

ANNUAL REPORT 2011



ELLCOT SPINNING MILLS LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shaikh Enam Ellahi	Chairman
Mr. Jamal Nasim	(Nominee NIT)
Mr. Javaid Bashir Sheikh	
Mr. Shaukat Ellahi Shaikh	
Mr. Shahzada Ellahi Shaikh	
Mr. Shafqat Ellahi Shaikh	
Mr. Iftikhar Taj Mian	

MANAGING DIRECTOR (Chief Executive)

Mr. Shafqat Ellahi Shaikh

AUDIT COMMITTEE

Mr. Shaikh Enam Ellahi	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shaukat Ellahi Shaikh	Member
Mr. Iftikhar Taj Mian	Secretary

CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Ahmad

CORPORATE SECRETARY

Mr. Iftikhar Taj Mian

AUDITORS

Messrs Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants,
Apartment No. 4, Block-B,
90-Canal Park, Gulberg-II,
Lahore-54660.

REGISTERED OFFICE

Nagina House,
91-B-1, M.M. Alam Road,
Gulberg-III, Lahore-54660.

SHARES REGISTRARS

M/s Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House,
7-Bank Square, Lahore
Phone # 042-37235081-2,
Fax # 042-37358817

MILLS

Mouza Rossa,
Manga Mandi Raiwind Road,
Tehsil & District Kasur.

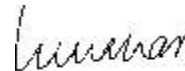
NOTICE OF MEETING

23rd Annual General Meeting of ELLCOT SPINNING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Wednesday the 26th October, 2011 at 11:30 a.m. to transact the following business:-

1. To confirm minutes of the Extraordinary General Meeting held on 20th January, 2011.
2. To receive and adopt audited accounts of the Company for the year ended on 30th June, 2011 together with the Directors' and Auditors' reports thereon.
3. To approve dividend as recommended by the Directors.
4. To appoint auditors and to fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

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

By Order of the Board



Iftikhar Taj Mian
Corporate Secretary

Lahore: September 29, 2011

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from Thursday the 20th October, 2011 to Wednesday the 26th October, 2011 (both days inclusive). Valid transfer(s) received in order by our Shares Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore, by the close of business on Wednesday the 19th October, 2011 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. Account and sub-account holders of the Central Depository System appointing proxies must attach attested copy of their Computerised National Identity Card with the proxy form.
3. Account holders and sub-account holders, holding book entry securities of the Company in CDS of Central Depository Co. of Pakistan Ltd., who wish to attend the Annual General Meeting are requested to please bring original Computerised National Identity Card with copy thereof duly attested by their Bankers 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. Shareholders are requested to promptly notify the company of any change in their registered address.

**Statement under Section 160
of the Companies Ordinance, 1984,
In compliance with SRO 865 (I)/2000 dated December 6, 2000.**

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on 26th October, 2009. The company has not made any investment under the resolution. The following is the status:

<ul style="list-style-type: none"> Name of Investee Companies. 	a) Nagina Cotton Mills Ltd. (NCML) b) Prosperity Weaving Mills Ltd. (ESML)																																			
<ul style="list-style-type: none"> Reason for not having made investment so far. 	Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2010-11																																			
<ul style="list-style-type: none"> Major change in financial position of investee Companies since date of last resolution. 	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th colspan="2" style="text-align: center;">Present Financial Position as on 30th June, 2011</th> <th colspan="2" style="text-align: center;">Financial Position at the time of Approval as on 30th June, 2009</th> </tr> <tr> <th></th> <th style="text-align: center;">NCML</th> <th style="text-align: center;">PWML</th> <th style="text-align: center;">NCML</th> <th style="text-align: center;">PWML</th> </tr> <tr> <th></th> <th colspan="4" style="text-align: center;">Rupees in Millions</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td style="text-align: right;">4,596.740</td> <td style="text-align: right;">5,952.133</td> <td style="text-align: right;">2,158.571</td> <td style="text-align: right;">3,634.559</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">888.745</td> <td style="text-align: right;">485.007</td> <td style="text-align: right;">216.856</td> <td style="text-align: right;">368.861</td> </tr> <tr> <td>Profit before tax</td> <td style="text-align: right;">489.530</td> <td style="text-align: right;">201.098</td> <td style="text-align: right;">14.650</td> <td style="text-align: right;">108.120</td> </tr> <tr> <td>Profit after tax</td> <td style="text-align: right;">466.585</td> <td style="text-align: right;">138.606</td> <td style="text-align: right;">7.576</td> <td style="text-align: right;">83.902</td> </tr> </tbody> </table>		Present Financial Position as on 30 th June, 2011		Financial Position at the time of Approval as on 30 th June, 2009			NCML	PWML	NCML	PWML		Rupees in Millions				Net sales	4,596.740	5,952.133	2,158.571	3,634.559	Gross Profit	888.745	485.007	216.856	368.861	Profit before tax	489.530	201.098	14.650	108.120	Profit after tax	466.585	138.606	7.576	83.902
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Vision:

To be a dynamic, profitable and growth oriented company.

Mission:

To be the leading producer of cotton and blended yarn for knitting and weaving for local and international customers manufacturing well-known textile brands.

To strive for excellence and sustain position as a preferred supplier for yarn with a customer focused strategy.

Continuous enhancement in the quality objectives for customer satisfaction and operational efficiencies.

To achieve the comparative advantage by employing latest technologies for enhancing the efficiency and productivity.

To build enduring relationship with our suppliers by giving them fair return on their products and services.

To provide a professional, open and participative environment to our dedicated employees for developing their potential and team performance.

To give consistent financial returns to the shareholders on their investments.

To be responsible to the society, employees and communities in which we operate by initiating health care, education and social welfare activities.

Certificate of Registration



This is to certify that the
Quality Management System of:

ELLCOT SPINNING MILLS LIMITED.

HEAD OFFICE: 91-B-1, M.M. ALAM ROAD, GULBERG III, LAHORE
FACTORY: 6.3 K.M. MOUZA ROSSA, MANGA MANDI, RAIWIND ROAD, TEHSIL
AND DISTRICT KASUR
PAKISTAN

has been assessed and found compliant with the requirements of

ISO 9001:2008

Approval is hereby granted for registration on the proviso that the
Certification rules and conditions are observed at all times.

Certification Scope:

MANUFACTURER AND EXPORTERS OF YARN.

Certificate No. **04-A-10-QMS 0163**

Issue Date: **February 6, 2011**

Expiry Date: **January 18, 2014**

A handwritten signature in black ink, appearing to read 'M. J. J.', located below the expiry date.

Authorised Signature.

Moody International Certification Ltd.

www.moodyint.com



014

The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the Accreditation Certificate 014.
The certificate remains the property of Moody International Certification Limited to whom it must be returned on request.

Certificate of Registration



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Authorised Signature
Moody International (Pvt.) Ltd.



The use of the Accreditation Mark indicates accreditation in respect of those activities covered by the Accreditation Certificate CB 001.
The certificate remains the property of Moody International (Pvt.) Limited to whom it must be returned on request.

DIRECTORS' REPORT

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

The Directors have the pleasure to present 23rd Annual report of your Company together with audited accounts and auditors' report thereon for year ended June 30, 2011. Comparative figures in the Balance Sheet and Profit & Loss account are for the year ended 30th June 2010.

During the year, yarn production was 9,924,720 kgs, as compared to last year 11,217,909 kgs. The decrease of 1,293,189 kgs being 11.53% is due to production of higher count this year. Average count of yarn spun this year was 33.02 as compared to last year 30.15. Yarn sales quantitatively stood at 10,519,749 kgs as compared to last year 11,426,067 kgs. The decrease of 906,318 kgs or 7.93% as compared to the previous year.

Alhamdulillah, during the year, net sales of Yarn is Rs.4,288,774,173 or 85.91% of sales as compared to last year Rs.2,733,953,729 or 85.81% of sales. The significant increase of Rs.1,554,820,444 being 56.87% in sales value is mainly attributable to increased yarn prices owing to increase in cotton prices and surge in demand in local as well as in international markets particularly during first three quarters.

Fibres (Cotton/Synthetic Fibres) consumption during the year is 12,429,570 kgs as compared to the last year 15,250,793 kgs showing decrease of 2,821,223 kg or 18.5%. Manufacturing wages, salaries and benefits are Rs. 158,075,645 as compared to last year Rs.137,019,998. The increase of Rs. 21,055,647 being 15.37%.

This year selling and distribution expenses are Rs. 56,182,359 equivalent to 1.13% of sales as compared to last year Rs. 53,332,253 which is 1.67% of sales. Administrative and general expenses are Rs. 51,288,514 or 1.03% of sales as compared to the last year Rs. 44,035,886, which is 1.38% of sales. Net other income during the year is Rs.10,253,272 or 0.21% of sales as compared to the last year Rs.2,669,986 or 0.08% of sales. Operating profit for the year is Rs. 581,773,848 as compared to last year Rs. 316,421,729 showing increase of Rs.265,352,119.

Other charges are Rs.32,182,735 or 0.65% of sales as compared to last year Rs.12,355,098 or 0.39% of sales. The increase of Rs.19,827,637 is due to higher provision of WPPF and WWF owing to increased profitability. Finance cost for the year is Rs. 137,922,985 or 2.76% of sales as compared to last year Rs. 140,059,317 or 4.40% of sales.

Gross profit for the year is Rs.689,244,721 or 13.81% of sales as compared to last year Rs. 413,789,868 or 12.99% of sales showing increase of Rs. 275,454,853 or 66.57%.

After providing Rs.92,905,807 for Depreciation as compared to last year Rs.91,251,659, profit before tax is Rs.421,921,400 or 8.45% of sales as compared to the last year Rs.166,677,300 or 5.23% of sales showing increase of Rs.255,244,100. Deferred tax provision for current year is Rs.10,661,351 as compared to last year Rs.21,994,443. Tax provision for the current year is Rs.58,648,404 as compared to last year Rs.16,049,465. After tax profit for the current year is Rs.352,101,066 as compared last year Rs.128,633,392 showing increase of Rs.223,467,674.

Earning per share (EPS) is Rs. 32.16 as compared to last year Rs.11.75 showing increase of Rs.20.41 per share.

Gross sales include Rs. 229,345,238 for sale of surplus Electricity to the Lahore Electric Supply Co. (LESCO) during the year (Sale during 2009-10 amounted to Rs. 177,989,193). The power sale contract with LESCO expired and sale to LESCO have ceased with effect from April 1, 2011. However, efforts are being made for the renewal of the contract with LESCO.

During the year profits have been reduced by Rs. 193,734,987 on account of write down of cost of inventories to their net realizable values. Here it is pertinent to mention that these were special events and losses were recognized to comply with the requirements of the International Accounting Standards.

As Balancing, Modernisation & Replacement (BMR) of Buildings, Plant & equipment is continuous requirement, we continuously undertake BMR activity. During the year Rs.102,227,009 as compared to last year Rs. 73,854,200 were invested in Plant and Machinery and other assets.

By the Grace of Almighty Allah, your company has earned historical profit for the year. Despite all the challenges faced by textile sector, we achieved this success through timely procurement of cotton due to which our average cotton cost remained low, full utilization of the production capacity, timely investments, effective business planning, aggressive marketing strategy, strong customer base and diversified product range.

