b>	<b>70.24</b>
4)	<b><u>Executives</u></b>	<b>400,018</b>	<b>2.14</b>
5)	<b><u>Public Sector Companies and Corporations</u></b>	<b>1,430</b>	<b>0.01</b>
6)	<b><u>Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.</u></b>	<b>324,748</b>	<b>1.74</b>
7)	<b><u>Shareholders Holding Five Percent or More Voting Rights</u></b>		
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	4,081,400	21.83
v)	MR. SHAHZADA ELLAHI SHAIKH	4,081,680	21.83
vi)	MR. SHAUKAT ELLAHI SHAIKH	4,121,400	22.04

## KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2016	2015	2014	2013 (restated)	2012	2011
Sales	Rs.'000	4,267,869	4,208,114	4,569,161	4,451,553	3,674,769	4,596,740
Gross profit	Rs.'000	151,481	389,233	566,856	969,563	616,633	888,745
Operating profit	Rs.'000	1,975	217,991	360,207	740,955	466,407	675,875
(Loss) / profit before tax	Rs.'000	(64,422)	148,032	270,460	663,938	364,033	489,530
(Loss) / profit after tax	Rs.'000	(92,945)	133,689	253,833	643,734	329,166	466,585
Share capital - paid up	Rs.'000	187,000	187,000	187,000	187,000	187,000	187,000
Shareholders' equity	Rs.'000	1,717,735	1,870,217	1,842,813	1,782,879	1,271,227	1,054,261
Total assets	Rs.'000	3,057,405	2,768,308	2,883,654	2,652,601	1,851,471	2,049,587
Earning per share - pre tax	Rs.	(3.45)	7.92	14.46	35.50	19.47	26.18
Earnings per share - after tax	Rs.	(4.97)	7.15	13.57	34.42	17.60	24.95
Cash dividend per share	Rs.	1.00	3.50	6.00	10.00	5.00	6.00
Market value per share as on 30 June	Rs.	45.51	63.00	69.01	71.79	22.96	15.00
Gross profit to sales	%	3.55	9.25	12.41	21.78	16.78	19.33
Operating profit to sales	%	0.05	5.18	7.88	16.64	12.69	14.70
Profit / (Loss) before tax to sales	%	(1.51)	3.52	5.92	14.91	9.91	10.65
Profit / (Loss) after tax to sales	%	(2.18)	3.18	5.56	14.46	8.96	10.15
Current ratio		2.53:1	3.46:1	3.21:1	4.77:1	3.95:1	2.03:1
Total debt to total assets ratio	%	43.82	32.44	36.09	32.79	31.34	48.57
Debt equity ratio	%	29.38	20.09	22.47	24.61	22.16	28.00

## 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** for the year ended June 30, 2016 to comply with the requirements of Regulation 5.19 of the Pakistan Stock Exchange, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended June 30, 2016.

  
**Chartered Accountants**

**Engagement Partner:**  
Mushtaq Ali Hirani

**Date: September 29, 2016**  
**Place: Karachi**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Nagina Cotton Mills Limited** (the Company) as at June 30, 2016 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, 2016 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.

  
Chartered Accountants

**Engagement Partner**  
Mushtaq Ali Hirani

**Date: September 29, 2016**  
**Place: Karachi**

## BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 50,000,000 shares of Rs. 10/- each		<b>500,000,000</b>	500,000,000
Issued, subscribed and paid-up capital	5	<b>187,000,000</b>	187,000,000
Capital reserves	6	<b>254,445,363</b>	253,964,417
Unappropriated profit		<b>1,276,289,208</b>	1,429,252,178
<b>TOTAL EQUITY</b>		<b>1,717,734,571</b>	1,870,216,595
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Long - term finances	7	<b>630,008,976</b>	398,853,549
Deferred liabilities	8	<b>74,736,927</b>	83,628,947
		<b>704,745,903</b>	482,482,496
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	<b>428,035,638</b>	311,338,463
Accrued interest/mark-up	10	<b>10,517,052</b>	6,148,894
Short - term borrowings	11	<b>111,653,516</b>	26,744,279
Current portion of long-term finances	7	<b>84,718,723</b>	71,376,895
		<b>634,924,929</b>	415,608,531
<b>TOTAL LIABILITIES</b>		<b>1,339,670,832</b>	898,091,027
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,057,405,403</b>	2,768,307,622

The annexed notes from 1 to 45 form an integral part of these financial statements.

September 29, 2016

  
**Raza Ellahi Shaikh**  
 Director

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	13	1,435,680,166	1,315,501,708
Investment properties	14	14,801,190	15,103,781
Intangible assets	15	4,082,176	-
Long-term deposits		1,110,258	1,068,980
		<b>1,455,673,790</b>	<b>1,331,674,469</b>
<b>CURRENT ASSETS</b>			
Stores and spares	16	34,057,091	25,116,025
Stock-in-trade	17	724,010,229	478,506,703
Trade debts	18	329,873,056	66,280,225
Loans and advances	19	138,698,478	122,448,878
Prepayments	20	8,367,089	2,359,653
Other receivables	21	2,678,330	1,905,360
Sales tax refundable		57,411,550	51,083,739
Other financial assets	22	119,964,290	599,319,634
Cash and bank balances	23	186,671,500	89,612,936
		<b>1,601,731,613</b>	<b>1,436,633,153</b>
<b>TOTAL ASSETS</b>			
		<b>3,057,405,403</b>	<b>2,768,307,622</b>



**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales	24	4,267,868,825	4,208,113,516
Cost of goods sold	25	(4,116,388,155)	(3,818,880,520)
Gross profit		151,480,670	389,232,996
Distribution cost	26	(92,553,673)	(104,495,620)
Administrative expenses	27	(95,807,183)	(99,073,058)
Other expenses	28	(2,357,653)	(11,092,746)
Other income	29	(190,718,509) 41,213,315	(214,661,424) 43,419,046
Operating profit		1,975,476	217,990,618
Finance cost	30	(66,397,256)	(69,959,094)
(Loss) / Profit before taxation		(64,421,780)	148,031,524
Provision for taxation	31	(28,523,187)	(14,342,767)
(Loss) / Profit after taxation		(92,944,967)	133,688,757
<b>Other comprehensive (Loss) / income</b>			
<b>Items that will not be reclassified to profit and loss account</b>			
Remeasurement of defined benefit liability		5,431,997	5,915,220
<b>Items that may be reclassified subsequently to profit and loss account</b>			
Unrealized gain on remeasurement of available for sale investment		480,946	-
Total other comprehensive income for the year		5,912,943	5,915,220
<b>Total comprehensive (Loss) / income for the year</b>		<b>(87,032,024)</b>	<b>139,603,977</b>
Earnings per share - basic and diluted	32	(4.97)	7.15

The annexed notes from 1 to 45 form an integral part of these financial statements.

