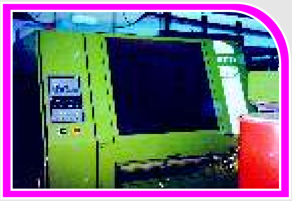
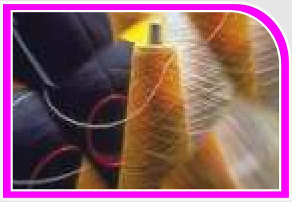
Annual Report

2008



NAGINA

NAGINA GROUP



ELLCOT SPINNING MILLS LTD.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shaikh Enam Ellahi	Chairman
Mr. Jamal Nasim	(Nominee NIT)
Mr. S.M. Yusuf	
Mr. Shaukat Ellahi Shaikh	
Mr. Shahzada Ellahi Shaikh	
Mr. Shafqat Ellahi Shaikh	
Mr. Syed Mohsin Gilani	

MANAGING DIRECTOR (Chief Executive)

Mr. Shafqat Ellahi Shaikh

AUDIT COMMITTEE

Mr. Shaikh Enam Ellahi	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shaukat Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Ahmad

CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

AUDITORS

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

REGISTERED OFFICE

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

SHARES REGISTRARS

M/s Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House,
7-Bank Square, Lahore
Phone # 042-7235081-2,
Fax # 042-7358817

MILLS

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

NOTICE OF MEETING

20th 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 Monday the 27th October, 2008 at 11:30 a.m. to transact the following business:-

1. To confirm minutes of the Extraordinary General Meeting held on 5th January, 2008.

2. To receive and adopt audited accounts of the Company for the year ended on 30th June, 2008 together with the Directors' and Auditors' reports thereon.

3. To approve dividend as recommended by the Directors.

4. To appoint auditors and to fix their remuneration.

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

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

Lahore: September 25, 2008

NOTES:

1. The share transfer books of the Company will be closed from Monday the 20th October, 2008 to Monday the 27th October, 2008 (both days inclusive). Valid transfer(s) received in order by our Share Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore, by the close of business on Saturday the 18th October, 2008 will be in time to be passed for payment of dividend to the transferee(s).

2. A member entitled to attend and vote at the general meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Account and sub-account holders of the Central Depository System appointing proxies must attach attested copy of their National Identity Card with the proxy form.

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

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

5. Shareholders are requested to promptly notify the company of any change in their address.

Vision:

To be a dynamic, profitable and growth oriented company.

Mission:

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

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

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

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

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

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

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

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

Directors' Report

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

The Directors have the pleasure to present 20th Annual report of the Company together with audited accounts and auditors' report thereon for year ended June 30, 2008. Comparative figures in the Balance Sheet and Profit & Loss a/c's are for the year ended 30th June, 2007.

Production of Cotton and Blended yarns during the year at 10,460,586 Kgs. was 4.28% higher than 2006-07. The average count spun was 5.41% finer. Alhamdolillah, during the year, net sales value of Yarn increased to Rs. 1,742,132,044/=. Average sales price per Kg. of yarn increased 12.36% over last year.

Overall fibre consumption of the Company during the year decreased by 4.62% to 11,759,931 Kgs. (2006-07: 12,328,998 Kgs.).

Salaries, wages & benefits at the mills increased due to normal increments by 3.34% to Rs. 106,681,825/= (2006-07 Rs. 103,237,554/=).

Distribution costs are Rs. 39,223,949/= or 2.14% of sales. (2006-07: Rs. 26,338,572/= or 1.65% of sales). Administrative expenses amounted to Rs. 36,337,871/= or 1.99% of sales (2006-07: Rs. 30,792,165/= or 1.93% of sales).

Other operating expenses are Rs. 21,124,160/= or 1.15 % of sales (2006-07: Rs. 3,465,549/= or 0.22% of sales). Net finance costs for the year were Rs. 94,675,001/= or 5.18% of sales (2006-07: Rs. 79,507,423/= or 4.99% of sales).

Gross profit for the year amounts to 14.63% of sales (2006-07: 12.30 of sales). Other operating income amounts to Rs. 8,223,937/= or 0.45% of sales (2006-07: Rs. 8,602,056/= or 0.54% of sales).

After providing Rs.99,665,343/= for Depreciation (2006-07: Rs. 89,490,733/=), Profit before tax amounts to Rs. 84,386,774/= (2006-07: Rs. 64,648,437/=. Deferred tax provision for current year amounts to Rs.10,102,301/=. Tax provision for the current year amounts to Rs 9,207,374/= (2006-207: Rs. 8,043,752/=). After tax profit for the current year amounts to Rs. 65,077,099/= (2006-07: Rs.63,926,142/=). Earning per share (EPS) is. Rs. 5.94 (2006-07: 5.84).

The Company has started selling surplus Electricity to the Lahore Electric Supply Co. (LESCO) with effect from April 15, 2008. Sale during 2007-08 amounted to Rs. 49,698,554/=.

Balancing, Modernisation & Replacement (BMR) of Buildings, Plant & equipment is essential for survival in the fiercely competitive markets. During the year Rs. 8,705,067/= were spent on Factory Building, Rs. 69,254,922/= on Machinery, Rs. 7,963,538/= on Testing equipments and Rs. 1,274,340/= on Electricity and Gas installations.

The Directors have the pleasure to recommend payment of *cash dividend* @ 15% i. e Rs. 1/50 (Rupee one & paisa fifty only) for each ordinary share of Rs. 10/= held on Monday the 20th October, 2008. The dividend will absorb Rs. 16,425,000/=.

Government of Pakistan had fixed target for the crop year 2007-08 at 14.14 million bales of lint cotton. According to Pakistan Cotton Ginners Association, total *Kapas* (seed cotton) arrivals for the season amounted to 11,362,925 lint cotton equivalent bales. The crop was thus 8.52% lower than that of crop year 2006-07.

According to press reports, Government of Pakistan has fixed target of 14.10 million bales of Cotton (lint) for crop season 2008-09. According to the Pakistan Cotton Ginners Association, for 2008-09 season *Kapas* (seed cotton) arrivals upto September 15, 2008 amounts to 1,430,147 (2007-08: 1,012,817) lint equivalent bales. Crop upto now is 416,330 lint equivalent bales or 41.11% higher than the previous year. At this stage it is not possible to visualize the effect the Crop size will have on price of our basic raw material.

One of the risk factors for Spinning Sector is the pattern of Raw Cotton business in Pakistan. Raw Cotton for full year's consumption has to be purchased, essentially in three months. If the prices fall, as happened in financial year 2003-04, large scale losses can occur.

Severe recession is being feared in U. S. A., U. K., European Union, Japan and China. What effect the recessesion will have on Pakistan economy is unknown. However, the Company's business in the current year (2008-09), so far, has been satisfactory and the Directors hope and pray that 2008-09 will be another profitable year.

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

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

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

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

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

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

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

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

The statement of shareholdings, in Form 34 and form prescribed in Listing Regulations, as at June 30, 2008 are annexed.

During 2007-08, no trade in the shares of the Company were carried out by the CFO, Company Secretary, Directors, their spouses and minor children.

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

S #	Name	Attended
1.	Mr. Shaikh Enam Ellahi	4 (Four)
2.	Mr. Shahzada Ellahi Shaikh	4 (Four
3.	Mr. S. M. Yusuf	4 (Four)
4.	Mr. Shaukat Ellahi Shaikh	4 (Four)
5.	Mr. Shafqat Ellahi Shaikh	3 (Three)
6.	Mr. Shahid Azi z	3 (Three)
7.	Mr. Syed Mohsin Gilani	4 (Four)

Leave of absence was granted to Director who could not attend Board meeting.

Mr. Shahid Aziz, nominee of NIT resigned, in his place NIT nominated Mr. Jamal Nasim, (Mg. Director, Industrial Development Bank of Pakistan). Mr. Jamal Nasim has been co-opted as Director on June 11, 2008.

The present auditors, Messrs. Rahman Sarfraz Rahim Iqbal Rafiq & Co., Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as auditors for the year 2008-09.

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

Sd/-

Shafqat Elllahi Shaikh
Mg. Director (Chief Executive)

Lahore, September 25, 2008

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present there are five non executive directors on the Board, including one directors representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the Directors are or were members of any Stock Exchange.

4. During the year casual vacancy occurred. The vacancy was duly filled in as per the requirement of Companies Ordinance, 1984.

5. The business of the Company is conducted in accordance with the 'Statement of Ethics and Business Practice' signed by all the directors and employees.

6. The business operations of the Company are carried out in accordance with the Company's vision/mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by 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 meeting. The minutes of the meetings were appropriately recorded and circulated.

9. No specific orientation course was held during the year. However, the management continue to apprise and familiarize with changes in law to discharge their duties and responsibilities.