For the next financial year of 2011-12 directors are optimistic about the profitability of the Company. However, uncertainty in the international financial and commodity markets, possibility of international recession, volatility in raw cotton prices, energy challenges in Pakistan, expected increase in energy and utilities costs, rising inflation and other economic and political factors may affect the profitability of the company.

The Directors have pleasure to recommend payment of *Cash Dividend @70% i.e. Rs.7/=* per ordinary share. The Dividend will amount to Rs.76,650,000/=.

The recent heavy rains in Sindh have caused damage to cotton crop but the loss estimates are still uncertain and hopefully would not create much shortfall of Cotton in Pakistan.

In the light of the company's overall objectives, the Board of Directors regularly reviews the company's strategic direction, business plans and performance targets set out for the business. The Board is committed to maintain the high standards of good corporate governance.

There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity. Company has maintained proper books of accounts.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards and other pronouncements, as applicable in Pakistan, have been followed in preparation of financial statements and non-applicability, if any, has been adequately disclosed.

System of internal controls is sound in design and has been effectively implemented and monitored.

There is no doubt about the company's ability to continue as a going concern.

The transactions with related parties were carried out at an arm's length basis.

Operating and financial data and key ratios of last 10 years are annexed.

The statement of shareholdings, in Form 34 and form prescribed in Listing Regulations, as at June 30, 2011 are annexed.

During 2010-2011, all trades in the shares of the Company, carried out by any of its Directors, CEO, CFO, Company Secretary and their spouses and minor children is being presented as under:

Name of Director	Received as Dividend in Specie from M/s. Nagina Cotton Mills Ltd. (Shares)	Shares Purchased
Mr. Shaikh Enam Ellahi	64,051	15,000
Mr. Shahzada Ellahi Shaikh	672,252	Nil
Mr. Shaukat Ellahi Shaikh	675,060	122,500
Mr. Shafqat Ellahi Shaikh	672,210	41,640
Mrs. Humera Shahzada	637	Nil
Mrs. Mona Shaukat	637	Nil
Mrs. Shaista Shafqat	637	Nil
Mr. Javaid Bashir Sheikh	Nil	500
Mr. Iftikhar Taj Mian	Nil	500
Mr. Jamal Nasim (NIT)	Nil	26,999

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

S #	Name	Attended
1.	Mr. Shaikh Enam Ellahi	3 (Three)
2.	Mr. S.M. Yusuf	3 (Three)
3.	Mr. Shahzada Ellahi Shaikh	3 (Three)
4.	Mr. Shaukat Ellahi Shaikh	4 (Four)
5.	Mr. Shafqat Ellahi Shaikh	4 (Four)
6.	Mr. Syed Mohsin Gilani	4 (Four)
7.	Mr. Iftikhar Taj Mian	Nil
8.	Mr. Javaid Bashir Sheikh	1 (One)
9.	Mr. Jamal Nasim	4 (Four)

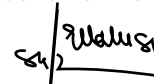
Leave of absence was granted to Directors who could not attend some of the Board meetings. Mr. S.M. Yusuf remained board member for about 18 years and contributed in the success of the Company. He resigned from the Board on 10th March, 2011. The Directors wish to acknowledge his services to the Company. In the vacancy thus arising, Mr. Javaid Bashir Sheikh, was co-opted. He is a MBA Finance from National University, Sandiego California, USA and has vast experience spread over 24 years in investment banking in Pakistan and has worked on key positions of different banks. Mr. Syed Mohsin Gilani, also resigned on 28th April, 2011 and Mr. Iftikhar Taj Mian who is Chartered Accountant was Co-opted.

The Board of Directors of the Company in compliance with the Code of Corporate Governance has established an Audit Committee. The names of its members are given in the Company information.

The audit committee has recommended for re-appointment of present auditors, Messrs. Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore. They are due to retire and being eligible, offer themselves for re-appointment as auditors for the year 2011-12.

The continued good results have been possible due to continued diligence and devotion of the Staff and workers of the Company and the continued good human relations at all levels deserve acknowledgement.

On behalf of the Board



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore, September 29, 2011.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

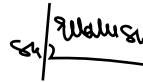
This statement is being presented to comply with the code of corporate governance contained in listing regulation of Karachi and Lahore Stock Exchanges for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present there are five non executive directors on the Board, including one director representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the Directors are or were members of any Stock Exchange.
4. Casual vacancies occurred in the Board and filled by co-option during the year.
5. The business of the Company is conducted in accordance with the 'Statement of Ethics and Business Practice' signed by all the directors and employees.
6. The business operations of the Company are carried out in accordance with the Company's vision/mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. No specific orientation course was held during the year. However, one of our Director has completed "Corporate Governance Leadership Skills" offered by Pakistan Institute of Corporate Governance and become a certified Director as required u/s 35 (xiv) of the Listing Regulation of Karachi Stock Exchange (G) Ltd.
10. The CFO, Company Secretary and Head of Internal Audit have executed their responsibilities pursuant to the approved appointment by the Board including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The audit committee as formed by the Board is fully functional. The committee comprises three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function.
18. 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, that they are 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 Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
21. We confirm that all other material principles contained in the Code have been complied with.

for & on behalf of the Board

A handwritten signature in black ink, appearing to read "Shafqat Ellahi Shaikh".

SHAFQAT ELLAHI SHAIKH
Mg. Director (Chief Executive)
NIC NO. 35202-2691892-9

Lahore: September 29, 2011

**OPERATING FINANCIAL & INVESTMENT RATIOS
AS ON 30TH JUNE:**

	YEAR ENDED 30 TH JUNE						PERIOD ENDED 30 TH JUNE	YEAR ENDED 30 TH SEPTEMBER			
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Cost of sales as % of sales	%	86.19	87.01	89.31	85.37	87.70	86.67	85.60	86.86	88.61	84.14
Gross profit as % of sales	%	13.81	12.99	10.69	14.63	12.30	13.33	14.40	13.14	11.39	15.86
Operating profit as % of sales	%	11.86	10.01	10.83	15.08	12.84	10.79	11.07	9.44	5.49	8.83
Net profit /(loss) as % of sales	%	7.05	4.04	0.04	3.56	4.00	1.12	7.99	9.14	6.50	6.38
Sales (Rs. Millions)		4,991.96	3,186.16	2,427.54	1,828.93	1,594.88	1,481.38	1,203.29	1,064.21	814.74	758.83
Sales growth	%	56.68	31.25	32.73	14.68	7.66	23.11	13.07	30.62	7.37	(1.49)
Share holders' equity (millions)	Rs.	903.06	589.28	468.86	484.29	441.11	393.61	398.86	324.71	244.15	212.38
Pre tax profit to equity	%	46.72	28.28	1.12	17.42	14.66	19.02	16.40	29.91	21.68	22.78
After tax profit to equity	%	38.99	21.83	0.21	13.44	14.49	4.23	18.88	24.81	19.74	20.09
Leverage		1.48	1.93	2.89	2.73	2.83	2.35	2.83	2.94	3.11	2.38
Sales to Capital employed ratio		3.66	2.76	2.37	1.77	1.46	0.62	1.03	1.31	1.74	2.52
Gross profit to Capital employed	%	50.53	35.83	25.37	25.94	17.95	21.54	13.94	17.22	19.76	40.02
Pre tax profit to Capital employed	%	30.93	14.43	0.51	8.18	5.90	8.17	6.72	11.97	11.26	16.08
After tax profit to Capital employed	%	25.81	11.14	0.10	6.31	5.84	1.82	7.73	9.93	10.26	14.19
Earning per share-Pretax	Rs.	38.53	15.22	0.48	7.71	5.93	6.84	5.98	8.87	4.83	4.42
Earning per share-after tax	Rs.	32.16	11.75	0.09	5.94	5.84	1.52	6.88	7.36	4.40	3.90
Dividend to Capital:											
Cash	%	70.00	35.00	7.50	15.00	20.00	15.00	20.00	20.00	15.00	15.00
Break up value per share	Rs.	82.47	53.82	42.82	44.23	40.28	35.95	36.43	29.65	22.30	19.40
Debt equity ratio	%	33.80	48.97	54.19	53.03	59.73	57.43	59.41	59.98	48.00	29.38
Current ratio	%	1.33	1.20	1.01	1.00	1.08	1.00	1.01	1.12	1.02	1.02
Acid ratio	%	0.42	0.34	0.36	0.33	0.62	0.42	0.40	0.42	0.72	0.82
Total debt as to % of total assets	%	59.64	65.85	74.32	73.19	73.88	70.15	70.62	74.63	75.67	70.39
Stocks as to % of sales	%	18.74	19.29	25.28	32.37	20.63	16.84	28.00	28.97	19.32	10.32

Pattern of Shareholding
As at 30th June, 2011

S #	Name	Total Shares	Percentage
1)	<u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u>		
i)	M/S. HAROON OMER (PVT) LTD.	664,572	6.07
ii)	M/S. MONELL (PVT) LTD.	664,572	6.07
iii)	M/S. ICARO (PVT) LTD.	664,572	6.07
iv)	M/S. ARH (PVT) LTD.	628,400	5.74
v)	M/S. ELLAHI INTERNATIONAL (PVT) LTD.	41,345	0.38
2)	<u>NIT and ICP</u>		
i)	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	706,880	6.46
ii)	NATIONAL INVESTMENT TRUST LIMITED	18,203	0.17
iii)	IDBP (ICP Unit)	200	-
3)	<u>DIRECTOR CEO AND THEIR SPOUSE AND MINOR CHILDREN</u>		
i)	MR. SHAIKH ENAM ELLAHI	210,401	1.92
ii)	MR. SHAHZADA ELLAHI SHAIKH	1,572,602	14.36
iii)	MR. SHAUKAT ELLAHI SHAIKH	1,701,610	15.54
iv)	MR. SHAFQAT ELLAHI SHAIKH	1,614,200	14.74
v)	MR. JAVAID BASHIR SHEIKH	500	0.01
vi)	MRS. MEHREEN SAADAT	8,500	0.08
vii)	MR. IFTIKHAR TAJ MIAN	500	0.01
viii)	MR. JAMAL NASIM (Nominee NIT)	40,000	0.37
ix)	MRS. HUMERA SHAHZADA	1,437	0.01
x)	MRS. MONA SHAUKAT	1,437	0.01
xi)	MRS. SHAISTA SHAFQAT	1,437	0.01
4)	<u>EXECUTIVES</u>		
		Nil	Nil
5)	<u>PUBLIC SECTOR COMPANIES & CORPORATIONS</u>		
i)	THE BANK OF PUNJAB, TREASURY DIVISION	135,000	1.23
ii)	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	191,878	1.75
6)	<u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</u>		
i)	ESCORTS INVESTMENT BANK LIMITED	4	-
ii)	GOLDEN ARROW SELECTED STOCKS FUND	745,015	6.80
iii)	NATIONAL BANK OF PAKISTAN	448,956	4.10
	GENERAL PUBLIC	887,779	8.10
	Total:-	10,950,000	100.00
7)	<u>SHAREHOLDERS HOLDING 10% OR MORE</u>		
i)	MR. SHAHZADA ELLAHI SHAIKH	1,572,602	14.36
ii)	MR. SHAUKAT ELLAHI SHAIKH	1,701,610	15.54
iii)	MR. SHAFQAT ELLAHI SHAIKH	1,614,200	14.74

Note:-

M/s. Nagina Cotton Mills Ltd., had distributed 6,545,000 ordinary shares of M/s. Ellicot Spinning Mills Ltd., among its members, out of which 88,401 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head "General Public".



Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

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Gulberg II,
Lahore.

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Review Report to the members on Statement of Compliance with Best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ELIACOT SPINNING MILLS LIMITED** ("the Company") to comply with the listing regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and the chapter XI of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

Further Sub-Regulations (xiii) of Listing Regulations No 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transaction distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the code of corporate governance for the year ended June 30, 2011.

Rahman Sarfaraz Rahim Iqbal Rafiq
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: **IRFAN RAHMAN MALIK**

Date: **29 SEP 2011**

Place: **LAHORE**





Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

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Lahore.

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Auditors' Report to the Members

We have audited the annexed balance sheet of **ELLCOT SPINNING MILLS LIMITED** ("the Company") as at June 30, 2011 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion--
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Rahman Sarfaraz Rahim Iqbal Rafiq
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: **IRFAN RAHMAN MALIK**

Date: **29 SEP 2011**

Place: **LAHORE**



Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, is a partnership firm registered in Pakistan and a member of Russell Bedford International, a global network of independent accounting firms and consultants with affiliated offices worldwide.

BALANCE SHEET AS AT JUNE 30, 2011

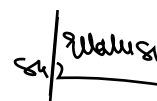
	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
20,000,000 ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up capital	5	<u>109,500,000</u>	109,500,000
Capital reserve	6	<u>7,760,000</u>	7,760,000
Accumulated profit		<u>785,797,405</u>	472,021,339
		903,057,405	589,281,339
Non-current liabilities			
Long term finances - <i>Secured</i>	7	<u>224,957,955</u>	351,588,995
Liabilities against assets subject to finance lease - <i>Secured</i>	8	<u>17,541,963</u>	16,123,000
Employees retirement benefits	9	<u>12,665,040</u>	14,025,099
Deferred taxation	10	<u>74,069,873</u>	63,408,522
		329,234,831	445,145,616
Current liabilities			
Current portion of non-current liabilities	11	<u>218,588,580</u>	197,776,288
Short term borrowings - <i>Secured</i>	12	<u>557,494,041</u>	278,789,156
Accrued interest/mark-up		<u>28,150,375</u>	27,034,875
Trade and other payables	13	<u>200,822,597</u>	187,650,251
		1,005,055,593	691,250,570
Contingencies and commitments	14	-	-
		<u>2,237,347,829</u>	<u>1,725,677,525</u>
ASSETS			
Non-current assets			
Property, plant and equipment	15	<u>897,244,991</u>	886,961,306
Long term deposits - <i>Unsecured, considered good</i>	16	<u>7,157,690</u>	7,157,690
		904,402,681	894,118,996
Current assets			
Stores, spares and loose tools	17	<u>22,249,631</u>	19,347,783
Stock in trade	18	<u>913,069,070</u>	595,115,739
Trade receivables	19	<u>61,096,308</u>	119,778,478
Advances, prepayments and other receivables	20	<u>22,211,717</u>	51,873,369
Short term investments	21	<u>146,238,336</u>	-
Current taxation	22	<u>31,551,599</u>	32,184,204
Cash and bank balances	23	<u>136,528,487</u>	13,258,956
		1,332,945,148	831,558,529
		<u>2,237,347,829</u>	<u>1,725,677,525</u>

The annexed notes 1 to 47 form an integral part of these financial statements.



Shahzada Ellahi Shaikh
Director

Lahore: September 29, 2011



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

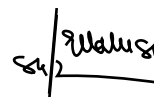
	Note	2011 Rupees	2010 Rupees
Turnover - net	24	4,991,956,237	3,186,159,742
Cost of sales	25	4,302,711,516	2,772,369,874
Gross profit		689,244,721	413,789,868
Selling and distribution expenses	26	56,182,359	53,332,253
Administrative and general expenses	27	51,288,514	44,035,886
		107,470,873	97,368,139
Net other income	28	10,253,272	2,669,986
Operating profit		592,027,120	319,091,715
Finance cost	29	137,922,985	140,059,317
Other charges	30	32,182,735	12,355,098
Profit before taxation		421,921,400	166,677,300
Taxation	31	69,820,334	38,043,908
Profit after taxation		352,101,066	128,633,392
Earnings per share - basic and diluted	32	32.16	11.75

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: September 29, 2011



Shahzada Ellahi Shaikh
Director



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011**

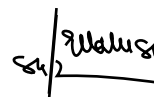
	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Profit after taxation	352,101,066	128,633,392
Other comprehensive income	-	-
Total comprehensive income	<u>352,101,066</u>	<u>128,633,392</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: September 29, 2011



Shahzada Ellahi Shaikh
Director



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

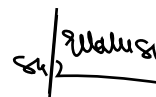
	Note	2011 Rupees	2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	423,755,136	587,654,729
Payments for:			
Employees retirement benefits		(7,221,010)	(7,547,839)
Interest/markup		(123,778,767)	(147,001,627)
Income tax		(58,526,378)	(27,003,389)
Net cash flow from operating activities		234,228,981	406,101,874
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(96,482,833)	(56,352,360)
Proceeds from disposal of property, plant and equipment		2,580,000	564,000
Purchase of short term investments		(491,000,000)	-
Proceeds from disposal of short term investments		350,480,903	-
Net cash used in investing activities		(234,421,930)	(55,788,360)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		85,399,568	164,600,568
Repayment of long term finances		(192,712,428)	(153,215,101)
Repayment of liabilities against assets subject to finance lease		(5,579,042)	(4,229,576)
Net increase/(decrease) in short term borrowings		274,679,382	(352,373,113)
Dividend paid		(38,325,000)	(8,172,900)
Net cash flow from/(used in) financing activities		123,462,480	(353,390,122)
Net increase/(decrease) in cash and cash equivalents		123,269,531	(3,076,608)
Cash and cash equivalents as at beginning of the year		13,258,956	16,335,564
Cash and cash equivalents as at end of the year	35	136,528,487	13,258,956

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: September 29, 2011



Shahzada Ellahi Shaikh
Director



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011**

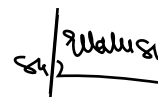
	Issued subscribed and paid-up capital	Capital reserve	Accumulated profit	Total equity
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
As at July 01, 2009	109,500,000	7,760,000	351,600,447	468,860,447
Profit for the year ended June 30, 2010	-	-	128,633,392	128,633,392
Other comprehensive income for the year ended June 30, 2010	-	-	-	-
Final dividend on ordinary shares for the year ended June 30, 2009	-	-	(8,212,500)	(8,212,500)
As at June 30, 2010	<u>109,500,000</u>	<u>7,760,000</u>	<u>472,021,339</u>	<u>589,281,339</u>
Profit for the year ended June 30, 2011	-	-	352,101,066	352,101,066
Other comprehensive income for the year ended June 30, 2011	-	-	-	-
Final dividend on ordinary shares for the year ended June 30, 2010	-	-	(38,325,000)	(38,325,000)
As at June 30, 2011	<u><u>109,500,000</u></u>	<u><u>7,760,000</u></u>	<u><u>785,797,405</u></u>	<u><u>903,057,405</u></u>

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore: September 29, 2011



Shahzada Ellahi Shaikh
Director



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 REPORTING ENTITY

Ellcot Spinning Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The Company is primarily a spinning unit engaged in the manufacture and sale of yarn, however, it is also engaged in the generation and sale of electricity under a license from National Electric Power Regulatory Authority. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg III, Lahore. The manufacturing facility, including the power generation unit, is located in District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 Depreciation method, rates and useful lives of property and equipment

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 Recoverable amount and impairment

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 Obligation under defined benefit plan

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.3.4 Taxation

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 15.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

3.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

3.2 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil.

3.3 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	First In First Out
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

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

3.4 Employee benefits

3.4.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

3.4.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses. Actuarial gains or loss are recognized using '10% corridor approach' as set out by International Accounting Standard 19 - Employee Benefits. The details of the scheme are referred to in note 9 to the financial statements.

3.5 Financial instruments

3.5.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

3.5.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

3.5.2(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

3.5.2(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

3.5.2(c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

3.5.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

3.5.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

3.5.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.6 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

3.7 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

3.8 Investments in mutual funds

Investment in mutual funds units which are acquired principally for the purpose of selling in the near term and short term profit taking are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss.

3.9 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

3.10 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

3.11 Trade and other payables

3.11.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

3.11.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

3.12 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.13 Trade and other receivables

3.13.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

3.13.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

3.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

Export rebate is recognized at the same time when revenue from export sales is recognized.

Interest income is recognized using effective interest method.

3.15 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of other comprehensive income'.

3.16 Borrowing costs

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

3.17 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

3.17.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

3.17.2 Deferred taxation

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Government grants

Government grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these are received and are deducted in reporting the relevant expenses or losses.

3.19 Earnings per share ('EPS')

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 calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

3.21 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

3.22 Impairment

3.22.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.22.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.23 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

4 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO

4.1 New and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for current period or any period. The effect, if any, on future periods, is impracticable to determine.

<u>Standards, interpretations and amendments</u>	<u>Description</u>
IFRS 1 - First-time Adoption of International Financial Reporting Standards (<i>Amendments</i>)	The amendments provide certain exemptions to first-time adoptors of International Financial Reporting Standards.
IFRS 2 - Share-based Payments (<i>Amendments</i>)	The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group entities.
IFRS 3 - Business Combinations (<i>Amendments</i>)	The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (<i>Amendments</i>)	The amendments provide clarification regarding scope of the standard.
IFRS 8 - Operating Segments (<i>Amendments</i>)	The amendments clarify requirements regarding disclosure of segment assets.
IAS 1 - Presentation of Financial Statements (<i>Amendments</i>)	The amendments provide guidance on current/non-current classification of convertible instruments.
IAS 7 - Statement of Cash Flows (<i>Amendments</i>)	The standard was amended to provide guidance on recognition of certain expenditures as investing activities.

<u>Standards, interpretations and amendments</u>	<u>Description</u>
IAS 17 - Leases (<i>Amendments</i>)	The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.
IAS 32 - Financial Instruments: <i>Presentation (Amendments)</i>	The amendments provide guidance on classification of right issues
IAS 36 - Impairment of Assets (<i>Amendments</i>)	The amendments provide guidance on identification of unit of accounting for goodwill impairment test.
IAS 38 - Intangible Assets (<i>Amendments</i>)	The amendments clarify requirements regarding accounting for intangible assets acquired in a business combination.
IAS 39 - Financial Instruments: <i>Recognition and Measurement (Amendments)</i>	The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments .
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	The interpretation provides guidance on accounting for debt for equity swaps.

4.2 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Company's financial statements cannot be ascertained as at the reporting date.

<u>Standards, interpretations and amendments</u>	<u>Description</u>
IFRS 7 - Financial Instruments: Disclosures (<i>Amendments</i>)	The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRS 7 - Financial Instruments: Disclosures (<i>Amendments</i>)	The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets The amendment is effective for annual periods beginning on or after July 01, 2011.
IFRS 9 - Financial Instruments: <i>Classification and Measurement</i>	The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: <i>Recognition and Measurement</i> . The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 10 - Consolidated Financial Statements	The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 11 - Joint Arrangements	The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.

