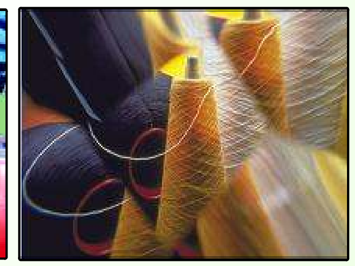
NAGINA GROUP

ELLCOT SPINNING MILLS LIMITED






ANNUAL REPORT

2010

بسم الله الرحمن الرحيم

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-54660.

REGISTERED OFFICE

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

SHARES REGISTRARS

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

MILLS

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

NOTICE OF MEETING

22nd 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 Tuesday the 26th October, 2010 at 10:30 a.m. to transact the following business:-

1. To confirm minutes of the 21st Annual General Meeting held on 26th October, 2009.
2. To receive and adopt audited accounts of the Company for the year ended on 30th June, 2010 together with the Directors' and Auditors' reports thereon.
3. To approve dividend as recommended by the Directors.
4. To appoint auditors and to fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

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

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

Lahore: September 29, 2010

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from Wednesday the 20th October, 2010 to Tuesday the 26th October, 2010 (both days inclusive). Valid transfer(s) received in order by our Shares Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore, by the close of business on Tuesday the 19th October, 2010 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.

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

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on 26th October, 2009. The company have could not implement the decision. The following is the status:

<table>
<tr><td>? Name of Investee Companies.</td><td>a) Nagina Cotton Mills Ltd. (NCML)
b) Prosperity Weaving Mills Ltd. (ESML)</td></tr>
<tr><td>? Reason for not having made investment so far.</td><td>Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no transaction transpired during the year 2009-10.</td></tr>
<tr><td>? Major change in financial position of investee Companies since date of last resolution.</td><td>
<table>
<tr><td></td><td colspan="2">Financial Position at the time of Approval as on 30th June, 2009</td><td colspan="2">Present Financial Position as on 30th June, 2010</td></tr>
<tr><td></td><td>NCML</td><td>PWML</td><td>NCML</td><td>PWML</td></tr>
<tr><td></td><td colspan="4">Rupees in Millions</td></tr>
<tr><td>Net sales</td><td>2,158.570</td><td>3,634.559</td><td>2,746.754</td><td>4,070.195</td></tr>
<tr><td>Gross Profit</td><td>216.856</td><td>368.861</td><td>486.759</td><td>399.270</td></tr>
<tr><td>Profit before tax</td><td>14.650</td><td>108.120</td><td>226.550</td><td>176.388</td></tr>
<tr><td>Profit after tax</td><td>7.576</td><td>83.902</td><td>248.511</td><td>127.321</td></tr>
</table>
</td></tr>
</table>

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 22nd Annual report of the Company together with audited accounts and auditors' report thereon for year ended June 30, 2010. Comparative figures in the Balance Sheet and Profit & Loss a/c's are for the year ended 30th June, 2009.

Production of Cotton and Blended yarns during the year stood at 11,217,909 Kgs which was 42,427 Kgs or 0.38% higher than corresponding last year. (2008-09: 11,260,336 Kgs.) The average count spun was 30.15 which is 0.20 finer than the corresponding last year (2008-09: Count spun 29.95).

Alhamdolillah, during the year, net sales value of Yarn increased by Rs.691,295,429/= or 33.84% over the previous year and stood at Rs.2,733,953,729/= or 85.81% sales (2008-09: Rs.2,042,658,300/= or 83.68% of sales). Average sales price per Kg. of yarn is Rs.239.27 which has increased by Rs.59.95 per Kg. or 33.43% over the previous year (2008-09: Rs.179.32/= per kg.). This significant increase in sales is attributable to increasing yarn prices owing to rising cotton prices and surge in demand in local as well as in international markets.

