

Annual Report 2018



NAGINA GROUP

NAGINA COTTON MILLS LIMITED



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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. Tajammal Husain Bokharee	Chairman
Mr. Raza 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

HEAD OF INTERNAL AUDIT

Mr. Kashif Saleem

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.
JS Bank Ltd.
Meezan Bank Ltd.
Industrial Development Bank of Pakistan
MCB Bank Ltd.
National Bank of Pakistan
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

REGISTERED OFFICE

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

WEB REFERENCE

www.nagina.com

SHARE REGISTRAR

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

MILLS

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 51st Annual General Meeting of members of NAGINA COTTON MILLS LTD. will be held at the Registered Office of the Company situated at 2nd Floor, Shaikh Sultan Trust Bldg. No.2, 26, Civil Lines, Beaumont Road, Karachi - 75530 on **Saturday, October 27, 2018** at 9:30 a.m. to transact the following business:-

- 1) To confirm minutes of the Annual General Meeting held on October 28, 2017.
- 2) To receive, consider and adopt Audited Accounts of the Company for the year ended June 30, 2018 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, 2019 and fix their remuneration.
- 5) To transact any other ordinary business with the permission of the Chair.

A statement required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 is annexed.

By Order of the Board



Syed Mohsin Gilani
Corporate Secretary

September 27, 2018

NOTES:

- 1) The share transfer books for ordinary shares of the Company will be closed from Saturday, October 20, 2018 to Saturday, October 27, 2018 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi by the close of business on Friday, October 19, 2018 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) In accordance with Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulation 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that given bank mandate for dividend payments is **MANDATORY** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank 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).

In case of non-receipt of above information, the dividend shall be withheld.

- 7) The financial statements for the year ended June 30, 2018 shall be uploaded on the Company's website www.nagina.com twenty one days prior to the date of holding of annual general meeting.
- 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 can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.
- 10) If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city.
- 11) Members are requested to promptly notify the Company of any change in their registered address.

12) IMPORTANT:

- a) Pursuant to the provisions of the Finance Act, 2018, effective July 1, 2018, 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 15%
- ii) Rate of tax deduction for non-filer of income tax return 20%

To enable the company to make tax deduction on the amount of cash dividend @15% 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 15%.

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-holder(s) based on their shareholding proportions, in case of joint accounts.

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

- b) Shareholders are again requested to provide copy of CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
- c) Shareholders are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons.

STATEMENT AS REQUIRED UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017.

Members had approved a special resolution u/s 208 of the repealed Companies Ordinance, 1984 (u/s 199 of the Companies Act, 2017) 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) Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and	No deviation from approved timeline, due to better cash flows, the associated companies did not need funds envisaged u/s 199 of the Companies Act, 2017. Therefore, no investment transaction took place during the year 2017-18.																																						
d) Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment.	<table><tr><td></td><td colspan="2">Present Financial Position as on June 30, 2018</td><td colspan="2">Financial Position at the time of Approval as on June 30, 2015</td></tr><tr><td></td><td>PWML</td><td>ESML</td><td>PWML</td><td>ESML</td></tr><tr><td></td><td colspan="4">Rupees in Millions</td></tr><tr><td>Net sales</td><td>6,212.431</td><td>5,563.119</td><td>5,811.482</td><td>4,588.788</td></tr><tr><td>Gross profit</td><td>355.552</td><td>406.645</td><td>318.755</td><td>291.992</td></tr><tr><td>Profit before tax</td><td>54.697</td><td>132.008</td><td>31.188</td><td>90.206</td></tr><tr><td>Profit after tax</td><td>54.697</td><td>130.515</td><td>60.831</td><td>54.291</td></tr></table>					Present Financial Position as on June 30, 2018		Financial Position at the time of Approval as on June 30, 2015			PWML	ESML	PWML	ESML		Rupees in Millions				Net sales	6,212.431	5,563.119	5,811.482	4,588.788	Gross profit	355.552	406.645	318.755	291.992	Profit before tax	54.697	132.008	31.188	90.206	Profit after tax	54.697	130.515	60.831	54.291
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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.



Control Union Certification B.V.
Museumlaan 4-6, 8011 DZ Zwolle, The Netherlands
Phone: +31 (0)420 41100
Fax: +31 (0)420 11040
email: certification@controlunion.com

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU84833RCS-012018

REGISTRATION No: CU 84833

Control Union Certification 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
Recycled Claim Standard (RCS-NG)
Version 2.0

Recycled Claim Standard 100

Recycled Claim Standard

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

Yarns

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

Administration, Weaving, Spinning

This certificate is Valid until: 30 May 2019

Place and date of issue:
Zwolle-DE, 31 May 2018

Stamp of the issuing body

Standard's Logo

Name of authorized person

Dr. Ravi Kumar Managing Director
Miss Mrs. U.K. Thakur
Certifier



This certificate cannot be used for a commercial purpose

Any testing body can withdraw this certificate without as proof of the declared compliance is no longer given.

Certificate of Compliance Page 1 of 4



Control Union Certifications
P.O. Box 161, 8200 AD Zoeterwoude, The Netherlands
<http://www.controlunion.com>
tel.: +31 (0)88-4256700

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU040333008-01.2018

REGISTRATION No: CU 040333

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 Recycled Standard (GRS)
Version 4.0

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

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: 30 May 2019

Place and date of issue:
Zoeterwoude, 31 May 2018

Stamp of the issuing body

Standard's Logo

Name of authorised person


The **Managing Director**
Miss **P.W. L. X. Meelis**
Certifier



This certificate cannot be used as is now or modified.
The issuing body can withdraw this certificate before it expires if it detects non-compliance or non-quantization.

Certificate of Compliance, Page 1 of 4

CERTIFICATE

The company

NAGINA COTTON MILLS LTD
91, B1 M.M ALAM ROAD GULBERG III
54000 LAHORE, PAKISTAN

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use
the STANDARD 100 by OEKO-TEX® mark, based on our test report
2016OK0742

OEKO-TEX®
CONFIDENCE IN TEXTILES
STANDARD 100

2016OK0153 AITEX

Tested for harmful substances
www.oeko-tex.com/standard100



for the following articles:

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

The results of the inspection made according to STANDARD 100 by OEKO-TEX®, Appendix 6, **product class** I have shown that the above mentioned goods meet the human-ecological requirements of the STANDARD 100 by OEKO-TEX® presently established in Appendix 6 for baby articles.

The certified articles fulfil requirements of Annex XVIII of REACH (incl. the use of azo colourants, nickel release, etc.), the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass) and of the Chinese standard GB 18401:2010 (labelling requirements were not verified).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the STANDARD 100 by OEKO-TEX® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

The certificate 2016OK0153 is valid until 28.02.2019

Alcoy (Alicante) España, 15.05.2018

Silvia Devesa Valencia
Innovation Assistant Manager



Isabel Soriano Sarrió
Chief of Innovation Area



REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF BOARD AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD IN ACHIEVING THE COMPANY'S OBJECTIVES

The Board of Directors (the Board) of Nagina Cotton Mills Limited (NCML) has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and the Listed Companies (Code of Corporate Governance) Regulations, 2017.

- The Board has actively participated in strategic planning process, enterprise risk management system, policy development and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.

The annual evaluation of the Board's performance is assessed based on the key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risks faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of NCML has played a key role in ensuring that the Company objectives are not only achieved, but also exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.



Shahzada Ellahi Shaikh
Chairman

September 27, 2018

بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے منحصر کردار پر چیئر مین کی جائزہ رپورٹ

گلوبل کائنات ٹریڈنگ (NCML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصہ داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں سنبھالنے سے انجام دی ہیں اور کمپنی کے امور کو مؤثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے گلوبل ٹریڈنگ (سابقہ نیو آرڈر ٹریڈنگ) 1984 اور اس کے گلوبل نیو آرڈر ٹریڈنگ گورننس (گلوبل نیو آرڈر ٹریڈنگ) 2017 میں دیے گئے اپنے اختیارات اور ذمہ داری کو بخوبی سمجھا دیا ہے۔

• بورڈ نے اسٹرٹجک منصوبہ بندی کے عمل، ادارے کو لاحق خطرات کا انتظامی نظام، پالیسی ڈویلپمنٹ، اور مالیاتی ساخت کی نگرانی اور منظوری میں فعال طور پر حصہ لیا ہے۔

• سال بھر میں تمام اہم مسائل، بورڈ یا اس کی کمیٹیوں کے رویہ کاروباری فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کئے گئے اور خاص طور پر کمپنی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آؤٹ کسٹنگ کی سفارشات پر بورڈ نے منظوری دی۔

• بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور خود تشخیصی طریقہ کار اور باہر سے آؤٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ پڑتال کی جاتی ہے۔

• بورڈ نے مجلس نفعاء کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نفعاء کی رپورٹ کمپنی کی سرمایہ اور سالانہ مالیاتی حسابات کے ساتھ شائع ہونے والی مجلس نفعاء کی رپورٹ کا سودا قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔

• بورڈ نے چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، چیف ٹیکنیکل آفیسر اور دیگر اہم ایگزیکٹوز بشمول چیف فنانس آفیسر، چیف ٹیکنیکل آفیسر، اور باہر سے آؤٹ سرگرمیوں کی ملازمت اور معاوضہ سازی کو یقینی بنایا ہے۔

• بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو اجلاس کے درمیان ڈویلپمنٹ کے بارے میں لمحہ بہ لمحہ باخبر رکھا گیا ہے اور بورڈ نے کمپنی پر قابل اطلاق متعلقہ قوانین اور قواعد و ضوابط کی روشنی میں دیے گئے اختیارات کے مطابق اپنے اختیارات کا استعمال کیا ہے اور بورڈ نے ہمیشہ بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کرنے کے برعکس تمام قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کو ترجیح دی ہے۔

بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلیٰ درجے کی نگرانی مہیا کرنے بشمول اسٹرٹجک عمل، بحالی کاروباری امور، منگ منگ کی تعمیل، عالمی معاشی ماحول اور سماجی سیاق و سباق جس میں کمپنی کام کرتی ہے، کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے محرکات، مصالحت اور معلومات مہیا کرنے کے لئے وضاحت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر، یہ مناسب طور پر کہا جاسکتا ہے کہ NCML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جاسکتا ہے، بلکہ بورڈ اور اس کے اراکان کی رہنمائی اور نگرانی کے ذریعہ انتظامیہ میں کمی مشترکہ کوششوں کے ساتھ توقعات سے بھی آگے بڑھا جاسکتا ہے۔



شیرا والی شیخ

چیئر مین

27 ستمبر 2018

DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honor to present 51st Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2018. Figures for the previous year ended June 30, 2017 are included for comparison.

Company Performance

Alhamdulillah, your Company has earned an after tax profit of Rs. 158,202,496 compared to Rs. 78,428,216 during previous year. Earning per share (EPS) for the year is Rs. 8.46 compared to Rs. 4.19 for previous year. Better yarn selling prices, benefits of export drawback scheme and adjustment in PKR exchange rate resulted in better profitability of the company.

Sales revenue for the year under review is Rs. 5,878,554,251 compared to Rs. 5,242,033,350 during the corresponding previous year. Cost of sales decreased from 93.26% of sales to 91.25% of sales. Incremental revenue and decrease in cost of sales as percentage of respective years resulted in increase in Gross Profit (GP) from 6.74% of sales during previous year to 8.75% of sales during the year under review.

Distribution costs decreased from 1.99% of sales to 1.64% of sales this year. Administrative expenses diluted from 2.10% of sales of previous year to 2.04% of sales. Other expenses increased from 0.16% of sales of previous year to 0.68% of sales for the current year. The main reason for this substantial increase is due to recognition of impairment loss amounting to Rs. 23,337,162/= in the value of short term investment. We hope that with improvement in stock market the recognized impairment losses will be reversed in the future. The other income increased by 85.08% over the previous year mainly due to dividend earnings through investment portfolio in listed equity securities.

Finance costs increased from 1.23% of sales during previous year to 1.99% of sales during the year under review. This increase is mainly due to increase in short term borrowings for cotton procurement, increasing KIBOR and shifting of borrowing pattern from dollar based borrowing to rupee base.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2018-19, Kapas, (seed cotton) arrivals upto September 15, 2018, at the Ginneries totaled 2.517 million bales compared to 2.366 million bales for the year 2017-18 showing increase in arrival of 6.42%.

Dividend

The Board of Directors have recommended cash dividend @40% i.e. Rs.4/= per ordinary share for the year ended June 30, 2018. The dividend will amount to Rs. 74,800,000.

Future Outlook

The year under review was a reasonably profitable year. Rupee devalued approximately 18% against the USD which helped to improve profitability. However, currencies of regional countries have also devalued substantially and this may dilute our competitive advantage. Trade tensions between USA and China is affecting textile business with china. Customers are adopting cautious positions in their buying pattern and yarn and fabric prices are falling. The export package for yarn business expired on June 30, 2018 putting further pressure on margins. It is hoped that the new Government would bring in business friendly policies such as uninterrupted energy supplies in cost effective manner, refund of outstanding sales tax, income tax, DTL and technology upgradation funds so that stretched corporate cash flows can be eased out. The production of raw cotton in the country for 2018-19 season is estimated to be approximately 11 million bales. Therefore, imports of raw cotton will be required to meet the raw material needs of the spinning industry.

The management has prepared an extensive project for upgradation of its spinning mill through a Balancing, Modernisation and Replacement (BMR) plan. The objective of the BMR project is to improve energy efficiency, spinning productivity, yarn quality and to diversify products. The BMR project should help to improve labour productivity and generally reduce operating costs.

Principal Activity

The principal activity of the Company is manufacturing and sale of yarn.

Principal Risks and Uncertainties

The Board of Directors are responsible to oversee the Company's operations and to devise an effective strategy to mitigate any potential adverse impact of risks.

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 arise directly from its operations.

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 minimize potential adverse effects on the financial performance.

Material Changes and Commitments

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.