10. The CFO, Company Secretary and Head of Internal Audit have executed their responsibilities pursuant to the approved appointment by the Board including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The audit committee as formed by the Board is fully functional. The committee comprises three members, all of whom are non-executive directors including the chairman of the committee.

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

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

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control review program of the Institute of Chartered Accountants of Pakistan, that they are any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

20. We confirm that all other material principles contained in the Code have been complied with.

for & on behalf of the Board

Sd/

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

Lahore: September 25, 2008

OPERATING FINANCIAL & INVESTMENT RATIOS AS ON 30TH JUNE

		YEAR ENDED 30 TH JUNE	YEAR ENDED 30 TH JUNE	YEAR ENDED 30 TH JUNE	PERIOD ENDED 30 TH JUNE	YEAR ENDED 30 TH SEPTEMBER						
		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Cost of sales as % of sales	%	85.37	87.70	86.67	85.60	86.86	88.61	84.14	84.20	76.00	90.09	87.40
Gross profit a s% of sales	%	14.63	12.30	13.33	14.40	13.14	11.39	15.86	15.80	24.00	9.91	12.62
Operating profit as % of sales	%	15.08	12.84	10.79	11.07	9.44	5.49	8.83	8.68	17.17	4.43	5.60
Net profit /)lss) as % of sales	%	3.56	4.00	1.12	7.99	9.14	6.50	6.38	6.25	13.29	1.91	2.81
Share holders' equity (millions)	Rs.	484.29	441.11	393.61	398.86	324.71	244.15	212.38	178.38	163.71	115.39	121.73
Pre tax profit to equity	%	17.42	14.66	19.02	16.40	29.91	21.68	22.78	26.98	60.02	13.44	18.00
After tax profit to equity	%	13.44	14.49	4.23	18.88	24.81	19.74	20.09	20.50	52.93	9.68	14.80
Sales to Capital employed ratio		1.77	1.46	0.62	1.03	1.31	1.74	2.52	2.73	3.14	4.28	2.94
Gross profit to Capital employed	%	25.94	17.95	21.54	13.94	17.22	19.76	40.02	43.17	75.44	42.47	37.09
Pre tax profit to Capital employed	%	8.18	5.90	8.17	6.72	11.97	11.26	16.08	17.07	41.78	8.21	10.06
After tax profit to Capital employed	%	6.31	5.84	1.82	7.73	9.93	10.26	14.19	12.97	36.85	5.92	8.27
Earning per share-Pretax	Rs.	7.71	5.93	6.84	5.98	8.87	4.83	4.42	4.40	8.97	1.42	2.50
Earning per share-after tax	Rs.	5.94	5.84	1.52	6.88	7.36	4.40	3.90	3.34	7.91	1.02	2.04
Dividend to Capital:												
Cash	%	15.00	20.00	15.00	20.00	20.00	15.00	15.00	20.00	35.00	20.00	20.00
Bonus	%	-	-	-	-	-	-	-	-	25.00	-	-
Break up value per share	Rs.	44.23	40.28	35.95	36.43	29.65	22.30	19.40	16.29	14.95	13.17	13.91
Debt equity ratio	%	53.03	59.73	57.43	59.41	59.98	48.00	29.38	36.74	30.38	37.37	43.25
Current ratio	%	1.00	1.08	1.00	1.01	1.12	1.02	1.02	1.07	1.03	1.00	1.05
Acid ratio	%	0.33	0.62	0.42	0.40	0.42	0.72	0.82	0.94	0.91	0.80	0.94
Total debt as to % of total assets	%	73.19	73.88	70.15	70.62	74.63	75.67	70.39	73.30	72.85	82.03	80.35
Stocks as to % of sales	%	32.37	20.63	16.84	28.00	28.97	19.32	10.32	5.49	5.54	10.81	5.26

NAGINA
NAGINA GROUP

Pattern of Shareholding

As at 30th June, 2008

S #		Name	Total Shares	Percentage
1)		***ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES***		
	i)	M/S. NAGINA COTTON MILLS LTD.	2,856,995	26.09
	ii)	M/S. HAROON OMER (PVT) LTD.	512,000	4.68
	iii)	M/S. MONELL (PVT) LTD.	631,350	5.77
	iv)	M/S. ICARO (PVT) LTD.	553,625	5.06
	v)	M/S. ARH (PVT) LTD.	628,400	5.74
2)		***NIT and ICP***		
	i)	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	706,880	6.46
	ii)	NBP TRUSTEE - NI(U)T (LOC) FUND	728,146	6.65
		IDBP (ICP UNIT)	200	0.00
3)		***DIRECTOR CEO AND THEIR SPOUSE AND MINOR CHILDREN.***		
	i)	MR. SHAIKH ENAM ELLAHI	131,350	1.20
	ii)	MR. SHAHZADA ELLAHI SHAIKH	900,350	8.22
	iii)	MR. SHAUKAT ELLAHI SHAIKH	904,050	8.26
	iv)	MR. SHAFQAT ELLAHI SHAIKH	900,350	8.22
	v)	MR. S.M. YUSUF	825	0.01
	vi)	MR. SYED MOHSIN GILANI	500	0.00
	vii)	MR. SHAHID AZIZ (Nominee NIT)	-	-
	viii)	MRS. HUMERA SHAHZADA	800	0.01
	ix)	MRS. MONA SHAUKAT	800	0.01
	x)	MRS. SHAISTA SHAFQAT	800	0.01
4)		***EXECUTIVES***	Nil	Nil
5)		***PUBLIC SECTOR COMPANIES & CORPORATIONS***		
	i)	PAKISTAN KUWAIT INVESTMENT CO. (PVT) LTD.	148,200	1.35
	ii)	LAHORE STOCK EXCHANGE (G) LTD.	1,125	0.01
6)		***BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS***	Nil	Nil
		GENERAL PUBLIC (322 Shareholders)	1,343,254	12.27
		Shareholders of the Company 341 Total:-	**10,950,000**	**100.00**
7)		***SHAREHOLDERS HOLDING 10% OR MORE***		
	i)	M/S. NAGINA COTTON MILLS LTD.	2,856,995	26.09

Note:-

M/s. Nagina Cotton Mils Ltd., had distributed 3,740,000 ordinary shares of M/s. Ellcot Spinning Mills Ltd., among its members, out of which 119,900 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".

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq
Chartered Accountants

4-B, 90 Canal Park,
Gulberg II,
Lahore.

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F: +92 42 5757335
E: wisemen@magic.net.pk
W: www.russellbedford.com

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 Regulations of the Stock Exchanges in Pakistan 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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, to the extent it is presently applicable in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2008.

Rahman Sarfaraz Rahim Iqbal Rafiq

LAHORE.
Date: 25 SEP 2008

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

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W: www.russellbedford.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ELLCOT SPINNING MILLS LIMITED** ("the Company") as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion--

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

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

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

LAHORE.
Date: 25 SEP 2008

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	30 June 2008 Rupees	30 June 2007 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	5	**109,500,000**	109,500,000
Capital reserve	6	**7,760,000**	7,760,000
Unappropriated profit		**367,028,496**	323,851,397
		484,288,496	441,111,397
Non-current liabilities			
Long term finances - secured	7	**420,323,812**	544,744,282
Liabilities against assets subject to finance lease	8	**568,594**	1,381,018
Employees retirement benefits	9	**12,413,722**	12,682,836
Deferred taxation	10	**38,388,681**	28,286,380
		471,694,809	587,094,516
Current liabilities			
Trade and other payables	11	**51,184,833**	49,563,237
Mark-up accrued on borrowings	12	**25,487,089**	31,938,161
Short-term borrowings - secured	13	**647,875,502**	471,238,229
Current portion of non-current liabilities	14	**125,961,908**	108,071,753
		850,509,332	660,811,380
Contingencies and commitments	15	**-**	-
		1,806,492,637	1,689,017,293
ASSETS			
Non-current assets			
Property, plant and equipment	16	**956,088,042**	965,354,331
Capital work in progress	17	**1,268,031**	10,593,680
Long term deposits	18	**1,657,190**	1,657,190
		959,013,263	977,605,201
Current assets			
Stores, spares and loose tools	19	**26,593,098**	24,523,375
Stock in trade	20	**565,470,246**	304,520,464
Trade receivables	21	**145,491,836**	98,387,606
Advances, prepayments and other receivables	22	**44,415,008**	23,460,756
Current tax asset		**11,865,719**	12,586,856
Short term investments	23	**-**	133,589,633
Cash and bank balances	24	**53,643,467**	114,343,402
		847,479,374	711,412,092
		1,806,492,637	1,689,017,293