Salaries, wages & benefits at the mills increased by Rs.10,613,381/= or 8.40% over the previous year and stood at Rs.137,019,998/= (2008-09 Rs.126,406,617/=) due to increase in minimum wages and by normal increase.

Distribution costs increased by Rs.4,485,115/= or 36.80% to Rs. 29,986,671/= or 0.95% of sales. (2008-09: Rs. 25,501,556/= or 1.05% of sales). Administrative expenses decreased by Rs.2,789,855/= or 5.96% to Rs.44,035,886/= or 1.39% of sales. (2008-09: Rs. 46,825,741/= or 1.93% of sales).

Other operating expenses increased by Rs.11,957,612/= to Rs.12,353,098/= or 0.39% of sales (2008-09: Rs. 395,486/= or 0.02% of sales). Reason for increase is due to higher provision of WPPF and WWF owing to increased profitability. Net finance costs for the year decreased by Rs.44,006,517/= or 23.91% to Rs.140,059,317/= or 4.43% of sales. (2008-09: Rs. 184,065,834/= or 7.58% of sales).

Gross profit for the year increased by Rs.130,829,386/= or 50.39% over the previous year and stood at Rs.390,444,286/= or 12.34% of sales (2008-09: Rs.259,614,900/= or 10.69% of sales). Other operating income increased by Rs.239,946/= or 9.88% to Rs.2,667,986/= or 0.08% of sales. (2008-09: Rs.2,428,040/= or 0.10% of sales).

After providing Rs.91,251,659/= for Depreciation (2008-09: Rs. 97,355,364/=), Profit before tax increased by Rs.161,422,977/= to Rs.166,677,300/= or 5.27% of sales (2008-09: Rs. 5,254,323/= or 0.22% of sales). Deferred tax provision for current year amounts to Rs.21,994,443/= (2008-09: Rs. 3,025,398/=). Tax provision for the current year amounts to Rs.16,049,465/= (2008-09: Rs. 5,305,981/=). After tax profit for the current year increased by Rs.127,636,441/= to Rs.128,633,392/=. (2008-09: Rs. 996,951/=).

Earning per share (EPS) increased by Rs.11.66 to Rs. 11.75 (2008-09: 0.09).

Gross sales include Rs.177,989,192/= for sale of surplus Electricity to the Lahore Electric Supply Co. (LESCO) during the year (Sale during 2008-09 amounted to Rs. 255,907,622/=.). Members are aware that power sale contract with LESCO expired but recently after vigorous efforts by your management the same has been renewed and power sale has restarted.

Balancing, Modernisation & Replacement (BMR) of Buildings, Plant & equipment is essential for survival in the fiercely competitive markets. During the year Rs.73,854,200/= (2008-09: Rs. 46,839,946/=) were spent on Machinery and other assets.

The Directors have pleasure to recommend payment of *Cash Dividend @ 35% i.e. Rs.3/50* per ordinary share. The Dividend will absorb Rs.38,325,000/=.

According to press reports, Government of Pakistan had fixed target of 14.01 million bales of Cotton (lint) for crop season 2010-11. According to the Pakistan Cotton Ginners Association, for 2010-11 season *Kapas* (seed cotton) arrivals upto September 15, 2010 amounts to 1,447,596 (2008-09: Data not collected) lint equivalent bales. The recent floods have caused havoc in the economy and it may have negative effect on the GDP growth. The floods have caused loss of cotton crop but the loss estimates are still uncertain. At this stage it is not possible to visualize the effect the Crop size will have on price of our basic raw material.

By the Grace of Almighty Allah your company has earned historical profit for the year. The main reason for such profitability is timely procurement of cotton due to which our average cotton cost remained low, effective marketing strategy deployed by the management, conducive market environment etc. With blend of these factors the company has been able to achieve such profitability. For the next financial year of 2010-11 Directors are optimistic about the profitability of the company. However, exceptionally high prices of Raw cotton and rising inflation is likely to exert cost push pressure on the profitability of the company.