September 29, 2016

  
Raza Ellahi Shaikh  
Director

  
Shaukat Ellahi Shaikh  
Mg. Director (Chief Executive)

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	33	(289,852,217)	688,182,457
(Payments) made / receipt of:			
Employees retirement benefits		(27,148,528)	(17,664,555)
Finance cost		(62,029,098)	(76,726,634)
Income tax		(44,862,951)	(51,724,832)
Long term deposits		(41,278)	164,849
<b>Net cash (used in) / generated from operating activities</b>	<b>A</b>	<b>(423,934,072)</b>	<b>542,231,285</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(263,557,869)	(353,199,130)
Purchase of intangible asset		(921,991)	-
Proceeds from disposal of property, plant and equipment		4,523,953	11,286,200
Purchase of other financial assets		(1,476,660,038)	(3,382,476,038)
Proceeds from disposal of other financial assets		1,976,286,777	2,812,924,179
Rental Income received		17,380,969	15,633,696
<b>Net cash generated from / (used in) investing activities</b>	<b>B</b>	<b>257,051,801</b>	<b>(895,831,093)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term finances obtained		313,041,994	136,883,930
Repayment of long-term finances		(68,544,739)	(200,184,652)
Repayment of principal portion of liabilities against assets subject to finance leases		-	(452,476)
Net (decrease) / increase in short-term borrowings excluding running finance		43,318,847	(180,385,897)
Dividend paid		(65,450,000)	(112,200,000)
<b>Net cash generated from / (used in) financing activities</b>	<b>C</b>	<b>222,366,102</b>	<b>(356,339,095)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(A+B+C)</b>	<b>55,483,831</b>	<b>(709,938,903)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>65,617,818</b>	<b>775,556,721</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>121,101,649</b>	<b>65,617,818</b>
<b>Cash and cash equivalents</b>			
Cash and bank balances	23	36,564,651	89,612,936
Short-term running finances	11	(65,569,851)	(23,995,118)
Term Deposit Receipts	23	150,106,849	-
		<b>121,101,649</b>	<b>65,617,818</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
Raza Ellahi Shaikh  
Director

  
Shaukat Ellahi Shaikh  
Mg. Director (Chief Executive)

September 29, 2016

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2016

	<u>Capital reserves</u>				<u>Revenue reserve</u>	
	<i>Issued subscribed and paid-up capital</i>	<i>Amalgamation reserve Note 6.2</i>	<i>Capital redemption reserve Note 6.1</i>	<i>Surplus on revaluation of available for sale investment</i>	<i>Unappropriated profit</i>	<i>Total</i>
	----- Rupees -----					
Balance at June 30, 2014	187,000,000	12,104,417	241,860,000	-	1,401,848,201	1,842,812,618
<b>Total Comprehensive Income</b>						
Profit for the year	-	-	-	-	133,688,757	133,688,757
Other comprehensive income	-	-	-	-	5,915,220	5,915,220
<b>Total comprehensive income for the year</b>	-	-	-	-	139,603,977	139,603,977
<b>Transaction with owners:</b>						
Final dividend for the year ended June 30, 2014 @ 60% i.e. Rs. 6 per ordinary share	-	-	-	-	(112,200,000)	(112,200,000)
<b>Balance at June 30, 2015</b>	<b>187,000,000</b>	<b>12,104,417</b>	<b>241,860,000</b>	<b>-</b>	<b>1,429,252,178</b>	<b>1,870,216,595</b>
<b>Total Comprehensive Income</b>						
Loss for the year	-	-	-	-	(92,944,967)	(92,944,967)
<b>Other comprehensive income</b>						
Surplus on revaluation of available for sale investment	-	-	-	480,946	-	480,946
Remeasurement of defined benefit liability	-	-	-	-	5,431,997	5,431,997
<b>Total Comprehensive (Loss) / Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>480,946</b>	<b>(87,512,970)</b>	<b>(87,032,024)</b>
<b>Transaction with owners;</b>						
Final dividend for the year ended June 30, 2015 @ 35% i.e. Rs. 3.5 per ordinary share	-	-	-	-	(65,450,000)	(65,450,000)
<b>Balance at June 30, 2016</b>	<b>187,000,000</b>	<b>12,104,417</b>	<b>241,860,000</b>	<b>480,946</b>	<b>1,276,289,208</b>	<b>1,717,734,571</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

September 29, 2016

  
**Raza Ellahi Shaikh**  
Director

  
**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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 Pakistan Stock Exchange Limited. 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, 2016

- 2.4.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2016. 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)

IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 1, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 1, 2015

## 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 IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 1, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 1, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 1, 2016
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 1, 2017
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 1, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 1, 2016

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
- IFRS 16 – Leases

## 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, lease hold land and capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land, lease hold land and capital work in progress are stated at cost, less impairment if any.

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

Depreciation is charged to income applying the reducing balance method at the rates specified in the note 13.1. 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 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably.

Generally costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any, thereon.

Intangible asset with a definite useful life is amortised on a straight line basis over its useful life. Amortization on all additions in intangibles is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Amortisation charge is recognised in the profit and loss account. The rates of amortization are disclosed in note 15.

### 3.6 Investment properties

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

Depreciation on buildings is charged to profit and loss account applying the reducing balance method at the rates specified in the note 14.

### 3.7 Investments

#### Regular way purchase or sale of investments

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

#### 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.

#### Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investment are recognized directly in other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss account. These are sub-categorized as follows:

##### Quoted

For investment that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

##### Un-quoted

Investments in unquoted equity instruments are stated at cost less any identified impairment losses.

##### 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.

### 3.8 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, 2016.

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

### 3.9 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.

### 3.10 Stock in trade

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

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

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

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

### 3.11 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.

### 3.12 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.

### 3.13 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.

### 3.14 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.

### 3.15 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.

### 3.16 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.

### 3.17 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.

### 3.18 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.

### 3.19 Taxation

#### Current

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

### Deferred

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

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

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

### 3.20 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.

### 3.21 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.

### 3.22 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 40 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 3.19 & 31)
- ii. Assumptions and estimates used in accounting for defined benefit plan (note 3.8 & 8)
- 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 & 13)
- 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**

2016 Number of shares	2015 Number of shares		2016 Rupees	2015 Rupees
3,133,000	3,133,000	Ordinary shares of Rs.10/- each fully paid In cash	31,330,000	31,330,000
15,567,000	15,567,000	As bonus shares	155,670,000	155,670,000
<b>18,700,000</b>	<b>18,700,000</b>		<b>187,000,000</b>	<b>187,000,000</b>

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

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

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

Associates - due to common directorship	2016 Number Of Shares	2015 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
	<b>3,060,542</b>	<b>3,060,542</b>

**6 CAPITAL RESERVES****Note**

		2016 Rupees	2015 Rupees
Capital redemption reserve	6.1	241,860,000	241,860,000
Amalgamation reserve	6.2	12,104,417	12,104,417
Surplus on revaluation of investment available for sale		480,946	-
		<b>254,445,363</b>	<b>253,964,417</b>

6.1 This represents capital reserve created for the redemption of preference shares.

6.2 This represents capital reserve created on amalgamation of Ellahi Electric Company Limited with the Company.

**7 LONG-TERM FINANCES**

From banking companies and other financial institutions - secured

Demand finances	7.1	218,333,259	274,999,904
Term finances	7.2	43,636,363	54,545,455
Long-term financing facility (LTFF)	7.3	292,506,818	969,000
Long-term financing facility (NIDF)	7.4	157,419,104	136,883,930
Custom debentures	7.5	2,832,155	2,832,155
		<b>714,727,699</b>	<b>470,230,444</b>