Standards, interpretations and amendments	Description
IFRS 12 - Disclosure of Interests in Other Entities	The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 13 - Fair Value Measurement	The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.
IAS 1 - Presentation of Financial Statements (<i>Amendments</i>)	The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.
IAS 12 - Income Taxes	The amendments provide exception to the general principal of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.
IAS 24 - Related Party Disclosures (<i>Revised 2009</i>)	The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.
IAS 34 - Interim Financial Reporting (<i>Amendments</i>)	The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 13 - Customer Loyalty Programmes (<i>Amendments</i>)	The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognized as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10 each		
8,760,000 (2010: 8,760,000) shares issued for cash	87,600,000	87,600,000
2,190,000 (2010: 2,190,000) shares issued as fully paid bonus shares	21,900,000	21,900,000
	109,500,000	109,500,000

6 CAPITAL RESERVE

On September 30, 2001, the net assets of Power Unit II of Ellahi Electric Company Limited were merged into the Company. Capital reserve represents the difference between the book value of shares held by the Company in Ellahi Electric Company Limited as on the date of merger and break-up value of those shares at that date.

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>

7 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies

Term Finances ('TF')

TF - I	7.1	48,288,022	96,576,040
TF - II	7.2	872,162	1,744,324
TF - III	7.3	94,433,194	132,206,470
TF - IV	7.4	62,500,000	87,500,000
TF - V	7.5	-	15,594,820
TF - VI	7.6	50,000,000	90,000,000
TF - VII	7.7	150,000,000	64,600,568
		406,093,378	488,222,222

Long Term Finances for Export Oriented Projects ('LTFEOP')

LTFEOP - I	7.8	2,815,872	5,631,744
LTFEOP - II	7.9	8,896,106	17,792,216
LTFEOP - III	7.10	16,596,071	24,894,105
LTFEOP - IV	7.11	2,587,000	7,761,000
		30,895,049	56,079,065
		436,988,427	544,301,287
Current maturity presented under current liabilities	11	(212,030,472)	(192,712,292)
		224,957,955	351,588,995

7.1 The finance has been obtained from United Bank Limited for the expansion of spinning unit of the Company and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 0.7% per annum (2010: six months KIBOR plus 0.7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in October 2007.

7.2 The finance has been obtained from United Bank Limited for the expansion of spinning unit of the Company and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 0.7% per annum (2010: six months KIBOR plus 0.7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in August 2007.

- 7.3 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 1.5% per annum (2010: six months KIBOR plus 1.5% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in February 2009.
- 7.4 The finance has been obtained from National Bank of Pakistan for financial restructuring and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 2.5% per annum (2010: six months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in eight equal semi-annual installments with the first installment due in June 2010.
- 7.5 The finance was obtained from Bank Alfalah Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carried mark-up at six months KIBOR plus 1.5% per annum (2010: six months KIBOR plus 1.5% per annum), payable semi-annually. The finance has been fully paid during the year.
- 7.6 The finance has been obtained from Faysal Bank Limited for financial restructuring and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at three months KIBOR plus 2.25% per annum, payable quarterly. The finance is repayable in ten equal quarterly installments with the first installment due in May 2010.
- 7.7 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 1.75% per annum, payable semi-annually. The finance is repayable in eight equal semi-annual installments with the first installment due in December 2011.
- 7.8 The finance has been obtained from United Bank Limited as partial conversion of TF-I and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2010: 7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in December 2006.
- 7.9 The finance has been obtained from United Bank Limited as partial conversion of TF-I and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2010: 7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in December 2006.
- 7.10 The finance has been obtained from United Bank Limited as partial conversion of TF-II and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2010: 7% per annum), payable semi-annually. The finance is repayable in eleven equal semi-annual installments with the first installment due in February 2007.
- 7.11 The finance has been obtained from Bank Alfalah Limited as partial conversion of TF-V and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2010: 7% per annum), payable quarterly. The finance is repayable in eight equal semi-annual installments with the first installment due in March 2007.
- 7.12 For mortgages and charges on assets as security for liabilities, refer to note 41 to the financial statements.

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED			
Present value of minimum lease payments	8.1 & 8.2	24,100,071	21,186,996
Current maturity presented under current liabilities	8.1 & 8.2	(6,558,108)	(5,063,996)
		<u>17,541,963</u>	<u>16,123,000</u>

- 8.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from six months KIBOR plus 1% to 3.4% per annum (2010: six months KIBOR plus 1% to 3.4% per annum). Lease rentals are payable quarterly over a tenor ranging from 4 to 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.
- 8.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
Not later than one year		10,035,502	7,839,166
Later than one year but not later than five years		21,491,395	19,526,187
Total future minimum lease payments		31,526,897	27,365,353
Finance charge allocated to future periods		(7,426,826)	(6,178,357)
Present value of future minimum lease payments		24,100,071	21,186,996
Not later than one year	11	(6,558,108)	(5,063,996)
Later than one year but not later than five years		17,541,963	16,123,000
	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>

9 EMPLOYEES RETIREMENT BENEFITS

The amounts recognized on balance sheet are as follows:

Present value of defined benefit obligation	9.1	16,296,208	14,760,631
Unrecognized actuarial losses	9.2	(3,631,168)	(735,532)
		12,665,040	14,025,099

9.1 Movement in present value of defined benefit obligation

As at beginning of the year		14,760,631	13,992,889
Charged to profit or loss for the year	9.3	5,860,951	6,051,229
Benefits paid during the year		(7,221,010)	(7,547,839)
Actuarial losses arising during the year	9.2	2,895,636	2,264,352
As at end of the year		16,296,208	14,760,631

9.2 Movement in unrecognized actuarial (losses)/gains

As at beginning of the year		(735,532)	1,538,784
Loss arising during the year		(2,895,636)	(2,264,352)
Recognized during the year	9.3	-	(9,964)
As at end of the year		(3,631,168)	(735,532)

9.3 Charge to profit or loss

Current service cost		4,745,939	4,178,950
Interest cost		1,115,012	1,872,279
	9.1	5,860,951	6,051,229
Actuarial gain recognized during the year	9.2	-	(9,964)
		5,860,951	6,041,265

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
9.4 The charge to profit or loss has been allocated as follows			
Cost of sales	25.3	5,132,626	4,064,883
Administrative and general expenses	27.1	728,325	1,976,382
		5,860,951	6,041,265

9.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal actuarial assumptions used in determining present value of defined benefit obligation are:

	2011	2010
Discount rate	14%	10%
Expected rates of increase in salary	10%	10%
Expected average remaining working lives of employees	12 years	14 years

9.6 Historical information

		2011	2010	2009	2008	2007
Present value of defined benefit obligation	<i>Rupees</i>	16,296,208	14,760,631	13,992,889	11,650,020	12,682,836
Actuarial adjustment arising during the year	%	17.77	15.34	5.54	6.56	-

The experience adjustment component of actuarial adjustment is impracticable to determine and thus has not been disclosed.

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
10 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	10.1	76,018,531	65,298,404
Deferred tax asset on deductible temporary differences	10.1	(1,948,658)	(1,889,882)
		74,069,873	63,408,522

10.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2011			
	As at July 01 <i>Rupees</i>	Recognized in profit or loss <i>Rupees</i>	Recognized in equity <i>Rupees</i>	As at June 30 <i>Rupees</i>
Deferred tax liabilities				
Operating fixed assets - owned	64,313,264	11,404,912	-	75,718,176
Operating fixed assets - leased	985,140	(684,785)	-	300,355
	65,298,404	10,720,127	-	76,018,531
Deferred tax assets				
Employees retirement benefits	(1,889,882)	(58,776)	-	(1,948,658)
Unused tax losses and credits	-	-	-	-
	(1,889,882)	(58,776)	-	(1,948,658)
	<u>63,408,522</u>	<u>10,661,351</u>	<u>-</u>	<u>74,069,873</u>
	2010			
	As at July 01 <i>Rupees</i>	Recognized in profit or loss <i>Rupees</i>	Recognized in equity <i>Rupees</i>	As at June 30 <i>Rupees</i>
Deferred tax liabilities				
Operating fixed assets - owned	77,875,935	(13,562,671)	-	64,313,264
Operating fixed assets - leased	1,773,498	(788,358)	-	985,140
	79,649,433	(14,351,029)	-	65,298,404
Deferred tax assets				
Employees retirement benefits	(2,522,557)	632,675	-	(1,889,882)
Unused tax losses and credits	(35,712,797)	35,712,797	-	-
	(38,235,354)	36,345,472	-	(1,889,882)
	<u>41,414,079</u>	<u>21,994,443</u>	<u>-</u>	<u>63,408,522</u>

- 10.2** Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated as that proportion of total timing differences that the local sales, other than the indirect exports taxable under Section 154 (3B) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 35% (2010: 35%) of the timing differences so determined.

	Note	2011 <i>Rupees</i>	2010 <i>Rupees</i>
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11 CURRENT MATURITY OF NON-CURRENT LIABILITIES

Long term finances	7	212,030,472	192,712,292
Liabilities against assets subject to finance lease	8	6,558,108	5,063,996
		<u>218,588,580</u>	<u>197,776,288</u>

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
12 SHORT TERM BORROWINGS - SECURED			
These represent short term finances utilized under interest/mark-up arrangements from banking companies			
Running finances	12.1	222,170	73,643,546
Term loans	12.1	557,271,871	205,145,610
		<u>557,494,041</u>	<u>278,789,156</u>

12.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company, lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, specific indemnities and personal guarantees of the Company's Directors.

Interest/mark-up on running finances is payable quarterly whereas interest/mark-up on terms loans is payable along with principal on maturity, except where interest/mark-up is paid in advance at the time of disbursement. Local currency finances carry markup at rates ranging from one to three months KIBOR plus 1% to 1.5% per annum (2010: one to six months KIBOR plus 0.5% to 2% per annum). Foreign currency finances carry mark up at LIBOR of matching tenor plus spread of upto 1.8% per annum (2010: LIBOR of matching tenor plus spread of upto 0.75% per annum).

The aggregate available short term funded facilities amounts to Rs. 2,715 million (2010: Rs. 1,305 million) out of which Rs. 2,158 million (2010: Rs. 1,026 million) remained unavailed as at the reporting date.

12.2 For mortgages and charges on assets as security for liabilities, refer to note 41 to the financial statements.

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
13 TRADE AND OTHER PAYABLES			
Trade creditors - <i>Unsecured</i>		28,360,393	27,699,420
Accrued liabilities		57,392,642	47,094,804
Advances from customers - <i>Unsecured</i>		30,336,790	66,528,319
Infrastructure tax	13.1	49,102,144	30,792,639
Workers' Profit Participation Fund	13.2	22,755,967	9,002,280
Workers' Welfare Fund	13.3	8,453,997	3,514,574
Unclaimed dividend		1,046,219	763,422
Other payables - <i>Unsecured</i>		3,374,445	2,254,793
		<u>200,822,597</u>	<u>187,650,251</u>

13.1 This represents tax levied by the Sindh Government on movement of imported goods entering the Sindh Province from outside Pakistan. The Sindh High Court has stayed the recovery of this tax. The amount of provision represents tax payable on goods imported into Pakistan from the date of levy of this tax upto the reporting date.

