



NAGINA GROUP

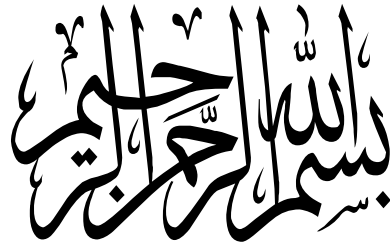


Annual Report

2012

ELLCOT SPINNING MILLS LIMITED

An ISO 9001 : 2008 Certified Company



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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi Mr. Jamal Nasim (Nominee NIT) Mr. Javaid Bashir Sheikh Mr. Shahzada Ellahi Shaikh Mr. Shaukat Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Iftikhar Taj Mian	Non-Executive Director / Chairman Non Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Executive Director Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shafqat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Shaukat Ellahi Shaikh Mr. Shaikh Enam Ellahi Mr. Shahzada Ellahi Shaikh Mr. Iftikhar Taj Mian	Chairman Member Member Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Shaukat Ellahi Shaikh Mr. Shahzada Ellahi Shaikh Mr. Iftikhar Taj Mian Mr. Muhammad Azam	Chairman Member Member Secretary
EXECUTIVE COMMITTEE	Mr. Shaikh Enam Ellahi Mr. Shahzada Ellahi Shaikh Mr. Shaukat Ellahi Shaikh Mr. Shafqat Ellahi Shaikh	Chairman Member Member Member
CORPORATE SECRETARY	Mr. Iftikhar Taj Mian	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Muhammad Ahmad	
AUDITORS	Messrs Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants	
LEGAL ADVISOR	Bandial & Associates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. HSBC Bank Middle East Ltd. MCB Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	Nagina House 91-B-1, M.M. Alam Road Gulberg-III, Lahore-54660	
WEB REFERENCE	www.nagina.com	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1 st Floor, H.M. House 7-Bank Square, Lahore Phone # 042-37235081-2 Fax # 042-37358817	
MILLS	6.3 K.M, Manga Mandi, Raiwind Road Mouza Rossa, Tehsil & District Kasur	

NOTICE OF ANNUAL GENERAL MEETING

24th 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, October 24, 2012 at 11:30 a.m. to transact the following business:-

1. To confirm minutes of the 23rd Annual General Meeting held on October 24, 2011.
2. To receive and adopt audited accounts of the Company for the year ended on June 30, 2012 together with the Directors' and Auditors' reports thereon.
3. To approve dividend as recommended by the Directors.
4. To appoint auditors and fix their remuneration.
5. To transact any other ordinary business with the permission of Chair.

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

By Order of the Board



Iftikhar Taj Mian
Corporate Secretary

Lahore: September 27, 2012

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from Thursday, October 18, 2012 to Wednesday, October 24, 2012 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore, by the close of business on Wednesday, October 17, 2012 will be in time to be passed for payment of dividend to the transferee(s).
2. A member entitled to attend and vote at the general meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.
3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their Bankers, Account number and Participant I.D number for identification purpose.
4. In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.
5. Members who have not yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company.
6. 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 The Companies (Investment in Associated Companies or
Associated Undertakings) Regulations, 2012**

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

a. Total investment Approved	Rs. 75,000,000/= (Rupees seventy five million only) to each of the following Associated Company: i) Nagina Cotton Mills Ltd. (NCML) ii) Prosperity Weaving Mills Ltd. (PWML)				
b. Amount of investment made to date.	Nil				
c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.	Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2011-12.				
d. Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	Present Financial Position as on June 30, 2012		Financial Position at the time of Approval as on June 30, 2009		
	NCML	PWML	NCML	PWML	
	Rupees in Millions				
	Net sales	3,674.77	5,382.23	2,158.571	3,634.559
	Gross Profit	616.63	374.69	216.856	368.861
	Profit before tax	364.03	108.17	14.650	108.120
Profit after tax	329.17	77.52	7.576	83.902	

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 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.', is written over the signature line.

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



This is to certify that the
Quality Management System of:

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HEAD OFFICE: 91-B-1, M.M. ALAM ROAD, GULBERG-III, LAHORE
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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 be 'S. H. Khan'.

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 TO THE MEMBERS

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

The Directors have the honour to present 24th Annual Report of your Company together with audited financial statements and auditors' report thereon for the year ended June 30, 2012. Figures for the previous year ended June 30, 2011 are included for comparison.

Company Performance

Alhamdulillah, during the year under review ended June 30, 2012, the overall performance of the Company has been satisfactory and the Company made after tax profit of Rs. 146,404,197 as compared to Rs. 352,101,066 for the corresponding previous year after meeting all operational, financial & other expenses.

The Company sold electricity to LESCO of Rs. 229,345,238 in the previous year. The sale contract was not renewed by LESCO after March, 2011 thus the year under review does not have any sale of electricity.

Net sales for the current year are Rs. 4,025,287,140 as compared to Rs. 4,991,956,237 for the corresponding previous year. Net sales for the previous year also included sale of electricity to LESCO of Rs. 229,345,238. Gross profit for the current year is Rs. 432,739,611 or 10.75% of sales as compared to Rs. 689,244,721 or 13.81% of sales for the corresponding previous year. The net sales have decreased mainly due to fall in unit price of yarn and no sale of electricity to LESCO. The gross profit has reduced mainly because of high energy cost, inflation and increase in other usual manufacturing expenses.

Distribution cost Rs. 37,816,791 (2011: Rs. 56,182,359) for the current year has decreased by 32.69% as compared to corresponding previous year mainly on account of decrease in export.

Administrative expense Rs. 62,113,240 (2011: Rs. 51,288,514) for the current year has increased by 21.11% as compared to corresponding previous year mainly due to inflation and increase in salaries of the staff.

Other operating expenses Rs. 16,472,721 (2011: 32,182,735) for the current year have decreased by 48.82% as compared to corresponding previous year owing mainly to decrease in the provision for WPPF and WWF due to decrease in operating profit for the current year.

Earning per share for the current year is Rs. 13.37 as compared to Rs. 32.16 for the corresponding previous year.

The main reason attributable to decline in EPS is decline in sales price both in International and local market coupled with natural gas and electricity load shedding and discontinuity of sale of electricity to LESCO.

Future Prospects and Outlook

The management is concerned about the profitability of the Company for the coming year mainly due to ever increasing production cost, uncertainty in prices of cotton and yarn, high energy cost coupled with load shedding in Gas & Power sector, and damage to cotton crop.

The board is vigilant about the changes in domestic and international business environment. The future outlook of the Company is optimistic subject to factors mentioned above.

Dividend

The Directors have pleasure to recommend payment of Cash Dividend @ 50% i.e. Rs. 5/= per ordinary share. The Dividend will absorb Rs. 54,750,000/=.

Capital Assets Investment

As Balancing, Modernisation & Replacement (BMR) of plant & machinery and other assets is continuous business requirement, we continuously undertake BMR activity. During the year Rs.106,087,777 were invested in plant & machinery and other assets.

ISO 9001 : 2008 Certification

The Company continues to operate the high standard of quality and had obtained latest version of certification for the period from February 6, 2011 to January 18, 2014. The quality control certification helps to build up trust of new and old customers.

Environment, Health and Safety

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

Corporate Governance & Financial Reporting Framework

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

- a) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.

- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) Key operating and financial data for the last six years is annexed.
- h) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2012 except for those disclosed in the financial statements.
- i) No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.
- j) During the year, no trade in the shares of the Company were carried out by the Directors, CEO, CFO, Company secretary, their spouses and minor children.
- k) Requirement under Listing Regulation No. 35 (xi) has been complied with.

Related Parties

The transactions between the related parties were carried out at an arm's length basis. The Company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs. Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, the auditors of the Company.

Shareholding pattern

The shareholding pattern as at June 30, 2012 including the information under the Code of Corporate Governance, for ordinary shares, is annexed.

Notice u/s 218 of the Companies Ordinance, 1984

Notice u/s 218 of the Companies Ordinance, 1984 is annexed.

Committees of the Board

In compliance with the Code of Corporate Governance and Articles of the Association of the Company, the Board of Directors had formed following Committees.

- Audit Committee
- Human Resource and Remuneration Committee
- Executive Committee

The names of the members of above committees are given in the Company information.