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.

Internal Financial Controls

A system of sound internal control is established and implemented at all levels of the Company by the Board of Directors. The system of internal control is sound in design for ensuring achievement of Company's objectives and operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

Related Parties

All related party transactions during the financial year ended June 30, 2018 were reviewed by the Audit Committee and approved by the Board of Directors. All the related parties' transactions were in line with the transfer pricing methods approved by the Board of Directors.

Shareholding Pattern

The shareholding pattern as at June 30, 2018 for ordinary shares is annexed.

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 financial year 2018-19. The Audit Committee has recommended for re-appointment of present Auditors.

Financial Statements Audit

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

Corporate Governance & Financial Reporting Framework

Further, 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 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, 2018 except for those disclosed in the financial statements.

Composition of Board

Total number of Directors:

- | | | |
|----|---------|---------------------------|
| a) | Male: | 9 (Nine) |
| b) | Female: | Exempted for current term |

Composition:

- | | | |
|-------|-------------------------------|-----------|
| (i) | Independent Directors: | 1 (One) |
| (ii) | Other Non-executive Directors | 5 (Five) |
| (iii) | Executive Director | 3 (Three) |

Name of Directors

Mr. Shahzada Ellahi Shaikh	Chairman
Mr. Tajammal Husain Bokharee	
Mr. Javaid Bashir Sheikh	
Mr. Shafqat Ellahi Shaikh	
Mr. Raza Ellahi Shaikh	
Mr. Haroon Shahzada Ellahi Shaikh	
Mr. Shaukat Ellahi Shaikh,	Director / Chief Executive Officer
Mr. Tariq Zafar Bajwa	
Mr. Munawar Iqbal	

Committees of the Board:

The Board has made following sub-committees:

Audit Committee Meetings

Mr. Tajammal Husain Bokharee	Chairman
Mr. Shafqat Ellahi Shaikh	Member
Mr. Raza Ellahi Shaikh	Member

Human Resource and Remuneration (HR&R) Committee Meetings

Mr. Tajammal Husain Bokharee	Chairman
Mr. Raza Ellahi Shaikh	Member
Mr. Tariq Zafar Bajwa	Member

Executive Committee

Mr. Shafqat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shaukat Ellahi Shaikh	Member
Mr. Raza Ellahi Shaikh	Member

Significant Features of Directors' Remuneration

The Board of Directors has approved a formal policy for remuneration of executive and non-executive directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition from them.

Non-executive directors including the independent director are entitled only for fee for attending the Board and its committees' meetings. Remuneration of executive and non-executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee.

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 stakeholders for their continued support to the Company.

On behalf of the Board



Shaukat Ellahi Shaikh
Mg.Director(ChiefExecutive)



Shahzada Ellahi Shaikh
Chairman

September 27, 2018

ممبران کے لئے مجلس نفعیہ کی رپورٹ

مجلس نفعیہ 30 جون 2018 کو مقررہ سال کے لئے کھپائی کی 31 ویں سالانہ رپورٹ مع نظر ثانی شدہ مالیاتی حسابات اور اس پر بحساب کی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہی ہے۔ 30 جون 2017 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

کھپائی کی کارکردگی

الحمد للہ آپ کی کھپائی نے گزشتہ سال کے دوران 78,428,216 روپے منافع کے مقابلے بعد از ٹیکس منافع 158,202,496 روپے درج کیا ہے۔ فی عیر آمدنی (EPS) گزشتہ سال کی 4.19 روپے کے مقابلے میں سال 8.46 روپے ہے۔ یارن کی فروخت کی بہتر قیمتوں، برآمدی ڈرائیج ایکٹیم کا فائدہ اور پاکستانی زر مبادلہ کی شرح میں اچھے رجسٹرڈ کے نتیجے میں کھپائی کو بہتر منافع ہوا۔

زیر جائزہ سال کی فروخت کی آمدنی 9,878,554,251 روپے ہے جو گزشتہ سال کی اسی مدت کے دوران 9,242,033,350 روپے رہی۔ فروخت کی لاگت فروخت کے 93.26 فیصد فروخت کے 91.25 فیصد تک کم ہوئی۔ آمدنی میں اضافہ اور گزشتہ سالوں کی اوسط کے لحاظ سے قیمت فروخت میں کمی کے نتیجے میں مجموعی منافع (GP) میں گزشتہ سال کے دوران فروخت کے 6.74 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کے 8.75 فیصد تک ہو گیا۔

اس سال تقسیم کے اخراجات فروخت کے 1.99 فیصد سے کم ہو کر فروخت کے 0.64 فیصد ہو گئے۔ انتظامی اخراجات گزشتہ سال کے 2.10 فیصد سے کم ہو کر 2.04 فیصد تک ہو گئے۔ دیگر اخراجات گزشتہ سال میں فروخت کے 0.16 فیصد سے بڑھ کر فروخت کے 0.68 فیصد تک ہو گئے۔ اس بھاری اضافہ کی اہم وجہ شخصیت سرایہ کاری کی قدر میں 23,337,162 روپے کی کمی (ایکڑ منٹ) کا نقصان درج کرنا ہے۔ ہمیں امید ہے کہ اخلاک مارکیٹ میں بہتری آنے کے ساتھ درج شدہ کمی کے نقصانات مستقبل میں واپس آ جائیں گے۔ دیگر آمدنی، ٹیکس و دیگر فیڈ میں سرمایہ کاری کے پورٹ فولیو کے ذریعے منافع معتمد آمدنی کی بدولت گزشتہ سال سے 85.08 فیصد سے بڑھ گئی۔

مالی لاگت گزشتہ سال کے دوران فروخت کے 1.23 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کے 1.99 فیصد ہو گئی۔ اس اضافہ کی اہم وجوہات کمپاس کی خریداری کے لئے مختصر مدت قرضوں میں اضافہ KIBOR میں اضافہ اور قرضوں کی ڈالر سے روپے بنیاد پر منتقلی ہے۔

پاکستان کاٹن جزا ہوس ایسٹن کی طرف سے فاصل سال 2018-19 کے لئے جاری کردہ اعداد و شمار کے مطابق 15 ستمبر 2018 تک جزا کے پاس کمپاس (سٹیٹ کمپاس) کی باقی سال 2017-18 کی کل 2,366 ملین گانٹھوں کے مقابلے میں 2,517 ملین گانٹھیں ہوئی جو 6.42 فیصد اضافہ کا باعث بن کر رہی ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2018 مقررہ سال کے لئے نقد منافع منقسمہ بشرح 40% یعنی 4 روپے فی عام شریک سٹاک کی ہے۔ منافع منقسمہ کی رقم کل 74,800,000 روپے ہوگی۔

مستقبل کے امکانات

زیر جائزہ سال موزوں منافع بخش سال تھا۔ امریکی ڈالر کے برعکس روپیہ کی قدر میں تقریباً 18% کمی ہوئی جس سے بہتر منافع میں مدد ملی۔ تاہم، علاقائی ممالک کی کرنسیوں کی قدر میں بھی کافی کمی ہوئی اور یہ ہمارے مسابقتی فائدہ کو کم کر سکتی ہے۔ امریکہ اور چین کے درمیان تجارتی تنازعہ چین کے ساتھ ٹیکسٹائل کاروبار کو متاثر کر رہا ہے۔ کسٹمرز اپنے خریداری کے رجحان میں ہلکا سا پوزیشنز اختیار کر رہے ہیں اور یارن اور کپڑے کی قیمتیں گر رہی ہیں۔ یارن کے کاروبار کے لئے برآمدی ٹیکس 30 جون 2018 کو ختم ہو گیا جو کہ مارنیز پر مزید بوجھ بن رہا ہے۔ یہ امید کی جاتی ہے کہ نئی حکومت کا روپا میں دوستانہ پالیسیاں لائے گی جیسے کہ منسٹر لائسنس یا قسط توانائی کی فراہمی، بھاری ٹیکس کی واپسی، انکم ٹیکس DTL اور ٹیکنالوجی آپ گریڈیشن فنڈز کا کاروبار کے نقدی بہاؤ کے قائم کیا جاسکے۔ سال 2018-19 سیزن کے لئے ملک میں خام کمپاس کی پیداوار کا تخمینہ 11 ملین گانٹھیں لگایا گیا ہے۔ لہذا سٹیٹک انڈسٹری کی خام مال کی ضروریات کو پورا کرنے کے لئے خام کمپاس ورا مد کرنا ہوگی۔

انتظامیہ نے تو ازان، جدت اور تبدیلی (BMR) پلان کے ذریعے اپنی سہنگ ل کی اپ گریڈیشن کے لئے ایک وسیع پیمانے پر ایکٹ تیار کیا ہے۔ تو ازان، جدت اور تبدیلی (BMR) پراجیکٹ کا مقصد توانائی کی صلاحیت، سہنگ کی پیداوار، یاران کا معیار بہتر بنانا اور مصنوعات کو مستوع کرنا ہے۔ تو ازان، جدت اور تبدیلی (BMR) پراجیکٹ ضروری پیداواری صلاحیت کو بہتر اور عام آپریشننگ اخراجات کی لاگت کو کم کرنے میں معاون ہوگا۔

نمایاں سرگرمی

کمپنی کی نمایاں سرگرمی یاران کی تیاری اور فروخت کرتا ہے۔

نمایاں خطرات اور غیر یقینی حالات

یورڈ آف ڈائریکٹرز کمپنی کے آپریشن کی گہرائی اور خطرات کے کسی ممکنہ منفی اثر کا سدباب کے لئے مرکز حکمت عملی وضع کرنے کے ذمہ دار ہیں۔

کمپنی کی اصل مالی ادائیگیوں میں طویل مدتی قرضے، تجارتی اور دیگر ادائیگیاں اور مختصر مدتی قرضے شامل ہیں۔ ان مالی ادائیگیوں کا اہم مقصد کمپنی کے آپریشن کے لئے قناس کا بندوبست کرنا ہے۔ کمپنی کے اصل مالیاتی ناٹوں میں تجارتی وصولیاں، بینکاری ادائیگیاں، مختصر مدتی ڈیپازٹس، دیگر وصولیاں اور نقدی اور بینک بیلنسز شامل ہیں جو اس کے آپریشن سے براہ راست حاصل ہوتے ہیں۔ کمپنی کی سرگرمیوں کو کئی قسم کے مالیاتی خطرات کا سامنا ہے۔ جس میں مارکیٹ خطرہ (بشمول کرنسی خطرہ، شرح سود کا خطرہ اور قیمت کا خطرہ)، اموال کا خطرہ اور نقدی بہاؤ کا خطرہ شامل ہے۔ کمپنی کا مجموعی ریسک منیجمنٹ پروگرام مالیاتی مارکیٹوں کی غیر متوقعات پر توجہ مرکوز اور مالی کارکردگی پر ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔

اہم تبدیلیاں اور معاہدات

اس بینکس شیٹ سے متعلق مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حیثیت پر اثر انداز ہونے والی کوئی اہم منفی تبدیلیاں اور معاہدات درنہائیں ہوئے۔

کاروباری سلامتی و سوداگری

کمپنی اپنے کاروبار میں کاروباری سلامتی و سوداگری کے انعام پر پختہ یقین رکھتی ہے۔ وہ اور وہ گنیمت خیز جو ہمارے کاروبار سے براہ راست یا واسطہ طور پر متاثر ہو رہی ہیں ان کی ترقی کے لئے مسلسل کوشاں ہیں۔

ماحول، صحت اور تحفظ

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

مشینری اور ساتھ میں پلاٹ پر کام کرنے والے ملازمین کا تحفظ ایک تشویش کی بات ہے۔ آگ، بھمانے والے آلات اور آگ سے بچاؤ کے دیگر آلات کمپنی کی سائنس کے ساتھ ساتھ اس کے رجسٹرز اور مرکزی دفتر میں نصب کئے گئے ہیں۔ آگ سے بچاؤ کے آلات کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ مشقیں کی جاتی ہیں۔

اقتصادی مالیاتی کنٹرول

یورڈ آف ڈائریکٹرز کی طرف سے کمپنی کے تمام سطحوں پر مضبوط اندرونی کنٹرول کا ایک انتظام قائم اور نافذ کیا گیا ہے۔ اندرونی کنٹرول کا نظام کمپنی کے مقاصد اور آپریشنل موثرگی اور کارکردگی کے حصول، ناقابل اعتماد مالیاتی رپورٹنگ اور قوانین، قواعد و ضوابط اور پالیسیوں کی عمل کو یقینی بنانے کے لئے ڈیزائن میں مستحکم ہے۔

متعلقہ پارٹیاں

30 جون 2018 کو ختم ہونے والے مالی سال کے دوران تمام متعلقہ پارٹی کے ساتھ لین دین کا آڈٹ کمپنی نے جائزہ لیا اور یورڈ آف ڈائریکٹرز کی طرف سے منظور دی گئی ہے۔ تمام متعلقہ پارٹیوں کے ساتھ لین دین یورڈ آف ڈائریکٹرز سے منظور شدہ متعلقہ فیصلوں کے طریقوں کے مطابق تھے۔

موجودہ حصص داری

30 جون 2018 کے مطابق عام شیئرز کے لئے موجودہ حصص داری ختم کیا گیا ہے۔

آڈیٹرز کی تقرری

ریٹائر ہونے والے سمیرن Deloitte ایسٹ، چارٹرزڈ اکاؤنٹنٹس، کراچی نے اہل ہونے کی بنا پر مالی سال 2018-19 کے لئے بحیثیت آڈیٹرز دوبارہ تقرری کے لئے اپنے آپ کو پیش کیا ہے۔ آڈٹ کمیٹی نے موجودہ آڈیٹرز کی دوبارہ تقرری کی منظوری دے دی ہے۔

مالیاتی حسابات کا آڈٹ

کمپنی کے مالی حسابات، کمپنی کے قانونی کنٹرولڈ سمیرن Deloitte ایسٹ، چارٹرزڈ اکاؤنٹنٹس کی طرف سے کسی کوالیفیکیشن کے بغیر نظر ثانی شدہ ہیں۔