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

Lahore: September 25, 2008

Shahzada Ellahi Shaikh
Director

Sd/-
Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Sales - net	25	**1,828,932,219**	1,594,876,385
Cost of sales	26	**1,561,408,401**	1,398,726,292
Gross Profit		**267,523,818**	196,150,093
Other operating income	27	**8,223,937**	8,602,056
		275,747,755	204,752,149
Distribution cost	28	**39,223,949**	26,338,572
Administrative expenses	29	**36,337,871**	30,792,165
Other operating expenses	30	**21,124,160**	3,465,549
Finance cost	31	**94,675,001**	79,507,423
		191,360,981	140,103,709
Profit before tax		**84,386,774**	64,648,440
Provision for taxation	32	**19,309,675**	722,295
Profit after tax		**65,077,099**	63,926,145
Earning per share - basic and diluted	33	**5.94**	5.84

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

Lahore: September 25, 2008

Shahzada Ellahi Shaikh
Director

Sd/- Ellahi Sh
Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 Rupees	30 June 2007 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	*34*	**(50,281,704)**	129,100,725
Finance cost paid		**(101,126,073)**	(57,951,349)
Taxes paid		**(8,486,237)**	(8,100,237)
Employee benefits paid		**(4,391,036)**	(3,525,827)
(Payment) / refund of sales tax		**(2,099,182)**	2,212,464
Dividend paid		**(21,622,907)**	(16,403,346)
Net cash (used in) / flow from operating activities		**(188,007,139)**	45,332,430
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(82,573,927)**	(175,280,391)
Purchase of short term investments		**-**	(276,000,000)
Proceeds from sale of short term investments		**138,783,597**	147,323,158
Proceeds from disposal of property, plant and equipment		**2,654,000**	80,000
Net cash flow from / (used in) investing activities		**58,863,670**	(303,877,233)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		**(2,659,907)**	(2,265,890)
Repayment of long term finances		**(105,533,832)**	(55,557,969)
Net increase in short term borrowings		**176,637,273**	168,491,399
Long term finances obtained		**-**	188,866,384
Net cash flow from financing activities		**68,443,534**	299,533,924
Net (decrease) / increase in cash and cash equivalents		**(60,699,935)**	40,989,121
Cash and cash equivalents at the beginning of the year		**114,343,402**	73,188,761
Deposits under lien released during the year		**-**	165,520
Cash and cash equivalents at the end of the year	*35*	**53,643,467**	114,343,402

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

Lahore: September 25, 2008

Shahzada Ellahi Shaikh
Director

Sd/ Shaikh

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Share Capital *Rupees*	Capital Reserves *Rupees*	Unappropriated Profit *Rupees*	Total *Rupees*
As at 30 June 2006	109,500,000	7,760,000	276,350,252	393,610,252
Profit for the year	-	-	63,926,145	63,926,145
Final dividend @ Rs. 1.5 per ordinary share for the year ended 30 June 2006	-	-	(16,425,000)	(16,425,000)
As at 30 June 2007	109,500,000	7,760,000	323,851,397	441,111,397
Profit for the year	-	-	65,077,099	65,077,099
Final dividend @ Rs. 2.0 per ordinary share for the year ended 30 June 2007	-	-	(21,900,000)	(21,900,000)
As at 30 June 2008	**109,500,000**	**7,760,000**	**367,028,496**	**484,288,496**

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

Lahore: September 25, 2008

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1 REPORTING ENTITY

Ellcot Spinning Mills Limited ("the Company") was incorporated in Pakistan on 22 December 1988 as a Public Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore. The Company is currently listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. Formerly, the Company was a subsidiary of Nagina Cotton Mills Limited. During the year ended 30 June 2007, Nagina Cotton Mills Limited distributed among its shareholders, 3,740,000 shares held in the Company as dividend in specie. Presently, 2,856,995 shares are held by the former holding company. The principal activity of the Company is manufacturing and sale of yarn. The Company is also engaged in generation and sale of electricity under a license from National Electric Power Regulatory Authority (NEPRA). The Mill is located at 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 or directives of the Companies Ordinance, 1984 prevail.

2.2 Basis of measurement

These accounts have been prepared under the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for 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. 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 referred to in note 37 to the financial statements.

2.4 Functional currency

These financial statements are 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 the financial statements.

3.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses with the exception of freehold land, which is carried at cost less identified impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment 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 costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using the rates specified in note 16 to the financial statements.

Depreciation on additions to property, plant and equipment 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.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

De-recognition

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

3.2 Capital work in progress

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

3.3 Stores, spares and loose tools

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

3.4 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined using the following basis:

Raw materials	First In First Out ("FIFO")
Work in process	Average Manufacturing Cost
Finished goods	Average Manufacturing Cost
Waste	Net Realizable Value ("NRV")
Stock in transit	Invoice price plus related expense incurred upto the reporting date.

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads based on normal capacity.

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.

3.5 Financial instruments

Recognition

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

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 the profit or loss.

Measurement

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

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 to realize the asset and settle the liability simultaneously.

"Regular way" purchases and sales of financial assets

All regular way purchases and sales of financial assets are recognized on trade date, i.e. the date the company commits to purchase or sell the asset. Regular way purchases or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by the regulation or convention in the market.

3.6 Ordinary Share Capital

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

3.7 Borrowings

These are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowings on an effective interest basis.

3.8 Leased assets

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. 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. The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each asset using rates specified in note 16 to the financial statements.

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.

3.9 Employee benefits

The Company operates an approved unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to income. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation. These assumptions are determined by independent appraisers.

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of the previous which exceed ten percent of the present value of the Company's defined benefit obligations are amortized over the average expected remaining working lives of employees.

Details of scheme are referred to in the relevant note to the financial statements.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

3.10 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

3.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

3.12 Investments at fair value through profit or loss

An investment is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions on their fair value in accordance with the Company’s documented risk management and investment strategy. Upon initial recognition, investments at fair value through profit or loss are measured at cost being the fair value of the consideration paid for the acquisition of the asset. Transactions costs are recognized in profit or loss when incurred. Subsequent to initial recognition these are measured at fair value, and changes therein are recognized in profit or loss.

3.13 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 operating 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 risk and rewards incidental to the ownership of goods are transferred, i.e. on dispatch of goods to customers.

Mark up on saving accounts is recognized on time proportion basis.

Dividend income is recognized when right to receive payment is established.

Export rebate is recognized on accrual basis at the time of making sales.

3.14 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 the profit or loss as incurred.

3.15 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 equity, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 0.5% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. 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.

Deferred tax is accounted for using the balance sheet method 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 requirement of "Technical Release - 27" of 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.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.16 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 period.

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.

3.17 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and in current and saving accounts with various banks. Cash and cash equivalents are carried at cost.

3.18 Foreign currency transactions and balances

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

3.19 Impairment

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.20 Related party transactions

Related party transactions are carried out on an arm’s length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.21 Provisions

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.

3.22 Dividend to shareholders

Dividend paid to shareholders is recognized in the year in which it is declared.

3.23 New Standards, interpretations and amendments to published approved accounting standards not yet effective

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective and have not been applied in preparing these financial statements.

IFRS 8 - Operating Segments

This standard introduces the "management approach" to segment reporting. IFRS 8 is effective for periods beginning on or after 01 January 2009, however, it is not expected to have any impact on the Company's financial statements.

IAS 23 - Borrowing Costs (Revised 2007)

The revised standard removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The revised IAS 23 is effective for periods beginning on or after 01 January 2009, the standard will have a significant impact on the presentation of Company's financial statements.

IAS 1 - Presentation of Financial Statements (Revised 2007)

The revised standard introduces the term "Total Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The revised standard is effective for periods beginning on or after 01 January 2009. The standard will have a significant impact on the presentation of Company's Financial Statements.

Amendments to IAS 32 - Financial Instruments: *Presentation* and IAS - Presentation of Financial Statements, regarding Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application required. However these are not expected to have any impact on the Company's Financial Statements.

Amendments to IFRS 2 - Share Based Payments regarding vesting conditions and cancellations.

These amendments clarify the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application.

IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions*

This interpretation requires share-based payment arrangements in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

IFRIC 12 ***Service Concession Arrangements***

This interpretation provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

IFRIC 13 Customer Loyalty Programmes

This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for the periods beginning on or after 01 January 2009. However, it is not expected to have any impact on the Company's financial statements.

IFRIC 14 ***IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction***

This interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

IFRS 3 - Business Combinations (Revised 2008) and Amendments IAS 27 - Consolidated and Separate Financial Statements.

The revised standards and amendments are not relevant to the Company's operations since the Company does hold investments in or control of any other Company.

3.24 Adoption of new standards, interpretations and amendments to published approved accounting standards

The Company has adopted during the year the amendments to IAS 1 - Presentation of Financial Statements regarding "Capital Disclosures" issued in August 2005 which require an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. These amendments were effective for periods beginning on or after 01 January 2007.

The Company has not adopted IFRS 7 - Financial Instruments *Disclosures* which is effective for the current period, since as per circular 08 of 2008 of the Institute of Chartered Accountants of Pakistan the standard will be effective for accounting periods beginning on or after the date of relevant notification (i.e. 28 April 2008) of the Securities and Exchange Commission of Pakistan vide which the IFRS 7 was adopted. The adoption of this standard would impact the financial statements of the Company to the extent of disclosures only.