Board of Directors' Meetings

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

Name of Director	Attended
Mr. Shaikh Enam Ellahi	3
Mr. Jamal Nasim	4
Mr. Javaid Bashir Sheikh	3
Mr. Shahzada Ellahi Shaikh	4
Mr. Shaukat Ellahi Shaikh	4
Mr. Shafqat Ellahi Shaikh	4
Mr. Iftikhar Taj Mian	4

Leave of absence was granted to the Directors who could not attend some of the board meetings.

Audit Committee Meetings

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

Name of Director	Attended
Mr. Shaikh Enam Ellahi	5
Mr. Shahzada Ellahi Shaikh	5
Mr. Shaukat Ellahi Shaikh	4

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

Executive Committee Meetings

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

Name of Director	Attended
Mr. Shaikh Enam Ellahi	5
Mr. Shahzada Ellahi Shaikh	5
Mr. Shaukat Ellahi Shaikh	5
Mr. Shafqat Ellahi Shaikh	5

Human Resource & Remuneration (HR & R) Committee Meetings

The Board of Directors formed HR & R Committee in April, 2012. During the year, one (1) meeting of HR & R Committee of the Board was held. Attendance by each Director is as follows:

Name of Director	Attended
Mr. Shaukat Ellahi Shaikh	1
Mr. Shahzada Ellahi Shaikh	1
Mr. Iftikhar Taj Mian	1

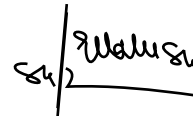
Appointment of Auditors

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 2012-2013.

Acknowledgment

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

On behalf of the Board



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive).

Lahore: September 27, 2012

**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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

2. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Mr. Shaikh Enam Ellahi	Non-Executive Director
Mr. Jamal Nasim	Non Executive Director
Mr. Javaid Bashir Sheikh	Non-Executive Director
Mr. Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Executive Director
Mr. Iftikhar Taj Mian	Executive Director

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

4. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. No casual vacancy occurred during the year.

6. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board in line with Articles of Association of the Company.

9. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. Requirement under Listing Regulation No. 35 (xi) have been complied with.

11. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, in line with Code of Corporate Governance.

12. The Directors' report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.

16. The Board has formed an Audit Committee. It comprises three members, all members are non-executive directors.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the Chairman.

19. The Board has formed an executive committee comprising four Directors to meet and take decisions on behalf of Board in the absence of full Board. The minutes of the meetings are properly maintained.

20. The Board has set up an effective internal audit function.

21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

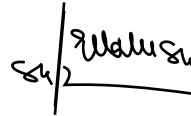
23. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchange(s).

24. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

25. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

26. We confirm that all other material principles enshrined in the CCG have been complied with.

for & on behalf of the Board



SHAFQAT ELLAHI SHAIKH
Mg. Director (Chief Executive)

Lahore: September 27, 2012

Shareholders' Information

Annual General Meeting

The 24th 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, October 24, 2012 at 11:30 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2012, the Company has 632 Shareholders.

Web Reference

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

Dividend

The Board of Directors have recommended in their meeting held on September 27, 2012, payment of final cash dividend at the rate of Rs. 5/= per share i.e. 50% for the year ended June 30, 2012.

Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular Number 18 of 2012 dated June 5, 2012, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed". The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

The existing shareholders have the option to seek the dividend mandate option by sending the mandate information on the following format, directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

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

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

Signature of the Shareholder

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

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

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

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

M/s Hameed Majeed Associates (Pvt.) Limited,
H.M. House,
7-Bank Square,
Lahore
Ph # (+92-42) 37235081-82
Fax # (+92-42) 7358817

Kindly note that in case of non compliance of the submission of CNIC the Company may be constrained to withhold the dispatch of dividend warrant in future.

Investor Relations Contact

Mr. Iftikhar Taj Mian, Corporate Secretary
Email: itm@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares

Members are requested to contact the Registered Office of the Company or the Share Registrar, M/s. Hameed Majeed Associates (Pvt) Ltd., H.M. House, 7-Bank Square, Lahore., for collection of their shares which they have not received due to any reasons.

To: All members of the Company

NOTICE UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resource and Remuneration (HR&R) Committee, Board of Directors in their meeting held on September 27, 2012 has approved the increase in remuneration of Mg. Director (Chief Executive) and Chairman of the Board effective from July 1, 2012 as under:

a) Remuneration of Mr. Shafqat Ellahi Shaikh, Mg. Director (Chief Executive)

Description	Present Remuneration	Remuneration After increase
Remuneration	Rs. 264,500/= per month.	Rs. 325,000/= per month inclusive of 10% medical allowance
Other benefits		
Transport	Two company maintained cars with drivers	No Change
Utilities	Actual cost of utilities, i.e. Gas, Electricity and Water at his residences and telecommunication facilities	No Change
Leave Fare Assistance (LFA)	Leave passage for self and family.	No Change

b) Remuneration of Mr. Shaikh Enam Ellahi, Chairman of the Board

Remuneration	Rs. 354,200/= per month inclusive of 10% medical allowance.	Rs. 425,000/= per month inclusive of 10% medical allowance.
Other benefits		
Transport	One company maintained car with driver	No Change
Utilities	Actual cost of utilities, i.e. Gas, Electricity and Water at his residences and telecommunication facilities	No Change
Leave Fare Assistance (LFA)	Leave passage for self and family.	No Change



Iftikhar Taj Mian
Corporate Secretary

Lahore: September 27, 2012

**PATTERN OF SHAREHOLDING
As at June 30, 2012
CUIN (Incorporation Number) 0018985**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
253	1	100	8,575
145	101	500	41,312
74	501	1,000	56,925
100	1,001	5,000	231,288
32	5,001	10,000	225,127
1	10,001	15,000	12,614
3	15,001	20,000	55,953
2	20,001	25,000	43,817
-	25,001	30,000	-
1	30,001	35,000	32,500
1	35,001	40,000	40,000
1	40,001	45,000	41,345
1	45,001	50,000	45,500
3	50,001	55,000	158,107
1	55,001	60,000	56,591
1	60,001	65,000	63,700
1	65,001	70,000	67,290
-	70,001	105,000	-
1	105,001	110,000	105,138
-	110,001	125,000	-
1	125,001	130,000	128,178
-	130,001	210,000	-
1	210,001	215,000	210,401
-	215,001	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	1,070,000	-
1	1,070,001	1,075,000	1,074,554
-	1,075,001	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
			33,677
632	Total:-		10,950,000

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	5,152,624	47.06
Associated Companies, undertakings and related parties	2,663,461	24.33
NIT and ICP	725,283	6.62
Banks Development Finance Institutions, Non Banking Finance Institutions	123,885	1.13
Insurance Companies	191,878	1.75
Modarabas and Mutual Funds	1,179,692	10.77
Shareholders Holding 10% or more	4,888,412	44.64
General Public		
a. Local	848,185	7.75
b. Foreign	Nil	Nil
Others (Joint Stock Companies)	64,992	0.59

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 33,677 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".

Information under clause xvi (j) of the code of Corporate Governance
As at 30 June 2012

S #	Name	Shares Held	Percentage
1)	<u>Associated Companies, Undertaking and Related Parties</u>		
i)	HAROON OMER (PVT) LTD.	664,572	6.07
ii)	MONELL (PVT) LTD.	664,572	6.07
iii)	ICARO (PVT) LTD.	664,572	6.07
iv)	ARH (PVT) LTD.	628,400	5.74
v)	ELLAHI INTERNATIONAL (PVT) LTD.	41,345	0.38
		2,663,461	24.33
2)	<u>Mutual Funds</u>		
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1,074,554	9.81
	CDC - TRUSTEE AKD OPPORTUNITY FUND	105,138	0.96
		1,179,692	10.77
3)	<u>Directors, Chief Executive Officer 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	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
		5,152,624	47.06
4)	<u>Executives</u>	627	0.01
5)	<u>Public Sector Companies and Corporations</u>	200	-
6)	<u>Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.</u>	1,040,846	9.51
7)	<u>Shareholders holding five percent or more voting rights</u>		
i)	ARH (PVT) LTD.	628,400	5.74
ii)	HAROON OMER (PVT) LTD.	664,572	6.07
iii)	MONELL (PVT) LTD.	664,572	6.07
iv)	ICARO (PVT) LTD.	664,572	6.07
v)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1,074,554	9.81
vi)	MR. SHAHZADA ELLAHI SHAIKH	1,572,602	14.36
vii)	MR. SHAFQAT ELLAHI SHAIKH	1,614,200	14.74
viii)	MR. SHAUKAT ELLAHI SHAIKH	1,701,610	15.54