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
13.2 Workers' Profit Participation Fund			
As at beginning of the year		9,002,280	333,250
Interest on funds utilized by the Company	13.2.1	1,735,246	30,648
Charged to profit or loss for the year	30	22,705,207	8,951,520
Paid during the year		(10,686,766)	(313,138)
As at end of the year		<u>22,755,967</u>	<u>9,002,280</u>

13.2.1 Interest is charged at 26.25% (2010: 17.5%) per annum.

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
13.3 Workers' Welfare Fund			
As at beginning of the year		3,514,574	112,996
Charged to profit or loss for the year	30	8,272,969	3,401,578
Paid during the year		(3,333,546)	-
As at end of the year		<u>8,453,997</u>	<u>3,514,574</u>

14 CONTINGENCIES AND COMMITMENTS**14.1 Contingencies**

14.1.1	Guarantees issued by banks on behalf of the Company	<u>83,987,600</u>	<u>62,987,600</u>
14.1.2	Bills discounted/negotiated	<u>378,228,299</u>	<u>161,080,610</u>
14.1.3	Various suits have been filed by ex-employees of the Company for termination benefits against the Company in labour courts. Amount involved is approximately Rs. 92,722 (2010: Rs. 148,000) which may become payable if the cases are decided against the Company, however no provision has been made in this respect as the management is confident that these suits will be decided in favour of the Company.		
14.1.4	The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.		
14.1.5	Contingencies related to tax matters are referred to in note 31 to the financial statements.		

14.2 Commitments**14.2.1** Commitments under irrevocable letters of credit for:

- purchase of stores, spare and loose tools	23,299,491	7,157,835
- purchase of machinery	55,927,169	-
- purchase of raw material	80,247,355	26,835,600
	<u>159,474,015</u>	<u>33,993,435</u>

14.2.2	Commitments for capital expenditure	<u>12,221,454</u>	<u>-</u>
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14.2.3 Commitments under operating leases

The Company has rented office premises from an associated undertaking under operating lease arrangements. Lease agreement covers a period of one year and is renewable/extendable on mutual consent. Lease rentals are payable quarterly in advance. Commitments for payments in future periods under the lease agreement are as follows:

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
- payments not later than one year		240,000	240,000
- payments later than one year		-	-
		<u>240,000</u>	<u>240,000</u>

15 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	15.1	894,497,050	886,961,306
Capital work in progress	15.2	2,747,941	-
		<u>897,244,991</u>	<u>886,961,306</u>

15.1 Operating fixed assets

	2011										
	COST					DEPRECIATION					Net book value as at June 30 Rupees
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	For the year Rupees	Disposal adjustment Rupees	As at June 30 Rupees		
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-	6,093,568	
Buildings on freehold land											
Mills	173,401,446	-	-	-	173,401,446	10	8,476,835	-	97,109,936	76,291,510	
Other factory buildings	50,571,523	-	-	-	50,571,523	5	1,527,717	-	21,544,894	29,026,629	
Non-factory buildings	6,773,921	-	-	-	6,773,921	10	346,162	-	3,658,461	3,115,460	
	230,746,890	-	-	-	230,746,890		10,350,714	-	122,313,291	108,433,599	
Plant and machinery	1,288,718,773	2,905,622	-	81,873,467	1,373,497,862	10	70,508,250	-	692,882,239	680,615,623	
Electric installation and equipment	75,906,472	-	-	-	75,906,472	10	4,185,618	-	38,235,912	37,670,560	
Factory equipment	6,582,763	-	-	-	6,582,763	10	313,637	-	3,760,028	2,822,735	
Laboratory equipment	11,166,359	-	-	-	11,166,359	10	672,834	-	5,110,857	6,055,502	
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	66,187	-	1,250,981	595,684	
Office equipment	11,270,416	1,012,625	-	-	12,283,041	10	373,428	-	8,129,766	4,153,275	
Furniture and fixtures	6,214,547	55,000	-	-	6,269,547	10	255,609	-	3,918,650	2,350,897	
Arms and ammunitions	763,013	-	-	-	763,013	10	30,502	-	488,494	274,519	
Vehicles	21,112,699	7,170,998	(4,552,751)	-	23,730,946	20	1,920,876	(2,767,293)	11,778,873	11,952,073	
	1,660,422,165	11,144,245	(4,552,751)	81,873,467	1,748,887,126		88,677,655	(2,767,293)	887,869,091	861,018,035	
Assets subject to finance lease											
Plant and machinery	28,209,310	5,134,297	-	-	33,343,607	10	2,560,791	-	6,873,621	26,469,986	
Vehicles	5,571,835	4,075,000	-	-	9,646,835	20	1,667,361	-	2,637,806	7,009,029	
	1,694,203,310	20,353,542	(4,552,751)	81,873,467	1,791,877,568		92,905,807	(2,767,293)	897,380,518	894,497,050	

	2010											
	COST					DEPRECIATION					Net book value as at June 30 Rupees	
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	For the year Rupees	Disposal adjustment Rupees	As at June 30 Rupees			
Assets owned by the Company												
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-	-	-	6,093,568
Buildings on freehold land												
Mills	173,401,446	-	-	-	173,401,446	10	9,418,705	-	88,633,101	84,768,345		
Other factory buildings	50,571,523	-	-	-	50,571,523	5	1,692,850	-	20,017,177	30,554,346		
Non-factory buildings	4,331,455	-	-	2,442,466	6,773,921	10	113,240	-	3,312,299	3,461,622		
	228,304,424	-	-	2,442,466	230,746,890		11,224,795	-	111,962,577	118,784,313		
Plant and machinery	1,235,578,935	60,000	-	53,079,838	1,288,718,773	10	68,628,696	-	622,373,989	666,344,784		
Electric installation and equipment	61,876,928	22,411	-	14,007,133	75,906,472	10	4,001,838	-	34,050,294	41,856,178		
Factory equipment	6,582,763	-	-	-	6,582,763	10	348,486	-	3,446,391	3,136,372		
Laboratory equipment	11,157,359	9,000	-	-	11,166,359	10	747,093	-	4,438,023	6,728,336		
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	73,541	-	1,184,794	661,871		
Office equipment	11,048,146	222,270	-	-	11,270,416	10	377,816	-	7,756,338	3,514,078		
Furniture and fixtures	6,173,947	40,600	-	-	6,214,547	10	280,967	-	3,663,041	2,551,506		
Arms and ammunitions	763,013	-	-	-	763,013	10	33,891	-	457,992	305,021		
Vehicles	13,740,447	226,482	(1,354,230)	8,500,000	21,112,699	20	2,119,023	3,665,083	12,625,290	8,487,409		
	1,583,166,195	580,763	(1,354,230)	78,029,437	1,660,422,165		87,836,146	3,665,083	801,958,729	858,463,436		
Assets subject to finance lease												
Plant and machinery	28,209,310	-	-	-	28,209,310	10	2,655,165	-	4,312,830	23,896,480		
Vehicles	10,327,835	3,744,000	-	(8,500,000)	5,571,835	20	760,348	(4,655,733)	970,445	4,601,390		
	1,621,703,340	4,324,763	(1,354,230)	69,529,437	1,694,203,310		91,251,659	(930,650)	807,242,004	886,961,306		

15.1.1 Disposal of operating fixed assets

	2011						
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain on disposal Rupees	Mode of disposal	Particulars of buyer
Vehicles - owned							
Honda City - LWB 384	902,660	569,390	333,270	480,000	146,730	Negotiation	Kamran Talib, Lahore
Master Fortland Loader - LZB 8723	575,137	417,615	157,522	250,000	92,478	Negotiation	Ataf Boota, Lahore
Suzuki Cultus - LZL 1053	574,438	459,240	115,198	300,000	184,802	Negotiation	Arjad Ali, Lahore
Suzuki Liana - LEH 1154	823,437	442,826	380,611	500,000	119,389	Negotiation	Fawad Hussain Bukhari, Lahore
Suzuki Liana - LEH 1162	823,437	442,826	380,611	500,000	119,389	Negotiation	Muhammad Saleem, Lahore
Suzuki Liana - LEJ 7278	853,642	435,396	418,246	550,000	131,754	Negotiation	Naeem Ahmed, Lahore
	<u>4,552,751</u>	<u>2,767,293</u>	<u>1,785,458</u>	<u>2,580,000</u>	<u>794,542</u>		

	2010						
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain on disposal Rupees	Mode of disposal	Particulars of buyer
Vehicles - owned							
Suzuki Cultus - LRH 9962	597,650	471,138	126,512	214,000	87,488	Negotiation	Naveed Akbar, Gujranwala
Suzuki Baleno - LZH 651	756,580	519,512	237,068	350,000	112,932	Negotiation	Mazhar Farooq, Qasur
	<u>1,354,230</u>	<u>990,650</u>	<u>363,580</u>	<u>564,000</u>	<u>200,420</u>		

15.1.2 Transfers represent transfers from capital work in progress on related assets becoming available for use and those from assets subject to finance lease on transfer of title to the Company at the end of lease term.

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
15.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	25	90,077,998	88,905,153
Administrative and general expenses	27	2,827,809	2,346,506
		92,905,807	91,251,659

15.2 Capital work in progress

	2011			
	As at July 01 <i>Rupees</i>	Additions <i>Rupees</i>	Transfers <i>Rupees</i>	As at June 30 <i>Rupees</i>
Building	-	2,747,941	-	2,747,941
Plant and machinery	-	81,873,467	(81,873,467)	-
Electric installations and equipment	-	-	-	-
	-	84,621,408	(81,873,467)	2,747,941

	2010			
	As at July 01 <i>Rupees</i>	Additions <i>Rupees</i>	Transfers <i>Rupees</i>	As at June 30 <i>Rupees</i>
Building	850,290	1,592,176	(2,442,466)	-
Plant and machinery	160,621	52,919,217	(53,079,838)	-
Electric installations and equipment	12,746,929	1,260,204	(14,007,133)	-
	13,757,840	55,771,597	(69,529,437)	-

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
16 LONG TERM DEPOSITS			
Utility companies and regulatory authorities	16.1	7,103,690	7,103,690
Financial institutions		54,000	54,000
		7,157,690	7,157,690

16.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
17 STORES, SPARES AND LOOSE TOOLS			
Stores		14,196,328	12,415,606
Spares		7,959,124	6,863,839
Loose tools		94,179	68,338
		22,249,631	19,347,783

18 STOCK IN TRADE

Raw material - <i>spinning unit</i>	18.2	790,704,925	417,884,925
Fuel stock - <i>power unit</i>		13,877,206	8,064,442
Work in process	18.2	41,099,164	27,039,511
Finished goods	18.2	67,387,775	142,126,861
		913,069,070	595,115,739

18.1 Stock of finished goods include stock of waste valued at Rs. 1,544,953 (2010: Rs. 1,651,028). The entire stock of waste is valued at net realizable value.

18.2 As at June 30, 2011, net realizable values of raw material (spinning unit) and finished goods were lower than their cost, which resulted in write-downs of Rs. 182,493,878 and Rs. 11,241,109 respectively, and have been charged to cost of sales. The stock of work in process is valued at cost being lower than net realizable value. There were no write-downs as at June 30, 2010.