4 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. There were no changes in the Company's approach to capital management during the year. Further the Company is not subject to externally imposed capital requirements.

	Note	30 June 2008 Rupees	30 June 2007 Rupees

5 SHARE CAPITAL

Authorized shared capital

20,000,000 (2007: 20,000,000) ordinary shares of Rs. 10 each.		**200,000,000**	200,000,000

Issued, subscribed and paid-up capital

Ordinary shares of Rs. 10 each.

8,760,000 (2007: 8,760,000) shares fully paid in cash.		**87,600,000**	87,600,000
2,190,000 (2007: 2,190,000) shares issued as bonus.		**21,900,000**	21,900,000
		109,500,000	109,500,000

6 CAPITAL RESERVE

On 30 September 2001, the net assets of Power Unit 2 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 at the date of merger and break-up value of those shares at that date.

7 LONG TERM FINANCES - SECURED

These represent long term finances utilized under mark up arrangements from banking companies:

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Demand finances ("DF")			
DF - I	*7.1*	**193,152,076**	241,440,094
DF - II	*7.2*	**3,488,648**	4,360,810
DF - III	*7.3*	**188,866,384**	188,866,384
		385,507,108	434,667,288
Long Term Finances for Export Oriented Projects ("LTFEOP")			
LTFEOP - I	*7.1*	**8,447,616**	11,263,488
LTFEOP - II	*7.1*	**26,688,327**	35,584,437
LTFEOP - III	*7.2*	**33,192,139**	41,490,173
LTFEOP - IV	*7.4*	**12,935,000**	18,109,000
		81,263,082	106,447,098
Term finances ("TF")			
TF - I	*7.4*	**77,974,092**	109,163,728
		544,744,282	650,278,114
Current portion shown under current liabilities		**(124,420,470)**	(105,533,832)
		420,323,812	544,744,282

7.1 DF - I has been obtained from United Bank Limited. The finance is secured by first pari passu charge of Rs. 400 million over present and future fixed assets (comprising land, building, plant and machinery) of the Company and personal guarantees of the Directors of the Company. Mark-up is payable at six months KIBOR plus 0.7 % (2007: six months KIBOR plus 0.7 %) per annum. During the year ended 30 June 2007, DF – I was partially transferred to LTFEOP - I of Rs. 44,480,546 and LTFEOP – II of Rs. 14,079,360 under the Long Term Finance for Export Oriented Projects scheme of the State Bank of Pakistan and the remaining part of the original facility of Rs. 241,440,094 stood at DF – I. The new finances carry mark up at 7 % (2007: 7%) per annum. All three finances are repayable in ten equal half yearly installments with repayment of DF-I commenced on 28 October 2007 and that of LTFEOP – I and II on 30 December 2006. The security arrangements in respect of these finances remained unchanged.

7.2 DF - II has been obtained from United Bank Limited. The finance is secured by first pari passu charge of Rs. 67 million over present and future fixed assets (comprising land, building, plant and machinery) of the Company and personal guarantees of the Directors of the Company. Mark-up is payable at six months KIBOR plus 0.7 % (2007: six months KIBOR plus 0.7 %) per annum. During the year ended 30 June 2007, DF – II was partially transferred to LTFEOP – III of Rs. 45,639,290 under the Long Term Finance for Export Oriented Projects scheme of the State Bank of Pakistan and the remaining part of the original facility of Rs. 4,360,810 stood at DF – II. The new finance carries mark up at 7 % (2007: 7 %) per annum. DF - II and LTFEOP - III are repayable in ten and eleven equal half yearly installments respectively with repayment of DF-II commenced on 04 August 2007 and that of LTFEOP – III on 04 February 2007. The security arrangements in respect of these finances remained unchanged.

7.3 DF – III has been obtained from United Bank Limited. The finance is secured by first pari passu charge of Rs. 400 million over present and future fixed assets (comprising land, building, plant and machinery) of the Company and personal guarantees of the Directors of the Company. Mark up is payable at six months KIBOR plus 1.5 % (2007: six months KIBOR plus 1.5 %) per annum. The finance is repayable in ten equal half yearly installments commencing from 10 February 2009.

7.4 TF - I has been obtained from Bank Alfalah Limited. The finance is secured by first pari passu charge of Rs. 294 million over present and future fixed assets (comprising land, building, plant and machinery) of the Company and personal guarantees of Directors of the Company. Mark up is payable at six months KIBOR plus 1.5 % (2007: six months KIBOR plus 1.5 %) per annum. During the year ended 30 June 2007, TF - I was partially transferred to LTFEOP - IV of Rs. 20,696,000 under the Long Term Finance for Export Oriented Projects (LTFEOP) scheme of the State Bank of Pakistan and remaining part of the original facility amounting to Rs. 142,940,000 stood at TF - I. The new finance carries mark up at 7 % (2007: 7 %) per annum. TF - I is repayable in eleven equal half yearly installments commenced on 30 September 2005 whereas LTFEOP - IV is repayable in eight equal half yearly installments commenced on 31 March 2007.

	30 June 2008	30 June 2007
	Rupees	*Rupees*
8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	**2,110,032**	3,918,939
Less: Current portion shown under current liabilities	**(1,541,438)**	(2,537,921)
	568,594	1,381,018

These represent vehicles acquired under finance lease arrangements. Interest rate used as the discounting factor ranges from 11.5 % to 13 % (2007: 11.5 %) per annum. The liability is repayable in equal quarterly installments. Taxes, repairs, replacements and insurance costs are to be borne by the Company. Under the terms of agreement, the Company has an option to acquire the assets at the end of the respective lease term by adjusting the deposit amount against the residual value of the asset and intends to exercise the option. The amount of future payments under the lease and the period in which these payments will become due are as follows:

	Note	**30 June 2008** ***Rupees***	30 June 2007 *Rupees*
Not later than one year		**1,691,808**	2,881,736
Later than one year but not later than five years		**690,085**	1,440,868
Total future minimum lease payments		**2,381,893**	4,322,604
Less: finance charge allocated to future periods		**(271,861)**	(403,665)
Present value of future minimum lease payments		**2,110,032**	3,918,939
Not later than one year		**(1,541,438)**	(2,537,921)
Later than one year but not later than five years		**568,594**	1,381,018

9 EMPLOYEE RETIREMENT BENEFITS

The amounts recognized in the balance sheet are as follows

Present value of defined benefit obligation	*9.1*	**11,650,020**	12,682,836
Unrecognized actuarial gains	*9.2*	**763,702**	-
		12,413,722	12,682,836

9.1 Movement in present value of defined benefit obligation

As at beginning of the year		**12,682,836**	10,772,658
Charged to profit or loss for the year	*9.3*	**4,121,922**	5,436,005
Benefits paid during the year		**(4,391,036)**	(3,525,827)
Actuarial gain arising during the year		**(763,702)**	-
As at end of the year		**11,650,020**	12,682,836

9.2 Movement in unrecognized actuarial gains and losses

As at beginning of the year		**-**	-
Gains and losses arising during the year		**763,702**	-
Gains and losses recognized during the year	*9.3*	**-**	-
As at end of the year		**763,702**	-

9.3 Salaries, wages and other benefits include the following in respect of retirement and other benefits:

	30 June 2008	30 June 2007
	Rupees	*Rupees*
Current service cost	**2,853,638**	4,466,466
Interest cost for the year	**1,268,284**	969,539
Actuarial gains and losses recognized during the year	**-**	-
	4,121,922	5,436,005

9.4 Historical information

	Rupees
Year ended 30 June 2008	
Present value of defined benefit obligation	11,650,020
Actuarial adjustment arising during the year	6.56%
Year ended 30 June 2007	
Present value of defined benefit obligation	12,682,836
Actuarial adjustment arising during the year	-
Year ended 30 June 2006	
Present value of defined benefit obligation	10,772,658
Actuarial adjustment arising during the year	-
Year ended 30 June 2005	
Present value of defined benefit obligation	7,615,462
Actuarial adjustment arising during the year	6.77%
Year ended 30 June 2004	
Present value of defined benefit obligation	5,848,804
Actuarial adjustment arising during the year	-

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

9.5 Last actuarial valuation was carried out by Nauman Associates as on 30 June 2008. Significant actuarial assumptions used for the valuation are as follows:

Discount rate	12%
Expected rates of salary increase	10%
Expected average remaining working lives of employees	15 Years

	Note	30 June 2008 Rupees	30 June 2007 Rupees

10 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences			
Accelerated tax depreciation		**85,572,985**	90,319,077
Assets subject to finance lease		**585,513**	390,933
		86,158,498	90,710,010
Deferred tax asset on deductible temporary differences			
Employee retirement benefits		**(2,623,741)**	(2,374,896)
Unused tax losses		**(45,146,076)**	(60,048,734)
		(47,769,817)	(62,423,630)
		38,388,681	28,286,380

Refer to note 32.7 for the basis of provision for deferred taxation.