Less: Current portion:

Demand finances	(56,666,648)	(56,666,648)
Term finance	(10,909,092)	(10,909,092)
Long-term financing facility (LTFF)	-	(969,000)
Long-term financing facility (NIDF)	(14,310,828)	-
Custom debentures	(2,832,155)	(2,832,155)
	<b>(84,718,723)</b>	<b>(71,376,895)</b>
	<b>630,008,976</b>	<b>398,853,549</b>

## 7.1 Demand finances

Name of institution	Limit		Outstanding amount		Details of financing, security and repayment terms
	2016	2015	2016	2015	
	Rupees		Rupees		
National Bank of Pakistan (Facility I)	100,000,000	100,000,000	58,333,320	74,999,983	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 is subject to mark-up at a rate of 3 month average KIBOR ask side plus 175bps (2015: 3 months average KIBOR ask side plus 175bps) repayable in 24 equal quarterly installments commenced from January 2014.
National Bank of Pakistan (Facility II)	240,000,000	240,000,000	159,999,939	199,999,921	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 is subject to mark-up at a rate of 3 month average KIBOR ask side plus 175bps (2015: 3 months average KIBOR ask side plus 175bps) repayable in 24 equal quarterly installments commenced from August 2014.
			<b>218,333,259</b>	<b>274,999,904</b>	

## 7.2 Term Finance Facilities

Habib Bank Limited	60,000,000	60,000,000	43,636,363	54,545,455	Facility is secured against first pari passu charge on entire present and future fixed assets of the Company and personal guarantees of sponsoring directors. The loan is subject to mark-up at the rate of 3 month average KIBOR offer rate plus 135 bps (2015 : 3 month average KIBOR plus 135 bps) repayable in 22 equal quarterly installments commenced from February 2015.
			<b>43,636,363</b>	<b>54,545,455</b>	

## 7.3 Long Term Finance Facilities (LTFF)

National Bank of Pakistan	-	15,594,000	-	969,000	The loan was secured against first pari passu charge over fixed assets (land, building, plant and machinery) of the Company excluding power generation plant. It was subject to mark-up at the rate of 10.4% (2015: 10.4%). The facility has been obtained under SBP's LTFF scheme and SMEFD circular no. 06 dated, March 31, 2010 and circular no. 16 dated, October 31, 2009.
United Bank Limited	149,693,155	-	149,693,155	-	Facility is secured against first pari passu charge by way of equitable mortgage over fixed assets (land, building & machinery) of the company. The loan is subject to mark-up at the rate of 3.5 % .The loan was transferred from NIDF to LTFF Scheme under SBP's LTFF scheme and SMEFD Circular No.14 of 2015 and is repayable in 32 equal quarterly installments commencing from Nov 2017.
United Bank Limited	142,813,663	-	142,813,663	-	Facility is secured against first pari passu charge by way of equitable mortgage over fixed assets (land, building & machinery) of the company. The loan is subject to mark-up at the rate of 2.5 % .The loan was transferred from NIDF to LTFF Scheme under SBP's LTFF scheme and SMEFD Circular No.18 of 2015 and is repayable in 32 equal quarterly installments commencing from July 2018.
			<b>292,506,818</b>	<b>969,000</b>	

## 7.4 Long Term Finance Facilities (NIDF)

United Bank Limited	157,493,182	450,000,000	157,419,104	136,883,930	Facility is secured against first pari passu charge by way of equitable mortgage over fixed assets (land, building & machinery) of the company. The loan is subject to mark-up at the rate of 3 months KIBOR plus 100bps p.a.(2015: 3Months KIBOR plus 100 bps p.a) repayable in 22 equal quarterly installments commencing from March 2017.
			<b>157,419,104</b>	<b>136,883,930</b>	

## 7.5 Debentures had been issued in favor 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	2016 Rupees	2015 Rupees
6 months or less			
- Short-term borrowings	11	111,653,516	26,744,279
- Long-term finances	7	419,388,726	466,429,289

- 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.

	2016 Rupees	2015 Rupees
<b>8 DEFERRED LIABILITY</b>		
Provision for staff gratuity	<b>74,736,927</b>	<b>83,628,947</b>

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	2016	2015
- Discount rate	7.25%	9.75%
- Expected rate of salary increase	5.25%	7.75%
- 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	83,628,947	59,076,666
Recognised in profit and loss account		
Current service cost	16,858,173	41,474,675
Interest cost	6,830,332	6,657,381
	23,688,505	48,132,056
Recognised in other comprehensive income		
Actuarial (gain)/loss on remeasurement of defined benefit liability	(5,431,997)	(5,915,220)
Benefits paid during the year	(27,148,528)	(17,664,555)
	<b>74,736,927</b>	<b>83,628,947</b>

#### Actuarial gains and losses

Actuarial (gain) / loss from changes in demographic and financial assumptions	3,393,916	-
Experience adjustments	(8,825,913)	(5,915,220)
	<b>(5,431,997)</b>	<b>(5,915,220)</b>

#### 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:

	Change in assumption	Increase / (decrease) in defined benefit obligation	
		Increase in assumption	Decrease in assumption
		2016	
Discount Rate	1%	(4,652,394)	5,303,338
Salary Increase	1%	5,586,484	(4,991,887)
Average duration of defined benefit obligation in years		7	

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.

#### 8.1 The expected maturity analysis of undiscounted benefit obligation is:

	Undiscounted payments Rupees
Less than a year	14,987,969
Between 1 to 2 years	13,742,343
Between 2 to 3 years	12,087,752
Between 3 to 4 years	10,692,838
Between 4 to 5 years	11,210,097
Between 5 to 6 years	13,303,915
6 years and above	317,066,914

	Note	2016 Rupees	2015 Rupees
<b>9 TRADE AND OTHER PAYABLES</b>			
Creditors		53,571,346	45,354,430
Accrued liabilities	9.1	295,656,945	188,926,744
Advance from customers		9,429,929	10,205,588
Unclaimed dividend		6,151,229	5,832,916
Workers' Profit Participation Fund	9.2	-	8,071,694
Workers' Welfare Fund	9.3	40,773,973	38,416,320
Preference shares redemption liability and dividend		733,365	733,365
Other Government expenses - Infrastructure fee	9.4	21,378,432	13,549,878
Others		340,419	247,528
		<b>428,035,638</b>	<b>311,338,463</b>

- 9.1 This includes an amount of Rs. 206,627,863 (2015 : Rs. 124,104,735) in respect of gas infrastructure development cess which is a disputed amount and will be paid on Court's decision.

	Note	2016 Rupees	2015 Rupees
<b>9.2 Workers' Profit Participation Fund</b>			
Opening balance		8,071,694	14,635,604
Interest on fund utilized in the Company's business		1,545,692	2,309,609
		<b>9,617,386</b>	16,945,213
Allocation for the year	28	-	8,071,694
		<b>9,617,386</b>	25,016,907
Amount paid to the fund		(9,617,386)	(16,945,213)
		<b>-</b>	8,071,694

- 9.3 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. 40.77 million as at June 30, 2016, although management based on advice of the legal counsel is confident that the ultimate decision will be in favor of the Company.