کاروباری نظام اور مالیاتی رپورٹنگ کا طریقہ کار

مزید آڈیٹرز بخوشی بیان کرتے ہیں کہ:

a۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات میں کمپنی کے امور، نقدی بہاؤ اور سرمائے میں تبدیلیوں کو متعلقانہ طور پر ظاہر کرتے ہیں۔

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

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

d۔ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے، اور کسی بھی انحراف کاموزوں انکشاف اور وضاحت کی گئی ہے۔

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

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

g۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا ختم کیا گیا ہے۔

h۔ ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے جو 30 جون 2018 کو ہلا یا ہو، سوائے ان کے جو مالی حسابات میں ظاہر کر دیے گئے ہیں۔

یورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد:

(a) مرد 9 (تو)

(b) خاتون موجودہ مدت میں مستقل

ترتیب:

i۔ آزاد ڈائریکٹرز (ایک)

ii۔ دیگر تان ایگزیکٹو ڈائریکٹرز (پانچ)

iii۔ ایگزیکٹو ڈائریکٹرز (تین)

ڈائریکٹر کے نام

جناب شہزادہ الہی شیخ چیئرمین

جناب قمل حسین بخاری

جناب طاہرہ شیر شاہ

جناب شفقت الہی شیخ

جناب رضا الہی شیخ

جناب مہرون شہزادہ الہی شیخ

جناب شوکت الہی شیخ ڈائریکٹر ایگزیکٹو آفیسر

جناب طارق ظفر یا جود

جناب منور اقبال

ہورڈ کی کمپنیاں

ہورڈ آف ڈائریکٹرز نے متعدد ذیل کمپنیاں تشکیل دی ہیں:

• آؤٹ کیمپنی

جناب قمل حسین بخاری چیئرمین

جناب شفقت الہی شیخ رکن

جناب رضا الہی شیخ رکن

• ہیومن ریسورس اینڈ ریلیٹریشن (HR & R) کیمپنی

جناب قمل حسین بخاری چیئرمین

جناب رضا الہی شیخ رکن

جناب طارق ظفر یا جود رکن

• ایگزیکٹو کیمپنی

جناب شفقت الہی شیخ چیئرمین

جناب شہزادہ الہی شیخ رکن

جناب شوکت الہی شیخ رکن

جناب رضا الہی شیخ رکن

ڈائریکٹرز کے معاوضہ کی نمایاں خصوصیات

بورڈ آف ڈائریکٹرز نے کمپنی کے امور میں ان کی ذمہ داری پر قصراً تجزیہ کیا اور ان ایگزیکٹو ڈائریکٹرز کے معاوضے کے لئے دسی پالیسی کی منظوری دی ہے۔ معاوضہ کامیابی سے کمپنی کو منظم طریقہ سے چلانے کے لئے ان کی ذمہ داری اور ضروری مہارت اور ان سے ویلے ویلے پیش جو مسئلہ فزائی کی سطح کے مطابق ہے۔

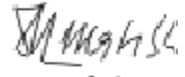
آزاد ڈائریکٹر سپر سیٹ ناٹ ایگزیکٹو ڈائریکٹرز قلیل پورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے اہل ہیں۔ ایگزیکٹو اور ناٹ ایگزیکٹو ڈائریکٹرز کا معاوضہ جو ممکن ریسورس اینڈ ریمیویشن کمیٹی کی سفارشات پر پورڈ کی طرف سے منظور کیا گیا ہے۔

انتہاء تھکر

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

منجانب بورڈ


شیر احمد الحق شیخ
 چیئرمین


فرحت الحق شیخ
 مینجنگ ڈائریکٹر (چیف ایگزیکٹو)

لاہور 27 ستمبر 2018

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
FOR THE YEAR ENDED JUNE 30, 2018**

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 in the following manner:

1 The total number of directors are nine as per the following:

- a) Male: Nine
b) Female: Nil (Exempted for current term)

2. The composition of the Board of Directors is as follows:

Category	Names
a) Independent Director	Mr. Tajammal Husain Bokharee
b) Other Non-Executive Directors	Mr. Javaid Bashir Sheikh Mr. Shahzada Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Raza Ellahi Shaikh Mr. Haroon Shahzada Ellahi Shaikh
C) Executive Directors	Mr. Shaukat Ellahi Shaikh Mr. Tariq Zafar Bajwa Mr. Munawar Iqbal

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017.
7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of nine directors, seven directors have obtained certification under Directors' Training Program (DTP) and two Directors are exempt from training program under the criteria mentioned in sub-regulation 2 of regulation 20 of the Regulations.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer (CFO) and Chief Executive Officer (CEO) duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
 - a. Audit Committee

Mr. Tajammal Husain Bokharee, Chairman
Mr. Shafqat Ellahi Shaikh, Member
Mr. Raza Ellahi Shaikh, Member
 - b. Human Resource and Remuneration (HR & R) Committee

Mr. Tajammal Husain Bokharee, Chairman
Mr. Raza Ellahi Shaikh, Member
Mr. Tariq Zafar Bajwa, Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
 - a) Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018.
 - b) HR and Remuneration Committee: One meeting during the financial year ended June 30, 2018.
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board



Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)



Shahzada Ellahi Shaikh
Chairman

September 27, 2018

SHAREHOLDERS' INFORMATION

Annual General Meeting

51st 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 Saturday, October 27, 2018 at 9:30 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2018, the Company has 942 Shareholders.

Web Reference

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

Dividend

The Board of Directors have recommended in their meeting held on September 27, 2018, payment of final cash dividend at the rate of Rs4/= per share i.e. 40% for the year ended June 30, 2018.

Book Closure

The register of the members and shares transfer books of the Company will remain closed from October 20, 2018 to October 27, 2018 (both days inclusive).

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

In accordance with Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulation 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that given bank mandate for dividend payments is MANDATORY and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following particulars 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>	
Name of Shareholder	
Folio No. / CDC Account No.	
Cell Number of Shareholder	
Landline Number of Shareholder	
E-mail address	
Title of Bank Account of shareholder	
International Bank Account Number (IBAN) "Mandatory"	PK_____ (24 digits) (kindly provide your accurate IBAN after consulting with your respective bank branch, in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and Address	
Branch Code	
CNIC No. (copy attached)	
NTN (in case of Corporate Entity)	

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

In case of non-receipt of above information, the dividend shall be withheld.

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.
5th Floor, Karachi Chambers,
Hasrat Mohani Road,
Karachi
Ph # (+92-21) 32412754, 32424826
Fax # (+92-21) 32424835

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

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

Pursuant to the provisions of the Finance Act, 2018 with effect from July 1, 2018, 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 @ 15%
- (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), with-holding tax will be determined separately on “Filer/ Non-Filer” status of Principal shareholder as well as joint-holder(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.

Zakat Declaration (Form CZ-50)

The Shareholders claiming exemption from deduction of Zakat are advised to submit their Zakat Declaration Form CZ-50 under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund Rules), 1981 to our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi. The Shareholders while sending the Zakat Declarations must quote company's name and their respective Folio Nos and /or CDC A/c Nos.

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 55,
132 and 223(6) 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 & Dividend

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

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2018
CUIN (INCORPORATION NUMBER) 0002500

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
414	1	100	12,981
276	101	500	79,901
64	501	1,000	50,831
118	1,001	5,000	285,700
33	5,001	10,000	229,431
10	10,001	15,000	127,302
6	15,001	20,000	104,498
3	20,001	25,000	62,700
1	25,001	30,000	28,913
2	30,001	35,000	64,868
-	35,001	45,000	-
2	45,001	50,000	97,000
-	50,001	115,000	-
1	115,001	120,000	118,736
-	120,001	140,000	-
1	140,001	145,000	144,951
-	145,001	315,000	-
1	315,001	320,000	318,658
-	320,001	695,000	-
2	695,001	700,000	1,400,000
-	700,001	1,015,000	-
3	1,015,001	1,020,000	3,051,542
-	1,020,001	1,395,000	-
1	1,395,001	1,400,000	1,400,000
1	1,400,001	1,405,000	1,400,500
-	1,405,001	3,225,000	-
2	3,225,001	3,230,000	6,454,419
-	3,230,001	3,265,000	-
1	3,265,001	3,270,000	3,267,069
942	Total:-		18,700,000

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2018
CUIN (INCORPORATION NUMBER) 0002500

Sr #	Categories of Shareholders	Shares Held	Percentage
1)	Directors, Chief Executive Officer, and their Spouse and Minor Children		
i)	MR. SHAHZADA ELLAHI SHAIKH	3,227,350	17.26
ii)	MR. SHAUKAT ELLAHI SHAIKH	3,267,069	17.47
iii)	MR. SHAFQAT ELLAHI SHAIKH	3,227,069	17.26
iv)	MRS. HUMERA SHAHZADA ELLAHI SHAIKH	4,248	0.02
v)	MRS. MONA SHAUKAT SHAIKH	4,248	0.02
vi)	MRS. SHAISTA SHAFQAT SHAIKH	4,248	0.02
vii)	MR. RAZA ELLAHI SHAIKH	1,400,500	7.49
viii)	MR. HAROON SHAHZADA ELLAHI SHAIKH	700,000	3.75
ix)	MR. TAJAMMAL HUSAIN BOKHAREE	502	0.00
x)	MR. JAVAID BASHIR SHEIKH	500	0.00
xi)	MR. TARIQ ZAFAR BAJWA	501	0.00
xii)	MR. MUNAWAR IQBAL	2	0.00
		11,836,237	63.29
2)	Associated Companies, Undertakings and Related Parties		
i)	HAROON OMER (PVT) LTD.	1,017,147	5.44
ii)	MONELL (PVT) LTD.	1,017,147	5.44
iii)	ICARO (PVT) LTD.	1,017,248	5.44
iv)	ELLAHI INTERNATIONAL (PVT) LTD.	9,000	0.05
		3,060,542	16.37
3)	NIT and ICP	1,430	0.01
4)	Banks, Development Finance Institutions, Non Banking Finance Institutions		
i)	ESCORTS INVESTMENT BANK LIMITED	30	0.00
ii)	NATIONAL DEVE. FINANCE CORP.	5,560	0.03
		5,590	0.03
5)	Insurance Companies	318,658	1.70
6)	Modarabas and Mutual Funds	Nil	Nil
7)	Shareholders Holding 10% or more		
i)	MR. SHAUKAT ELLAHI SHAIKH	3,267,069	17.47
ii)	MR. SHAHZADA ELLAHI SHAIKH	3,227,350	17.26
iii)	MR. SHAFQAT ELLAHI SHAIKH	3,227,069	17.26
		9,721,488	51.99
8)	General Public		
i)	a. Local	3,426,727	18.32
ii)	b. Foreign	678	0.00
		3,427,405	18.33
9)	Others (Joint Stock Companies)	50,138	0.27

KEY FINANCIAL INFORMATION

YEAR ENDED 30TH JUNE						
2018	2017	2016	2015	2014	2013 (Restated)	

Sales	Rs.'000	5,878,554	5,242,033	4,267,869	4,208,114	4,569,161	4,451,553
Gross profit	Rs.'000	514,147	353,294	151,481	389,233	566,856	969,563
Operating profit	Rs.'000	340,819	175,288	1,975	217,991	360,207	740,955
Profit / (loss) before tax	Rs.'000	223,557	110,886	(64,422)	148,032	270,460	663,938
Profit / (loss) after tax	Rs.'000	158,202	78,428	(92,945)	133,689	253,833	643,734
Share capital - paid up	Rs.'000	187,000	187,000	187,000	187,000	187,000	187,000
Shareholders' equity	Rs.'000	1,866,874	1,756,209	1,717,735	1,870,217	1,842,813	1,782,879
Total assets	Rs.'000	4,931,736	3,657,194	3,057,405	2,768,308	2,883,654	2,652,601
Earnings / (loss) per share - pre tax	Rs.	11.95	5.93	(3.45)	7.92	14.46	35.50
Earnings / (loss) per share - after tax	Rs.	8.46	4.19	(4.97)	7.15	13.57	34.42
Cash Dividend per share	Rs.	4.00	3.00	1.00	3.50	6.00	10.00
Market value per share as on 30 June	Rs.	39.90	42.65	45.51	63.00	69.01	71.79
Gross profit to sales	%	8.75	6.74	3.55	9.25	12.41	21.78
Operating profit to sales	%	5.80	3.34	0.05	5.18	7.88	16.64
Profit / (Loss) before tax to sales	%	3.80	2.12	(1.51)	3.52	5.92	14.91
Profit / (Loss) after tax to sales	%	2.69	1.50	(2.18)	3.18	5.56	14.46
Current ratio		1.51 : 1	2.04 : 1	2.53:1	3.46:1	3.21:1	4.77:1
Total debt to total assets ratio	%	62.15	51.98	43.82	32.44	36.09	32.79
Debt equity ratio	%	30.19	34.02	29.38	20.09	22.47	24.61

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NAGINA COTTON MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

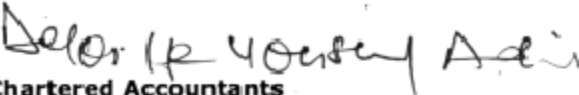
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Nagina Cotton Mills Limited** (the Company) for the year ended June 30, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 of Directors' 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.


Chartered Accountants

Date: 27 SEP 2018
Place: Karachi

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAGINA COTTON MILLS LIMITED

Report on the Audit of the Financial Statements

Opinion.

We have audited the annexed financial statements of **Nagina Cotton Mills Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit or loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	Revenue	Our audit procedures to address the Key Audit Matter included the following:

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>As disclosed in note 24 to the financial statements. The Company generates revenue from sale of goods locally and through export. Revenue from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to the customer, normally when the goods are delivered to the customer.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of risk and rewards to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p> <p>The Company's accounting policy in respect of revenue is disclosed in note 3.17 to the financial statements.</p>	<ul style="list-style-type: none"> obtaining an understanding of and assessing the design, implementation and operating effectiveness of controls around recognition of revenue; assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; Checked on a sample basis whether the recorded sales transactions are based on delivery of goods and after issue of gate passes; and Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents and by checking significant credit notes issued after year-end.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.