KEY FINANCIAL INFORMATION

YEAR ENDED 30TH JUNE					
2012	2011	2010	2009	2008	2007

Sales	Rs.'000	4,025,287	4,991,956	3,186,160	2,427,536	1,828,932	1,594,876
Gross profit	Rs.'000	432,740	689,245	413,790	259,615	267,524	196,150
Operating profit	Rs.'000	329,154	559,844	306,737	185,362	179,062	144,156
Profit before tax	Rs.'000	200,010	421,921	166,677	5,254	84,387	64,648
Profit after tax	Rs.'000	146,404	352,101	128,633	997	65,077	63,926
Share capital - paid up	Rs.'000	109,500	109,500	109,500	109,500	109,500	109,500
Shareholders' equity	Rs.'000	972,812	903,057	589,281	468,860	484,288	441,111
Total assets	Rs.'000	1,852,202	2,237,348	1,725,678	1,825,681	1,806,493	1,689,017
Earning per share - pre tax	Rs.	18.27	38.53	15.22	0.48	7.71	5.90
Earnings per share - after tax	Rs.	13.37	32.16	11.75	0.09	5.94	5.84
Dividend per share	Rs.	5.00	7.00	3.50	0.75	1.50	2.00
Market value per share as on 30 June	Rs.	26.00	24.00	21.40	9.90	25.10	25.50
Gross profit to sales	%	10.75	13.81	12.99	10.69	14.63	12.30
Operating profit to sales	%	8.18	11.21	9.63	7.64	9.79	9.04
Profit before tax to sales	%	4.97	8.45	5.23	0.22	4.61	4.05
Profit after tax to sales	%	3.64	7.05	4.04	0.04	3.56	4.01
Current ratio		1.67:1	1.33:1	1.20:1	1.01:1	1:1	1.08:1
Total debt to total asset ratio	%	47.48	59.64	65.85	74.32	73.19	73.88
Debt equity ratio	%	26.53	33.80	48.97	54.19	53.03	59.73



Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

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Iftikhar Ahmed Mallk Road,
Canal Park, Gulberg II, Lahore.

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

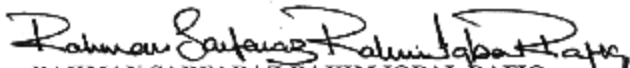
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ELLCOT SPINNING MILLS LIMITED** ("the Company") to comply with the listing regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and 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, 2012.


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: ZUBAIR IRFAN MALIK

Date:

Place: LAHORE



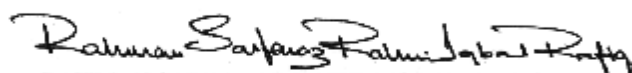
Auditors' Report to the Members

We have audited the annexed balance sheet of **ELLCOT SPINNING MILLS LIMITED** ("the Company") as at June 30, 2012 and the related profit and loss account, statement of 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, statement of comprehensive income, 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, 2012 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

Chartered Accountants

Engagement Partner: ZUBAIR IRFAN MALIK

Date:

Place: LAHORE



BALANCE SHEET

AS AT JUNE 30, 2012

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
20,000,000 (2011: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	5	109,500,000	109,500,000
Capital reserve	6	7,760,000	7,760,000
Accumulated profit		855,551,602	785,797,405
TOTAL EQUITY		972,811,602	903,057,405
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	7	206,386,641	224,957,955
Liabilities against assets subject to finance lease	8	17,117,921	17,541,963
Employees retirement benefits	9	13,519,826	12,665,040
Deferred taxation	10	75,640,186	74,069,873
		312,664,574	329,234,831
CURRENT LIABILITIES			
Current portion of non-current liabilities	11	127,834,665	218,588,580
Short term borrowings	12	251,803,640	557,494,041
Accrued interest/mark-up		13,477,934	28,150,375
Trade and other payables	13	173,609,529	200,822,597
		566,725,768	1,005,055,593
TOTAL LIABILITIES		879,390,342	1,334,290,424
CONTINGENCIES AND COMMITMENTS	14	-	-
TOTAL EQUITY AND LIABILITIES		1,852,201,944	2,237,347,829

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

BALANCE SHEET
AS AT JUNE 30, 2012

	<i>Note</i>	2012 <i>Rupees</i>	2011 <i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	895,585,042	897,244,991
Long term deposits	16	7,509,290	7,157,690
		903,094,332	904,402,681
CURRENT ASSETS			
Stores, spares and loose tools	17	23,182,258	22,249,631
Stock in trade	18	746,408,657	913,069,070
Trade debts	19	88,104,410	61,096,308
Advances, prepayments and other receivables	20	57,272,629	22,211,717
Short term investment	21	45,160	146,238,336
Advance income tax	22	17,861,755	31,551,599
Bank balances	23	16,232,743	136,528,487
		949,107,612	1,332,945,148
TOTAL ASSETS		1,852,201,944	2,237,347,829


Shafqat Ellahi Shaikh
 Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	24	4,025,287,140	4,991,956,237
Cost of sales	25	(3,592,547,529)	(4,302,711,516)
Gross profit		432,739,611	689,244,721
Distribution cost	26	(37,816,791)	(56,182,359)
Administrative expenses	27	(62,113,240)	(51,288,514)
Other operating expenses	28	(16,472,721)	(32,182,735)
		(116,402,752)	(139,653,608)
Other operating income	29	316,336,859	549,591,113
		12,816,920	10,253,272
Operating profit		329,153,779	559,844,385
Finance cost	30	(129,143,536)	(137,922,985)
Profit before taxation		200,010,243	421,921,400
Provision for taxation	31	(53,606,046)	(69,820,334)
Profit after taxation		146,404,197	352,101,066
Earnings per share - basic and diluted	32	13.37	32.16

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


Javaid Bashir Sheikh
 Director


Shafqat Ellahi Shaikh
 Mg. Director (Chief Executive)

Lahore: September 27, 2012

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
Profit after taxation	146,404,197	352,101,066
Other comprehensive income	-	-
Total comprehensive income	<u>146,404,197</u>	<u>352,101,066</u>

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

Lahore: September 27, 2012


Javaid Bashir Sheikh
 Director


Shafqat Ellahi Shaikh
 Mg. Director (Chief Executive)

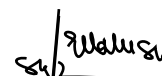
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	485,588,865	423,755,136
Payments for:			
Employees retirement benefits		(7,847,110)	(7,221,010)
Interest/markup on borrowings		(127,844,151)	(123,778,767)
Income tax		(38,345,889)	(58,526,378)
Net cash generated from operating activities		311,551,715	234,228,981
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(94,070,100)	(96,482,833)
Proceeds from disposal of property, plant and equipment		9,024,000	2,580,000
Purchase of short term investments		(415,000,000)	(491,000,000)
Proceeds from disposal of short term investments		571,410,118	350,480,903
Net cash generated from/(used in) investing activities		71,364,018	(234,421,930)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		100,000,000	85,399,568
Repayment of long term finances		(212,030,473)	(192,712,428)
Repayment of liabilities against assets subject to finance lease		(6,988,534)	(5,579,042)
Net increase/(decrease) in short term borrowings		(307,542,470)	274,679,382
Dividend paid		(76,650,000)	(38,325,000)
Net cash (used in)/generated from financing activities		(503,211,477)	123,462,480
Net (decrease)/increase in cash and cash equivalents		(120,295,744)	123,269,531
Cash and cash equivalents at the beginning of the year		136,528,487	13,258,956
Cash and cash equivalents at the end of the year	35	16,232,743	136,528,487

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



Javaid Bashir Sheikh
Director



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 27, 2012

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012**

	Share capital	Reserves		Total equity
	Issued	Capital reserve	Accumulated profit	
	subscribed and paid-up capital			
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at July 01, 2010	109,500,000	7,760,000	472,021,339	589,281,339
Comprehensive income				
Profit after taxation	-	-	352,101,066	352,101,066
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	352,101,066	352,101,066
Transaction with owners				
Final dividend @ 35% i.e. Rs. 3.50 per ordinary share	-	-	(38,325,000)	(38,325,000)
Balance as at June 30, 2011	109,500,000	7,760,000	785,797,405	903,057,405
Comprehensive income				
Profit after taxation	-	-	146,404,197	146,404,197
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	146,404,197	146,404,197
Transaction with owners				
Final dividend @ 70% i.e. Rs. 7.0 per ordinary share	-	-	(76,650,000)	(76,650,000)
Balance as at June 30, 2012	<u>109,500,000</u>	<u>7,760,000</u>	<u>855,551,602</u>	<u>972,811,602</u>

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

Lahore: September 27, 2012


Javaid Bashir Sheikh
Director


Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1 REPORTING ENTITY

Ellicot 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 has also been engaged in the generation and sale of electricity under a license from National Electric Power Regulatory Authority upto year ended June 30, 2011. 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 on to 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 in 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 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.