- 9.4 This represents Rs. 21.378 million provision for Sindh Development and Infrastructure Fee and Duty which was levied by the Excise and Tax Department on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was initially challenged by the Company along with other companies in the High Court of Sindh after which several proceedings were held. Currently the petition is filed in the High Court and through the interim order passed on May 31, 2011 the High Court of Sindh has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. The management is confident for a favorable outcome however, as a matter of prudence Company has paid 50% of the value of infrastructure fee in cash and recorded liability for the remaining amount which is supported by a bank guarantee.

	Note	2016 Rupees	2015 Rupees
<b>10 ACCRUED INTEREST / MARK-UP</b>			
Long-term finances			
-From banking companies		9,199,337	5,846,777
Short-term borrowings		1,317,715	302,117
		<b>10,517,052</b>	6,148,894
<b>11 SHORT-TERM BORROWINGS</b>			
- Banking companies - secured			
Running finance	11.1	65,569,851	23,995,118
Foreign currency finance	11.1	46,083,665	-
Cash finance	11.1	-	2,749,161
	11.2	<b>111,653,516</b>	26,744,279

**11.1** The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 2,870 million (2015 : Rs. 2,520 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 and lien on export orders / contracts. Cash and running finance facilities are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.2% to 0.75% (2015 : from 1 to 3 month KIBOR plus 0.1% to 0.75%) payable on quarterly basis where as foreign currency loans markup rate ranging from 0.9% to 1.1343%.

**11.2** The aggregate unavailed short-term borrowing facilities available amounted to Rs. 2,758 million (2015 : Rs. 2,493 million).

	Note	2016 Rupees	2015 Rupees
<b>12 CONTINGENCIES AND COMMITMENTS</b>			
<b>12.1 Contingencies</b>			
Bank guarantees issued on behalf of the Company	12.1.1	14,602,000	14,602,000
Bills discounted		267,394,310	690,181,911
Bank guarantee in favour of Excise and Taxation department	9.4	24,296,448	19,296,448

**12.1.1** It represent guarantee issued in favour of Hyderabad Electric Supply Company (HESCO).

	Note	2016 Rupees	2015 Rupees
<b>12.2 Commitments</b>			
Machinery		91,891,000	87,202,598
Civil Work		15,673,016	13,990,888
Raw Material		17,881,889	-
Stores and spares		6,580,538	2,854,516
Commitments for rentals of assets under operating lease agreements as at June 30, 2016:			
Not later than one year		29,640	2,583,184

### 13 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	13.1	1,409,029,696	1,294,647,924
Capital work in progress	13.2	26,650,470	20,853,784
		<u>1,435,680,166</u>	<u>1,315,501,708</u>

## 13.1 Operating fixed assets

2016								
Particulars	Cost at July 01, 2015	Additions / (Deletions)	Cost at June 30, 2016	Accumulated depreciation at July 01, 2015	Depreciation for the year	Accumulated depreciation at June 30, 2016	Written down value at June 30, 2016	Rate of Depreciation %
(Rupees)								
<b>Owned</b>								
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	9,571,584	356,401	9,927,985	6,771,625	5
Mills buildings on lease hold land	168,348,241	-	168,348,241	103,918,800	6,442,944	110,361,744	57,986,497	10
Other buildings on leasehold land	25,105,632	-	25,105,632	14,381,249	536,219	14,917,468	10,188,164	5
Machinery and equipment	1,961,406,523	238,329,170 (15,018,195)	2,184,717,498	868,265,300	113,258,823 (13,063,293)	968,460,830	1,216,256,668	10
Electric installations and equipment	109,215,994	2,264,916	111,480,910	50,730,406	5,981,497	56,711,903	54,769,007	10
Gas installations	3,671,136	-	3,671,136	2,590,016	108,113	2,698,129	973,007	10
Office equipment	15,997,163	2,936,994	18,934,157	9,733,005	736,253	10,469,258	8,464,899	10
Furniture and fixtures	23,153,319	1,163,432	24,316,751	12,099,784	1,169,282	13,269,066	11,047,685	10
Vehicles	62,679,473	9,837,297 (6,945,845)	65,570,925	30,214,023	7,602,098 (4,942,340)	32,873,781	32,697,144	20
	2,396,152,091	254,531,809 (21,964,040)	2,628,719,860	1,101,504,167	136,191,630 (18,005,633)	1,219,690,164	1,409,029,696	
2015								
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 %
(Rupees)								
<b>Owned</b>								
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	
<b>Held under finance lease</b>								
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	

	Note	2016 Rupees	2015 Rupees
<b>13.1.1 Total depreciation</b>			
Operating fixed assets	13.1	136,191,630	115,779,616
Investment property	14	302,591	318,516
	13.1.2	<b>136,494,221</b>	<b>116,098,132</b>

**13.1.2 Depreciation for the year has been allocated as under:**

Cost of goods manufactured	25.1	126,517,461	105,766,933
Administrative expenses	27	9,976,760	10,331,199
		<b>136,494,221</b>	<b>116,098,132</b>