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
19 TRADE RECEIVABLES			
Local - <i>unsecured, considered good</i>		52,623,030	112,365,480
considered good		400,200	-
considered doubtful			
		53,023,230	112,365,480
Foreign - <i>secured</i>	19.1	8,473,278	7,412,998
		61,496,508	119,778,478
Impairment allowance for doubtful debts	27	(400,200)	-
		61,096,308	119,778,478

19.1 These are secured against confirmed letters of credit

20 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers - <i>unsecured, considered good</i>		11,100,299	4,223,247
Advances to employees - <i>unsecured, considered good</i>	20.1	872,831	656,444
Prepayments		1,332,335	1,162,945
Export rebate receivable		442,206	442,206
Withholding tax on regular income certificates	31.11	66,650	6,240,800
Letters of credit		4,939,598	24,655,513
Insurance claims		1,503,743	103,085
Sales tax refundable		995,874	11,771,380
Other receivables - <i>unsecured, considered good</i>		958,181	2,617,749
		22,211,717	51,873,369

20.1 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

21 SHORT TERM INVESTMENT

This represents investment in 1,419,511.29 units in Money Market Fund of Habib Bank Limited. The investment has been classified as "financial asset at fair value through profit or loss". The fair value has been measured by reference to price in the active market.

	Note	2011 Rupees	2010 Rupees
22 CURRENT TAXATION			
Advance income tax		90,200,003	48,233,669
Provision for taxation	31	(58,648,404)	(16,049,465)
		31,551,599	32,184,204
23 CASH AND BANK BALANCES			
Cash at banks			
current accounts in local currency		106,285,447	8,214,807
deposit/saving accounts in local currency	23.1 & 23.2	30,216,250	5,017,163
deposit/saving accounts in foreign currency	23.1	26,790	26,986
		136,528,487	13,258,956

23.1 Effective mark-up rate in respect of deposit/saving accounts, for the year, ranges from 5% to 9.75% (2010: 9.33% to 9.65%).

23.2 These include a deposit of Rs.15,000,000 (2010: Rs. 5,000,000) under lien with a banking company against guarantees issued by it.

24 TURNOVER - NET

	Note	2011				
		Yarn Rupees	Raw cotton, polyester etc. Rupees	Waste Rupees	Power Rupees	Total Rupees
Local		1,655,626,690	269,589,941	49,492,671	270,590,443	2,245,299,745
Export	24.1	2,643,777,316	-	155,150,396	-	2,798,927,712
Gross turnover		4,299,404,006	269,589,941	204,643,067	270,590,443	5,044,227,457
Export rebate		894	-	-	-	894
Trade discount		-	-	-	-	-
Sales tax		(10,630,727)	-	(396,182)	(41,245,205)	(52,272,114)
		4,288,774,173	269,589,941	204,246,885	229,345,238	4,991,956,237
		2010				
		Yarn Rupees	Raw cotton, polyester etc. Rupees	Waste Rupees	Power Rupees	Total Rupees
Local		1,204,315,972	139,453,493	59,440,757	207,407,586	1,610,617,808
Export	24.1	1,529,568,444	-	75,378,076	-	1,604,946,520
Gross turnover		2,733,884,416	139,453,493	134,818,833	207,407,586	3,215,564,328
Export rebate		69,313	-	-	-	69,313
Trade discount		-	-	-	-	-
Sales tax		-	-	(55,506)	(29,418,393)	(29,473,899)
		2,733,953,729	139,453,493	134,763,327	177,989,193	3,186,159,742

24.1 Yarn export sales include indirect exports, taxable under Section 154 (3B) of the Income Tax Ordinance, 2001, amounting to Rs. 1,575,018,051 (2010: Rs. 747,841,824).

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
25 COST OF SALES			
Raw material consumed - <i>spinning unit</i>	25.1	3,274,725,237	1,959,107,562
Fuel consumed - <i>power unit</i>	25.2	315,060,965	320,231,349
Stores, spares and loose tools consumed		127,471,782	126,138,024
Salaries, wages and benefits	25.3	158,075,645	137,019,998
Insurance		11,124,046	9,032,944
Electricity		153,995,153	66,827,725
Repair and maintenance		8,022,409	5,953,744
Depreciation	15.1.3	90,077,998	88,905,153
Others		44,158,142	28,506,616
Manufacturing cost		<u>4,182,711,377</u>	<u>2,741,723,115</u>
Work in process			
As at beginning of the year		<u>27,039,511</u>	<u>22,478,448</u>
As at end of the year		<u>(41,099,164)</u>	<u>(27,039,511)</u>
		<u>(14,059,653)</u>	<u>(4,561,063)</u>
Cost of goods manufactured		<u>4,168,651,724</u>	<u>2,737,162,052</u>
Finished goods			
As at beginning of the year		<u>142,126,861</u>	<u>54,023,865</u>
Purchased during the year		<u>59,320,706</u>	<u>123,310,818</u>
As at end of the year		<u>(67,387,775)</u>	<u>(142,126,861)</u>
		<u>134,059,792</u>	<u>35,207,822</u>
		<u>4,302,711,516</u>	<u>2,772,369,874</u>

		2011 <i>Rupees</i>	2010 <i>Rupees</i>
25.1 Raw material consumed - spinning unit			
As at beginning of the year		417,884,925	493,466,907
Purchased during the year		3,647,545,237	1,883,525,580
As at end of the year		<u>(790,704,925)</u>	<u>(417,884,925)</u>
		<u>3,274,725,237</u>	<u>1,959,107,562</u>
25.2 Fuel consumed - power unit			
As at beginning of the year		8,064,442	13,036,200
Purchased during the year		338,230,532	332,386,526
Sold during the year		<u>(17,356,803)</u>	<u>(17,126,935)</u>
As at end of the year		<u>(13,877,206)</u>	<u>(8,064,442)</u>
		<u>315,060,965</u>	<u>320,231,349</u>

25.3 These include charge in respect of employees retirement benefits amounting to Rs. 5,132,626 (2010: Rs. 4,064,883).

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
26 SELLING AND DISTRIBUTION EXPENSES			
Export			
Ocean freight and forwarding		<u>18,614,631</u>	<u>17,112,746</u>
Commission		<u>18,654,281</u>	<u>18,529,724</u>
Export development surcharge		<u>2,967,300</u>	<u>2,232,665</u>
		<u>40,236,212</u>	<u>37,875,135</u>

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
Local			
Inland transportation		10,866,543	10,152,329
Commission		4,745,057	4,815,858
Others		334,547	488,931
		15,946,147	15,457,118
		56,182,359	53,332,253

27 ADMINISTRATIVE AND GENERAL EXPENSES

Directors' remuneration		8,900,950	7,292,730
Directors' meeting fee		120,000	70,000
Salaries and benefits	27.1	21,096,866	19,751,236
Rent, rates and taxes		522,000	522,000
Printing and stationery		611,834	498,285
Communication		1,402,234	1,425,143
Electricity		1,353,910	1,273,089
Repair and maintenance		263,915	91,931
Vehicles running and maintenance		3,378,931	3,409,471
Traveling and conveyance		4,742,571	2,197,170
Legal and professional charges		1,656,219	2,170,117
Auditors' remuneration	27.2	885,000	652,500
Fee and subscription		755,616	472,632
Entertainment		275,777	113,998
Insurance		1,831,087	1,516,227
Depreciation	15.1.3	2,827,809	2,346,506
Impairment allowance for doubtful debts	19	400,200	-
Others		263,595	232,851
		51,288,514	44,035,886

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 728,325 (2010: Rs. 1,976,382).

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
27.2 Auditor's remuneration			
Annual statutory audit		750,000	500,000
Half yearly review		75,000	75,000
Review report under Code of Corporate Governance		50,000	50,000
Out of pocket expenses		10,000	27,500
		885,000	652,500

28 NET OTHER OPERATING INCOME**Gain on financial instruments**

Gain on disposal of short term investments		5,480,903	-
Changes in fair value of financial assets at fair value through profit or loss		238,336	-
Return on bank deposits		270,520	365,286
Foreign exchange gain		582,908	101,499
		6,572,667	466,785

Other income/(expenses)

Gain on disposal of property, plant and equipment	15.1.1	794,542	200,420
Scrap sale		2,886,063	2,002,781
		3,680,605	2,203,201
		10,253,272	2,669,986

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
29 FINANCE COST			
Interest / mark-up on borrowings:			
long term finances	29.1	67,147,351	67,134,050
liabilities against assets subject to finance lease	29.2	3,286,575	3,034,408
short term borrowings		54,460,341	62,734,548
		124,894,267	132,903,006
Interest on workers' profit participation fund		1,735,246	30,648
Foreign exchange loss		4,025,503	717,582
Bank charges and commission		7,267,969	6,408,081
		137,922,985	140,059,317

29.1 This includes interest/mark-up rate subsidy amounting to Rs. 2,594,925 (2010: Rs. 7,219,426) recognized as government grants. See note 33.

29.2 This includes interest/mark-up rate subsidy amounting to Rs. 111,126 (2010: Rs. 115,540) recognized as government grants. See note 33.

30 OTHER CHARGES

Workers' Profit Participation Fund	13.2	22,705,207	8,951,520
Workers' Welfare Fund	13.3	8,272,969	3,401,578
Donations	30.1	1,204,559	2,000
		32,182,735	12,355,098

30.1 None of the directors or their spouses had any interest in donations made by the Company.

31 TAXATION

Current taxation			
for the year	22 & 31.1	58,648,404	16,049,465
for prior year		510,579	-
		59,158,983	16,049,465
Deferred taxation	10.1	10,661,351	21,994,443
		69,820,334	38,043,908

31.1 Provision for current tax has been made in accordance with section 18 and section 154 of the Income Tax Ordinance, 2001 ('the Ordinance').

	2011	2010
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31.2 Reconciliation between average effective tax rate and applicable tax rate

Profit before taxation	<i>Rupees</i>	<u>421,921,400</u>
Provision for taxation	<i>Rupees</i>	<u>69,820,334</u>
Average effective tax rate	%	16.55%
Tax effects of:		
Items not included in determination of taxable income	%	-3.76%
Admissible deductions, losses and tax credits	%	9.50%
Income taxable under final tax regime	%	16.04%
Provision for deferred taxation	%	-2.53%
Others	%	-0.80%
Applicable tax rate	%	<u>35.00%</u>

No numerical reconciliation has been presented for the year ended June 30, 2010 as there was no relationship between the aggregate tax expense and accounting profit for that year, since the Company had carried forward losses in respect of its local sales and the provision for current tax related only to export sales of the Company, which are taxable under the final tax regime.