11 TRADE AND OTHER PAYABLES

Trade creditors		**8,886,534**	10,994,136
Accrued liabilities		**32,536,480**	30,206,685
Advances from customers		**2,754,175**	4,346,097
Workers' profit participation fund	*11.1*	**4,313,369**	3,458,320
Unclaimed dividend		**519,314**	242,221
Other payables		**1,997,203**	315,778
		51,007,075	49,563,237

	Note	30 June 2008 Rupees	30 June 2007 Rupees

11.1 Workers' Profit Participation Fund ("WPPF")

As at beginning of the year		**3,458,320**	4,016,862
Interest on funds utilized by the Company	*11.2*	**302,034**	353,684
Charged to profit or loss for the year	*30*	**4,441,419**	3,402,549
Paid during the year		**(3,710,646)**	(4,314,775)
As at end of the year		**4,491,127**	3,458,320

11.2 Interest on WPPF is provided at 15 % (2007: 15%) per annum.

12 MARK UP ACCRUED ON BORROWINGS

Long term finances		**15,677,138**	27,454,472
Liabilities against assets subject to finance lease		**5,270**	4,738
Short term borrowings		**9,804,681**	4,478,951
		25,487,089	31,938,161

13 SHORT TERM BORROWINGS - SECURED

These represent short term finances utilized under mark up arrangements from banking companies.

		30 June 2008	30 June 2007
		Rupees	*Rupees*
Cash finance	*13.1*	**396,070,006**	127,677,320
Running finance	*13.1*	**67,411,170**	35,900
Foreign currency finance	*13.2*	**184,394,326**	343,525,009
		647,875,502	471,238,229

13.1 These facilities have been obtained from various commercial banks for working capital requirements and are secured by way of promissory notes, first pari passu charge over the Company's present and future current assets and personal guarantees of the Directors of the Company. These facilities carry mark up at rates ranging from 10.09 % to 14.38 % (2007: 9.47 % to 11.88 %) per annum. These rates are based on floating KIBOR

13.2 These facilities have been obtained from various commercial banks for import of raw material under foreign currency financing and discounting of foreign bills and are secured by way of lien on export documents and imported merchandise, charge over Company's present and future current assets and personal guarantees of the Directors of the Company. These facilities carry mark up at rates ranging from 3.42 % to 6.56 % (2007: 5.71% to 6.6 %) per annum. These rates are based on floating LIBOR.

13.3 The aggregate available short term borrowing facilities amounts to Rs. 1,067 million (2007: 1,067 million) out of which Rs. 419 million (2007: Rs. 594 million) remained unavailed.

14 CURRENT PORTION OF LONG TERM LIABILITIES

Long term finances	**124,420,470**	105,533,832
Liabilities against assets subject to finance lease	**1,541,438**	2,537,921
	125,961,908	108,071,753

15 CONTINGENCIES AND COMMITMENTS

Contingencies

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. 148,000 which may become payable if the cases are decided against the Company, however no provision has been made in this respect as the management is confident that these suits will be decided in the favour of the Company.

Guarantees issued by banks on behalf of the Company as at 30 June 2008 amounted to Rs.19,000,000 (2007: Rs. 29,225,000).

For contingencies related to tax matters, refer to note 32.

Commitments

	30 June 2008	30 June 2007
	Rupees	*Rupees*
Irrevocable letters of credit for:		
import of machinery	**11,309,350**	-
import of stores, spares and loose tools	**3,121,650**	5,313,044
import of raw material	**133,931,104**	96,099,935
	148,362,104	101,412,979
Bills discounted	**84,521,906**	55,319,334
Fixed capital expenditure	**932,163**	2,176,242
Payments under operating lease		
Not later than one year	**240,000**	240,000
Later than one year but not later than five years	**-**	-
	240,000	240,000

16 PROPERTY, PLANT AND EQUIPMENT

	COST					DEPRECIATION					Net book value as at 30 June
	As at 01 July	Additions	Disposals	Transfers	As at 30 June	Rate	As at 01 July	Adjustment	year	As at 30 June	
		Rupees	*Rupees*	*Rupees*	*Rupees*		*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568		-	-	-	-	6,093,568
Buildings on freehold land											
Mills	167,709,042	-	-	5,692,404	173,401,446	10%	57,353,680	-	11,395,488	68,749,168	104,652,278
Other factory buildings	47,558,860	-	-	3,012,663	50,571,523	5%	14,999,119	-	1,627,987	16,627,106	33,944,417
Non- factory buildings	4,331,455	-	-	-	4,331,455	10%	2,852,735	-	220,502	3,073,237	1,258,218
Plant and machinery	1,154,828,383	62,787,232	(5,646,667)	6,467,690	1,218,436,638	10%	405,219,596	(4,113,007)	77,726,525	478,833,114	739,603,524
Electric installation and equipment	60,602,588	1,274,340	-	-	61,876,928	10%	22,687,657	-	3,824,301	26,511,958	35,364,970
Factory equipment	6,582,763	-	-	-	6,582,763	10%	2,280,470	-	430,229	2,710,699	3,872,064
Laboratory equipment	3,193,821	7,963,538	-	-	11,157,359	10%	2,419,106	-	442,221	2,861,327	8,296,032
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10%	938,750	-	90,791	1,029,541	817,124
Office equipment	10,378,329	563,517	-	-	10,941,846	10%	6,551,009	-	421,360	6,972,369	3,969,477
Furniture and fixtures	6,054,951	118,996	-	-	6,173,947	10%	2,731,611	-	340,254	3,071,865	3,102,082
Arms and ammunition	763,013	-		-	763,013	10%	344,603	-	41,841	386,444	376,569
Vehicles	16,771,989	3,958,006	(3,857,157)	-	16,872,838	20%	8,989,606	(3,039,295)	1,887,056	7,837,367	9,035,471
	1,486,715,427	76,665,629	(9,503,824)	15,172,757	1,569,049,989		527,367,942	(7,152,302)	98,448,555	618,664,195	950,385,794
Assets subject to finance lease											
Vehicles	8,500,000	912,370	-	-	9,412,370		2,493,334	-	1,216,788	3,710,122	5,702,248
2008	**1,495,215,427**	**77,577,999**	**(9,503,824)**	**15,172,757**	**1,578,462,359**		**529,861,276**	**(7,152,302)**	**99,665,343**	**622,374,317**	**956,088,042**
2007	1,286,894,420	161,287,117	(430,011)	47,463,901	1,495,215,427		440,743,726	(373,363)	89,490,733	529,861,096	965,354,331

16.1 Transfers to owned assets represent transfers from capital work in progress on the related assets becoming available for use. (see note 17)

16.2 The depreciation charge for the year has been allocated as follows:

	Note	**30 June 2008 Rupees**	30 June 2007 Rupees
Cost of sales	*26*	**97,059,183**	87,169,791
Administrative expenses	*29*	**2,606,160**	2,320,942
		99,665,343	89,490,733

16.3 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain on disposal	Mode of disposal	Particulars of Buyer
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Vehicles							
Suzuki Pick-up LOT 7133	258,423	240,834	17,589	25,000	7,411	Negotiation	Muhammad Ismail-Lahore
Suzuki Baleno LXO 9523	677,173	565,895	111,278	125,000	13,722	Negotiation	Kashif Ishfaq-Lahore
Suzuki Cultus LXW 1733	566,230	449,920	116,310	130,000	13,690	Negotiation	Sadaqat Ali-Lahore
Suzuki Khyber LXO 3194	478,500	399,869	78,631	90,000	11,369	Negotiation	Muhammad Naeem-Lahore
Suzuki Mehran LXO 6888	330,565	276,308	54,257	60,000	5,743	Negotiation	Muhammad Khan-Lahore
Suzuki Cultus LRK 2176	597,360	427,456	169,904	180,000	10,096	Negotiation	Muhammad Tahir Siddique-Lahore
Honda Citi LRQ 3143	948,906	679,013	269,893	280,000	10,107	Negotiation	Muhammad Afzal Khan-Lahore
Machinery							
Catter Pillar Diesel	5,646,667	4,113,007	1,533,660	1,764,000	230,340	Negotiation	Nagina Cotton Mills Limited
30 June 2008	**9,503,824**	**7,152,302**	**2,351,522**	**2,654,000**	**302,478**		
30 June 2007	430,511	373,363	56,648	80,000	23,352		

17 CAPITAL WORK IN PROGRESS

	As at 01 July *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at 30 June *Rupees*
Building	4,910,874	4,644,483	(8,705,067)	850,290
Plant and machinery	5,682,806	1,202,625	(6,467,690)	417,741
2008	**10,593,680**	**5,847,108**	**(15,172,757)**	**1,268,031**
2007	44,064,307	13,993,274	(47,463,901)	10,593,680

18 LONG TERM DEPOSITS

Long term deposits include security deposits placed with banks, sales tax and central excise, various utility companies and the central depository company.