As stated in the Directors report for 3rd quarter ended 31st March, 2010, quota restriction imposed by the Government was matter of concern. Later the Government took even harsher steps and imposed regulatory duty on exports of yarn @ 15% in May 2010 by replacing the quota and consequently restricted export of yarn. This duty remained enforced till 26-7-2010. At last on repeated demands and representations to the Government by the spinning industry the duty was removed by the Government. However, for almost two months Yarn exports remained t suspended.

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. Additionally, availability of Gas is likely to become a problem due to shortages being expected in the country.

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, presents 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, 2010 are annexed.

During 2009-10, CFO, Company Secretary, Directors, their spouses and minor children did not trade in the shares of the Company.

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	4 (Four)
6.	Mr. Jamal Nasim	4 (Four)
7.	Mr. Syed Mohsin Gilani	4 (Four)

The present auditors, Messrs. Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as auditors for the year 2010-11.

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 Ellahi Shaikh.
Mg. Director (Chief Executive).

Lahore, September 29, 2010.

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. No casual vacancy occurred in the Board during the year.

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

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

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by 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. The Company has arranged orientation courses for its Directors to acquaint them with their duties and responsibilities and enable them to manage the affairs of the Company on the behalf of shareholders.

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 or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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. All related party transaction were approved and reviewed by the Board of Directors and placed before the Audit Committee. All records prescribed in this context were maintained.

21. 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 29, 2010

OPERATING FINANCIAL & INVESTMENT RATIOS
AS ON 30TH JUNE:

		YEAR ENDED 30 TH JUNE	YEAR ENDED 30 TH 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					
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cost of sales as % of sales	%	87.01	89.31	85.37	87.70	86.67	85.60	86.86	88.61	84.14	84.20	76.00	90.09
Gross profit a s% of sales	%	12.99	10.69	14.63	12.30	13.33	14.40	13.14	11.39	15.86	15.80	24.00	9.91
Operating profit as % of sales	%	10.01	10.83	15.08	12.84	10.79	11.07	9.44	5.49	8.83	8.68	17.17	4.43
Net profit /)lss) as % of sales	%	4.04	0.04	3.56	4.00	1.12	7.99	9.14	6.50	6.38	6.25	13.29	1.91
Sales (Rs. Millions)		3,186.16	2,427.54	1,828.93	1,594.88	1,481.38	1,203.29	1,064.21					
Sales growth	%	31.25	32.73	14.68	7.66	23.11	13.07						
Share holders' equity (millions)	Rs.	589.28	468.86	484.29	441.11	393.61	398.86	324.71	244.15	212.38	178.38	163.71	115.39
Pre tax profit to equity	%	28.28	1.12	17.42	14.66	19.02	16.40	29.91	21.68	22.78	26.98	60.02	13.44
After tax profit to equity	%	21.83	0.21	13.44	14.49	4.23	18.88	24.81	19.74	20.09	20.50	52.93	9.68
Leverage		1.93	2.89	2.73	2.83	2.35	2.83	2.94					
Sales to Capital employed ratio		2.76	2.37	1.77	1.46	0.62	1.03	1.31	1.74	2.52	2.73	3.14	4.28
Gross profit to Capital employed	%	35.83	25.37	25.94	17.95	21.54	13.94	17.22	19.76	40.02	43.17	75.44	42.47
Pre tax profit to Capital employed	%	14.43	0.51	8.18	5.90	8.17	6.72	11.97	11.26	16.08	17.07	41.78	8.21
After tax profit to Capital employed	%	11.14	0.10	6.31	5.84	1.82	7.73	9.93	10.26	14.19	12.97	36.85	5.92
Earning per share-Pretax	Rs.	15.22	0.48	7.71	5.93	6.84	5.98	8.87	4.83	4.42	4.40	8.97	1.42
Earning per share-after tax	Rs.	11.75	0.09	5.94	5.84	1.52	6.88	7.36	4.40	3.90	3.34	7.91	1.02
Dividend to Capital:													
Cash	%	35.00	7.50	15.00	20.00	15.00	20.00	20.00	15.00	15.00	20.00	35.00	20.00
Bonus	%	-	-	-	-	-	-	-	-	-	-	25.00	-
Break up value per share	Rs.	53.82	42.82	44.23	40.28	35.95	36.43	29.65	22.30	19.40	16.29	14.95	13.17
Debt equity ratio	%	48.97	54.19	53.03	59.73	57.43	59.41	59.98	48.00	29.38	36.74	30.38	37.37
Current ratio	%	1.20	1.01	1.00	1.08	1.00	1.01	1.12	1.02	1.02	1.07	1.03	1.00
Acid ratio	%	0.34	0.36	0.33	0.62	0.42	0.40	0.42	0.72	0.82	0.94	0.91	0.80
Total debt as to % of total assets	%	65.85	74.32	73.19	73.88	70.15	70.62	74.63	75.67	70.39	73.30	72.85	82.03
Stocks as to % of sales	%	19.29	25.28	32.37	20.63	16.84	28.00	28.97	19.32	10.32	5.49	5.54	10.81