Chartered Accountants

Place: Karachi
Date: 27 SEP 2018

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 (2017: 50,000,000) ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Share capital	5	187,000,000	187,000,000
Capital reserves	6	256,295,112	238,059,984
Revenue reserve		1,423,578,516	1,331,148,740
Total equity		1,866,873,628	1,756,208,724
LIABILITIES			
NON CURRENT LIABILITIES			
Long term finances	7	662,535,029	792,275,827
Deferred liabilities	8	100,092,922	84,752,937
		762,627,951	877,028,764
CURRENT LIABILITIES			
Trade and other payables	9	763,784,280	585,973,804
Unclaimed dividend		6,488,295	6,220,865
Accrued interest/mark-up	10	25,083,754	8,241,442
Short-term borrowings	11	1,361,933,897	310,457,231
Current portion of long-term finances	7	144,944,679	113,063,284
		2,302,234,905	1,023,956,626
TOTAL LIABILITIES		3,064,862,856	1,900,985,390
CONTINGENCIES AND COMMITMENTS			
	12		
TOTAL EQUITY AND LIABILITIES		4,931,736,484	3,657,194,114

September 27, 2018



Shahzada Ellahi Shaikh
Chairman



Tariq Zafar Bajwa
Chief Financial Officer

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	1,436,505,899	1,550,833,381
Investment properties	14	14,240,641	14,513,729
Intangible assets	15	2,421,630	3,251,903
Long-term deposits		1,069,258	1,069,258
		1,454,237,428	1,569,668,271
CURRENT ASSETS			
Stores and spares	16	36,872,219	31,359,837
Stock-in-trade	17	1,233,516,051	715,961,623
Trade debts	18	953,738,074	454,983,103
Loans and advances	19	155,167,320	165,242,357
Prepayments	20	3,733,580	5,122,393
Other receivables	21	67,488,006	55,802,297
Sales tax refundable		58,024,607	102,484,321
Other financial assets	22	446,870,005	534,699,288
Cash and bank balances	23	522,089,194	21,870,624
		3,477,499,056	2,087,525,843
TOTAL ASSETS		4,931,736,484	3,657,194,114

The annexed notes from 1 to 44 form an integral part of these financial statements.



Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
	Note	Rupees	Rupees
Sales -net	24	5,878,554,251	5,242,033,350
Cost of goods sold	25	(5,364,407,671)	(4,888,738,900)
Gross profit		514,146,580	353,294,450
Distribution cost	26	(96,267,909)	(104,518,191)
Administrative expenses	27	(119,896,235)	(109,975,120)
Other expenses	28	(39,905,834)	(8,218,169)
		(256,069,978)	(222,711,480)
Other income	29	82,742,832	44,705,511
Operating profit		340,819,434	175,288,481
Finance cost	30	(117,262,433)	(64,402,764)
Profit before taxation		223,557,001	110,885,717
Provision for taxation	31	(65,354,505)	(32,457,501)
Profit after taxation		158,202,496	78,428,216
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit liability	8	(9,672,720)	(4,868,684)
Transfer of unrealised loss due to impairment of investments in equity securities		23,337,162	-
Items that may be reclassified subsequently to profit and loss account			
Unrealized loss on remeasurement of available for sale investments		(5,102,034)	(16,385,379)
Other comprehensive income for the year		8,562,408	(21,254,063)
Total comprehensive income for the year		166,764,904	57,174,153
Earnings per share - basic and diluted	32	8.46	4.19

The annexed notes from 1 to 44 form an integral part of these financial statements.


Shahzada Ellahi Shaikh
Chairman


Tariq Zafar Bajwa
Chief Financial Officer


Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

September 27, 2018

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	33	(313,222,221)	255,892,466
(Payments) made / receipt of:			
Employees retirement benefits		(17,758,673)	(15,917,060)
Finance cost		(100,420,121)	(66,678,374)
Income tax		(52,324,602)	(55,249,096)
Long term deposits		-	41,000
Net cash (used in) / generated from operating activities	A	(483,725,617)	118,088,936
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(54,908,416)	(269,264,075)
Proceeds from disposal of property, plant and equipment		11,532,000	3,497,926
Purchase of other financial assets		(117,730,540)	(1,033,584,349)
Proceeds from disposal of other financial assets		194,336,594	610,736,235
Rental income received		21,887,114	19,215,062
Dividend received		30,633,815	15,794,262
Net cash generated from / (used in) investing activities	B	85,750,567	(653,604,939)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finances obtained		15,099,000	400,284,854
Repayment of long-term finances		(112,958,403)	(209,673,442)
Net increase in short-term borrowings excluding running finance		336,100,572	218,224,690
Dividend paid		(55,832,570)	(18,700,000)
Net cash generated from financing activities	C	182,408,599	390,136,102
Net decrease in cash and cash equivalents	(A+B+C)	(215,566,451)	(145,379,901)
Cash and cash equivalents at beginning of the year		(24,278,252)	121,101,649
Cash and cash equivalents at end of the year		(239,844,703)	(24,278,252)
Cash and cash equivalents			
Cash and bank balances	23	321,975,769	21,870,624
Term Deposit Receipts	23	200,113,425	-
Short-term running finances	11	(761,933,897)	(46,148,876)
		(239,844,703)	(24,278,252)

The annexed notes from 1 to 44 form an integral part of these financial statements.


Shahzada Ellahi Shaikh
Chairman


Tariq Zafar Bajwa
Chief Financial Officer


Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

September 27, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Capital reserves			Revenue reserve	
	Issued	Amalgamation	Capital	Unappropriated	Total
	subscribed and	reserve	redemption	profit	
	paid-up capital	Note 6.2	Note 6.1		
			Surplus / (deficit) on revaluation of available for sale investment		
	Rupees				
Balance at June 30, 2016	187,000,000	12,104,417	241,860,000	480,946	1,276,289,208
Total Comprehensive Income					
Profit for the year	-	-	-	78,428,216	78,428,216
Other comprehensive income					
Loss on revaluation of available for sale investment	-	-	-	-	(16,385,379)
Remeasurement of defined benefit liability	-	-	-	(4,868,684)	(4,868,684)
Total comprehensive income for the year	-	-	-	(16,385,379)	57,174,153
Transaction with owners:					
Final dividend for the year ended June 30, 2016 @ 10% i.e. Re. 1 per ordinary share	-	-	-	(18,700,000)	(18,700,000)
Balance at June 30, 2017	187,000,000	12,104,417	241,860,000	(15,904,433)	1,331,148,740
Total Comprehensive Income					
Profit for the year	-	-	-	158,202,496	158,202,496
Other comprehensive income					
Net of impairment unrealised gain on available for sale investments	-	-	-	18,235,128	18,235,128
Remeasurement of defined benefit liability	-	-	-	(9,672,720)	(9,672,720)
Total comprehensive income for the year	-	-	-	18,235,128	148,529,776
Transaction with owners:					
Final dividend for the year ended June 30, 2017 @ 30% i.e. Rs. 3 per ordinary share	-	-	-	(56,100,000)	(56,100,000)
Balance at June 30, 2018	187,000,000	12,104,417	241,860,000	2,330,695	1,423,578,516
					1,866,873,628

The annexed notes from 1 to 44 form an integral part of these financial statements.


Shahzada Ellahi Shaikh
Chairman


Tariq Zafar Bajwa
Chief Financial Officer


Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

September 27, 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND OPERATIONS

- 1.1 Nagina Cotton Mills Limited (the Company) was incorporated in Pakistan on May 16, 1967 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The principal business of the Company is to manufacture and sale of yarn. The Company's manufacturing facilities are located in Kotri Industrial Trading Estate in the province of Sindh, measuring area of 20.75 acres.

Following is the geographical location and address of all business units of the Company:

Head Office:

2nd floor, Shaikh Sultan Trust Building No.2, 26-Civil Lines, Beaumont Road, Karachi -75530, in the province of Sindh.

Manufacturing facility:

A-16, National Highway, Aminabad, S.I.T.E Kotri, in the province of Sindh.

Liaison Office:

Nagina House 91 – B-1, M.M. Alam Road, Gulberg-III, Lahore-54660, in the province of Punjab.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under Companies Act, 2017 have been followed.

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 certain 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, 2018

- 2.4.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2018. 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 from accounting period
beginning on or after:**

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses January 01, 2017

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 and interpretations	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
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:	
<ul style="list-style-type: none"> - IFRS 1 – First Time Adoption of International Financial Reporting Standards - IFRS 14 – Regulatory Deferral Accounts - IFRS 17 – Insurance Contracts 	

2.5.1 New disclosure requirement due to the adoption of Companies Act, 2017

Due to adoption of the Companies Act, 2017 certain new and enhanced disclosures have become applicable, which are in addition to those required by the International Financial Reporting Standards. The relevant notes have been updated accordingly.

2.6 Significant transactions and events

All significant transactions and events have been adequately disclosed.

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 statement of financial position 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 statement of profit or loss and other comprehensive income.

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 reporting 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 reporting date, if significant.

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 statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income, 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 construction 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 statement of profit or loss and other comprehensive income. The rate of amortization is 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 of 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 statement of profit or loss and other comprehensive income 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 or loss account.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or 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 statement of profit or loss and other comprehensive income.

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, then the cumulative gain or loss previously reported in other comprehensive income is included in statement of profit or loss and other comprehensive income. These are sub-categorized as follows:

Quoted

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivables and cash and bank balances in the statement of financial position.

De-recognition

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, 2018.

Remeasurements which comprise actuarial gains and losses on defined benefit obligations 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 subsequent allowance for obsolete and slow moving items. Items in transit are valued at cost incurred up to the reporting 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 reporting 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 reporting 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 statement of profit or loss and other comprehensive income. 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 statement of profit or loss and other comprehensive income.

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 Pakistani Rupee at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Exchange differences are included in statement of profit or loss and other comprehensive income.

3.17 Revenue recognition

Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders when 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.

Gains / losses arising on sale of investments are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

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 till 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 statement of profit or loss and other comprehensive income in the period in which they are incurred.

3.19 Taxation

Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise due to assessment framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the reporting 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 reporting 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)
- ii. Assumptions and estimates used in accounting for defined benefit plan (note 3.8)
- iii. Assumptions and estimates used in calculating the provision for impairment of trade debts (note 3.11)
- iv. Assumptions and estimates used in determining the residual values and useful lives of property, plant and equipment (note 3.4)
- v. Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 3.10)

5. SHARE CAPITAL

2018 Number of shares	2017 Number of shares		2018 Rupees	2017 Rupees
Issued, subscribed and paid-up capital				
		Ordinary shares of Rs.10/- each fully paid		
3,133,000	3,133,000	In cash	31,330,000	31,330,000
15,567,000	15,567,000	As bonus shares	155,670,000	155,670,000
18,700,000	18,700,000		187,000,000	187,000,000

- 5.1 There were no movements in shares during the reporting periods.
- 5.2 The Company has one class of ordinary shares which carries 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 associated undertakings of the Company as at the reporting date.

	2018	2017
	Number of shares	
Associated undertakings - due to common directorship and shareholding in the Company		
Monell (Private) Limited	1,017,147	1,017,147
Haroon Omer (Private) Limited	1,017,147	1,017,147
ICARO (Private) Limited	1,017,248	1,017,248
Ellahi International (Private) Limited	9,000	9,000
	3,060,542	3,060,542

	Note	2018 Rupees	2017 Rupees
6. CAPITAL RESERVES			
Capital redemption reserve	6.1	241,860,000	241,860,000
Amalgamation reserve	6.2	12,104,417	12,104,417
Surplus / (deficit) on revaluation of available for sale investment	22.3	2,330,695	(15,904,433)
		256,295,112	238,059,984

- 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.

	Note	2018 Rupees	2017 Rupees
7. LONG-TERM FINANCES			
From banking companies and other financial institutions - secured			
Demand finances	7.2	104,999,960	161,666,608
Term finances	7.3	19,090,907	32,727,273
Long-term financing facility (LTFF)	7.4	566,070,065	565,004,798
Long-term financing facility (NIDF)	7.5	114,486,621	143,108,277
Custom debentures	7.6	2,832,155	2,832,155
		807,479,708	905,339,111
Less: Current portion:			
Demand finances		(56,666,648)	(56,666,648)
Term finance		(10,909,092)	(10,909,092)
Long-term financing facility (LTFF)		(45,915,128)	(14,033,733)
Long-term financing facility (NIDF)		(28,621,656)	(28,621,656)
Custom debentures		(2,832,155)	(2,832,155)
		(144,944,679)	(113,063,284)
		662,535,029	792,275,827

7.1 Reconciliation of liabilities arising from long term financing activities

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes, if any. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	July 1, 2017	Cash flows		June 30, 2018
		Obtained	Repaid	
Demand finances	161,666,608	-	(56,666,648)	104,999,960
Term finances	32,727,273	-	(13,636,366)	19,090,907
Long-term financing facility (LTFF)	565,004,798	15,099,000	(14,033,733)	566,070,065
Long-term financing facility (NIDF)	143,108,277	-	(28,621,656)	114,486,621
Custom debentures	2,832,155	-	-	2,832,155
	905,339,111	15,099,000	(112,958,403)	807,479,708

7.2 Demand finances

Name of institution	Limit		Outstanding amount		Details of financing, security and repayment terms
	2018	2017	2018	2017	
	Rupees		Rupees		
National Bank of Pakistan (Facility I)	100,000,000	100,000,000	24,999,991	41,666,655	Facility is secured against joint pari passu hypothecation charge over all present and future fixed assets and joint 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 0.5 bps (2017 : 3 months average KIBOR ask side plus 0.50 bps) repayable in 24 equal quarterly installments commenced from January 2014.
National Bank of Pakistan (Facility II)	240,000,000	240,000,000	79,999,969	119,999,953	Facility is secured against joint pari passu hypothecation charge over all present and future fixed assets and joint pari passu equitable mortgage 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 0.5 bps (2017 : 3 months average KIBOR ask side plus 0.50 bps) repayable in 24 equal quarterly installments commenced from August 2014.
			104,999,960	161,666,608	

7.3 Term Finance Facilities

Habib Bank Limited	60,000,000	60,000,000	19,090,907	32,727,273	Facility is secured against joint pari passu charge on entire present and future fixed assets of the Company and personal guarantee of sponsoring directors. The loan is subject to mark-up at the rate of 3 month average KIBOR offer rate plus 0.5 bps (2017 : 3 month average KIBOR plus 0.50 bps) repayable in 22 equal quarterly installments commenced from February 2015.
			19,090,907	32,727,273	

7.4 Long Term Finance Facilities (LTFF)

Name of institution	Limit		Outstanding amount		Details of financing, security and repayment terms
	2018	2017	2018	2017	
	Rupees		Rupees		
United Bank Limited	149,693,155	149,693,155	135,659,422	149,693,155	Facility is secured against joint 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 % (2017: 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	142,813,663	142,813,663	Facility is secured against joint 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 % (2017: 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.
United Bank Limited	149,628,405	149,628,405	149,628,405	149,628,405	Facility is secured against joint 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 % (2017: 2.5%). The loan was transferred from NIDF to LTFF Scheme under SBP's LTFF scheme and SMEFD Circular No.18 of 2015 repayable in 32 equal quarterly installments commencing from March 2019.
United Bank Limited	122,869,575	122,869,575	122,869,575	122,869,575	Facility is secured against joint 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 % (2017: 2.5%) . The loan was transferred from NIDF to LTFF Scheme under SBP's LTFF scheme and SMEFD Circular No.18 of 2015 repayable in 32 equal quarterly installments commencing from September 2019.