**13.1.3 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 and equipment	923,029	781,966	141,063	200,000	58,937	Negotiation	Hassan and Company Plot No, B-59-2, Room No 3 Qazzafi Town, Near Meezan Bank, Landhi, Karachi
Machinery and equipment	4,493,022	4,167,949	325,073	400,000	74,927	Negotiation	Orinet Impex 54, 1st Floor Liaquat Market, M.A. Jinnah Road, Karachi
Machinery and equipment	2,398,014	2,148,972	249,042	300,000	50,958	Negotiation	Abdullah Traders Godown No 219, Dar-UI-Ehsan Town, Samundri Road, Faisalabad
Machinery and equipment	1,789,980	1,668,156	121,824	100,000	(21,824)	Negotiation	Abdullah Traders Godown No 219, Dar-UI-Ehsan Town, Samundri Road, Faisalabad
Machinery and equipment	581,800	484,643	97,157	50,000	(47,157)	Negotiation	Pak Atlas Air Compressor House No 1725-957, Near Mama Hotel, Sawat Colony, Karachi
Machinery and equipment	200,000	143,381	56,619	50,000	(6,619)	Negotiation	Pak Atlas Air Compressor House No 1725-957, Near Mama Hotel, Sawat, Colony, Karachi
Machinery and equipment	592,350	493,416	98,934	50,000	(48,934)	Negotiation	Pak Atlas Air Compressor House No 1725-957, Near Mama Hotel, Sawat, Colony, Karachi
Machinery and equipment	3,060,000	2,386,357	673,643	275,453	(398,190)	Negotiation	Muhammad Tariq Kot Rana Ashraf Khan, Chuck No 68, Dhakhana Khas Tehsil Patoki, Zila Kasur, Punjab
Machinery and equipment	840,000	684,114	155,886	100,000	(55,886)	Negotiation	Pak Atlas Air Compressor House No 1725-957, Near Mama Hotel Sawat, Colony, Karachi
Machinery and equipment	140,000	104,338	35,662	50,000	14,338	Negotiation	Pak Atlas Air Compressor House No 1725-957, Near Mama Hotel Sawat, Colony, Karachi
Vehicle	970,450	862,916	107,534	400,000	292,466	Negotiation	Muhammad Hameed Khan House No B-322, Block - L, Allama Rasheed Turabi Road, North Nazimabad, Karachi
Vehicle	1,411,000	763,375	647,625	600,000	(47,625)	Negotiation	Muhammad Waseem Flat No 307, Maryam Complex, Jubilee Cloth Market, Karachi
Vehicle	674,990	564,148	110,842	275,000	164,158	Negotiation	Muhammad Hameed Khan House No B-322, Block - L, Allama Rasheed Turabi Road, North Nazimabad, Karachi
Vehicle	1,367,475	911,394	456,081	650,000	193,919	Negotiation	Waseem Mirza House No A-32, Gulshan-E-Iqbal, Block No 10-A, Near Lasania Restaurant, Karachi
Vehicle	527,840	388,815	139,025	245,000	105,975	Negotiation	Muhammad Hameed Khan House No B-322 Block - L, Allama Rasheed Turabi Road, North Nazimabad, Karachi
Vehicle	841,390	649,279	192,111	310,000	117,889	Negotiation	Abdul Wahid House No X-425, Street No 9, Mohalla Chanesar Goth, Mehmoodabad, Karachi
Vehicle	1,085,700	799,064	286,636	405,000	118,364	Negotiation	Shaheer Taimuri Flat No 101, Al-Rahim Heights, Block-A, X-425, Unit-6 Latifabad, Hyderabad
Vehicle	67,000	3,350	63,650	63,500	(150)	Negotiation	IGI Insurance Limited 7Th Floor, The Forum Suit No 701-713, G-20, Block 9, Khayaban-E-Jamil, Clifton, Karachi
<b>Rupees 2016</b>	<b>21,964,040</b>	<b>18,005,633</b>	<b>3,958,407</b>	<b>4,523,953</b>	<b>565,546</b>		
<b>Rupees 2015</b>	<b>17,744,017</b>	<b>7,795,160</b>	<b>9,948,857</b>	<b>11,286,200</b>	<b>1,337,343</b>		

	Note	2016 Rupees	2015 Rupees
<b>13.2 Capital work-in-Progress</b>			
Civil work	13.2.1	22,575,550	13,045,638
Machinery and electrical installations	13.2.2	2,377,920	2,347,772
Advance for vehicles	13.2.3	1,697,000	2,231,000
Advance for ERP software	13.2.4	-	3,229,374
		<b>26,650,470</b>	<b>20,853,784</b>
<b>13.2.1 Civil work</b>			
Opening balance		13,045,638	5,414,747
Additions		9,931,646	9,258,464
		<b>22,977,284</b>	<b>14,673,211</b>
Transfer to property, plant and equipment		(401,734)	(1,627,573)
Closing balance	13.2.5	<b>22,575,550</b>	<b>13,045,638</b>
<b>13.2.2 Machinery and electrical installations</b>			
Opening balance		2,347,772	17,273,822
Additions		241,707,721	325,803,868
		<b>244,055,493</b>	<b>343,077,690</b>
Transfer to property, plant and equipment		(241,677,573)	(340,729,918)
Closing balance		<b>2,377,920</b>	<b>2,347,772</b>
<b>13.2.3 Advance for Vehicle</b>			
Opening Balance		2,231,000	-
Additions		1,697,000	2,231,000
		<b>3,928,000</b>	<b>2,231,000</b>
Transfer to property, plant and equipment		(2,231,000)	-
Closing Balance		<b>1,697,000</b>	<b>2,231,000</b>
<b>13.2.4 Advance for ERP software</b>			
Opening balance		3,229,374	-
Additions		921,991	3,229,374
		<b>4,151,365</b>	<b>3,229,374</b>
Transfer to intangible assets		(4,151,365)	-
Closing balance		<b>-</b>	<b>3,229,374</b>
<b>13.2.5</b> These include advances to suppliers amounting to Rs. 5,053,223 (2015 :Rs. 4,102,793)			

**14 INVESTMENT PROPERTIES**

	Cost			Depreciation			Written down	Annual
	As at July 1, 2015	Additions / (disposals)	As at June 30, 2016	As at July 1, 2015	charge for the year	As at June 30, 2016	value as at June 30, 2016	rate of Dep. %
Building on free hold land in Lahore	17,539,312	-	17,539,312	11,487,500	302,591	11,790,091	5,749,221	5%
Land in Lahore - free hold	8,300,631	-	8,300,631	-	-	-	8,300,631	-
Land in Sheikhupura - freehold	751,338	-	751,338	-	-	-	751,338	-
<b>2016 Rupees</b>	<b>26,591,281</b>	<b>-</b>	<b>26,591,281</b>	<b>11,487,500</b>	<b>302,591</b>	<b>11,790,091</b>	<b>14,801,190</b>	
2015 Rupees	26,591,281	-	26,591,281	11,168,984	318,516	11,487,500	15,103,781	

- 14.1** The free hold land was revalued by a professional valuer M/s Surval on May 22, 2015. As per the Valuation, the fair value of Land and building in Lahore - free hold is Rs.367.436 million and Land in Sheikhupura is Rs 37 million as at June 30, 2015. Management considers that there is no material change in the fair value of the above properties since last revaluation.

**15 INTANGIBLE ASSETS**

	Cost		Amortization			Carrying	Rate of
	As at July 01, 2015	Additions	As at June 30, 2016	As at July 01, 2015	Charge for the year	As at June 30, 2016	Amortization
						value as at June 30, 2016	%
ERP software	-	4,151,365	4,151,365	-	69,189	69,189	20
	<b>-</b>	<b>4,151,365</b>	<b>4,151,365</b>	<b>-</b>	<b>69,189</b>	<b>69,189</b>	<b>4,082,176</b>

- 15.1** During the year ERP software transferred from capital work in progress amounting to Rs.4.15 million.

	2016 Rupees	2015 Rupees
<b>15.1.1 Amortization for the year has been allocated as under:</b>		
Administrative expenses	69,189	-

	Note	2016 Rupees	2015 Rupees
<b>16 STORES AND SPARES</b>			
Stores		17,819,993	12,177,921
Spares		16,237,098	12,938,104
		<u>34,057,091</u>	<u>25,116,025</u>
<b>17 STOCK-IN-TRADE</b>			
Raw material		621,474,464	417,522,678
Work-in-process		51,742,678	29,200,532
Finished goods		49,789,038	30,599,818
Waste		1,004,049	1,183,675
		<u>724,010,229</u>	<u>478,506,703</u>
<b>18 TRADE DEBTS</b>			
Considered good			
Foreign - secured	18.1	114,560,379	47,028,529
Local - unsecured	18.2	215,312,677	19,251,696
		<u>329,873,056</u>	<u>66,280,225</u>
Considered doubtful		1,044,009	1,044,009
		<u>330,917,065</u>	<u>67,324,234</u>
Less: Provision for doubtful debts		(1,044,009)	(1,044,009)
		<u>329,873,056</u>	<u>66,280,225</u>

**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. 1.764 million (2015: Rs. 1.313 million) which are past due at the reporting date against which the Company has not made a provision as there is no significant change in credit quality and the amount is considered recoverable. Company does not hold any collateral against these balances.