IFRS 9 - Financial Instruments: Classification and Measurement

The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: Recognition and Measurement. 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.

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 12 - Income Taxes (amendments)

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 amendments are effective for annual periods beginning on or after January 01, 2012.

IAS 19 - Employee Benefits (amendments)

The amendments require actuarial gains and losses to be recognized immediately in other comprehensive income and remove the corridor method as well as the option to recognize all changes in defined benefit obligation and plan assets in profit or loss. The amendments are effective for annual periods beginning on or after January 01, 2013.

IAS 1 - Presentation of Financial Statements (amendments)

The amendments require presentation of items of other comprehensive income that would be reclassified to profit or loss in future if certain conditions are met separately from those items which will never be so reclassified. The amendemens are effective for annual periods beginning on or after July 01, 2012.

IAS 27 - Separate Financial Statements (revised 2011)

The revised standard supercedes IAS 27 - Consolidated and Separate Financial Statements (revised 2008). The revised standard carries forward existing accounting and disclosure requirements for separate financial statements with some minor clarifications. The revised standard is effective for annual periods beginning on or after January 01, 2013.

IAS 28 - Investments in Associates and Joint Ventures (revised 2011)

The revised standard supercedes IAS 28 - Investments in Associates (revised 2008). The revised standard makes amendments to apply IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations to investment, or a portion thereof, in an associate or joint venture, that meets the criteria to be classified as held for sale. The revised standard is effective for annual periods beginning on or after January 01, 2013.

IAS 32 - Financial Instruments: Presentation (amendments)

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 01, 2014.

IFRS 7 - Financial Instruments: Disclosure (amendments)

The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 01, 2013.

IFRIC 20 -Stripping Cost in the Production Phase of a Surface Mining

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

Annual Improvements 2009-2011(effective for annual periods beginning on or after January 01, 2013)

The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

IAS 1 - Presentation of Financial Statements (amendments)

The amendment clarifies that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 - Property, Plant and Equipment (amendments)

The amendment clarifies the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 - Financial Instruments: Presentation (amendments)

The amendment clarifies that IAS 12 - Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 - Interim Financial Reporting (amendments)

The amendment aligns the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 - Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IAS 34 - Interim Financial Reporting (amendments)

The amendment aligns the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 - Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

	2012	2011
	<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
	<u>109,500,000</u>	<u>109,500,000</u>

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>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>

7 LONG TERM FINANCES

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

Term Finances ('TF')

TF - I	7.1	-	48,288,022
TF - II	7.2	-	872,162
TF - III	7.3	56,659,917	94,433,194
TF - IV	7.4	37,500,000	62,500,000
TF - V	7.5	10,000,000	50,000,000
TF - VI	7.6	112,500,000	150,000,000
TF - VII	7.7	100,000,000	-
		316,659,917	406,093,378

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

LTFEOP - I	7.8	-	2,815,872
LTFEOP - II	7.9	-	8,896,106
LTFEOP - III	7.10	8,298,037	16,596,071
LTFEOP - IV	7.11	-	2,587,000
		8,298,037	30,895,049

Current portion presented under current liabilities	11	(118,571,313)	(212,030,472)
		<u>206,386,641</u>	<u>224,957,955</u>

7.1 The finance was obtained from United Bank Limited for the expansion of spinning unit of the Company 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 0.7% per annum (2011: six months KIBOR plus 0.7% per annum), payable semi-annually. The finance was fully repaid during the year.

7.2 The finance was obtained from United Bank Limited for the expansion of spinning unit of the Company 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 0.7% per annum (2011: six months KIBOR plus 0.7% per annum), payable semi-annually. The finance was fully repaid during the year.

- 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 (2011: 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 (2011: 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 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.
- 7.6** 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.
- 7.7** 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 1.5% per annum, payable semi-annually. The finance is repayable in eight equal semi-annual installments with the first installment due in December 2013.
- 7.8** The finance was obtained from United Bank Limited as partial conversion of TF-I 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 7% per annum (2011: 7% per annum), payable semi-annually. The finance was fully repaid during the year.
- 7.9** The finance was obtained from United Bank Limited as partial conversion of TF-I 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 7% per annum (2011: 7% per annum), payable semi-annually. The finance was fully repaid during the year.
- 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 (2011: 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 was obtained from Bank Alfalah Limited as partial conversion of TF-V and was secured by charge over operating assets of the Company and personal guarantees of the Company's Directors. The finance carried mark-up at 7% per annum (2011: 7% per annum), payable quarterly. The finance was fully repaid during the year.

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

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>

8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	8.1 & 8.2	26,381,273	24,100,071
Current portion presented under current liabilities	8.1 & 8.2	(9,263,352)	(6,558,108)
		<u>17,117,921</u>	<u>17,541,963</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 (2011: 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>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
Not later than one year		11,853,006	10,035,502
Later than one year but not later than five years		20,344,377	21,491,395
Total future minimum lease payments		<u>32,197,383</u>	31,526,897
Finance charge allocated to future periods		(5,816,110)	(7,426,826)
Present value of future minimum lease payments		<u>26,381,273</u>	24,100,071
Not later than one year	11	(9,263,352)	(6,558,108)
Later than one year but not later than five years		<u>17,117,921</u>	<u>17,541,963</u>

9 EMPLOYEES RETIREMENT BENEFITS

The amounts recognized on balance sheet are as follows:

Present value of defined benefit obligation	9.1	17,150,994	16,296,208
Unrecognized actuarial losses	9.2	(3,631,168)	(3,631,168)
		<u>13,519,826</u>	<u>12,665,040</u>

9.1 Movement in present value of defined benefit obligation

As at beginning of the year		16,296,208	14,760,631
Charged to profit or loss for the year	9.3	8,701,896	5,860,951
Benefits paid during the year		(7,847,110)	(7,221,010)
Actuarial losses arising during the year	9.2	-	2,895,636
As at end of the year		<u>17,150,994</u>	<u>16,296,208</u>

9.2 Movement in unrecognized actuarial (losses)/gains

As at beginning of the year		(3,631,168)	(735,532)
Loss arising during the year		-	(2,895,636)
Recognized during the year	9.3	-	-
As at end of the year		<u>(3,631,168)</u>	<u>(3,631,168)</u>

9.3 Charge to profit or loss

Current service cost		<u>6,420,427</u>	4,745,939
Interest cost		<u>2,281,469</u>	1,115,012
	9.1	<u>8,701,896</u>	5,860,951
Actuarial gain recognized during the year	9.2	-	-
		<u>8,701,896</u>	<u>5,860,951</u>

9.4 The charge to profit or loss has been allocated as follows

Cost of sales	25.3	<u>6,693,180</u>	5,132,626
Administrative and general expenses	27.1	<u>2,008,716</u>	728,325
		<u>8,701,896</u>	<u>5,860,951</u>

9.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2012 is based on internal estimates by the management of the Company. The liability as at June 30, 2011 is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2012	2011
Discount rate	14%	14%
Expected rates of increase in salary	10%	10%
Expected average remaining working lives of employees	11 years	12 years

9.6 Historical information

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	<i>Rupees</i> 17,150,994	16,296,208	14,760,631	13,992,889	11,650,020
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.

	Note	2012	2011
		<i>Rupees</i>	<i>Rupees</i>

10 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	10.1	<u>78,123,508</u>	76,018,531
Deferred tax asset on deductible temporary differences	10.1	<u>(2,483,322)</u>	(1,948,658)
		<u>75,640,186</u>	<u>74,069,873</u>

10.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2012			
	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	75,718,176	1,202,798	-	76,920,974
Operating fixed assets - leased	300,355	902,179	-	1,202,534
	76,018,531	2,104,977	-	78,123,508
Deferred tax assets				
Employees retirement benefits	(1,948,658)	(534,664)	-	(2,483,322)
	<u>74,069,873</u>	<u>1,570,313</u>	<u>-</u>	<u>75,640,186</u>
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)
	<u>63,408,522</u>	<u>10,661,351</u>	<u>-</u>	<u>74,069,873</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%. (2011: 35%) of the timing differences so determined.