	Note	**30 June 2008** ***Rupees***	30 June 2007 *Rupees*
19 STORES, SPARES AND LOOSE TOOLS			
Stores		**16,681,623**	14,727,633
Spares		**9,807,315**	7,987,120
Loose tools		**104,160**	208,082
In transit		**-**	1,600,540
		26,593,098	24,523,375

19.1 Stores, spares and loose tools are generally held for internal use only.

19.2 Stores, spares and loose tools pledged as securities amount to nil (2007: nil).

19.3 There were no slow moving items of stores, spares and loose tools as at the reporting date.

20 STOCK IN TRADE

	Note	30 June 2008	30 June 2007
Raw material - spinning unit	*20.1*	**484,507,473**	255,299,009
Fuel stock - power unit		**15,091,874**	5,864,482
Work in process		**18,911,424**	18,286,628
Finished goods		**46,718,352**	24,171,542
Waste		**241,123**	898,803
		565,470,246	304,520,464

20.1 This includes raw material in transit amounting to Rs. nil (2007: 53,075,297).

20.2 Entire stock in trade, with the exception of waste, is carried at cost being lower than NRV.

20.3 Stock in trade pledged as security amounts to nil (2007: nil).

21 TRADE RECEIVABLES

	Note	30 June 2008	30 June 2007
Local - unsecured, considered good		**122,582,065**	61,818,868
Foreign - secured	*21.1*	**22,909,771**	36,568,738
		145,491,836	98,387,606

21.1 These are secured through letters of credit.

22 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Advances to suppliers - unsecured, considered good		**3,789,572**	7,438,045
Advances to staff - secured	*22.1*	**1,070,199**	889,198
Letters of credit		**23,107,954**	220,506
Prepayments		**3,898,728**	3,994,543
Export rebate receivable		**442,206**	442,206
Withholding tax on regular income certificates	*32.6*	**6,240,800**	6,240,800
Insurance claims		**268,949**	738,040
Sales tax refundable	*22.2*	**5,536,600**	3,437,418
Others - unsecured, considered good		**60,000**	60,000
		44,415,008	23,460,756

22.1 These are amounts advanced to staff against future salaries and retirement benefits.

22.2 This represents excess of input tax on purchases over sales tax payable.

23 SHORT TERM INVESTMENTS

Investments at fair value through profit or loss

	Note	30 June 2008 Rupees	30 June 2007 Rupees
National Fullerton Asset Management Limited	*23.1*	**-**	9,434,933
United Bank Limited - Fund Managers	*23.1*	**-**	124,154,700
		-	133,589,633

23.1 These were investments in open-ended mutual fund units which have been completely sold during the year.

24 CASH AND BANK BALANCES

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Current accounts		**1,395,392**	94,310,249
Saving accounts	*24.1*		
Local currency		**52,229,974**	20,015,052
Foreign currency - US$ 301 (2007: US$ 301)		**18,101**	18,101
		52,248,075	20,033,153
		53,643,467	114,343,402

24.1 Effective mark up rate in respect of saving accounts ranges from 1.5 % to 7.5 % (2007: 2 % to 3.5 %) per annum.

25 SALES - NET

	Year ended 30 June 2008			Year ended
	Local	Export	Total	30 June 2007
	Rupees	*Rupees*	*Rupees*	*Rupees*
Yarn	**1,151,838,285**	**602,846,340**	**1,754,684,625**	1,537,676,015
Power	**49,698,554**	**-**	**49,698,554**	-
Raw cotton, polyester etc	**11,786,344**	**-**	**11,786,344**	6,165,341
Waste	**12,694,901**	**12,610,375**	**25,305,276**	64,442,050
	1,226,018,084	**615,456,715**	**1,841,474,799**	1,608,283,406
Commission	**(2,603,930)**	**(9,993,373)**	**(12,597,303)**	(13,438,124)
Sales tax	**-**	**-**	**-**	-
Export rebate	**-**	**54,723**	**54,723**	31,103
	1,223,414,154	**605,518,065**	**1,828,932,219**	1,594,876,385

	Note	30 June 2008	30 June 2007
		Rupees	*Rupees*
26 COST OF SALES			
Raw material consumed - spinning unit	*26.1*	**1,110,588,282**	974,973,501
Fuel consumed - power unit	*26.2*	**182,070,202**	135,467,839
Stores, spares and loose tools consumed	*26.3*	**60,850,797**	57,482,717
Salaries, wages and benefits	*26.4*	**106,681,825**	103,237,554
Insurance		**5,825,644**	5,455,802
Repair and maintenance		**4,120,978**	4,631,779
Electricity		**1,808,472**	1,696,659
Depreciation	*16.2*	**97,059,183**	87,169,791
Others		**6,964,584**	7,195,886
		1,575,969,967	1,377,311,528
Work in process			
Opening stock		**18,286,628**	18,777,849
Closing stock		**(18,911,424)**	(18,286,628)
		(624,796)	491,221
Cost of goods manufactured		**1,575,345,171**	1,377,802,749
Finished goods			
Opening stock		**25,070,345**	4,898,238
Finished goods purchased		**7,952,360**	41,095,650
Closing stock		**(46,959,475)**	(25,070,345)
		(13,936,770)	20,923,543
Cost of sales		**1,561,408,401**	1,398,726,292

	30 June 2008	30 June 2007
	Rupees	*Rupees*
26.1 Raw material consumed - spinning unit		
Opening stock	**255,299,009**	221,225,775
Purchased during the year	**1,339,796,746**	1,009,046,735
	1,595,095,755	1,230,272,510
Closing stock	**(484,507,473)**	(255,299,009)
	1,110,588,282	974,973,501

26.2 Fuel consumed - power unit

Opening stock	**5,864,482**	4,589,637
Purchased during the year	**191,297,594**	136,742,684
	197,162,076	141,332,321
Closing stock	**(15,091,874)**	(5,864,482)
	182,070,202	135,467,839

26.3 Packing material consumed during the year amounting to Rs. 27,889,612 (2007: Rs. 24,975,946) previously shown separately under cost of sales has been grouped as part of stores, spares and loose tools consumed, since the closing stock of packing material is included in the closing stock of store, spares and loose tools. This reclassification is in accordance with requirement of IAS 1 - "Presentation of Financial Statements" regarding aggregation of similar items.

26.4 These include charge in respect of employees retirement benefits amounting to Rs. 3,846,567 (2007: Rs. 4,393,492).

27 OTHER OPERATING INCOME

Income from financial assets		
Gain on sale of short term investments	**5,193,964**	3,513,676
Gain on re-measurement of short term investments at fair value	**-**	1,399,115
Income on saving and deposit accounts	**50,145**	75,416
Foreign exchange gain	**-**	1,735,293
	5,244,109	6,723,500
Income from non-financial assets		
Scrap sale	**2,677,350**	1,855,204
Gain on disposal of property plant and equipment	**302,478**	23,352
	2,979,828	1,878,556
	8,223,937	8,602,056

	Note	30 June 2008 Rupees	30 June 2007 Rupees
28 DISTRIBUTION COST			
Export			
Ocean freight and forwarding		**31,929,945**	19,446,024
Export development surcharge		**1,484,731**	1,289,626
		33,414,676	20,735,650
Local			
Inland transportation		**5,442,144**	5,099,806
Others		**367,129**	503,116
		5,809,273	5,602,922
		39,223,949	26,338,572

29 ADMINISTRATIVE EXPENSES

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Directors' remuneration	*40.1*	**5,375,582**	4,316,130
Directors' meeting fee	*40.1*	**15,000**	9,000
Salaries, wages and benefits	*29.1*	**14,633,041**	12,829,046
Rent, rates and taxes		**509,003**	514,188
Printing and stationery		**463,676**	584,309
Postage and telephone		**1,648,609**	1,423,734
Electricity		**663,032**	727,226
Repair and maintenance		**220,232**	362,780
Software consultancy		**3,000**	12,000
Vehicles running and maintenance		**1,876,360**	1,904,619
Advertising		**57,579**	140,425
Traveling and conveyance		**4,977,600**	2,752,924
Legal and professional		**452,884**	188,342
Auditors' remuneration	*29.2*	**319,360**	293,210
Fee, subscription and periodicals		**893,262**	618,941
Consultancy		**-**	139,825
Entertainment		**102,221**	114,776
Insurance		**1,439,803**	1,464,618
Professional tax		**75,000**	75,000
Depreciation	*16.2*	**2,606,160**	2,320,942
Others		**6,467**	130
		36,337,871	30,792,165