<b>18.4.1 Aging of past due but not impaired</b>	Note	2016 Rupees	2015 Rupees
46-90 days		1,012,489	1,161,306
91-180 days		105,408	-
181 days and above		646,098	152,490
		<u>1,763,995</u>	<u>1,313,796</u>
<b>19 LOANS AND ADVANCES</b>			
Considered good			
Advances			
Employees		189,633	197,322
Income tax	19.1	133,356,764	117,017,000
Suppliers		4,681,419	4,855,433
Expenses		58,931	207,777
Letters of credit		411,731	171,346
		<u>138,698,478</u>	<u>122,448,878</u>

	Note	2016 Rupees	2015 Rupees
<b>19.1</b> Movement of advance tax is as under:			
Opening balance		117,017,000	79,634,935
Paid during the year		44,862,951	51,724,832
Provision for tax	31	(28,523,187)	(14,342,767)
		<u>133,356,764</u>	<u>117,017,000</u>
<b>20</b> PREPAYMENTS			
Prepaid insurance		7,402,113	1,204,340
Others		964,976	1,155,313
		<u>8,367,089</u>	<u>2,359,653</u>
<b>21</b> OTHER RECEIVABLES			
Income tax refundable		892,665	892,665
Other receivables		1,785,665	1,012,695
		<u>2,678,330</u>	<u>1,905,360</u>
<b>22</b> OTHER FINANCIAL ASSETS			
Ordinary shares in quoted companies - available for sale	22.1	119,964,290	-
Investment in mutual funds - Held for trading	22.2	-	599,319,634
		<u>119,964,290</u>	<u>599,319,634</u>
<b>22.1</b> Available-for-sale investments			
<b>2016</b>	<b>2015</b>		
Number of shares	Name of investee		
<b>Quoted companies</b>			
985,500	- Engro Fertilizers Limited	63,545,040	-
150,000	- Pakistan Petroleum Limited	23,257,500	-
100,000	- United Bank Limited	17,692,000	-
200,000	- Bank Al-Habib Limited	8,624,000	-
25,000	- Oil and Gas Development Company Limited	3,451,750	-
100,000	- Fatima Fertilizer Company Limited	3,394,000	-
		<u>119,964,290</u>	<u>-</u>
<b>22.1.1</b>	<b>Reconciliation between fair value and cost of investments classified as 'available for sale'</b>		
	Fair value of investments	119,964,290	-
	Unrealized gain on remeasurement of investments as at June 30	(480,946)	-
	Cost of investments	<u>119,483,344</u>	<u>-</u>
<b>22.2</b> 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
		<u>-</u>	<u>599,319,634</u>

	Note	2016 Rupees	2015 Rupees
<b>23 CASH AND BANK BALANCES</b>			
Cash with banks			
In current accounts		36,532,222	89,610,507
In deposit accounts		81	81
Cash in hand		32,348	2,348
Term deposit receipt	23.1	150,106,849	-
		<u>186,671,500</u>	<u>89,612,936</u>

23.1 It carries return at 6.5% p.a. and will mature on July 4, 2016.

	Note	Local	Export	Total	
				2016	2015
<b>24 SALES</b>					
Yarn	24.1 & 24.2	1,227,611,478	3,014,598,162	4,242,209,640	4,166,055,499
Waste		46,363,273	-	46,363,273	47,442,720
Raw material		16,821,864	-	16,821,864	-
		<u>1,290,796,615</u>	<u>3,014,598,162</u>	<u>4,305,394,777</u>	<u>4,213,498,219</u>
Less : Sales tax				(37,525,952)	(5,384,703)
				<u>4,267,868,825</u>	<u>4,208,113,516</u>

24.1 Export sales is net of exchange loss of Rs.11,329,693 (2015 : exchange loss of Rs. 15,375,109)

24.2 Export sales include indirect export of Rs.123,154,662 (2015 : Rs. 33,163,930)

	Note	2016 Rupees	2015 Rupees
<b>25 COST OF GOODS SOLD</b>			
Opening stock - finished goods		31,783,493	43,461,944
Cost of goods manufactured	25.1	4,124,290,308	3,774,927,756
Purchase of finished goods		-	32,274,313
		<u>4,156,073,801</u>	<u>3,850,664,013</u>
Closing stock - finished goods	17	(50,793,087)	(31,783,493)
Cotton yarn loss claim		(4,468,596)	-
Cost of sales of raw material		15,576,037	-
		<u>4,116,388,155</u>	<u>3,818,880,520</u>
<b>25.1 Cost of goods manufactured</b>			
Raw material consumed	25.1.1	3,060,980,119	2,716,940,661
Packing material consumed		71,898,023	72,676,839
Stores and spares consumed		71,906,351	86,479,983
Salaries, wages and benefits	25.1.2	369,917,551	358,301,140
Fuel		419,676,270	392,772,493
Rent, rates and taxes		549,714	539,345
Insurance		9,417,680	9,773,230
Repairs and maintenance		9,681,855	5,602,520
Depreciation	13.1.2	126,517,461	105,766,933
Other manufacturing overheads		6,287,430	11,407,324
		<u>4,146,832,454</u>	<u>3,760,260,468</u>
Work in process			
Opening stock		29,200,532	43,867,820
Closing stock	17	(51,742,678)	(29,200,532)
		<u>(22,542,146)</u>	<u>14,667,288</u>
		<u>4,124,290,308</u>	<u>3,774,927,756</u>

	Note	2016 Rupees	2015 Rupees
<b>25.1.1 Raw material consumed</b>			
Opening stock		417,522,678	551,442,728
Purchases		3,264,931,905	2,583,020,611
		3,682,454,583	3,134,463,339
Closing stock	17	(621,474,464)	(417,522,678)
		3,060,980,119	2,716,940,661

**25.1.2** It includes Rs. 20,304,253 (2015 : Rs. 40,512,752) in respect of staff retirement benefits.

## 26 DISTRIBUTION COST

Freight		32,268,446	40,231,569
Commission:			
-Local		8,284,943	846,011
-Export		21,021,750	26,295,845
Stamp duty		2,015,682	5,414,139
Travelling		5,395,666	4,856,710
Export development surcharge		7,112,945	9,770,568
Quality claims		1,232,168	573,675
Handling and other charges		10,145,715	9,107,863
Insurance expense		1,753,996	2,705,391
Distribution expense		988,800	1,188,800
Other		2,333,562	3,505,049
		92,553,673	104,495,620

## 27 ADMINISTRATIVE EXPENSES

Directors' remuneration, fees and benefits		9,946,176	8,491,300
Staff salaries and benefits	27.1	41,593,746	46,323,984
Travelling and conveyance		1,518,627	993,495
Printing and stationery		1,454,522	1,614,199
Postage and telephone		3,013,255	3,128,069
Fees, subscription and periodicals		2,380,129	1,841,545
Legal and professional		856,272	890,585
Advertisement		145,981	140,143
Utilities - net of recoveries		4,611,077	4,036,095
Rent, rates and taxes		4,679,184	4,531,185
Insurance		1,660,281	1,858,010
Auditors' remuneration	27.2	900,000	900,000
Repairs and maintenance		2,290,133	3,547,983
Vehicles running and maintenance		7,676,949	8,098,739
Entertainment		1,754,926	1,307,063
Depreciation	13.1.2 & 27.3	9,976,760	10,331,199
Amortization		69,189	-
Charity and donations	27.4	450,000	30,000
Other		829,976	1,009,464
		95,807,183	99,073,058