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>

11 CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term finances	7	118,571,313	212,030,472
Liabilities against assets subject to finance lease	8	9,263,352	6,558,108
		<u>127,834,665</u>	<u>218,588,580</u>

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>

12 SHORT TERM BORROWINGS

These represent secured short term finances utilized under interest/mark-up arrangements from banking companies

Running finances	12.1	124,462,685	222,170
Term loans	12.1	127,340,955	557,271,871
		<u>251,803,640</u>	<u>557,494,041</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 mark up at rates ranging from one to three months KIBOR plus 0.25% to 1.5% per annum (2011: one to three months KIBOR 1% to 1.5%).

The aggregate available short term funded facilities amounts to Rs. 2,632 million (2011: Rs. 2,715 million) out of which Rs. 2,380 million (2011: Rs. 2,158 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>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>

13 TRADE AND OTHER PAYABLES

Trade creditors - <i>Unsecured</i>		21,450,550	28,360,393
Accrued liabilities		83,624,862	57,392,642
Advances from customers - <i>Unsecured</i>		10,195,090	30,336,790
Infrastructure tax	13.1	34,700,672	49,102,144
Workers' Profit Participation Fund	13.2	10,755,645	22,755,967
Workers' Welfare Fund	13.3	7,064,242	8,453,997
Unclaimed dividend		1,699,235	1,046,219
Other payables - <i>Unsecured</i>		4,119,233	3,374,445
		<u>173,609,529</u>	<u>200,822,597</u>

13.1 This represents tax levied by the Sindh Government on movement of imported goods entering the Sindh Province from outside Pakistan.

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
13.2 Workers' Profit Participation Fund			
As at beginning of the year		22,755,967	9,002,280
Interest on funds utilized by the Company	13.2.1	8,435,357	1,735,246
Charged to profit or loss for the year	28	10,704,885	22,705,207
Paid during the year		(31,140,564)	(10,686,766)
As at end of the year		<u>10,755,645</u>	<u>22,755,967</u>

13.2.1 Interest is charged at 52.50% (2011: 26.25%) per annum.

13.3 Workers' Welfare Fund

As at beginning of the year		8,453,997	3,514,574
Charged to profit or loss for the year	28	2,257,579	8,272,969
Paid during the year		(3,647,334)	(3,333,546)
As at end of the year		<u>7,064,242</u>	<u>8,453,997</u>

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Guarantees issued by banks on behalf of the Company	59,326,941	83,987,600
14.1.2 Bills discounted/negotiated	342,860,324	378,228,299

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. 212,597 (2011: Rs. 92,722) 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.

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>

14.2 Commitments

14.2.1 Commitments under irrevocable letters of credit for:

- purchase of stores, spare and loose tools	4,932,724	23,299,491
- purchase of machinery	7,702,500	55,927,169
- purchase of raw material	81,596,273	80,247,355
	94,231,497	159,474,015

14.2.2 Commitments for capital expenditure

-	12,221,454
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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>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
- payments not later than one year		240,000	240,000
- payments later than one year		-	-
		240,000	240,000

15 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	15.1	895,585,042	894,497,050
Capital work in progress	15.2	-	2,747,941
		895,585,042	897,244,991

15.1 Operating fixed assets

	2012										Net book value as at June 30 Rupees
	COST / REVALUED AMOUNT					DEPRECIATION					
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	As at July 01 Rupees	For the year Rupees	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	97,109,936	7,629,151	-	104,739,087	68,662,359
Other factory buildings	50,571,523	-	-	18,269,613	68,841,136	5	21,544,894	2,060,259	-	23,605,153	45,235,983
Non-factory buildings	6,773,921	-	-	-	6,773,921	10	3,658,461	311,546	-	3,970,007	2,803,914
	230,746,890	-	-	18,269,613	249,016,503		122,313,291	10,000,956	-	132,314,247	116,702,256
Plant and machinery	1,373,497,862	574,221	(35,734,115)	73,407,409	1,411,745,377	10	692,882,239	70,879,955	(25,132,411)	738,629,783	673,115,594
Electric installations and equipment	75,906,472	-	-	1,868,545	77,775,017	10	38,235,912	3,782,627	-	42,018,539	35,756,478
Factory equipment	6,582,763	-	-	-	6,582,763	10	3,760,028	282,274	-	4,042,302	2,540,461
Laboratory equipment	11,166,359	-	-	-	11,166,359	10	5,110,857	605,550	-	5,716,407	5,449,952
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	1,250,981	59,568	-	1,310,549	536,116
Office equipment	12,283,041	233,200	-	-	12,516,241	10	8,129,766	424,565	-	8,554,331	3,961,910
Furniture and fixtures	6,269,547	468,215	-	-	6,737,762	10	3,918,650	242,199	-	4,160,849	2,576,913
Arms and ammunitions	763,013	-	-	-	763,013	10	488,494	27,452	-	515,946	247,067
Vehicles	23,730,946	966,868	(2,142,716)	1,811,370	24,366,468	20	11,778,873	2,595,441	(538,778)	13,835,536	10,530,932
	1,748,887,126	2,242,504	(37,876,831)	95,356,937	1,806,609,736		887,869,091	88,900,587	(25,671,189)	951,098,489	857,511,247
Assets subject to finance lease											
Plant and machinery	33,343,607	10,299,706	-	-	43,643,313	10	6,873,621	3,277,488	-	10,151,109	33,492,204
Vehicles	9,646,835	-	-	(1,811,370)	7,835,465	20	2,637,806	1,433,571	(817,503)	3,253,874	4,581,591
	1,791,877,568	12,542,210	(37,876,831)	93,545,567	1,860,088,514		897,380,518	93,611,646	(26,488,692)	964,503,472	895,585,042

	2011										Net book value as at June 30 Rupees
	COST					DEPRECIATION					
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	As at July 01 Rupees	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	88,633,101	8,476,835	-	97,109,936	76,291,510
Other factory buildings	50,571,523	-	-	-	50,571,523	5	20,017,177	1,527,717	-	21,544,894	29,026,629
Non-factory buildings	6,773,921	-	-	-	6,773,921	10	3,312,299	346,162	-	3,658,461	3,115,460
	230,746,890	-	-	-	230,746,890		111,962,577	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	622,373,989	70,508,250	-	692,882,239	680,615,623
Electric installation and equipment	75,906,472	-	-	-	75,906,472	10	34,050,294	4,185,618	-	38,235,912	37,670,560
Factory equipment	6,582,763	-	-	-	6,582,763	10	3,446,391	313,637	-	3,760,028	2,822,735
Laboratory equipment	11,166,359	-	-	-	11,166,359	10	4,438,023	672,834	-	5,110,857	6,055,502
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	1,184,794	66,187	-	1,250,981	595,684
Office equipment	11,270,416	1,012,625	-	-	12,283,041	10	7,756,338	373,428	-	8,129,766	4,153,275
Furniture and fixtures	6,214,547	55,000	-	-	6,269,547	10	3,663,041	255,609	-	3,918,650	2,350,897
Arms and ammunitions	763,013	-	-	-	763,013	10	457,992	30,502	-	488,494	274,519
Vehicles	21,112,699	7,170,998	(4,552,751)	-	23,730,946	20	12,625,290	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		801,958,729	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	4,312,830	2,560,791	-	6,873,621	26,469,986
Vehicles	5,571,835	4,075,000	-	-	9,646,835	20	970,445	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		807,242,004	92,905,807	(2,767,293)	897,380,518	894,497,050

15.1.1 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.