29.1 These include charge in respect of employees retirement benefits amounting to Rs. 275,355 (2007: Rs. 1,042,513).

29.2 Auditors' remuneration

	30 June 2008 Rupees	30 June 2007 Rupees
Annual statutory audit	**175,000**	175,000
Half yearly review	**50,000**	50,000
Review report on code of corporate governance	**40,000**	40,000
Out of pocket expenses	**54,360**	28,210
	319,360	293,210

	Note	30 June 2008 Rupees	30 June 2007 Rupees

30 OTHER OPERATING EXPENSES

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Workers' profit participation fund	*11.1*	**4,441,419**	3,402,549
Donations	*30.1*	**754,000**	63,000
Foreign exchange loss		**15,928,741**	-
		21,124,160	3,465,549

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

31 FINANCE COST

	30 June 2008 Rupees	30 June 2007 Rupees
Mark-up on:		
long term finances	**58,042,494**	68,652,458
short term borrowings	**31,768,226**	17,702,634
liabilities against assets subject to finance lease	**370,196**	616,880
workers' profit participation fund	**302,034**	353,684
Bank charges and commission	**4,192,051**	4,236,618
	94,675,001	91,562,274
Less: Borrowing cost capitalized during the year.	**-**	(12,054,851)
	94,675,001	79,507,423

32 TAXATION

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Current			
for the year	*32.1*	**9,207,374**	8,043,752
for prior years		**-**	(56,606)
		9,207,374	7,987,146
Deferred	*32.7*	**10,102,301**	(7,264,851)
		19,309,675	722,295

32.1 Provision for current tax for the year has been made in accordance with section 113 "Minimum tax on income of certain persons" of the Income Tax Ordinance 2001 ("the Ordinance"). There is no relationship of aggregate tax expense with accounting profit. Accordingly, no numerical reconciliation has been presented.

32.2 Assessments for the tax year 2006 and 2005, and transitional tax year 2005 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

32.3 The income tax assessment up to and including assessment year 2001-02 have been finalized under the relevant provisions of the repealed Income Tax Ordinance, 1979.

32.4 Assessment in respect of assessment year 2002-03 was finalized through assessment order dated 30 April 2005 against which the Company has filed an appeal before the Commissioner of Income tax (Appeals) [CIT (A)] on several grounds. The CIT (A) through appellate order dated 10 November 2005 decided the case in favour of the Company on all issues except the estimation of sale value of scrap which was maintained at Rs. 1,450,000 as against the sale proceeds of Rs 1,007,544 declared by the Company. The department has preferred an appeal before the Income Tax Appellate Tribunal (ITAT) against the CIT (A)'s order, which is pending for hearing. As per the appeal effect order dated 30 March 2006, refunds amounting to Rs 5,007,654 have been determined in respect of the above assessment year.

32.5 Deemed assessments in terms of section 120 (1) of the Ordinance, for tax years 2003 and 2004 were amended by the Taxation Officer ("TO") vide order dated 30 June 2005 passed under section 122 (5A) of the Ordinance, thereby erroneously charging minimum tax u/s 113 on local sales separately, in spite of the fact that the total tax payable (including the tax payable under the final tax regime) by the appellant company was more than 0.5% of the aggregate turnover. On appeal, the TO's order was annulled by the CIT (A) through order dated 14 October 2005. Appeal effect was given through order dated 19 January 2006. The department has preferred an appeal before the Income Tax Appellate Tribunal (ITAT) against the CIT (A)'s order, which is pending for hearing.

32.6 In previous years the Company encashed its investment in Regular Income Certificates issued by National Saving Centre (NSC) amounting to Rs. 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 14 February 2004 with Honorable Lahore High Court (LHC) for refund of this incorrectly withheld amount. LHC vide order dated 14 March 2007 decided the case in favour of the Company. The department and NSC have preferred an appeal before the Supreme Court. Pending the decision of Supreme Court, the deducted amount has been presented as withholding tax in note 21 to the financial statements and no amount has been provided in this regard as based on advice of Company's legal adviser the Management is confident of a favourable decision.

32.7 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, bear to the total sales revenue. Deferred tax has been calculated at 35 % (2007: 35 %) of the timing differences so determined.

33 EARNING PER SHARE - BASIC AND DILUTED

		30 June 2008	30 June 2007
Profit attributable to ordinary shareholders	*Rupees*	**65,077,099**	63,926,145
Weighted average number of ordinary shares outstanding during the year.	*No.*	**10,950,000**	10,950,000
Earning per share	*Rupees*	**5.94**	5.84

There was no dilutive effect on basic earnings per share of the Company.

	Note	30 June 2008 Rupees	30 June 2007 Rupees
34 CASH GENERATED FROM OPERATIONS			
Profit before tax		**84,386,774**	64,648,440
Adjustments for non-cash items			
Finance cost		**94,675,001**	79,507,423
Gain on sale of short term investments		**(5,193,964)**	(3,513,676)
Gain on re-measurement of short term investments at fair value		**-**	(1,399,115)
Gain on disposal of property, plant and equipment		**(302,478)**	(23,352)
Depreciation		**99,665,343**	89,490,733
Provision for employee retirement benefits		**4,121,922**	5,436,005
		192,965,824	169,498,018
Operating profit before changes in working capital		**277,352,598**	234,146,458
Changes in working capital			
Increase in stores, spares and loose tools		**(2,069,723)**	(5,055,493)
Increase in stock in trade		**(260,949,782)**	(55,028,965)
Increase in trade receivables		**(47,104,230)**	(49,208,321)
Increase in advances, prepayments and other receivables		**(18,855,070)**	(1,899,182)
Increase in trade and other payables		**1,166,745**	7,147,228
Increase in long term deposits		**-**	(1,001,000)
Cash generated from operations		**(50,459,462)**	129,100,725

35 CASH AND CASH EQUIVALENTS

	Note	30 June 2008 Rupees	30 June 2007 Rupees
Current accounts	*24*	**1,395,392**	94,310,249
Saving accounts	*24*	**52,248,075**	20,033,153
		53,643,467	114,343,402

36 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 25, 2008 has proposed to pay cash dividend @ 15% i.e. Re. 1/50 per ordinary share of Rs.10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in the financial statements.

37 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

37.1 Depreciation method, rates and useful lives of property, plant and equipment

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

37.2 Recoverable amount of assets / cash generating units

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

37.3 Employees retirement benefits

The present value of defined benefit obligation is based on actuarial valuation done by independent actuaries. The valuation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working life of employees and discount rate used to derive present value of defined benefit obligation.

37.4 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

37.5 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.

38 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

	30 June 2008	30 June 2007
	Rupees	*Rupees*
Irrevocable letters of credit for:		
import of machinery	**11,309,350**	-
import of stores, spares and loose tools	**3,121,650**	5,313,044
import of raw material	**133,931,104**	96,099,935
	148,362,104	101,412,979
Bills discounted	**84,521,906**	55,319,334
Commitments for fixed capital expenditure	**932,163**	2,176,242
Commitments under operating lease	**240,000**	240,000

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including effects of changes in foreign exchange rates, market interest rates, credit and liquidity risk associated with various financial assets and liabilities. The Company manages its exposure to these financial risks in the following manner.

39.1 Interest rate risk exposure

Information about the Company's exposure to interest rate risk and effective interest rates, when applicable is as follows:

	Note	Interest / mark-up bearing				Non - interest / mark-up bearing					
		Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto five years	Sub total	**30 June 2008**	30 June 2007
		Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Financial assets											
Long term deposits	*18*	-	-	-	-	-	-	1,657,190	1,657,190	1,657,190	1,657,190
Trade receivables	*21*	-	-	-	-	145,491,836	-	-	145,491,836	145,491,836	98,387,606
Advances and other receivables	*22*	-	-	-	-	1,841,354	-	-	1,841,354	1,841,354	1,240,246
Short term investments	*23*	-	-	-	-	-	-	-	-	-	133,589,633
Cash and bank balances	*24*	52,248,075	-	-	52,248,075	1,395,392	-	-	1,395,392	53,643,467	114,343,402
		52,248,075	-	-	52,248,075	148,728,582	-	1,657,190	150,385,772	202,633,847	349,218,077
Financial liabilities											
Long term finances	*6*	124,420,470	140,720,111	279,603,701	544,744,282	-	-	-	-	544,744,282	650,278,113
Liabilities against assets subject to finance lease	*8*	1,541,438	392,408	176,186	2,110,032	-	-	-	-	2,110,032	3,918,939
Trade and other payables	*11*	4,313,369	-	-	4,313,369	43,939,531	-	-	46,671,045	50,984,414	49,563,237
Mark up accrued on borrowings	*12*	-	-	-	-	25,487,089	-	-	25,487,089	25,487,089	31,938,161
Short term borrowings	*13*	647,875,502	-	-	647,875,502	-	-	-	-	647,875,502	471,238,229
		778,150,779	141,112,519	279,779,887	1,199,043,185	69,426,620	-	-	72,158,134	1,271,201,319	1,206,936,679
On balance sheet gap - 2008		**(725,902,704)**	**(141,112,519)**	**(279,779,887)**	**(1,146,795,110)**	**79,301,962**	**-**	**1,657,190**	**80,959,152**	**(1,068,567,472)**	
On balance sheet gap - 2007		(429,145,516)	(489,465,385)	(56,659,914)	(975,270,815)	115,895,023	-	1,657,190	117,552,213	(857,718,602)	

The Company is exposed to interest rate risk since it has un-capped floating interest rate arrangements in respect of its borrowings. The effective interest / mark-up rates for the interest / mark up bearing financial instruments are mentioned in respective notes to the financial statements.