	Note	2016 Rupees	2015 Rupees
<b>27.1</b>	It includes Rs. 3,384,252 (2015: Rs. 7,619,304) in respect of staff retirement benefits.		
<b>27.2 Auditors' remuneration</b>			
Annual audit fee		550,000	550,000
Half yearly review fee		150,000	150,000
Code of Corporate Governance certification		50,000	50,000
Tax advisory services		150,000	150,000
		<u>900,000</u>	<u>900,000</u>
<b>27.3</b>	It includes depreciation on investment properties amounting to Rs. 302,591 (2015: Rs 318,516).		
<b>27.4</b>	Donations were not made to any donee in which a director or his spouse had any interest at any time during the year.		
<b>28 OTHER EXPENSES</b>			
Workers' Profit Participation Fund	9.2	-	8,071,694
Workers' Welfare Fund	9.3	2,357,653	3,021,052
		<u>2,357,653</u>	<u>11,092,746</u>
<b>29 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Net gain on sale of other financial assets - held for trading		19,790,454	24,275,398
Interest income on term deposit receipt		802,054	5,645,507
Unrealized loss on revaluation of other financial assets		-	(153,130)
Unrealized loss on revaluation of FCY Short Term finance		(15,662)	(4,155,283)
Dividend income		1,742,500	-
<b>Income from assets other than financial assets</b>			
Scrap sales		908,682	835,515
Gain on disposal of property, plant and equipment	13.1.3	565,546	1,337,343
Rental income from investment property		17,380,969	15,633,696
Other income		38,772	-
		<u>41,213,315</u>	<u>43,419,046</u>
<b>30 FINANCE COST</b>			
Mark-up / interest on:			
Long term finances		42,318,199	49,436,598
Liabilities against assets subject to finance lease		-	5,834
Short term borrowings		13,551,787	6,423,713
Workers' Profit Participation Fund		1,545,692	2,309,609
Bank charges and commission		8,981,578	11,783,340
		<u>66,397,256</u>	<u>69,959,094</u>
<b>31 PROVISION FOR TAXATION</b>			
Current tax for the year		<u>28,523,187</u>	<u>14,342,767</u>

- 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. Accordingly no deferred tax has been charged.

**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 :

	2016	2015
(Loss) / profit after taxation (Rupees)	(92,944,967)	133,688,757
Weighted average number of ordinary shares	18,700,000	18,700,000
Earnings per share (Rupees)	(4.97)	7.15

**33 CASH (USED IN) / GENERATED FROM OPERATIONS**

	2016 Rupees	2015 Rupees
(Loss) / Profit before taxation	(64,421,780)	148,031,524
Adjustments for:		
Depreciation	136,494,221	116,098,132
Amortization	69,189	-
Provision for gratuity	23,688,505	48,132,056
Gain on disposal of property, plant and equipment	(565,546)	(1,337,343)
Realized interest income on term deposit receipt	-	(5,645,507)
Gain on sale of other financial assets - held for trading	(19,790,454)	(24,275,398)
Unrealised loss on revaluation of other financial assets	-	153,130
Unrealised loss on revaluation of FCY Short Term Loan	15,662	4,155,283
Finance cost	66,397,256	69,959,094
Rental Income	(17,380,969)	(15,633,696)
	124,506,084	339,637,275
Decrease / (increase) in current assets:		
Stores and spares	(8,941,066)	(5,124,661)
Stock-in-trade	(245,503,526)	160,265,789
Trade debts	(263,592,831)	141,041,813
Loans and advances	90,164	6,213,665
Prepayments	(6,007,436)	(67,920)
Other receivables	(772,970)	(155,316)
Sales tax refundable	(6,327,811)	(23,625,749)
	(531,055,476)	278,547,621
Increase in current liabilities:		
Trade and other payables	116,697,175	69,997,561
<b>Cash (used in) / generated from operations</b>	<b>(289,852,217)</b>	<b>688,182,457</b>

**34 REMUNERATION OF DIRECTORS AND EXECUTIVES**

	2016				2015			
	Chief Executive	Directors		Executives	Chief Executive	Directors		Executives
		Executive	Non-Executive			Executive	Non-Executive	
	-Rupees-				-Rupees-			
Remuneration	4,341,480	2,420,000	-	11,614,336	3,775,200	2,000,000	-	14,331,733
House rent allowance	1,085,376	1,089,000	-	5,226,451	943,800	900,000	-	6,449,280
Other allowances	-	121,000	-	580,717	-	100,000	-	716,587
Retirement benefits	-	198,904	-	954,603	-	164,384	-	1,071,211
Leave encashment	-	285,416	-	1,995,422	-	285,416	-	2,399,340
Bonus/ex-gratia	-	-	-	175,685	-	-	-	504,076
Meeting fee	-	-	405,000	-	-	-	322,500	-
	5,426,856	4,114,320	405,000	20,547,214	4,719,000	3,449,800	322,500	25,472,227
No. of persons	1	2	2	10	1	2	2	14

- 34.1** Chief Executive and Executive Directors are provided with free use of the Company's maintained car and Chief Executive is entitled for reimbursement of 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 8. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	2016 Rupees	2015 Rupees
Associated companies	Purchase of goods	403,653	144,610
	Sale of goods	101,852,246	35,496,120
	Rental income	1,682,500	1,562,500
	Purchase of fixed assets	4,325,785	3,276,000
	Dividend paid	10,711,897	18,363,252
Directors, family members of directors and key management personnel	Dividend paid	48,776,830	83,617,416

**36 PLANT CAPACITY AND ACTUAL PRODUCTION**

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

		2016	2015
Number of spindles installed	No.	53,676	53,484
Total number of spindles worked	No.	53,676	53,484
Number of shifts per day	No.	3	3
Actual number of shifts in a year	No.	1,094	1,090
Plant capacity on the basis of utilization converted in to 20s' count	Kgs	18,982,657	18,693,587
Actual production converted into 20s' count	Kgs	15,788,810	14,457,682

**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. 640.894 million (2015: Rs. 757.663 million), the financial assets which are subject to credit risk amounted to Rs. 484.36 million (2015: Rs. 757.663 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 i.e. A1+ to A1 in short term and AAA to A for long term.

### 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 trade debts, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. At June 30, 2016 the Company had approximately 17 (2015: 5) major local customers that owed more than Rs. 3 million each and accounted for approximately 85% (2015 : 90%) of local trade debts. Export debts amounting to Rs. 114 million (2015 : Rs. 47 million) are secured against letters of credit.

## 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. 47.21% (2015: 46.40%) of the Company's financial liabilities will mature in less than one year 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.