15.1.2 Disposal of operating fixed assets

Particulars	2012					Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees		
Machinery							
1- Auto comer	9,605,381	6,662,280	2,943,101	2,250,000	(693,101)	Market value	Nagina Cotton Mills Limited
2- Auto comer	19,210,762	13,376,195	5,834,567	4,500,000	(1,334,567)	Market value	Nagina Cotton Mills Limited
3- MK- 5-D Crossover cards	6,917,972	5,093,936	1,824,036	750,000	(1,074,036)	Market value	Nagina Cotton Mills Limited
	35,734,115	25,132,411	10,601,704	7,500,000	(3,101,704)		
Vehicles							
Honda City LRU-8191	940,674	811,788	128,886	425,000	296,114	Negotiation	Abdul Rehman, Lahore
Suzuki Mehran LXO-9434	303,042	249,022	54,020	200,000	145,980	Negotiation	Sajjad Hussain, Lahore
Hyundai Shazore	899,000	295,471	603,529	899,000	295,471	Negotiation	Dewan Farooque Motors Limited
	2,142,716	1,356,281	786,435	1,524,000	737,565		
	37,876,831	26,488,692	11,388,139	9,024,000	(2,364,139)		
Vehicle							
Honda City - LWB 384	902,660	569,390	333,270	480,000	146,730	Negotiation	Kamran Talib, Lahore
Master Frontload Loader - LTB 8723	575,137	417,615	157,522	250,000	92,478	Negotiation	Altaf Boota, Lahore
Suzuki Cultus - LZL 1053	574,438	459,240	115,198	300,000	184,802	Negotiation	Amjad 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
	4,552,751	2,767,293	1,785,458	2,580,000	794,542		

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
15.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	25	90,803,298	90,077,998
Administrative and general expenses	27	2,808,349	2,827,809
		93,611,647	92,905,807

15.2 Capital work in progress

	2012			
	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	15,521,672	(18,269,613)	-
Plant and machinery	-	73,407,409	(73,407,409)	-
Electric installations and equipment	-	1,868,545	(1,868,545)	-
	2,747,941	90,797,626	(93,545,567)	-
	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

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
16 LONG TERM DEPOSITS			
Utility companies and regulatory authorities - <i>unsecured, considered good</i>	16.1	7,509,290	7,103,690
Financial institutions - <i>unsecured, considered good</i>		-	54,000
		7,509,290	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>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
17 STORES, SPARES AND LOOSE TOOLS			
Stores		18,163,371	14,196,328
Spares		4,807,865	7,959,124
Loose tools		211,022	94,179
		23,182,258	22,249,631

18 STOCK IN TRADE

Raw material - <i>spinning unit</i>	18.2	622,380,621	790,704,925
Fuel stock - <i>power unit</i>		9,677,459	13,877,206
Work in process	18.2	40,975,482	41,099,164
Finished goods	18.1 & 18.2	73,375,095	67,387,775
		746,408,657	913,069,070

18.1 Stock of finished goods include stock of waste valued at Rs. 2,877,638 (2011: Rs. 1,544,953). 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 were charged to cost of sales. The stock of work in process was valued at cost being lower than net realizable value. There are no write-downs as at June 30, 2012.

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
19 TRADE RECEIVABLES			
Local - <i>unsecured</i>			
considered good		72,959,186	52,623,030
considered doubtful		400,200	400,200
		73,359,386	53,023,230
Foreign - <i>secured</i>	19.1	15,145,224	8,473,278
		88,504,610	61,496,508
Impairment allowance for doubtful debts	27	(400,200)	(400,200)
		88,104,410	61,096,308

19.1 These are secured against confirmed letters of credit

20 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers - <i>unsecured, considered good</i>		5,865,626	11,100,299
Advances to employees - <i>unsecured, considered good</i>	20.1	918,234	872,831
Prepayments		1,055,048	1,332,335
Export rebate receivable		376,825	442,206
Withholding tax on regular income certificates	31.12	66,650	66,650
Letters of credit		33,456,793	4,939,598
Insurance claims		-	1,503,743
Sales tax refundable		15,212,364	995,874
Other receivables - <i>unsecured, considered good</i>		321,089	958,181
		57,272,629	22,211,717

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 450.01 (2011: 1,419,511.29) units in Money Market Fund of Habib Bank Limited. The investment has been classified as "financial assets at fair value through profit or loss". The fair value has been measured by reference to price in active market.

	<i>Note</i>	2012 <i>Rupees</i>	2011 <i>Rupees</i>
Advance income tax		59,276,810	90,200,003
Provision for taxation	31	(41,415,055)	(58,648,404)
		<u>17,861,755</u>	<u>31,551,599</u>

23 BANK BALANCES

Current accounts in local currency		16,046,142	106,285,447
Deposit/saving accounts in local currency	23.1	159,812	30,216,250
Deposit/saving accounts in foreign currency	23.1	26,789	26,790
		<u>16,232,743</u>	<u>136,528,487</u>

23.1 Effective mark-up rate in respect of deposit/saving accounts, for the year, ranges from 5.35% to 7% (2011: 5% to 9.75%).

24 SALES - NET

		2012				
		Raw cotton, Yarn polyester etc. <i>Rupees</i>	Waste <i>Rupees</i>	Power <i>Rupees</i>	Total <i>Rupees</i>	
Local		2,238,639,722	94,889,117	47,374,242	-	2,380,903,081
Export	24.1	1,580,538,540	-	78,535,317	-	1,659,073,857
Gross turnover		3,819,178,262	94,889,117	125,909,559	-	4,039,976,938
Export rebate		-	-	-	-	-
Trade discount		-	-	-	-	-
Sales tax		(14,689,798)	-	-	-	(14,689,798)
		<u>3,804,488,464</u>	<u>94,889,117</u>	<u>125,909,559</u>	<u>-</u>	<u>4,025,287,140</u>

		2011				
		Yarn <i>Rupees</i>	Raw cotton, polyester etc. <i>Rupees</i>	Waste <i>Rupees</i>	Power <i>Rupees</i>	Total <i>Rupees</i>
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)
		<u>4,288,774,173</u>	<u>269,589,941</u>	<u>204,246,885</u>	<u>229,345,238</u>	<u>4,991,956,237</u>

24.1 Yarn export sales include indirect exports, taxable under Section 154 (3B) of the Income Tax Ordinance, 2001, amounting to Rs. 959,522,010 (2011: Rs.1,575,018,051).

24.2 There were no external power sales during the year and the power generated was consumed internally by the Company.

	Note	2012 <i>Rupees</i>	2011 <i>Rupees</i>
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25 COST OF SALES

Raw material consumed - <i>spinning unit</i>	25.1	2,801,250,001	3,274,725,237
Fuel consumed - <i>power unit</i>	25.2	146,387,355	315,060,965
Stores, spares and loose tools consumed		139,595,670	127,471,782
Salaries, wages and benefits	25.3	177,337,569	158,075,645
Insurance		9,936,070	11,124,046
Electricity		194,197,351	153,995,153
Repair and maintenance		6,644,982	8,022,409
Depreciation	15.1.3	90,803,298	90,077,998
Others		25,992,771	44,158,142
Manufacturing cost		<u>3,592,145,067</u>	4,182,711,377
Work in process			
As at beginning of the year		41,099,164	27,039,511
As at end of the year		(40,975,482)	(41,099,164)
		123,682	(14,059,653)
Cost of goods manufactured		<u>3,592,268,749</u>	4,168,651,724
Finished goods			
As at beginning of the year		67,387,775	142,126,861
Purchased during the year		6,266,100	59,320,706
As at end of the year		(73,375,095)	(67,387,775)
		278,780	134,059,792
		<u>3,592,547,529</u>	<u>4,302,711,516</u>

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
25.1 Raw material consumed - spinning unit		
As at beginning of the year	790,704,925	417,884,925
Purchased during the year	2,632,925,697	3,647,545,237
As at end of the year	(622,380,621)	(790,704,925)
	<u>2,801,250,001</u>	<u>3,274,725,237</u>
25.2 Fuel consumed - power unit		
As at beginning of the year	13,877,206	8,064,442
Purchased during the year	142,187,608	338,230,532
Sold during the year	-	(17,356,803)
As at end of the year	(9,677,459)	(13,877,206)
	<u>146,387,355</u>	<u>315,060,965</u>

25.3 These include charge in respect of employees retirement benefits amounting to Rs. 6,693,180 (2011: Rs. 5,132,626).

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
26 DISTRIBUTION COST			
Export			
Ocean freight and forwarding		11,351,671	18,614,631
Commission		11,118,155	18,654,281
Export development surcharge		1,703,627	2,967,300
		<u>24,173,453</u>	40,236,212
Local			
Inland transportation		10,112,022	10,866,543
Commission		2,738,367	4,745,057
Others		792,949	334,547
		<u>13,643,338</u>	15,946,147
		<u>37,816,791</u>	<u>56,182,359</u>

27 ADMINISTRATIVE EXPENSES

Directors' remuneration	36.1.2 & 42	11,829,345	8,900,950
Directors' meeting fee		105,000	120,000
Salaries and benefits	27.1	25,619,781	21,096,866
Rent, rates and taxes		480,000	522,000
Printing and stationery		718,713	611,834
Communication		2,003,055	1,402,234
Electricity		2,559,220	1,353,910
Repair and maintenance		302,027	263,915
Vehicles running and maintenance		3,183,102	3,378,931
Traveling and conveyance		5,012,700	4,742,571
Legal and professional charges		3,195,155	1,656,219
Auditors' remuneration	27.2	910,000	885,000
Fee and subscription		796,624	755,616
Entertainment		350,472	275,777
Insurance		2,032,197	1,831,087
Depreciation	15.1.3	2,808,349	2,827,809
Impairment allowance for doubtful debts	19	-	400,200
Others		207,500	263,595
		<u>62,113,240</u>	<u>51,288,514</u>

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 2,008,716 (2011: Rs. 728,325).