Name of institution	Limit		Outstanding amount		Details of financing, security and repayment terms
	2018	2017	2018	2017	
	Rupees	Rupees	Rupees	Rupees	
United Bank Limited	27,502,020	-	15,099,000	-	Facility is secured against joint 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 repayable in 32 equal quarterly installments commencing from March 2020. The unavailed facility is Rs. 12.4 million.

566,070,065	565,004,798
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7.5 Long Term Finance Facilities (NIDF)

United Bank Limited	157,493,182	157,493,182	114,486,621	143,108,277	Facility is secured against joint 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 month KIBOR plus 100 bps p.a.(2017: 3 Month KIBOR plus 100 bps p.a) repayable in 22 equal quarterly installments commenced from March 2017.
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114,486,621	143,108,277
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7.6 Debentures have been issued in favor of Collector of Customs of Karachi to cover deferred payment of custom duty on imported machinery.

7.7 The exposure of the Company's borrowings to interest rate changes on the contractual repricing dates at the reporting date are as follows:

	Note	2018 Rupees	2017 Rupees
- Short-term borrowings	11	1,361,933,897	310,457,231
- Long-term finances	7.2, 7.3 and 7.5	238,577,488	337,502,158
		<u>1,600,511,385</u>	<u>647,959,389</u>

7.8 Management considers that there is no non-compliance of the financing agreements with banking companies and financial institutions where the Company is exposed to penalties.

8. DEFERRED LIABILITY

Provision for staff gratuity

2018 Rupees	2017 Rupees
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100,092,922	84,752,937
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The Company operates an 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 actuarial assumption and amounts charged in these financial statements are as follows:

Actuarial assumptions

- Discount rate	9%	7.75%
- Expected rate of salary increase	7%	5.75%
- Average expected remaining working life of the employees	10 years	10 years

Increase / (decrease) in defined benefit obligation

		Change in assumption	Increase in assumption	Decrease in assumption
			2018	
			-----Rupees-----	
Discount Rate	1%		(5,935,183)	6,729,889
Salary Increase	1%		7,085,635	(6,362,873)
Average duration of defined benefit obligation in years			6	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 recognized in the reporting date.

Movement in the net defined benefit liability

	2018 Rupees	2017 Rupees
Balance at the beginning of the year	84,752,937	74,736,927
Recognized in profit and loss account		
Current service cost	17,545,735	16,222,952
Interest cost	5,880,203	4,841,434
	23,425,938	21,064,386
Recognized in other comprehensive income		
Remeasurement loss on of defined benefit liability	9,672,720	4,868,684
Benefits paid during the year	(17,758,673)	(15,917,060)
Balance at end of the year	100,092,922	84,752,937

Actuarial losses

Actuarial loss from changes in demographic and financial assumptions	498,810	174,499
Experience adjustments	9,173,910	4,694,185
	9,672,720	4,868,684

Sensitivity analysis

The sensitivity analysis presented has 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.

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

Salary risk

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

Mortality / withdrawal risk

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

Longevity risk

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:

	2018 Rupees Undiscounted payments	2017 Rupees Undiscounted payments
Less than a year	18,371,041	16,292,366
Between 1 to 2 years	16,883,904	14,779,341
Between 2 to 3 years	16,836,753	13,127,846
Between 3 to 4 years	19,110,895	13,124,841
Between 4 to 5 years	13,179,968	15,515,771
Between 5 to 6 years	13,859,562	10,071,958
6 years and above	571,683,819	393,630,878

8.2 Expected provision to be recognized in statement of profit or loss and other comprehensive income for current service cost and interest cost for the year June 30, 2019 is Rs. 20.07 million and 8.18 million respectively.**8.3** The average duration of the defined benefit obligation is 6 years.

	Note	2018 Rupees	2017 Rupees
9. TRADE AND OTHER PAYABLES			
Creditors		60,559,303	56,539,997
Accrued liabilities	9.1	625,286,587	442,206,996
Advance from customers		21,163,122	12,334,616
Workers' Profit Participation Fund	9.2	12,006,284	5,955,195
Workers' Welfare Fund	9.3	12,204,064	43,036,947
Preference shares redemption liability and dividend		733,365	733,365
Other government expenses - Infrastructure fee	9.4	31,337,349	24,406,846
Others		494,206	759,842
		763,784,280	585,973,804

9.1 This includes an amount of Rs. 393.95 million (2017 : Rs. 294.27 million) in respect of Gas Infrastructure Development Cess.

Gas Infrastructure Development (GID) Cess was levied with effect from December 15, 2011 and was chargeable from industrial gas customers at different rates as prescribed by the Federal Government through OGRA notification.

On June 13, 2013, the Honorable Peshawar High Court declared the levy, imposition and recovery of the Cess unconstitutional with the direction to refund the "Cess" so far collected. Honorable Supreme Court of Pakistan examined the case and vide its findings dated August 22, 2014, concluded that GID Cess is a fee and not a tax and on either count the "Cess" could not have been introduced through a money bill under Article 73 of the Constitution and the same was, therefore, not validly levied in accordance with the Constitution. However, on September 25, 2014, the President of Pakistan had promulgated GID Cess Ordinance 2014, which was applicable to the whole of Pakistan and has to be complied by all parties.

On September 29, 2014, the Honorable Sindh High Court gave a stay order to various parties against the promulgation of Presidential order on September 25, 2014.

On May 22, 2015, the GID Cess Act, 2015 was passed by Parliament applicable on all consumers. Following the imposition of the said Act, many consumers filed a petition in Honorable Sindh High Court and obtained stay order against the Act passed by the Parliament.

On October 26, 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. Furthermore, challenges to the GIDC Act, 2015 arising out of a judgment of the Peshawar High Court are also pending adjudication before the Honourable Supreme Court of Pakistan.

In view of aforementioned developments, the Company on prudent basis, continue to recognize the provision for gas infrastructure development cess.

	Note	2018 Rupees	2017 Rupees
9.2 Workers' Profit Participation Fund			
Opening balance		5,955,195	-
Interest on fund utilized in the Company's business	9.2.1	605,713	-
		6,560,908	-
Allocation for the year	28	12,006,284	5,955,195
		18,567,192	5,955,195
Amount paid to the fund		(6,560,908)	-
		12,006,284	5,955,195

9.2.1 Interest on funds utilized is charged @ 22.5 % (2017: Nil) per annum.

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. Management has filed appeal before the Supreme Court of Pakistan against the decision of the Sindh High Court. During the year, Supreme Court of Pakistan has passed an order dated November 10, 2016 that the Workers' Welfare Fund (WWF) is a fee, not a tax. Hence, the amendments made through Finance Act, 2006 and 2008 have been declared invalid in the said order. The company consulted with their legal counsel on this matter and understands that there has been a review petition filed against this decision which is pending adjudication, however, the review petition has not been fixed for hearing. Given that the review petition has not been fixed for hearing for a considerable period of time and the fact that the Company's counsel is of the opinion that the Company has a reasonable case, the company has decided to reverse the said provision in the financial statements until the final conclusion of the matter. The company has accounted for provision for Sindh Workers Welfare Fund, for the current year and from the preceding financial year ended June 30, 2015.

9.4 This represents Rs. 31.337 million (previously 24.407 million for the year 2017) provisioned for Sindh Development and Infrastructure Fee and Duty which was levied by the Excise and Taxation Department, on goods entering or leaving the province of Sindh, through air or sea at prescribed rate, under the Sindh Finance Ordinance, 2001. The imposition of the levy was initially challenged by the Company along with other affectee's, in the Honorable High Court of Sindh, and the Honorable Court was pleased to grant an interim injunction, vide Order dated May 31, 2011, to the effect 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 deposited with the Honorable Court until the final order is passed. That the aforesaid Injunction is still in operation and the Petition filed by the Company is pending and the management is confident for a favorable outcome. However, as a matter of prudence, the Company has paid 50% of the value of infrastructure fee to the concerned department and recorded liability for the remaining amount which is supported by a bank guarantee.

	Note	2018 Rupees	2017 Rupees
10. ACCRUED INTEREST / MARK-UP			
Long-term finances			
- From banking companies		5,619,221	5,708,899
Short-term borrowings		19,464,533	2,532,543
		25,083,754	8,241,442
11. SHORT-TERM BORROWINGS			
- Banking companies - secured			
Running finance	11.2 & 11.3	761,933,897	46,148,876
Term finance	11.1 & 11.4	600,000,000	-
Foreign currency finance	11.1 & 11.2	-	264,308,355
		1,361,933,897	310,457,231

11.1 Reconciliation of liabilities arising from short term financing activities

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	July 1, 2017	Cash flows		Non-cash flows	June 30, 2018
		Obtained	Repaid	Foreign exchange gain	
Term finance	-	1,300,000,000	(700,000,000)	-	600,000,000
Foreign currency finance	264,308,355	-	(263,899,428)	(408,927)	-
	264,308,355	1,300,000,000	(963,899,428)	(408,927)	600,000,000

11.2 The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 2,880 million (2017 : Rs. 2,760 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 mark-up ranging from 1 to 3 month KIBOR plus 0.2% to 0.75% (2017 : from 1 to 3 month KIBOR plus 0.2% to 0.75%) per annum payable on quarterly basis whereas interest rates on foreign currency loans balances at reporting date were Nil (2017: 0.9% to 2%) per annum.

11.3 The aggregate unavailed short-term borrowing facilities available amounted to Rs. 1,518 million (2017 : Rs. 2,450 million).

11.4 The Company has availed term finance facility from various banks which carries mark-up ranging from 6.2% to 7.02% (2017: Nil).

	Note	2018 Rupees	2017 Rupees
12. CONTINGENCIES AND COMMITMENTS			
12.1 Contingencies			
Bank guarantees issued on behalf of the Company	12.1.1	14,602,000	14,602,000
Bills discounted		-	269,136,348
Bank guarantee in favor of Excise and Taxation department	9.4	34,296,448	29,296,448

12.1.1 It represents guarantee issued in favor of Hyderabad Electric Supply Cooperation (HESCO)

12.2 Commitments

	Note	2018 Rupees	2017 Rupees
Machinery		-	17,605,000
Civil work		12,223,324	1,666,922
Raw material		-	3,477,197
Stores and spares		-	8,915,988
Commitments for rentals of assets under operating lease agreements as at June 30:			
Not later than one year		2,019,803	1,930,087

13. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	13.1	1,424,759,699	1,528,622,577
Capital work in progress	13.2	10,724,200	19,546,479
Capital advances	13.3	1,022,000	2,664,325
		1,436,505,899	1,550,833,381