	2016					
	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	714,727,699	714,727,699	16,893,935	67,824,787	497,789,299	132,219,676
Short term borrowings	111,653,516	111,653,516	111,653,516	-	-	-
Accrued interest / mark-up	10,517,052	10,517,052	10,517,052	-	-	-
Trade and other payables - non interest bearing	356,453,304	356,453,304	356,453,304	-	-	-
	1,193,351,571	1,193,351,571	495,517,807	67,824,787	497,789,299	132,219,676
	----- 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

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, interest rates or the equity prices 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, 2016 would decrease/increase by Rs. 4.193 million (2015 : Rs. 4.932 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, 2016 financial assets include Rs. 114.56 million (2015: Rs. 47.028 million) which are subject to foreign currency risk against US Dollars.

#### Foreign currency sensitivity analysis

At June 30, 2016, 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. 5.728 million (2015: decreased / increased by Rs 2.351 million), mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade debts.

### Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at reporting date the Company is not materially exposed to equity securities price risk as it has investment amounting to Rs. 119.964 million (2015: Nil) in the shares of quoted companies as mentioned in note-22.

If equity price would have been 10% higher / lower with all others variables held constant, other comprehensive income for the year of the company would have been higher / lower by Rs. 11.99 million (2015: Nil)

### 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	Available for sale	Total June 30, 2016
	Rupees			
<b>Assets as per balance sheet</b>				
Long term deposits	-	1,110,258	-	1,110,258
Trade debts	-	329,873,056	-	329,873,056
Loans and advances	-	601,364	-	601,364
Other receivables	-	1,785,665	-	1,785,665
Other financial assets	-	-	119,964,290	119,964,290
Cash and bank balances including term deposit receipt	150,106,849	36,564,651	-	186,671,500
	<b>150,106,849</b>	<b>369,934,994</b>	<b>119,964,290</b>	<b>640,006,133</b>

	Financial liabilities measured at amortized cost	Total June 30, 2016
	Rupees	
<b>Liabilities as per balance sheet</b>		
Long-term finances	714,727,699	714,727,699
Short-term borrowings	111,653,516	111,653,516
Trade and other payables	356,453,304	356,453,304
Accrued interest / mark-up	10,517,052	10,517,052
	<b>1,193,351,571</b>	<b>1,193,351,571</b>

	Loans and receivables	Held for trading	Total June 30, 2015
	Rupees		
<b>Assets as per balance sheet</b>			
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
	<b>158,343,504</b>	<b>599,319,634</b>	<b>757,663,138</b>

	Financial liabilities measured at amortized cost	Total June 30, 2015
	----- Rupees -----	
<b>Liabilities as per balance sheet</b>		
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
	<u>744,218,600</u>	<u>744,218,600</u>

### 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, 2015.

### 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or the liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

The following table presents the Company's financial assets which are carried at fair value:

June 30, 2016				
	Level 1	Level 2	Level 3	Total
	-----Rs-----			
<b>Financial assets</b>				
- <i>At fair value</i>				
- Available for sale	119,964,290	-	-	119,964,290
	<u>119,964,290</u>	<u>-</u>	<u>-</u>	<u>119,964,290</u>

June 30, 2015				
	Level 1	Level 2	Level 3	Total
	-----Rs-----			
<b>Fair value through profit or loss</b>				
- Held for trading	599,319,634	-	-	599,319,634
<b>Financial assets - at fair value</b>				
- Available for sale				
- Listed equity	-	-	-	-
	<u>599,319,634</u>	<u>-</u>	<u>-</u>	<u>599,319,634</u>

#### 40 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 70.63 percent (2015: 94.51 percent). As at year end, all non-current assets of the Company are located within Pakistan.

#### 41 NUMBER OF EMPLOYEES

Total number of employees at the year end was 1,146 (2015 : 1,145). Average number of employees during the year was 1,132 (2015 : 1,143).

#### 42 CORRESPONDING FIGURES

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current year.

Note	Reclassification		Rupees
	From	To	
26	Other	Handling and other charges	9,107,863
26	Other	Insurance expense	2,705,391

**43 SUBSEQUENT EVENTS**

The board of directors in its meeting held on September 29, 2016 proposed to distribute to the shareholders of the Company a cash dividend at the rate of 10 percent i.e. Rs. 1 per ordinary share (2015: Rs. 3.5 per ordinary share). The dividend is subject to the approval by the shareholders of the Company in its forthcoming Annual General Meeting. These financial statements do not reflect the effect of such dividend which will be accounted for in the financial statements of the Company subsequent to the year end, when it is approved by the shareholders of the Company.

**44 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 29, 2016 by the Board of Directors of the company.

**45 GENERAL**

Figures have been rounded off nearest to Rupee.

September 29, 2016

  
**Raza Ellahi Shaikh**  
Director  
**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)








www.jamapunji.pk










**Be aware, Be alert,  
Be safe**

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator (based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

[jamapunji.pk](http://jamapunji.pk)

[@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices

## 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 49th Annual General Meeting of the Company to be held  
 on October 31, 2016 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 \_\_\_\_\_ 2016.

### 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.

پراکسی فارم (مختار نامہ)

سیکرٹری

نگینہ کائن ملز لمیٹڈ

دوسری منزل، شیخ سلطان ٹرسٹ بلڈنگ نمبر 2،

26- سول لائنز، پیماؤنٹ روڈ،

کراچی-75530

میں / ہم

ساکن

بحیثیت رکن گنیزہ کائن ملز لمیٹڈ اور حامل عام حصص برطانیق شیئر رجسٹر فو لیو نمبر

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر پارٹیسپنٹ (شرکت) آئی ڈی نمبر )

بذریعہ ہذا

محترم / محترمہ ساکن

جو کمپنی کا ممبر ہے برطانیق شیئر رجسٹر فو لیو نمبر

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر پارٹیسپنٹ (شرکت) آئی ڈی نمبر )

یا اسکی غیر موجودگی میں محترم / محترمہ ساکن

جو کمپنی کا ممبر ہے برطانیق شیئر رجسٹر فو لیو نمبر

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر پارٹیسپنٹ (شرکت) آئی ڈی نمبر )

مورخہ 31 اکتوبر 2016ء کو منعقد ہونے والے کمپنی کے 49 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار

(پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

دستخط ..... آج بروز ..... بتاریخ ..... 2016ء

5 روپے کار سیدی کلٹ

چسپاں کریں

دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے

مطابق ہونے چاہئیں

نوٹ:

1- اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور سیکرٹری کو اس طور ارسال کر دے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہئے۔

2- سی ڈی سی کے ذریعے حصص یافتگان پراکسیز تقرر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی مصدقہ کاپی منسلک کریں۔

3- سی ڈی سی کے ذریعے حصص یافتگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہوں سے التماس ہے کہ شناخت کے مقصد کے لئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ بمعہ اپنے بینکرز سے اسکی مصدقہ

کاپی، اکاؤنٹ نمبر اور پارٹیسپنٹ آئی ڈی نمبر ہمراہ لائیں۔

4- کارپوریٹ اینٹیلی کی صورت میں، بورڈ آف ڈائریکٹری قرار داد / مختار نامہ کی مصدقہ کاپی مع نمونہ دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختار نامہ) کے ہمراہ کمپنی میں جمع کرانا ہو

گا۔