	<i>Note</i>	2012	2011
		<i>Rupees</i>	<i>Rupees</i>
27.2 Auditor's remuneration			
Annual statutory audit		750,000	750,000
Half yearly review		100,000	75,000
Review report under Code of Corporate Governance		50,000	50,000
Out of pocket expenses		10,000	10,000
		910,000	885,000

28 OTHER OPERATING EXPENSES

Loss on financial instruments

Foreign exchange loss 46,119 -

Other expenses

Loss on disposal of property, plant and equipment	15.1.2	2,364,138	-
Workers' Profit Participation Fund	13.2	10,704,885	22,705,207
Workers' Welfare Fund	13.3	2,257,579	8,272,969
Donations	28.1	1,100,000	1,204,559
		16,426,602	32,182,735
		16,472,721	32,182,735

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

29 OTHER OPERATING INCOME

Gain on financial instruments

Gain on disposal of short term investments	10,171,782	5,480,903
Changes in fair value of financial assets at fair value through profit or loss	45,160	238,336
Return on bank deposits	1,052,069	270,520
Foreign exchange gain	-	582,908
	11,269,011	6,572,667

Other income

Gain on disposal of property, plant and equipment	-	794,542
Scrap sale	1,547,909	2,886,063
	1,547,909	3,680,605
	12,816,920	10,253,272

30 FINANCE COST

Interest / mark-up on borrowings:

long term finances	30.1	47,573,237	67,147,351
liabilities against assets subject to finance lease	30.2	4,377,741	3,286,575
short term borrowings		61,218,924	54,460,341

Interest on workers' profit participation fund

113,169,902

124,894,267

Foreign exchange loss

8,435,357

1,735,246

Bank charges and commission

1,853,877

4,025,503

5,684,400

7,267,969

129,143,536

137,922,985

30.1 This includes interest/mark-up rate subsidy amounting to Rs. 1,740,099 (2011: Rs. 2,594,925) recognized as government grants. See note 33.

30.2 This includes interest/mark-up rate subsidy amounting to Rs. 92,000 (2011: Rs. 111,126) recognized as government grants. See note 33.

	Note	2012 Rupees	2011 Rupees
31 PROVISION FOR TAXATION			
Current taxation			
for the year	22 & 31.1	41,415,055	58,648,404
for prior year		10,620,678	510,579
		52,035,733	59,158,983
Deferred taxation	10.1	1,570,313	10,661,351
		53,606,046	69,820,334

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').

	Unit	2012	2011
31.2 Reconciliation between average effective tax rate and applicable tax rate			
Profit before taxation	Rupees	<u>200,010,243</u>	<u>421,921,400</u>
Provision for taxation	Rupees	<u>53,606,046</u>	<u>69,820,334</u>
Average effective tax rate	%	26.80	16.55
Tax effects of:			
Items not included in determination of taxable income	%	(11.39)	(3.76)
Admissible deductions, losses and tax credits	%	19.02	9.50
Income taxable under final tax regime	%	6.67	16.04
Provision for deferred taxation	%	(0.79)	(2.53)
Others	%	(5.31)	(0.80)
Applicable tax rate	%	<u>35.00</u>	<u>35.00</u>

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 estimated 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 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 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 The assessment for the tax year 2005 was amended under section 122(5A) of the Ordinance through order dated June 06, 2011, issued by the ACIR, thereby creating a demand of Rs 5,374,044 which was further rectified by the department on rectification application to a demand of Rs. 452,722. The Company filed revised return for the tax year 2005 on March 27, 2012 consequent to the decision of ATIR passed in the Company's case in the tax year 2004, whereby the ATIR confirmed an addition of Rs. 9,689,817 million made by the ACIR on account of unpaid liability under section 34(5) of the Ordinance.

In respect of transitional tax year 2005, a rectification order dated March 31, 2011 has been passed by the ACIR under section 221 of the Ordinance thereby creating a demand of Rs. 2,832,615 against the Company by aligning the refund adjustment relating to the tax year 2005 according to the departmental records.

The Company has filed an appeal against the above referred orders of the both the years before the CIR(A). The CIR(A) accepted the Company's appeal on all the issues except on the issue of minimum tax. Appeal effect order is awaited from the department. Further, the Company has filed appeal before the ATIR, against the order of CIR(A), on the issue of minimum tax for both tax years.

31.8 Income tax returns for tax year 2006 is deemed assessments in terms of section 120(1) of the Ordinance. However, notice under sections 122(9)/122(5A) of the Ordinance have been issued by the ACIR, which were replied to on June 30, 2012. The proceedings have not yet been concluded by the ACIR.

31.9 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 alongwith underline departments were submitted to the DCIR. The proceedings have not been concluded by the DCIR.

31.10 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.

31.11 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.

31.12 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>	2012	2011
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32 EARNINGS PER SHARE - BASIC AND DILUTED

Profit attributable to ordinary shareholders	<i>Rupees</i>	<u><u>146,404,197</u></u>	<u><u>352,101,066</u></u>
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	<u><u>10,950,000</u></u>	<u><u>10,950,000</u></u>
Earnings per share	<i>Rupees</i>	<u><u>13.37</u></u>	<u><u>32.16</u></u>

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

33 GOVERNMENT GRANTS

During the year, the Company recognized Rs. 1,832,099 (2011: Rs. 2,706,051) 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/markup expenses on relevant borrowings.

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
34 CASH GENERATED FROM OPERATIONS		
Profit before taxation	200,010,243	421,921,400
Adjustments for non-cash and other items		
Interest/mark-up on borrowings	113,169,902	124,894,267
Loss/(gain) on disposal of property, plant and equipment	2,364,139	(794,542)
Foreign exchange loss	1,853,877	3,442,595
Gain on sale of short term investments	(10,171,782)	(5,480,903)
Changes in fair value of financial assets at fair value through profit or loss	(45,160)	(238,336)
Provision for employees retirement benefits	8,701,896	5,860,951
Depreciation	93,611,646	92,905,807
	209,484,518	220,589,839
Operating profit before changes in working capital	409,494,761	642,511,239
Changes in working capital		
Stores, spares and loose tools	(932,627)	(2,901,848)
Stock in trade	166,660,413	(317,953,331)
Trade receivables	(27,008,102)	59,265,078
Advances, prepayments and other receivables	(35,060,912)	29,661,652
Long term deposits	(351,600)	-
Trade and other payables	(27,213,068)	13,172,346
	76,094,104	(218,756,103)
Cash generated from operations	485,588,865	423,755,136
35 CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,232,743	136,528,487
	16,232,743	136,528,487

36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.