- 31.3** Assessments upto assessment year 2001-2002 have been finalized under the relevant provisions of the Repealed Income Tax Ordinance, 1979.
- 31.4** Assessment for the assessment year 2002-2003 was finalized through assessment order dated April 30, 2005 against which the Company filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on several grounds. The CIR(A), through appellate order dated November 10, 2005, decided the case in favour of the Company on all issues except the estimation of sale value of scrap which was maintained at Rs 1,450,000 as against the sale proceeds of Rs 1,007,544 declared by the Company. The department has preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') against the CIR(A)'s order, which is pending for hearing.
- 31.5** The Company's case was selected for audit by the department for tax year 2003 in terms of section 177 of the Ordinance. On conclusion of audit proceedings, the department, through order passed under section 122(1) of the Ordinance, raised a tax demand of Rs 8,458,874. The Company filed an appeal before the CIR(A) against this order and CIR(A), through order, dismissed certain disallowances / additions made by the Assistant Commissioner Inland Revenue ('ACIR') and upheld some of them against which the Company filed an appeal before ATIR. Moreover, the department also went into cross appeal against the CIR(A)'s order before ATIR. Both appeals are pending for adjudication.
- 31.6** The assessment for the tax year 2004 was amended under section 122(5A) of the Ordinance through order dated September 29, 2009, issued by the ACIR, thereby assessing taxable income at Rs 24,151,913 and tax liability at Rs 8,767,144. The Company filed an appeal before the CIR(A) against this order and CIR(A), through order, dismissed certain disallowances / additions made by the Assistant Commissioner Inland Revenue ('ACIR') and upheld some of them against which the Company filed an appeal before ATIR. Moreover, the department also went into cross appeal against the CIR(A)'s order before ATIR. Both appeals are pending for adjudication.
- 31.7** Income tax returns for tax year 2005, transitional tax year 2005 and tax year 2006 are deemed assessments in terms of section 120(1) of the Ordinance.
- 31.8** The Deputy Commissioner Inland Revenue ('DCIR') in respect of tax years 2004, 2007 and 2008, initiated the withholding tax compliance proceedings under section 161/205 of the Ordinance, through notice, whereby the Company was required to submit a reconciliation statement as per Rule 44(4) of the Income Tax Rules, 2002. In this connection, the reconciliations in the requisite formats along with underlying documents were submitted to the DCIR. The proceedings have not been concluded by the DCIR.
- 31.9** The department has created a demand of Rs. 1,928,707 in respect of the tax year 2009. The Company has filed a rectification petition against this order which has not yet been disposed off by the department.
- 31.10** The DCIR passed a rectification order under section 121 of the Ordinance, thereby enhancing the Company's liability by Rs. 5,801,503 in respect of the tax year 2010. The Company has filed an appeal against this order before the CIR(A) which is pending for adjudication.
- 31.11** In previous years the Company encashed its investment in Regular Income Certificates issued by National Saving Centre ('NSC') amounting to Rs.193.76 million. NSC unauthorizedly deducted an amount of Rs. 6.24 million on account of withholding tax from the amount of return on said investment. The Company filed a writ petition on February 14, 2004 with Honorable Lahore High Court ('LHC') for refund of this incorrectly withheld amount. LHC through order decided the case in favour of the Company. The department and NSC later preferred an appeal before the Supreme Court. The Supreme Court through order has decided the case in favour of the Company and Rs. 6.17 million has been paid to the Company.

<i>Unit</i>	2011	2010
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32 EARNINGS PER SHARE

Profit attributable to ordinary shareholders	<i>Rupees</i>	352,101,066	128,633,392
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	10,950,000	10,950,000
Earnings per share	<i>Rupees</i>	32.16	11.75

There is no diluting effect on the basic earnings per share of the Company.

33 GOVERNMENT GRANTS

During the year, the Company recognized Rs. 2,706,051 (2010: Rs. 7,334,966) as interest/mark-up rate subsidy which has been accounted for as government grant in accordance with IAS 20 'Government Grants'. The amount has been deducted in reporting interest/mark-up expenses on relevant borrowings.

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>

34 CASH GENERATED FROM OPERATIONS

Profit before taxation	421,921,400	166,677,300
Adjustments for non-cash and other items		
Interest/mark-up on borrowings	124,894,267	132,903,006
Gain on disposal of property, plant and equipment	(794,542)	(200,420)
Foreign exchange loss	3,442,595	616,083
Gain on sale of short term investments	(5,480,903)	-
Changes in fair value of financial assets at fair value through profit or loss	(238,336)	-
Provision for employees retirement benefits	5,860,951	6,041,265
Depreciation	92,905,807	91,251,659
	220,589,839	230,611,593
Operating profit before changes in working capital	642,511,239	397,288,893

Changes in working capital

Stores, spares and loose tools	(2,901,848)	11,443,272
Stock in trade	(317,953,331)	(12,110,319)
Trade receivables	59,265,078	66,131,935
Advances, prepayments and other receivables	29,661,652	13,041,330
Long term deposits	-	(2,042,500)
Trade and other payables	13,172,346	113,902,118
	(218,756,103)	190,365,836

Cash generated from operations

423,755,136	587,654,729
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35 CASH AND CASH EQUIVALENTS

Cash and bank balances	136,528,487	13,258,956
	136,528,487	13,258,956

36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel (including chief executive and directors). The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length. Pricing for these transactions is determined as follows:

Nature of transaction

Sale of goods and services
Purchase of goods and services
Compensation of key management personnel

Pricing mechanism

Comparable uncontrolled price method
Comparable uncontrolled price method
As per terms of employment

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Details of transactions and balances with related parties is as follows:		
36.1 Transactions with related parties		
36.1.1 Associated companies		
Sale of yarn	758,188,124	273,782,402
Sale of raw cotton, polyester etc.	148,112,440	-
Sale of lycra	258,442	-
Sale of waste	43,614	-
Sale of furnace oil	20,307,460	17,126,935
Sale of stores and spares	65,947	-
Purchase of raw cotton, polyester etc.	-	105,761,125
Doubling charges paid	2,260,800	-
Purchase of yarn	53,239,100	98,099,162
Purchase of waste	92,106	-
Purchase of lycra	258,442	-
Purchase of stores and spares	83,000	49,000
Rent paid	480,000	480,000
Dividend paid	18,138,296	3,886,778
36.1.2 Key management personnel		
Short term employee benefits	27	8,900,950
Post employment benefits	-	7,292,730
	-	-
36.2 Balances with related parties		
There are no balances with related parties as at the reporting date.		

37 FINANCIAL INSTRUMENTS

37.1 Financial instruments by class and category

37.1.1 Financial assets

Loans and receivables

Long term deposits	16	7,157,690	7,157,690
Trade receivables	19	61,096,308	119,778,478
Insurance claims	20	1,503,743	103,085
Cash and bank balances	23	136,528,487	13,258,956
		206,286,228	140,298,209

Financial assets at fair value through profit or loss

Short term investments	21	146,238,336	-
		352,524,564	140,298,209

37.1.2 Financial liabilities

Financial liabilities at amortized cost

Long term finances	7	436,988,427	544,301,287
Liabilities against assets subject to finance lease	8	24,100,071	21,186,996
Short term borrowings	12	557,494,041	278,789,156
Accrued interest/mark-up		28,150,375	27,034,875
Trade creditors	13	28,360,393	27,699,420
Accrued liabilities	13	57,392,642	47,094,804
		1,132,485,949	946,106,538

37.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts. Further, there are no fair value estimation uncertainties.

37.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

37.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

38 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

38.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

	<i>Note</i>	2011	2010
		<i>Rupees</i>	<i>Rupees</i>
38.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Long term deposits with financial institutions	16	54,000	54,000
Trade receivables	19	61,096,308	119,778,478
Insurance claims	20	1,503,743	103,085
Cash at banks	23	136,528,487	13,258,956
		199,182,538	133,194,519
Financial assets at fair value through profit or loss			
Short term investments	21	146,238,336	-
		345,420,874	133,194,519

38.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counterparty. Maximum exposure to credit risk by type of counterparty is as follows:

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Customers	61,096,308	119,778,478
Banking companies and financial institutions	284,324,566	13,416,041
	345,420,874	133,194,519

38.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

38.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to investments in mutual funds, cash deposits, security deposits and insurance claims. These counterparties have reasonably high credit ratings as determined by various credit rating agencies.

Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

38.1.3(b) Counterparties without external credit ratings

These include customers which are counterparties to trade receivables. The Company is exposed to credit risk in respect of trade receivables. The analysis of ages of trade receivables as at the reporting date is as follows:

	2011		2010	
	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>
Neither past due nor impaired	61,096,308	-	119,378,278	-
Past due by 0 to 12 months	-	-	400,200	-
Past due by more than 12 months	400,200	400,200	-	-
	61,496,508	400,200	119,778,478	-

The Company's four (2010: two) significant customers account for Rs. 44.79 million (2010: Rs. 59.93 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2010: 10%) of trade receivables as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. Further, trade receivables amounting to Rs. 8.5 million (2010: Rs. 7.4 million) are secured through confirmed letters of credit and thus do not carry any significant credit risk.

38.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade receivables, which are partially secured through confirmed letters of credit.

38.1.5 Credit risk management

As mentioned in note 38.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade receivables, which are exposed to losses arising from any non-performance by customers. In respect of trade receivables, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

38.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2011				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	436,988,427	529,727,699	263,690,960	266,036,739	-
Liabilities against assets subject to finance lease	24,100,071	31,110,101	9,618,706	19,872,503	1,618,892
Short term borrowings	557,494,041	569,676,389	569,676,389	-	-
Accrued interest/mark-up	28,150,375	28,150,375	28,150,375	-	-
Trade creditors	28,360,393	28,360,393	28,360,393	-	-
Accrued liabilities	57,392,642	57,392,642	57,392,642	-	-
	1,132,485,949	1,244,417,599	956,889,465	285,909,242	1,618,892

	2010				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	544,301,287	663,477,316	253,226,568	392,562,737	17,688,011
Liabilities against assets subject to finance lease	21,186,996	27,022,333	7,496,146	19,526,187	-
Short term borrowings	278,789,156	280,292,596	280,292,596	-	-
Accrued interest/mark-up	27,034,875	27,034,875	27,034,875	-	-
Trade creditors	27,699,420	27,699,420	27,699,420	-	-
Accrued liabilities	47,094,804	47,094,804	47,094,804	-	-
	946,106,538	1,072,621,344	642,844,409	412,088,924	17,688,011

38.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies.

38.3 Market risk

38.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

38.3.1(a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Financial liabilities		
Short term borrowings	272,271,871	101,422,390
Accrued interest/mark-up	1,657,052	401,535
	273,928,923	101,823,925
Financial assets		
Trade receivables	8,473,278	7,412,998
Cash and bank balances	26,790	26,986
	8,500,068	7,439,984
Net exposure	265,428,855	94,383,941

38.3.1(b) Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (US \$). Exchange rates applied during the year are as follows:

	2011		2010	
	Average rate for the year <i>Rupees</i>	Spot as at the reporting date <i>Rupees</i>	Average rate for the year <i>Rupees</i>	Spot as at the reporting date <i>Rupees</i>
Financial assets	84.39	85.85	83.72	85.40
Financial liabilities	86.46	86.05	83.92	85.60

38.3.1(c) Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US \$ would have increased profit for the year by Rs. 26.5 million (2010: Rs. 9.4 million). A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. analysis The assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

38.3.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

38.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

38.3.2(a) Interest/mark-up bearing financial instruments

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	30,895,049	56,079,065
Variable rate instruments		
Financial assets	30,243,040	5,044,149
Financial liabilities	987,687,490	788,198,374

38.3.2(b) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

38.3.2(c) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 9.58 million (2010: Rs. 7.83 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

38.3.2(d) Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

38.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is exposed to price risk due to changes in active market prices of investment in mutual funds.