13.1 Operating fixed assets

Particulars	2018							
	Cost at July 01, 2017	Additions / (Deletions)	Cost at June 30, 2018	Accumulated depreciation at July 01, 2017	Depreciation for the year	Accumulated depreciation at June 30, 2018	Written down value at June 30, 2018	Rate of Depreciation %
(Rupees)								
Owned								
Land - freehold	7,400,318	-	7,400,318	-	-	-	7,400,318	-
Land - leasehold	2,474,682	-	2,474,682	-	-	-	2,474,682	-
Commercial building on free hold land	16,699,610	-	16,699,610	10,266,566	321,652	10,588,218	6,111,392	5
Mills buildings on lease hold land	199,390,207	2,039,662	201,429,869	117,460,650	8,273,940	125,734,590	75,695,279	10
Other buildings on leasehold land	30,996,460	-	30,996,460	15,666,762	766,119	16,432,881	14,563,579	5
Machinery and equipment	2,411,343,655	42,577,662 (61,771,326)	2,392,149,991	1,095,602,273	132,921,247 (52,876,235)	1,175,647,285	1,216,502,706	10
Electric installations and equipment	111,350,783	2,535,661	113,886,444	60,969,469	5,226,455	66,195,924	47,690,520	10
Gas installations	3,671,136	-	3,671,136	2,795,430	87,571	2,883,001	788,135	10
Office equipment	20,004,311	1,028,550	21,032,861	11,385,210	928,524	12,313,734	8,719,127	10
Furniture and fixtures	25,656,576	852,534	26,509,110	14,422,331	1,157,686	15,580,017	10,929,093	10
Vehicles	64,776,775	16,338,950 (10,811,502)	70,304,223	36,573,245	6,839,003 (6,992,893)	36,419,355	33,884,868	20
	2,893,764,513	65,373,019 (72,582,828)	2,886,554,704	1,365,141,936	156,522,197 (59,869,128)	1,461,795,005	1,424,759,699	
(Rupees)								
Particulars	2017							
	Cost at July 01, 2016	Additions / (Deletions)	Cost at June 30, 2017	Accumulated depreciation at July 01, 2016	Depreciation for the year	Accumulated depreciation at June 30, 2017	Written down value at June 30, 2017	Rate of Depreciation %
(Rupees)								
Owned								
Land - freehold	7,400,318	-	7,400,318	-	-	-	7,400,318	-
Land - leasehold	2,474,682	-	2,474,682	-	-	-	2,474,682	-
Commercial building on free hold land	16,699,610	-	16,699,610	9,927,985	338,581	10,266,566	6,433,044	5
Mills buildings on lease hold land	168,348,241	31,041,966	199,390,207	110,361,744	7,098,906	117,460,650	81,929,557	10
Other buildings on leasehold land	25,105,632	5,890,828	30,996,460	14,917,468	749,294	15,666,762	15,329,698	5
Machinery and equipment	2,184,717,498	227,425,495 (799,338)	2,411,343,655	968,460,830	127,867,416 (725,973)	1,095,602,273	1,315,741,382	10
Electric installations and equipment	111,480,910	2,719,873 (2,850,000)	111,350,783	56,711,903	5,531,497 (1,273,931)	60,969,469	50,381,314	10
Gas installations	3,671,136	-	3,671,136	2,698,129	97,301	2,795,430	875,706	10
Office equipment	18,934,157	1,070,154	20,004,311	10,469,258	915,952	11,385,210	8,619,101	10
Furniture and fixtures	24,316,751	1,339,825	25,656,576	13,269,066	1,153,265	14,422,331	11,234,245	20
Vehicles	65,570,925	4,215,600 (5,009,750)	64,776,775	32,873,781	6,791,133 (3,091,669)	36,573,245	28,203,530	
	2,628,719,860	273,703,741 (8,659,088)	2,893,764,513	1,219,690,164	150,543,345 (5,091,573)	1,365,141,936	1,528,622,577	

	Note	2018 Rupees	2017 Rupees
13.1.1 Total depreciation			
Operating fixed assets	13.1	156,522,197	150,543,345
Investment property	14	273,088	287,461
		156,795,285	150,830,806
13.1.2 Depreciation for the year has been allocated as under:			
Cost of goods manufactured	25.1	147,853,740	141,955,458
Administrative expenses	27	8,941,545	8,875,348
		156,795,285	150,830,806
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
(Rupees)							
Machinery and equipment	14,802,104	12,241,543	2,560,561	1,500,000	(1,060,561)	Negotiation	Prima Energy System DP-81, Sector 12-c, North Karachi Industrial area, Karachi
Machinery and equipment	13,432,689	11,378,825	2,053,864	875,000	(1,178,864)	Negotiation	Spinkot Textile Mills Ltd Sui No 2-a, 2nd Floor, Craze-1 Plaza, Main Boulevard Defence Road, Shopping Mall, Cantonment Lahore
Machinery and equipment	8,402,112	7,362,025	1,040,087	400,000	(640,087)	Negotiation	Bajaj Impex Office No 1, Area Muslim Gunj, Near Jalandhar Sweet, Sheikhupura
Machinery and equipment	6,584,253	5,640,507	943,746	300,000	(643,746)	Negotiation	Masha Allah Traders Shop No 41-42, Data Market, Dar-ul-ahsan Town, Samuundri Road, Faisalabad
Machinery and equipment	4,389,502	3,765,581	623,921	400,000	(223,921)	Negotiation	Nadeem Textile Mills A-265, S.I.t.e. Nooriabad, Jamshoro
Machinery and equipment	750,000	297,662	452,338	900,000	447,662	Negotiation	Z. A Corporation (Private) Limited 22 K-m, Sheikhupura Road, Khurainwala, Faisalabad, Jaranwala
Machinery and equipment	2,194,753	1,880,169	314,584	100,000	(214,584)	Negotiation	Masha Allah Traders Shop No 41-42, Data Market, Dar-ul-ahsan Town, Samuundri Road, Faisalabad
Machinery and equipment	1,918,956	1,630,478	288,478	300,000	11,522	Negotiation	Z. A Corporation (Private) Limited 22 K-m, Sheikhupura Road, Khurainwala, Faisalabad, Jaranwala
Machinery and equipment	3,487,249	3,250,607	236,642	250,000	13,358	Negotiation	Asif Raza Abdul Wahab Flat No D-73, Labour Square, Latifabad, Hyderabad
Machinery and equipment	950,000	833,389	116,611	50,000	(66,611)	Negotiation	Masha Allah Traders Shop No 41-42, Data Market, Dar-ul-ahsan Town, Samuundri Road, Faisalabad
Machinery and equipment	950,000	833,389	116,611	50,000	(66,611)	Negotiation	Masha Allah Traders Shop No 41-42, Data Market, Dar-ul-ahsan Town, Samuundri Road, Faisalabad
Machinery and equipment	3,578,365	3,470,010	108,355	100,000	(8,355)	Negotiation	Masha Allah Traders Shop No 41-42, Data Market, Dar-ul-ahsan Town, Samuundri Road, Faisalabad
Machinery and equipment	331,344	292,051	39,293	60,000	20,707	Negotiation	Asif Raza Abdul Wahab Flat No D-73, Labour Square, Latifabad, Hyderabad
Vehicle	2,162,602	1,331,200	831,402	1,245,000	413,598	Negotiation	Hassan Ali House No 68, Mohalla Block 2, Sector B-1, Township Lahore
Vehicle	2,476,040	1,660,477	815,563	1,150,000	334,437	Negotiation	Usman Shahid House No B-6, Sector 11-b, North Karachi
Vehicle	1,728,780	1,065,807	662,973	1,325,000	662,027	Negotiation	Waseem Mirza House No A-32, Block 10-a, Gulshan-e-iqbal, Karachi
Vehicle	1,056,910	529,864	527,046	773,000	245,954	Negotiation	Khurram Ayub House No S-85-r, Gali No 11-7-b, Mohalla Bahawalpur road, near chowk, choberjee, Lahore
Vehicle	1,180,300	802,791	377,509	550,000	172,491	Negotiation	Salman Ahmed House No 2-A-2, 3-North Street, Phase-1, D.H.A. Karachi
Vehicle	1,037,800	722,860	314,940	480,000	165,060	Negotiation	Waseem Mirza House No A-32, Block 10-A, Gulshan-e-iqbal, Karachi
Vehicle	891,995	733,136	158,859	580,000	421,141	Negotiation	Waseem Mirza House No A-32, Block 10-A, Gulshan-e-iqbal, Karachi
Vehicle	67,500	8,869	58,631	60,000	1,369	Negotiation	IGI Insurance Company 7th Floor, The Forum, Suite No 701-713, G-20 Block 9 Khayabn-e-Jami, Clifton, Karachi
Vehicle	71,575	44,029	27,546	30,000	2,454	Negotiation	Syed Qamm-UL-Hassan House No 58, Block-C, Mohalla Sabzazar Scheme, Lahore
Vehicle	68,000	43,909	24,091	30,000	5,909	Negotiation	Syed Qamm-UL-Hassan House No 58, Block-C, Mohalla Sabzazar Scheme, Lahore
Vehicle	70,000	49,950	20,050	24,000	3,950	Negotiation	Adnan Bhatti House No A-54, Hijrat Colony, M.T. Khan Road, Karachi
Rupees 2018	72,582,829	59,869,128	12,713,701	11,532,000	(1,181,701)		
Rupees 2017	8,659,088	5,091,573	3,567,515	3,497,926	(69,589)		

	Note	2018 Rupees	2017 Rupees
13.2 Capital work-in-Progress			
Civil work	13.2.1	4,329,959	802,683
Machinery and electrical installations	13.2.2	6,394,241	18,743,796
		10,724,200	19,546,479
13.2.1 Civil work			
Opening balance		802,683	22,575,550
Additions		5,909,838	15,159,927
		6,712,521	37,735,477
Transfer to property, plant and equipment		(2,382,562)	(36,932,794)
Closing balance	13.2.3	4,329,959	802,683
13.2.2 Machinery and electrical installations			
Opening balance		18,743,796	2,377,920
Additions		32,682,786	245,989,580
		51,426,582	248,367,500
Transfer to property, plant and equipment		(45,032,341)	(229,623,704)
Closing balance	13.2.3	6,394,241	18,743,796

13.2.3 These include advances to suppliers amounting to Rs. 5.003 million (2017: Rs. 5.614 million).

13.3 It represents advances paid to supplier against purchase of vehicles and furniture and fixtures.

14. INVESTMENT PROPERTIES

	Cost			Depreciation			Written down	Annual
	As at July 1, 2017	Additions / (disposals)	As at June 30, 2018	As at July 1, 2017	charge for the year	As at June 30, 2018	value as at June 30, 2018	rate of Dep. %
	(Rupees)							
Building on free hold land in Lahore	17,539,312	-	17,539,312	12,077,552	273,088	12,350,640	5,188,672	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	-
2018 Rupees	26,591,281	-	26,591,281	12,077,552	273,088	12,350,640	14,240,641	
2017 Rupees	26,591,281	-	26,591,281	11,790,091	287,461	12,077,552	14,513,729	

14.1 As per the valuation done by M/s Surval 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.

14.2 Freehold land and building there upon is situated at 91-B1, M.M. Alam Road, Gulberg-III, Lahore, having total area of 0.5 acres (4 kanals and 12 square feet).

14.3 Land is situated at 13.5 Km, Sheikhupura, Sharqpur Road, Mouza Ghazi Androon, Dist. Sheikhupura, having total area of 18.5 acres (148 kanals).

15. INTANGIBLE ASSETS

	Cost		Amortization			Carrying value as at June 30, 2018	Rate of Amortization %
	As at July 01, 2017	Additions	As at June 30, 2018	As at July 01, 2017	Charge for the year	As at June 30, 2018	
	(Rupees)						
ERP software	4,151,365	-	4,151,365	899,462	830,273	1,729,735	20
2018 Rupees	4,151,365	-	4,151,365	899,462	830,273	1,729,735	2,421,630
2017 Rupees	4,151,365	-	4,151,365	69,189	830,273	899,462	3,251,903

	Note	2018 Rupees	2017 Rupees
16. STORES AND SPARES			
Stores		19,459,840	11,903,246
Spares		17,412,379	19,456,591
		36,872,219	31,359,837

17. STOCK-IN-TRADE

Raw material	1,104,008,449	616,597,003
Work-in-process	61,017,474	45,082,213
Finished goods	64,395,521	46,381,864
Waste	4,094,607	7,900,543
	1,233,516,051	715,961,623

18. TRADE DEBTS

Considered good			
Foreign - secured	18.1	582,823,828	205,046,401
Local - unsecured	18.2	370,914,246	249,936,702
		953,738,074	454,983,103
Considered doubtful		1,044,009	1,044,009
		954,782,083	456,027,112
Less: Provision for doubtful debts		(1,044,009)	(1,044,009)
		953,738,074	454,983,103

18.1 Following are the details of debtors in relation to export sales:

Jurisdiction

Asia	566,610,819	148,806,926
Eurasia	8,592,661	56,239,475
Europe	7,620,348	-
	582,823,828	205,046,401

18.1.1 These are secured through letter of credit.

18.2 These are non-interest bearing, the normal credit period is 15 to 45 days.

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. 36.162 million (2017: Rs. 71.265 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. The Company does not hold any collateral against these balances.

	Note	2018 Rupees	2017 Rupees
18.4.1 Aging of past due but not impaired			
46-90 days		305,221	26,710,256
91-180 days		8,467,428	42,553,835
181 days and above		27,389,872	2,001,348
		<u>36,162,521</u>	<u>71,265,439</u>
19. LOANS AND ADVANCES			
Considered good			
Advances			
Employees		166,049	151,928
Income tax	19.1	143,118,456	156,148,359
Suppliers		11,371,589	7,328,590
Expenses		118,181	1,114,825
Letters of credit		393,045	498,655
		<u>155,167,320</u>	<u>165,242,357</u>
19.1 Movement of advance tax is as under:			
Opening balance		156,148,359	133,356,764
Paid during the year	19.1.1	52,324,602	55,249,096
Provision for tax	31	(65,354,505)	(32,457,501)
		<u>143,118,456</u>	<u>156,148,359</u>
19.1.1	It includes reversal of WWF amounting Rs. 279,583 pertaining to prior year.		
20. PREPAYMENTS			
Prepaid insurance		1,367,101	1,716,774
Others		2,366,479	3,405,619
		<u>3,733,580</u>	<u>5,122,393</u>
21. OTHER RECEIVABLES			
Export rebate		63,365,835	51,736,251
Income tax refundable		892,665	892,665
Other receivables		3,229,506	3,173,381
		<u>67,488,006</u>	<u>55,802,297</u>
22. OTHER FINANCIAL ASSETS			
Available for sale investments			
Investment in listed equity securities	22.1	421,062,881	507,055,203
Investment in mutual funds	22.2	25,807,124	27,644,085
		<u>446,870,005</u>	<u>534,699,288</u>