	NOTE	2012	2011
		<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			
Purchase of goods and services		919,953	56,413,448
Sales of goods and services		1,157,591,486	926,976,027
Dividend paid		18,644,227	18,138,295
36.1.2 Key management personnel			
Short term employee benefits	27 & 42	11,934,345	9,020,950
Post employment benefits		-	-
Payment of dividend to directors and their close family members		36,068,368	9,984,891

	NOTE	2012 <i>Rupees</i>	2011 <i>Rupees</i>
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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	7,509,290	7,157,690
Trade receivables	19	88,104,410	61,096,308
Insurance claims	20	-	1,503,743
Cash and bank balances	23	16,232,743	136,528,487
		111,846,443	206,286,228

Financial assets at fair value through profit or loss

Short term investments	21	45,160	146,238,336
		111,891,603	352,524,564

37.1.2 Financial liabilities

Financial liabilities at amortized cost

Long term finances	7	324,957,954	436,988,427
Liabilities against assets subject to finance lease	8	26,381,273	24,100,071
Short term borrowings	12	251,803,640	557,494,041
Accrued interest/mark-up		13,477,934	28,150,375
Trade creditors	13	21,450,550	28,360,393
Accrued liabilities	13	83,624,862	57,392,642
		721,696,213	1,132,485,949

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>	2012	2011
		<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
Trade receivables	19	88,104,410	61,096,308
Insurance claims	20	-	1,503,743
Cash at banks	23	16,232,743	136,528,487
		104,337,153	199,182,538
Financial assets at fair value through profit or loss			
Short term investments	21	45,160	146,238,336
		104,382,313	345,420,874

38.1.2 Concentration of credit risk

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

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
Customers	88,104,410	61,096,308
Banking companies and financial institutions	16,277,903	284,324,566
	104,382,313	345,420,874

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 default rates and present ages of balances due from them.

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 counter parties 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:

	2012		2011	
	Gross carrying amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees
Neither past due nor impaired	88,104,410	-	61,096,308	-
Past due by 0 to 12 months	-	-	-	-
Past due by more than 12 months	400,200	400,200	400,200	400,200
	88,504,610	400,200	61,496,508	400,200

The Company's two (2011: four) significant customers account for Rs. 15.145 million (2011: Rs. 44.79 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2011: 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 (2011: Rs. 8.5 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.

	2012				
	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	324,957,954	405,290,421	155,455,154	191,490,233	58,345,034
Liabilities against assets subject to finance lease	26,381,273	32,197,383	11,853,006	15,152,950	5,191,427
Short term borrowings	251,803,640	252,032,602	252,032,602	-	-
Accrued interest/mark-up	13,477,934	13,477,934	13,477,934	-	-
Trade creditors	21,450,550	21,450,550	21,450,550	-	-
Accrued liabilities	83,624,862	83,624,862	83,624,862	-	-
	721,696,213	808,073,752	537,894,108	206,643,183	63,536,461
	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

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:

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
Financial liabilities		
Short term borrowings	52,340,955	272,271,871
Accrued interest/mark-up	-	1,657,052
	52,340,955	273,928,923
Financial assets		
Trade receivables	15,145,224	8,473,278
Cash and bank balances	26,789	26,790
	15,172,013	8,500,068
Net exposure	37,168,942	265,428,855

38.3.1(b) Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (US \$). Spot exchange rates applied are as follows:

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
Financial assets	94.00	85.85
Financial liabilities	94.20	86.05
	million	

38.3.1(c) Sensitivity analysis

A five percent appreciation in Pak Rupee against the US \$ would have increased profit for the year by Rs. 1.85 (2011: Rs. 13.25 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis 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:

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	8,298,037	30,895,049
Variable rate instruments		
Financial assets	186,601	30,243,040
Financial liabilities	594,844,830	987,687,490

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. 5.94 million (2011: Rs. 9.58 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 unfavorable changes in the fair value of the investments in mutual fund units as a result of the changes in the market prices. A five percent increase in market prices would have increased profit for the year by Rs. 2,258 (2011: Rs. 7,311,917). A five 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:

	<i>Unit</i>	2012	2011
Total debt	<i>Rupees</i>	351,339,227	461,088,498
Total equity	<i>Rupees</i>	972,811,602	903,057,405
		<u>1,324,150,829</u>	<u>1,364,145,903</u>
Gearing	<i>% age</i>	<u>26.53</u>	<u>33.80</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 27, 2012 proposed dividend on ordinary shares at Rs. 5/= per ordinary share of Rs. 10 each. The proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting.

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
41 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Hypothecation of moveables, book debts and receivables	4,910,095,898	4,522,000,000
Mortgage over land and building	1,429,000,000	1,429,000,000
Hypothecation of plant and machinery	1,896,000,000	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:

	2012		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	2,539,200	5,863,248	6,525,133
Allowances and perquisites	1,228,101	2,198,796	1,385,867
Meeting fee	-	105,000	-
Post employment benefits	-	-	439,522
	<u>3,767,301</u>	<u>8,167,044</u>	<u>8,350,522</u>
Number of persons	<u>1</u>	<u>4</u>	<u>8</u>
	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
	<u>3,458,063</u>	<u>5,562,887</u>	<u>8,350,522</u>
Number of persons	<u>1</u>	<u>4</u>	<u>8</u>

All remuneration, meeting fee and allowances include Rs. 4,567,044 (2011: Rs. 4,589,787) paid to non-executive directors of the Company.

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

During the period, there was no sale to external customers by the power segment of the Company following the termination of contract with Lahore Electricity Supply Company . The entire power generation during the period was for the Company's own use only.

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

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
Spinning		
Segment revenue	4,039,976,938	4,773,637,014
Inter segment revenue	-	-
Revenue from external customers	<u>4,039,976,938</u>	<u>4,773,637,014</u>
Segment results	<u>146,404,197</u>	<u>344,591,617</u>
Power		
Segment revenue	178,743,689	405,986,339
Inter segment revenue	(178,743,689)	(135,395,896)
Revenue from external customers	<u>-</u>	<u>270,590,443</u>
Segment results	<u>-</u>	<u>7,509,449</u>
Total		
Segment revenue	4,218,720,627	5,179,623,353
Inter segment revenue	(178,743,689)	(135,395,896)
Revenue from external customers	<u>4,039,976,938</u>	<u>5,044,227,457</u>
Segment results	<u>146,404,197</u>	<u>352,101,066</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.

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
43.3 Segment assets and liabilities		
Spinning		
Segment assets	1,720,873,842	2,093,388,960
Segment liabilities	879,390,342	1,334,290,424
Power		
Segment assets	131,328,102	143,958,869
Segment liabilities	-	-
Total		
Segment assets	1,852,201,944	2,237,347,829
Segment liabilities	879,390,342	1,334,290,424

43.4 Additions to non-current assets

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

	2012	2011
	<i>Rupees</i>	<i>Rupees</i>
Spinning	101,471,290	104,499,950
Power	1,868,546	475,000
Total	<u>103,339,836</u>	<u>104,974,950</u>

43.5 Other segment information

Spinning

Depreciation	82,446,832	80,510,265
Interest expense	113,169,902	124,894,267
Interest income	1,052,069	270,520
Income tax expense	53,606,046	69,820,334
Gain on sale of investments	10,171,782	5,480,903
(Loss)/gain on disposal of property, plant and equipment	(2,364,138)	794,542
Write-down of inventories to net realizable value	-	193,734,987

Power

Depreciation	11,164,815	12,395,542
Interest expense	-	-
Interest income	-	-
Income tax expense	-	-
Gain on sale of investments	-	-
(Loss)/gain on disposal of property, plant and equipment	-	-
Write-down of inventories to net realizable value	-	-

Total

Depreciation	93,611,647	92,905,807
Interest expense	113,169,902	124,894,267
Interest income	1,052,069	270,520
Income tax expense	53,606,046	69,820,334
Gain on sale of investments	10,171,782	5,480,903
(Loss)/gain on disposal of property, plant and equipment	(2,364,138)	794,542
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:

	2012	2011
	<i>No. of shares</i>	<i>No. of shares</i>
Haroon Omer (Private) Limited	664,572	512,000
Monell (Private) Limited	664,572	631,350
Icaro (Private) Limited	664,572	553,625
ARH (Private) Limited	628,400	628,400
Ellahi International (Pvt) Ltd.	41,345	-
	<u>2,663,461</u>	<u>2,325,375</u>

45 PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>Unit</i>	2012	2011
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>	12,112,809	12,355,785

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 pattern of production adopted in a particular year.

	<i>Unit</i>	2012	2011
Power			
Installed capacity (based on 8,760 hrs)	<i>Mwhs</i>	121,414	121,414
Power generated	<i>Mwhs</i>	24,009	41,876
Self consumption	<i>Mwhs</i>	24,009	24,468
Electricity sold billed	<i>Mwhs</i>	-	17,408

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 27th September 2012 by the Board of Directors of the Company.

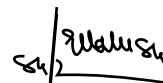
47 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.



Javaid Bashir Sheikh
Director



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 27, 2012

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 24th Annual General Meeting of the Company to be held on October 24, 2012 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 _____ 2012

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. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) with the proxy form.
3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their Bankers, Account number and Participant I.D number for identification purpose.
4. In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.