39.2 Currency risk exposure

Currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currency. The Company incurs currency risk on sales, purchases and borrowings that are denominated in a currency other than functional currency. Financial assets and liabilities amounting to Rs. 22,909,771 (2007: Rs. 36,568,738) and Rs. 184,394,326 (2007: Rs. 343,525,009) respectively are exposed to currency risk.

39.3 Concentration of credit risk and credit risk exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. Out of total financial assets of Rs. 202,633,847 (2007: Rs. 349,218,077), financial assets which are subject to credit risk amount to Rs. 122,582,065 (2007: Rs. 61,818,868). The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. The Company manages credit risk by limiting significant exposure to individual customers, and obtaining advances against sales.

39.4 Liquidity risk exposure

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer.

39.5 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability be settled between knowledgeable willing parties, in an arm's length transaction. As at the reporting date, the fair values of all financial instruments are considered to approximate their book values.

40 RELATED PARTY TRANSACTIONS

Related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including chief executive, directors and executives and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties.

40.1 Transactions with Related Parties are as follows:

	30 June 2008	30 June 2007
	Rupees	*Rupees*
Transactions with Associates		
Purchases of raw material	29,064,232	-
Purchases of yarn	7,314,060	38,929,280
Purchase of stores and spares	1,053,367	129,033
Purchase of fabric	-	7,000
Purchase of property, plant and equipment	19,300,000	-
Sale of property, plant and equipment	1,764,000	-
Sales of raw material	9,593,370	2,519,345
Sale of yarn	270,486,374	419,528,254
Sale of diesel	568,200	-
Sale of stores and spares	510,643	-
Rent paid	480,000	480,000
Dividend paid	10,364,740	12,474,555

Transactions with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. The Company's key management personnel comprise the Chief Executive, Directors and Executives. Total compensation for key management personnel was as follows:

	Chief Executive	**Directors**	**Executives**
	Rupees	*Rupees*	*Rupees*
Short-term employee benefits			
Remuneration	1,440,000	2,287,951	3,080,000
Housing	360,000	622,049	1,232,000
Utilities	524,808	140,774	308,000
Meeting fee	-	15,000	
	2,324,808	3,065,774	4,620,000
Post employment benefits			
Retirement benefits	-	-	233,330
30 June 2008	**2,324,808**	**3,065,774**	**4,853,330**
30 June 2007	1,824,797	1,927,997	3,724,000
No. of persons			
30 June 2008	**1**	**2**	**7**
30 June 2007	1	2	7

Additionally, the Chief Executive and one Director are provided with free use of Company maintained cars.

40.2 Balances with Related Parties are as follows:

Shares in Company held by its related parties

	Number of ordinary shares of	
	30 June 2008	30 June 2007
Nagina Cotton Mills Limited	**2,856,995**	2,856,995
Shareholders of Nagina Cotton Mills Limited	**3,740,000**	3,740,000
Haroon Omer (Private) Limited	**512,000**	512,000
Monell (Private) Limited	**631,350**	631,350
Icaro (Private) Limited	**553,625**	553,625
ARH (Private) Limited	**628,400**	628,400
	8,922,370	8,922,370

There were no transactions and balances with related parties other than those disclosed above.

	30 June 2008	30 June 2007
	Rupees	*Rupees*

41 PLANT CAPACITY AND ACTUAL PRODUCTION

	30 June 2008	30 June 2007
Textile		
Number of spindles installed	54,528	54,528
Number of spindles worked	54,528	54,528
Number of shifts per day	3	3
Installed capacity after conversion into 30 / s counts (Kgs.)	13,654,540	13,654,540
Actual production of yarn after conversion into 30 / s counts (Kgs.)	12,087,839	11,348,169
All counts production (Kgs.)	10,460,420	10,030,927

It is difficult to precisely describe 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 accordingly to the pattern of production adopted in a particular year.

Power

Installed / actual capacity for the period at 100 % efficiency (based on 8.760 hrs)	Megawatt hours	111,471	103,456
Power generated during the year	Megawatt hours	46,223	42,289
Self consumption	Megawatt hours	41,925	42,289
Electricity sold / billed	Megawatt hours	4,298	-

The difference between installed capacity and actual production / generation is in normal course of business.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2008 by the Board of Directors of the Company.

Lahore: September 25, 2008

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

FORM 34

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

PATTERN OF SHAREHOLDING

1. Incorporation Number: **0018985**

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

3. Pattern of holding of the shares held by the shareholders as at: 30-06-2008

4.

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
62	1	100	4,184
116	101	500	36,420
61	501	1,000	46,961
65	1,001	5,000	134,099
18	5,001	10,000	131,840
2	10,001	15,000	22,700
-	15,001	25,000	-
2	25,001	30,000	55,000
-	30,001	45,000	-
1	45,001	50,000	49,500
1	50,001	55,000	54,000
-	55,001	130,000	-
1	130,001	135,000	131,350
-	135,001	145,000	-
1	145,001	150,000	148,200
-	150,001	510,000	-
1	510,001	515,000	512,000
-	515,001	550,000	-
1	550,001	555,000	553,625
-	555,001	625,000	-
1	625,001	630,000	628,400
1	630,001	635,000	631,350
-	635,001	690,000	-
1	690,001	695,000	693,700
-	695,001	705,000	-
1	705,001	710,000	706,880
-	710,001	725,000	-
1	725,001	730,000	728,146
-	730,001	900,000	-
3	900,001	905,000	2,704,750
-	905,001	2,855,000	-
1	2,855,001	2,860,000	2,856,995
			119,900
341	**Total:-**		**10,950,000**

5.	Categories of Shareholders	Shares Held	Percentage
5.1	**Directors, Chief Executive Officer, and their spouse and minor children.**		
	MR. SHAIKH ENAM ELLAHI	131,350	1.20
	MR. SHAHZADA ELLAHI SHAIKH	900,350	8.22
	MR. SHAUKAT ELLAHI SHAIKH	904,050	8.26
	MR. SHAFQAT ELLAHI SHAIKH	900,350	8.22
	MR. S.M. YUSUF	825	0.01
	MR. SYED MOHSING GILANI	500	0.00
	MR. SHAHID AZIZ (Nominee NIT)	-	0.00
	MRS. HUMERA SHAHZADA	800	0.01
	MRS. MONA SHAUKAT	800	0.01
	MRS. SHAISTA SHAFQAT	800	0.01
		2,839,825	25.94
5.2	**Associated Companies, undertakings and related parties**		
	M/S. NAGINA COTTON MILLS LTD.	2,856,995	26.09
	M/S. HAROON OMER (PVT) LTD.	512,000	4.68
	M/S. MONELL (PVT) LTD.	631,350	5.77
	M/S. ICARO (PVT) LTD.	553,625	5.06
	M/S. ARH (PVT) LTD.	628,400	5.73
		5,182,370	47.33
5.3	**NIT and ICP**		
	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	706,880	6.46
	NBP TRUSTEE - NI(U)T (LOC) FUND	728,146	6.64
	IDBP (ICP UNIT)	200	0.00
		1,435,226	13.10
5.4	**Banks Development Finance Institutions, Non Banking**	148,200	1.35
	Finance Institutions.	148,200	1.35
5.5	**Insurance Companies**	Nil	Nil
5.6	**Modarabas and Mutual Funds**	Nil	Nil
5.7	**Shareholders Holding 10% or more**		
	M/S. NAGINA COTTON MILLS LTD.	2,856,995	26.09
		2,856,995	26.09
5.8	**General Public**		
	a. Local	1,287,904	11.76
	b. Foreign	Nil	Nil
5.9	**Others**	56,475	0.52
	TOTAL:-	**10,950,000**	100.00

Note:-

M/s. Nagina Cotton Mils Ltd., had distributed 3,740,000 ordinary shares of M/s. Ellcot Spinning Mills Ltd., among its members, out of which 119,900 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".

NAGINA
NAGINA GROUP

FORM OF PROXY

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

I/We ____ of ______________ being member(s) o**f 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 20th Annual General Meeting of the Company to be held on October 27, 2008 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 ________________ 2008

NOTE:

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.

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

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