22.1 Investment in listed equity securities - At fair value

Quoted companies

2018	2017		2018	2017
Number of shares		Name of investee	Rupees	Rupees
1,380,500	1,383,000	Engro Fertilizers Limited	103,413,255	76,396,920
1,250,000	1,250,000	Fauji Cement Company Limited	28,562,500	51,287,500
472,500	447,500	Habib Metropolitan Bank Limited	20,482,875	14,789,875
468,000	449,000	Bank Al-Habib Limited	36,892,440	25,480,750
365,000	365,000	Fatima Fertilizer Company Limited	11,826,000	12,296,850
313,900	258,600	United Bank Limited	53,042,822	60,905,472
251,000	333,500	Bank Alfalah Limited	13,124,790	13,406,700
133,000	45,200	Oil and Gas Development Company Limited	20,697,460	6,359,188
113,600	112,300	MCB Bank Limited	22,466,672	23,631,289
110,000	100,000	Loads Limited	3,429,800	4,147,000
103,000	107,500	Century Paper & Board Mills Limited	6,540,500	10,540,375
89,686	78,500	Faysal Bank Limited	2,331,841	1,766,250
45,000	42,000	Engro Polymer & Chemicals Limited	1,411,200	1,533,000
43,500	20,600	Habib Bank Limited	7,240,140	5,544,284
38,800	32,300	Allied Bank Limited	4,002,220	2,894,726
31,648	18,000	Tariq Glass Limited	1,754,235	1,993,680
31,200	299,500	Pakistan Petroleum Limited	6,704,880	44,367,930
29,500	39,000	Gul Ahmed Textile Mills Limited	1,266,435	1,598,220
29,000	45,000	Nishat (Chunian) Limited	1,376,920	2,309,400
27,000	-	Hub Power Company Limited	2,488,320	-
25,700	21,800	Nishat Mills Limited	3,621,644	3,459,224
24,000	30,500	Fauji Fertilizer Bin Qasim Limited	2,373,360	1,306,620
21,517	39,017	Synthetic Products Enterprises Limited	1,099,519	2,943,833
21,500	21,500	Agriauto Industries Limited	6,342,500	9,285,850
18,500	109,000	International Steels Limited	1,881,450	13,940,010
18,000	25,500	Systems Limited	1,821,960	1,933,920
18,000	14,800	Engro Corporation Limited	5,649,480	4,823,468
14,710	28,500	Kohinoor Textile Mills Limited	808,903	2,996,205
14,500	13,500	Sui Northern Gas Pipelines Limited	1,453,190	2,010,420
14,000	289,000	Shabbir Tiles & Ceramics Limited	294,840	5,540,130
14,000	122,500	Pak Elektron Limited	496,440	13,514,200
13,900	18,200	D.G. Khan Cement Company Limited	1,591,411	3,879,512
13,200	13,400	Mari Petroleum Company Limited	19,881,576	21,113,576
11,600	9,800	Cherat Cement Company Limited	1,127,868	1,752,044
11,500	23,500	Pioneer Cement Limited	538,890	3,055,000
11,000	-	Dawood Hercules Corporation Limited.	1,218,580	-
10,000	14,500	Amreli Steels Limited	705,500	1,782,775
9,158	9,700	Pakistan State Oil Company Limited	2,915,083	3,757,295
8,400	8,400	Attock Cement Limited	1,129,632	2,542,428
7,100	10,500	Pakistan Oilfields Limited	4,769,709	4,810,575
5,175	-	AGP Limited	459,488	-
4,900	5,800	Lucky Cement	2,488,857	4,850,308
4,500	24,000	Kot Addu Power Company Limited	242,595	1,728,480
4,500	-	HASCOL Petroleum Limited	1,411,920	-
3,000	4,200	Ferozsons Laboratories Limited	584,190	1,623,342
2,700	11,200	Glaxosmithkline Pakistan Limited	448,200	2,205,504
2,600	2,600	Attock Refinery Limited	559,806	994,708
2,400	-	Kohat Cement Limited	295,368	-
2,100	2,500	Attock Petroleum Limited	1,238,979	1,566,075
1,812	14,500	Maple Leaf Cement Factory Limited	91,941	1,614,720
1,800	3,800	Shell Pakistan Limited	568,962	2,186,406
1,700	-	International Industries Limited	394,893	-
1,400	2,200	Abbott Laboratories (Pakistan) Limited	959,000	2,056,120
1,000	2,000	Millat Tractors Limited	1,188,060	2,748,880
1,000	-	Searl Pakistan Limited	339,500	-
600	3,300	Honda Atlas Cars (Pakistan) Limited	189,834	2,863,377
580	1,100	Indus Motor Company Limited	824,448	1,972,960
-	267,000	K-Electric Limited	-	1,842,300
-	91,000	Pakistan Telecommunication Company Limited	-	1,420,510
-	34,000	Al Shaheer Corporation Limited	-	1,363,740
-	31,500	Saif Power Limited	-	950,670
-	27,500	Sui Southern Gas Co. Limited	-	1,001,275
-	25,000	Mughal Iron And Steel Industries Limited	-	2,018,250
-	22,500	The Hub Power Company Limited	-	2,642,175

2018 Number of shares	2017 Number of shares	Name of investee	Note	2018 Rupees	2017 Rupees
-	2,500	Crescent Steel & Allied Products Limited		-	596,425
-	2,500	Pak Suzuki Motor Company Limited		-	1,950,900
-	1,600	National Refinery Limited		-	1,161,584
				421,062,881	507,055,203

22.1.1 This includes investments at fair value of Rs. 106.61 million (2017: Rs. 133.01 million) held in Separately Managed Account (SMA) maintained with and managed by NAFA.

	Note	2018 Rupees	2017 Rupees
22.2 Investment in mutual funds - at fair value			
NAFA Stock Fund Nil (2017: 864,538 units)		-	14,017,445
NAFA Islamic Energy Fund 1,040,543 units (2017: 1,040,543 units)		13,184,825	13,626,640
NAFA Money Market 1,213,099 units (managed through SMA)		12,622,299	-
		25,807,124	27,644,085

22.3 Reconciliation between fair value and cost of investments classified as 'available for sale'

Fair value of investments

- in listed equity securities	22.1	421,062,881	507,055,203
- in mutual funds	22.2	25,807,124	27,644,085
		446,870,005	534,699,288

Less: unrealized (gain) / loss on remeasurement of investments as at June 30

Add: Impairment on investment classified as available for sale

(2,330,695)	15,904,433
23,337,162	-
21,006,467	15,904,433
467,876,472	550,603,721

Cost of investments

23. CASH AND BANK BALANCES

Term deposit receipts	23.1	200,113,425	-
Cash with banks			
In current accounts		321,973,340	21,838,195
In deposit accounts		81	81
Cash in hand		2,348	32,348
		522,089,194	21,870,624

23.1 It carries return at 6.9% p.a. and will be matured on July 4, 2018.

	Note	Local	Export	Total 2018	Total 2017
24. SALES - net					
Yarn	24.1 & 24.2	2,620,044,373	2,988,577,372	5,608,621,745	5,050,634,539
Waste		123,028,712	14,816,763	137,845,475	91,963,018
Raw material		81,400,684	-	81,400,684	47,105,593
		2,824,473,769	3,003,394,135	5,827,867,904	5,189,703,150
Export rebate				50,746,871	52,400,114
Less : Sales tax				(60,524)	(69,914)
				5,878,554,251	5,242,033,350

24.1 Export sales is net of exchange gain of Rs.47.14 million (2017 : exchange loss of Rs. 1.93 million)

24.2 Export sales include indirect export of Rs. 435.29 million (2017 : Rs. Nil) to a related party (note 35).

	Note	2018 Rupees	2017 Rupees
25. COST OF GOODS SOLD			
Opening stock - finished goods and waste		54,282,407	50,793,087
Cost of goods manufactured	25.1	5,306,938,210	4,850,940,371
Purchase of finished goods		-	1,448,238
		5,361,220,617	4,903,181,696
Closing stock - finished goods and waste	17	(68,490,128)	(54,282,407)
Cost of sales of raw material		71,677,182	39,839,611
		5,364,407,671	4,888,738,900
25.1 Cost of goods manufactured			
Raw material consumed	25.1.1	4,029,664,528	3,638,221,753
Packing material consumed		83,924,283	78,891,985
Stores and spares consumed		114,106,978	106,063,726
Salaries, wages and benefits	25.1.2	394,744,913	376,867,745
Fuel		497,322,473	471,889,477
Rent, rates and taxes		549,711	532,912
Insurance		9,963,139	9,561,570
Repairs and maintenance		35,526,661	13,726,692
Depreciation	13.1.2	147,853,740	141,955,458
Other manufacturing overheads		9,217,045	6,568,588
		5,322,873,471	4,844,279,906
Work in process			
Opening stock		45,082,213	51,742,678
Closing stock	17	(61,017,474)	(45,082,213)
		(15,935,261)	6,660,465
		5,306,938,210	4,850,940,371
25.1.1 Raw material consumed			
Opening stock		616,597,003	621,474,464
Purchases		4,517,075,974	3,633,344,292
		5,133,672,977	4,254,818,756
Closing stock	17	(1,104,008,449)	(616,597,003)
		4,029,664,528	3,638,221,753
25.1.2	It includes Rs. 19.66 million (2017 : Rs. 17.69 million) in respect of staff retirement benefits.		
26. DISTRIBUTION COST			
Freight		41,034,852	42,965,837
Commission:			
-Local		11,845,420	7,932,163
-Export		20,631,669	23,988,393
Stamp duty		328,850	1,769,638
Travelling		3,736,693	4,568,344
Export development surcharge		6,336,632	8,038,281
Quality claims		407,258	292,324
Handling and other charges		7,723,977	9,329,738
Insurance		1,023,800	1,542,368
Distribution expense		651,200	929,600
Other		2,547,558	3,161,505
		96,267,909	104,518,191

	Note	2018 Rupees	2017 Rupees
27. ADMINISTRATIVE EXPENSES			
Directors' remuneration, fees and benefits		12,359,099	10,936,469
Staff salaries and benefits	27.1	57,713,582	51,070,097
Travelling and conveyance		2,042,808	1,172,865
Printing and stationery		1,416,614	1,395,059
Postage and telephone		2,993,234	2,850,534
Fees, subscription and periodicals		2,610,426	2,922,171
Legal and professional		813,631	1,355,928
Advertisement		81,987	282,400
Utilities - net of recoveries		5,845,015	5,007,598
Rent, rates and taxes		4,646,486	6,188,048
Insurance		1,897,443	1,754,292
Auditors' remuneration	27.2	1,000,000	900,000
Repairs and maintenance		2,575,090	2,815,988
Vehicles running and maintenance		8,451,478	7,941,907
Entertainment		1,721,474	1,349,079
Depreciation	13.1.2 & 27.3	8,941,545	8,875,348
Amortization		830,273	830,273
Donations	27.4 & 27.5	1,450,000	900,000
Other		2,506,050	1,427,064
		119,896,235	109,975,120

27.1 It includes Rs. 3.77 million (2017: Rs. 3.37 million) in respect of staff retirement benefits.

27.2 Auditors' remuneration

Annual audit fee	600,000	550,000
Half yearly review fee	200,000	150,000
Code of Corporate Governance certification	50,000	50,000
Tax compliance services	150,000	150,000
	1,000,000	900,000

27.3 It includes depreciation on investment properties amounting to Rs. 0.273 million (2017: Rs 0.287 million).

27.4 It includes Rs. 1 million in respect of donation made to Saleem Trust Memorial Hospital (2017: Shalimar Hospital Rs. 0.5 million).

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

	Note	2018 Rupees	2017 Rupees
28. OTHER EXPENSES			
Workers' Profit Participation Fund	9.2	12,006,284	5,955,195
Workers' Welfare Fund	9.3	4,562,388	2,262,974
Impairment on investment classified as available for sale		23,337,162	-
		39,905,834	8,218,169

29. OTHER INCOME

Income from financial assets

Dividend income	29.1	30,633,815	17,786,967
(Loss) / gain on sale of other financial assets			
- available for sale		(6,121,195)	6,279,558
Interest income on term deposit receipt		364,085	477,743
Unrealized gain on revaluation of FCY Short Term finance		408,927	-
Unrealized gain on revaluation of FC account		264,301	-
		25,549,933	24,544,268

29.1 This includes dividend of Rs. 9,510 (2017: Rs. 2,171,637) received and reinvested in NAFA mutual funds.

	Note	2018 Rupees	2017 Rupees
Income from non-financial assets			
Scrap sales		1,371,801	1,015,770
Loss on disposal of property, plant and equipment	13.1.3	(1,181,701)	(69,589)
Rental income from investment property		21,887,114	19,215,062
Reversal of workers' welfare fund		35,115,685	-
		<u>57,192,899</u>	<u>20,161,243</u>
		<u>82,742,832</u>	<u>44,705,511</u>

30. FINANCE COST

Mark-up / interest on:

Long term finances		35,583,565	37,673,222
Short term borrowings		71,142,824	19,721,282
Workers' Profit Participation Fund	9.2.1	605,713	-
Bank charges and commission		9,930,331	7,008,260
		<u>117,262,433</u>	<u>64,402,764</u>

31. PROVISION FOR TAXATION

Current tax	<u>65,354,505</u>	<u>32,457,501</u>
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31.1 The total income of the Company for the current year attracts minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

31.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

Tax year	As per accounts	As per tax assessment	Excess
2017	32,457,501	32,457,501	-
2016	28,523,187	24,713,501	3,809,686
2015	14,342,767	13,394,491	948,276

31.3 Relationship between tax expense and accounting profit

Accounting profit - before tax	223,557,001	110,885,717
Tax @ 30% (2017: 31%)	67,067,100	34,374,572

Effect of:

- Items that are deductible in determining taxable profits
- Items subject to final tax regime
- Items subject to reduced rates
- Others

Tax credit

Tax charge for the year

(3,271,411)	7,646,100
1,242,681	17,263,620
4,549,673	(4,342,825)
-	33,806
2,520,943	20,600,701
(4,233,538)	(22,517,772)
<u>65,354,505</u>	<u>32,457,501</u>

31.4 Deferred taxation

	Balance as at June 30, 2018	Balance as at June 30, 2017
Movement for the year ended June 30, 2018		
Deferred tax asset on deductible temporary differences arising in respect of:		
- Staff Gratuity	11,151,417	6,125,603
- Provision of doubtful debts	116,314	75,457
- Unabsorbed losses	25,939,566	26,904,294
- Minimum tax	35,420,065	36,139,900
Unrecognised portion of Minimum tax	(14,455,784)	(31,628,508)
	20,964,281	4,511,392
	58,171,578	37,616,746
Deferred tax liability on taxable temporary differences arising in respect of:		
- Property, plant and equipment	(58,171,578)	(37,616,746)
	-	-

The Company has not accounted for deferred tax asset / income as it is not expected to be realised in the foreseeable future.