The Company is exposed to unfavorable changes in the fair value of the investments in mutual fund units as a result of the changes in the market prices. The particulars of investments exposed to price risk as at the reporting date are referred to in note 21 to the financial statements. A ten percent increase in market prices would have increased profit by Rs. 14,623,834 (2010: nil). A ten percent decrease in market prices would have had an equal but opposite impact on profit. The analysis assumes that all other variables, remain constant and ignores the impact, if any, on provision for taxation for the year.

39 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity as shown in the balance sheet plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

		2011	2010
Total debt	<i>Rupees</i>	461,088,498	565,488,283
Total equity	<i>Rupees</i>	903,057,405	589,281,339
		<u>1,364,145,903</u>	<u>1,154,769,622</u>
Gearing	<i>% age</i>	<u>33.80</u>	<u>48.97</u>

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

40 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on September 29, 2011 has proposed dividend on ordinary shares at Rs. 7/= per ordinary share of Rs. 10 each. The proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting and has not been included as a liability in the financial statements.

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>

41 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

Mortgages and charges

	Rs. 7/=	2011	2010
Hypothecation of stocks and movables		4,522,000,000	2,535,750,000
Hypothecation of book debts and receivables		3,960,000,000	2,467,846,000
Mortgage over land and building		1,429,000,000	1,429,000,000
Hypothecation of plant and machinery		1,429,000,000	1,429,000,000

42 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2011		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	2,208,000	4,029,854	6,525,133
Allowances and perquisites	1,250,063	1,413,033	1,385,867
Meeting fee	-	120,000	-
Post employment benefits	-	-	439,522
	3,458,063	5,562,887	8,350,522
Number of persons	1	2	8
	2010		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	1,920,000	3,220,440	4,760,000
Allowances and perquisites	1,049,967	1,102,323	2,345,000
Meeting fee	-	70,000	-
Post employment benefits	-	-	250,013
	2,969,967	4,392,763	7,355,013
Number of persons	1	2	8

43 SEGMENT INFORMATION

43.1 Products and services from which reportable segments derive their revenues

Information reported to the Company's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The Company's reportable segments are therefore as follows:

Segment	Product
Spinning	Manufacture and sale of yarn
Power	Generation and sale of electricity

Information regarding Company's reportable segments is presented below.

43.2 Segment revenues and results

The following is the analysis of the Company's revenue and results by reportable segment

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Spinning		
Segment revenue	4,773,637,014	3,008,156,742
Inter segment revenue	-	-
Revenue from external customers	<u>4,773,637,014</u>	<u>3,008,156,742</u>
Segment results	<u>344,591,617</u>	<u>129,704,292</u>
Power		
Segment revenue	405,986,339	404,846,777
Inter segment revenue	(135,395,896)	(197,439,191)
Revenue from external customers	<u>270,590,443</u>	<u>207,407,586</u>
Segment results	<u>7,509,449</u>	<u>(1,070,900)</u>
Total		
Segment revenue	5,179,623,353	3,413,003,519
Inter segment revenue	(135,395,896)	(197,439,191)
Revenue from external customers	<u>5,044,227,457</u>	<u>3,215,564,328</u>
Segment results	<u>352,101,066</u>	<u>128,633,392</u>

The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment profit represents profit after taxation earned by the segment. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
43.3 Segment assets and liabilities		
Spinning		
Segment assets	2,093,388,960	1,543,253,013
Segment liabilities	1,334,290,424	1,136,396,186
Power		
Segment assets	143,958,869	182,424,512
Segment liabilities	-	-
Total		
Segment assets	2,237,347,829	1,725,677,525
Segment liabilities	1,334,290,424	1,136,396,186

43.4 Additions to non-current assets

Additions to non-current assets for each reportable segment are as follows:

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Spinning	104,499,950	60,096,360
Power	475,000	-
Total	<u>104,974,950</u>	<u>60,096,360</u>

43.5 Other segment information

Spinning

Depreciation	80,510,265	78,216,855
Interest expense	124,894,267	132,903,006
Interest income	270,520	365,286
Income tax expense	69,820,334	38,043,908
Gain on sale of investments	5,480,903	-
Gain on disposal of property, plant and equipment	794,542	200,420
Write-down of inventories to net realizable value	193,734,987	-

Power

Depreciation	12,395,542	13,034,804
Interest expense	-	-
Interest income	-	-
Income tax expense	-	-
Gain on sale of investments	-	-
Gain on disposal of property, plant and equipment	-	-
Write-down of inventories to net realizable value	-	-

Total

Depreciation	92,905,807	91,251,659
Interest expense	124,894,267	132,903,006
Interest income	270,520	365,286
Income tax expense	69,820,334	38,043,908
Gain on sale of investments	5,480,903	-
Gain on disposal of property, plant and equipment	794,542	200,420
Write-down of inventories to net realizable value	193,734,987	-

43.6 Reconciliations of reportable segment revenues, results, assets and liabilities

All revenue, results, assets and liabilities of the Company have been allocated to reportable segment. Accordingly, no reconciliations are required.

43.7 Geographical information

The Company's operations are not distributed geographically.

44 SHARES IN THE COMPANY HELD BY ASSOCIATES

Ordinary shares in the Company held by associates are as follows:

	2011	2010
	<i>No. of shares</i>	<i>No. of shares</i>
Nagina Cotton Mills Limited	2,856,995	2,856,995
Haroon Omer (Private) Limited	512,000	512,000
Monell (Private) Limited	631,350	631,350
Icaro (Private) Limited	553,625	553,625
ARH (Private) Limited	628,400	628,400
	5,182,370	5,182,370

45 PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>Unit</i>	2011	2010
Spinning			
Number of spindles installed	<i>No.</i>	54,528	54,528
Plant capacity on the basis of utilization converted into 30s count	<i>Kgs</i>	13,654,540	13,654,540
Actual production converted into 30s count	<i>Kgs</i>	12,355,785	11,904,500

It is difficult to precisely compare 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 materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year.

	<i>Unit</i>	2011	2010
Power			
Installed capacity (based on 8.760 hrs)	<i>Mwhs</i>	121,414	121,414
Power generated	<i>Mwhs</i>	41,876	51,006
Self consumption	<i>Mwhs</i>	24,468	35,923
Electricity sold billed	<i>Mwhs</i>	17,408	15,083

Actual power generated is less than the installed capacity because demand from external customers and requirement for self consumption is less than the installed capacity.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2011 by the Board of Directors of the Company.

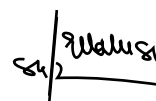
47 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. Significant reclassifications are referred to in relevant notes to the financial statements.



Shahzada Ellahi Shaikh
Director



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 29, 2011

**THE COMPANIES ORDINANCE, 1984
(Section 236(1) and 464)**

PATTERN OF SHAREHOLDING

1. Incorporation Number **0018985**

2. Name of the Company **ELLCOT SPINNING MILLS LTD.**

3. Pattern of holding of the shares held by the shareholders as at **30-06-2011**

4. No. of Shareholders	Shareholding		Total Shares Held
	From	To	
236	1	100	8,608
145	101	500	42,707
76	501	1,000	57,649
91	1,001	5,000	207,917
23	5,001	10,000	158,204
2	10,001	15,000	23,619
1	15,001	20,000	18,203
1	20,001	25,000	23,815
-	25,001	30,000	-
1	30,001	35,000	34,000
2	35,001	40,000	76,125
3	40,001	45,000	128,094
-	45,001	50,000	-
1	50,001	55,000	54,000
-	55,001	60,000	-
1	60,001	65,000	63,700
1	65,001	70,000	67,290
-	70,001	75,000	-
1	75,001	80,000	80,000
-	80,001	125,000	-
1	125,001	130,000	128,178
1	130,001	135,000	135,000
-	135,001	210,000	-
1	210,001	215,000	210,401
-	215,001	380,000	-
1	380,001	385,000	381,666
-	385,001	625,000	-
1	625,001	630,000	628,400
-	630,001	660,000	-
3	660,001	665,000	1,993,716
-	665,001	705,000	-
1	705,001	710,000	706,880
-	710,001	745,000	-
1	745,001	750,000	745,015
-	750,001	1,570,000	-
1	1,570,001	1,575,000	1,572,602
-	1,575,001	1,610,000	-
1	1,610,001	1,615,000	1,614,200
-	1,615,001	1,700,000	-
1	1,700,001	1,705,000	1,701,610
			88,401

598

Total:-

10,950,000

5. Categories of Shareholders	Shares Held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.		
MR. SHAIKH ENAM ELLAHI	210,401	1.92
MR. SHAHZADA ELLAHI SHAIKH	1,572,602	14.36
MR. SHAUKAT ELLAHI SHAIKH	1,701,610	15.54
MR. SHAFQAT ELLAHI SHAIKH	1,614,200	14.74
MR. JAVAID BASHIR SHEIKH	500	0.01
MRS. MEHREEN SAADAT	8,500	0.08
MR. IFTIKHAR TAJ MIAN	500	0.01
MR. JAMAL NASIM (Nominee NIT)	40,000	0.37
MRS. HUMERA SHAHZADA	1,437	0.01
MRS. MONA SHAUKAT	1,437	0.01
MRS. SHAISTA SHAFQAT	1,437	0.01
	5,152,624	47.06
5.2 Associated Companies, undertakings and related parties		
M/S. HAROON OMER (PVT) LTD.	664,572	6.07
M/S. MONELL (PVT) LTD.	664,572	6.07
M/S. ICARO (PVT) LTD.	664,572	6.07
M/S. ARH (PVT) LTD.	628,400	5.74
M/S. ELLAHI INTERNATIONAL (PVT) LTD.	41,345	0.38
	2,663,461	24.33
5.3 NIT and ICP		
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	706,880	6.46
NATIONAL INVESTMENT TRUST LIMITED	18,203	0.17
IDBP (ICP Unit)	200	0.00
	725,283	6.63
5.4 Banks Development Finance Institutions, Non Banking Finance Institutions.	583,960	5.33
5.5 Insurance Companies	191,878	1.75
5.6 Modarabas and Mutual Funds	745,015	6.80
5.7 Shareholders Holding 10% or more		
MR. SHAHZADA ELLAHI SHAIKH	1,572,602	14.36
MR. SHAUKAT ELLAHI SHAIKH	1,701,610	15.54
MR. SHAFQAT ELLAHI SHAIKH	1,614,200	14.74
	4,888,412	44.64
5.8 General Public		
a. Local	809,537	7.39
b. Foreign	Nil	Nil
5.9 Others (Joint Stock Companies etc.)	78,242	0.71
TOTAL:-	10,950,000	100.00

Note:-

M/s. Nagina Cotton Mills Ltd., had distributed 6,545,000 ordinary shares of M/s. Ellcot Spinning Mills Ltd., among its members, out of which 88,401 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head "General Public".

FORM OF PROXY

The Secretary,
 ELLCOT SPINNING MILLS LTD.
 Nagina House,
 91-B-1, M.M. Alam Road,
 Gulberg-III,
 Lahore-54660.

I/We _____ of _____ being member(s) of ELLCOT SPINNING 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 23rd Annual General Meeting of the Company to be held on October 26, 2011 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 _____ 2011

NOTE:

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. Account holders and sub-account holders, holding book entry securities of the Company in CDS of Central Depository Company of Pakistan Ltd., who wish to attend the Annual General Meeting are requested to please bring original National Identity Card with copy thereof duly attested by their Bankers for identification purpose.
3. In case of corporate entity, 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.