32. EARNINGS PER SHARE - BASIC AND DILUTED

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

	2018 Rupees	2017 Rupees
Profit after taxation (Rupees)	158,202,496	78,428,216
Weighted average number of ordinary shares	18,700,000	18,700,000
Earnings per share (Rupees)	8.46	4.19

	2018 Rupees	2017 Rupees
33. Cash (used in) / generated from operations		
Profit before taxation	223,557,001	110,885,717
Adjustments for:		
Depreciation	156,795,285	150,830,806
Amortization	830,273	830,273
Provision for gratuity	23,425,938	21,064,386
Loss / (gain) on disposal of property, plant and equipment	1,181,701	69,589
Loss / (gain) on sale of other financial assets		
- available for sale	6,121,195	(6,279,558)
Finance cost	117,262,433	64,402,764
Unrealized gain on revaluation of FCY Short Term finance	(408,927)	-
Rental income	(21,887,114)	(19,215,062)
Dividend income	(30,633,815)	(17,786,967)
Reversal of workers' welfare fund	(35,115,685)	-
Impairment on investment classified as available for sale	23,337,162	-
	464,465,447	304,801,948
Decrease / (increase) in current assets:		
Stores and spares	(5,512,382)	2,697,254
Stock-in-trade	(517,554,428)	8,048,606
Trade debts	(498,754,971)	(125,110,047)
Loans and advances	(2,954,866)	(3,752,284)
Prepayments	1,388,813	3,244,696
Other receivables	(11,685,709)	(53,123,967)
Sales tax refundable	44,459,714	(45,072,771)
	(990,613,829)	(213,068,513)
Increase in current liabilities:		
Trade and other payables	212,926,161	164,159,031
Cash (used in) / generated from operations	(313,222,221)	255,892,466

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2018				2017			
	Chief Executive	Directors		Executives	Chief Executive	Directors		Executives
		Executive	Non-Executive			Executive	Non-Executive	
	Rupees				Rupees			
Remuneration	5,491,980	2,880,000	-	11,831,472	4,775,640	2,620,000	-	18,281,058
House rent allowance	1,372,992	1,296,000	-	5,324,162	1,193,904	1,179,000	-	8,226,476
Other allowances	-	144,000	-	591,574	-	131,000	-	914,053
Retirement benefits	-	236,712	-	862,313	-	215,342	-	1,402,279
Leave encashment	-	517,415	-	1,882,120	-	466,583	-	2,979,711
Bonus/ex-gratia	-	-	-	214,521	-	-	-	369,786
Meeting fee	-	-	420,000	-	-	-	355,000	-
	6,864,972	5,074,127	420,000	20,706,162	5,969,544	4,611,925	355,000	32,173,363
No. of persons	1	2	2	7	1	2	2	16

34.1 Chief Executive and Executive Directors are provided with free use of the Company's maintained cars 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:

Nature of relation	Nature of Transactions	2018 Rupees	2017 Rupees
Associated companies	Purchase of goods	129,815	7,964,138
	Sale of goods	437,702,730	28,819,890
	Rental income	1,995,950	1,844,750
	Purchase of fixed assets	-	2,901,481
	Dividend paid	9,181,626	3,060,542
Key management personnel	Payment of dividend to directors and their close family members	41,808,711	13,936,237

35.1 Following are the related parties with whom the Company has entered into transactions or have arrangements / agreements in place.

Name of related party	Nature of relationship	Aggregate % holding in the Company
Ellicot Spinning Mills Limited	Common directorship	-
Prosperity Weaving Mills Limited	Common directorship	-
Ellahi International (Private) Limited	Common directorship	0.05%
Haroon Omer (Private) Limited	Common directorship	5.44%
Monell (Private) Limited	Common directorship	5.44%
ICARO (Private) Limited	Common directorship	5.44%
Mr. Shaukat Ellahi Shaikh	Key management personnel	17.47%
Mr. Shafqat Ellahi Shaikh	Key management personnel	17.26%
Mr. Shahzada Ellahi Shaikh	Key management personnel	17.26%
Mr. Javaid Bashir Sheikh	Key management personnel	0.003%
Mr. Tariq Zafar Bajwa	Key management personnel	0.003%
Mr. Tajammal Husain Bokharee	Key management personnel	0.003%
Mr. Raza Ellahi Shaikh	Key management personnel	7.49%
Mr. Munawar Iqbal	Key management personnel	0.00001%
Mrs. Humera Shahzada	Close family member Key management	0.02%
Mrs. Mona Shaukat	Close family member Key management	0.02%
Mrs. Shaista Shafqat	Close family member Key management	0.02%
Mr. Amin Ellahi Shaikh	Close family member Key management	7.49%
Mr. Haroon Shahzada Ellahi Shaikh	Close family member Key management	3.74%
Mr. Omer Ellahi Shaikh	Close family member Key management	3.74%

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.

		2018	2017
Number of spindles installed	No.	53,748	53,748
Total number of spindles worked	No.	53,748	53,748
Number of shifts per day	No.	3	3
Actual number of shifts in a year	No.	1,093	1,091
Plant capacity on the basis of utilization converted in to 20s' count	Kgs	19,088,655	19,351,613
Actual production converted into 20s' count	Kgs	17,520,486	16,617,912

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, deposits, other receivables and cash and bank balances that arise directly from its operations.

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

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

37.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 1,927.16 million (2017: Rs. 1,015.92 million), the financial assets which are subject to credit risk amounted to Rs. 1,405.07 million (2017: Rs. 994.08 million). The Company manages credit risk for 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, 2018 the Company had approximately 26 (2017: 22) major local customers that owed more than Rs. 3 million each and accounted for approximately 95% (2017 : 90%) of local trade debts. Export debts amounting to Rs. 582.82 million (2017 : Rs. 205 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 customers.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short term borrowings. 77.06% (2017: 54.22%) of the Company's financial liabilities will mature in less than one year based on the carrying value 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.

----- 2018 -----						
	Carrying values	Contractual Cash flows	Less than 3 months	3 months - 1 year	1 - 5 years	More than 5 years
----- Rupees -----						
Financial Liabilities						
Statement of financial position						
Long-term finances	807,479,708	807,479,708	33,190,187	111,754,492	431,488,309	231,046,720
Short term borrowings	1,361,933,897	1,361,933,897	1,361,933,897	-	-	-
Accrued interest / mark-up	25,083,754	25,083,754	25,083,754	-	-	-
Trade and other payables - non interest bearing	693,561,756	693,561,756	693,561,756	-	-	-
	2,888,059,115	2,888,059,115	2,113,769,594	111,754,492	431,488,309	231,046,720
----- 2017 -----						
	Carrying values	Contractual Cash flows	Less than 3 months	3 months - 1 year	1 - 5 years	More than 5 years
----- Rupees -----						
Financial Liabilities						
Statement of financial position						
Long-term finances	905,339,111	905,339,111	24,049,349	89,013,935	594,432,762	197,843,065
Short term borrowings	310,457,231	310,457,231	310,457,231	-	-	-
Accrued interest / mark-up	8,241,442	8,241,442	8,241,442	-	-	-
Trade and other payables - non interest bearing	506,461,065	506,461,065	506,461,065	-	-	-
	1,730,498,849	1,730,498,849	849,209,087	89,013,935	594,432,762	197,843,065

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

37.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, 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, 2018 would decrease/increase by Rs. 2.386 million (2017 : Rs. 3.375 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Foreign currency 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 contracts to manage the foreign currency exchange risk associated with the anticipated sales. As at June 30, 2018 financial assets include Rs. 582.82 million (2017: Rs. 205.046 million) which are subject to foreign currency risk against US Dollars.

Foreign currency sensitivity analysis

At June 30, 2018, 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. 29.141 million (2017: increased / decreased by Rs 10.252 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 exposed to equity securities price risk as it has investment amounting to Rs. 446.87 million (2017: 534.69 million) 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. 44.69 million (2017: 53.47 million)

37.4 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; and
- operational and qualitative track record of suppliers and service providers.

37.5 Financial Instruments by Category

	Loans and receivables	Available for sale	Total June 30, 2018
	----- Rupees -----		
Financial assets as per Statement of financial position			
Long term deposits	1,069,258	-	1,069,258
Trade debts	953,738,074	-	953,738,074
Loans and advances	166,049	-	166,049
Other receivables	3,229,506	-	3,229,506
Other financial assets	-	446,870,005	446,870,005
Bank balances	522,086,846	-	522,086,846
	1,480,289,733	446,870,005	1,927,159,738

	Financial liabilities measured at amortized cost	Total June 30, 2018
	----- Rupees -----	
Financial liabilities as per Statement of financial position		
Long-term finances	807,479,708	807,479,708
Short-term borrowings	1,361,933,897	1,361,933,897
Trade and other payables	687,073,461	687,073,461
Unclaimed dividend	6,488,295	6,488,295
Accrued interest / mark-up	25,083,754	25,083,754
	<u>2,888,059,115</u>	<u>2,888,059,115</u>

	Loans and receivables	Available for sale	Total June 30, 2017
	----- Rupees -----		
Financial assets as per Statement of financial position			
Long term deposits	1,069,258	-	1,069,258
Trade debts	454,983,103	-	454,983,103
Loans and advances	151,928	-	151,928
Other receivables	3,173,381	-	3,173,381
Other financial assets	-	534,699,288	534,699,288
Bank balances	21,838,276	-	21,838,276
	<u>481,215,946</u>	<u>534,699,288</u>	<u>1,015,915,234</u>

	Financial liabilities measured at amortized cost	Total June 30, 2017
	----- Rupees -----	
Financial liabilities as per Statement of financial position		
Long-term finances	905,339,111	905,339,111
Short-term borrowings	310,457,231	310,457,231
Trade and other payables	500,240,200	500,240,200
Unclaimed dividend	6,220,865	6,220,865
Accrued interest / mark-up	8,241,442	8,241,442
	<u>1,730,498,849</u>	<u>1,730,498,849</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 benefit 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, 2017.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying value of all the financial instruments reported in the financial statements approximates their fair value as the items are short term in nature.

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, 2018				
	Level 1	Level 2	Level 3	Total
	-----Rs-----			
Financial assets				
- At fair value				
- Available for sale investment	446,870,005	-	-	446,870,005
	<u>446,870,005</u>	<u>-</u>	<u>-</u>	<u>446,870,005</u>
June 30, 2017				
	Level 1	Level 2	Level 3	Total
	-----Rs-----			
Financial assets				
- At fair value				
- Available for sale investment	534,699,288	-	-	534,699,288
	<u>534,699,288</u>	<u>-</u>	<u>-</u>	<u>534,699,288</u>

At the reporting date, the Company holds above financial assets where the Company has used Level 1 inputs for the measurement of fair values and there is no transfer between levels.

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 51.09 percent (2017: 61.95 percent) . As at year end, all non-current assets of the Company are located within Pakistan.

41. NUMBER OF EMPLOYEES

	-----2018-----			-----2017-----		
Number of employees	Factory	Head office	Total	Factory	Head office	Total
- At June 30	1,010	76	1,086	1,015	77	1,092
- Average during the year	1,012	77	1,089	1,044	75	1,119

42. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on September 27, 2018 proposed to distribute to the shareholders of the Company a cash dividend at the rate of 40 percent i.e. Rs. 4/= per ordinary share (2017: Rs. 3 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.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 27, 2018 by the Board of Directors of the Company.

44. GENERAL

Figures have been rounded off to the nearest to Rupee. Corresponding figures have been rearranged wherever necessary.



Shahzada Ellahi Shaikh
Chairman



Tariq Zafar Bajwa
Chief Financial Officer



Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

September 27, 2018





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NOTES

This image shows a full page of white paper with horizontal dashed lines, typical of primary-ruled notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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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 51st Annual General Meeting of the Company to be held
 on October 27, 2018 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 _____ 2018.

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، پٹانٹ روڈ،

کراچی - 75530

میں اہم

ساکن

بحیثیت رکن نگینہ کائن ملز لمیٹڈ اور عامل

عام حصص بمطابق شیئرز رجسٹر فو لیو نمبر

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

ہذریعہ ہذا

محترم / محترمہ

ساکن

جو کہ پتی کا نمبر ہے بمطابق شیئرز رجسٹر فو لیو نمبر

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

یا اسکی غیر موجودگی میں محترم / محترمہ

ساکن

جو کہ پتی کا نمبر ہے بمطابق شیئرز رجسٹر فو لیو نمبر

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

مورخہ 27 اکتوبر 2018ء کو منعقد ہونے والے گھنٹی کے 51 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 2018ء

5 روپے کارسیدی ٹکٹ

چسپاں کریں

دستخط گھنٹی 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 چاہیے۔
- 2- سی ڈی سی کے ذریعے حصص یا فنڈگان پراکسیز تقریر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی مصدقہ کاپی منسلک کریں۔
- 3- سی ڈی سی کے ذریعے حصص یا فنڈگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہوں سے التماس ہے کہ شناخت کے مستعد کے لئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ بعد اپنے نمائندوں سے اسکی مصدقہ کاپی، اکاؤنٹ نمبر اور پارٹیشپٹ آئی ڈی نمبر ہمراہ لائیں۔
- 4- کارپوریٹ استثنیٰ کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ کی مصدقہ کاپی مع نمونہ دستخط (اگر پمپل فراہم نہ کئے گئے ہوں) پراکسی فارم (مختار نامہ) کے ہمراہ گھنٹی میں جمع کرانا ہو گا۔