Pattern of Shareholding

As at 30th June, 2010

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	5.05
	v)	M/S. ARH (PVT) LTD.	628,400	5.74
2)		***NIT and ICP***		
	i)	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	706,880	6.45
	ii)	NATIONAL INVESTMENT TRUST LIMITED	18,203	0.17
	iii)	NATIONAL BANK OF PAKISTAN	4,418	0.04
	iv)	NATIONAL BANK OF PAKISTAN	427,514	3.90
	v)	IDBP (ICP Unit)	200	-
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	-
	vii)	MR. JAMAL NASIM (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)	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
	i)	FAYSAL BANK LTD.	9,831	0.09
	ii)	THE BANK OF PUNJAB	140,000	1.28
	iii)	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	63,700	0.58
	iv)	GOLDEN ARROW SELECTED STOCKS FUND	745,015	6.80
		GENERAL PUBLIC (341 Shareholders)	810,919	7.41
		Shareholders of the Company 366 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 52,700 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.

T: +92 42 35756440, 35757022
F: +92 42 35757335
E: wisemen@magic.net.pk
W: www.russellbedford.com

Review Report on Statement of Compliance with Best Practices of Code of Corporate Governance

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010.

Rahman Sarfaraz Rahim Iqbal Rafiq
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: *IRFAN RAHMAN MALIK*

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS

Date: *SEPTEMBER 29, 2010*
Place: *LAHORE*

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed balance sheet of **ELLCOT SPINNING MILLS LIMITED** ("the Company") as at June 30, 2010 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profits, other comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: *IRFAN RAHMAN MALIK*

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS

Date: *SEPTEMBER 29, 2010*
Place: *LAHORE*

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
20,000,000 (2009: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid-up capital	5	**109,500,000**	109,500,000
Capital reserve	6	**7,760,000**	7,760,000
Accumulated profit		**472,021,339**	351,600,447
		589,281,339	468,860,447
Non-current liabilities			
Long term finances - Secured	7	**351,588,995**	389,700,720
Liabilities against assets subject to finance lease - Secured	8	**16,123,000**	17,993,384
Employees retirement benefits	9	**14,025,099**	15,531,673
Deferred taxation	10	**63,408,522**	41,414,079
		445,145,616	464,639,856
Current liabilities			
Current portion of non-current liabilities	11	**197,776,288**	146,894,288
Short term borrowings - Secured	12	**278,789,156**	630,444,687
Accrued interest/mark-up		**27,034,875**	41,133,496
Trade and other payables	13	**187,650,251**	73,708,533
		691,250,570	892,181,004
Contingencies and commitments	14	**-**	-
		1,725,677,525	1,825,681,307
ASSETS			
Non-current assets			
Property, plant and equipment	15	**886,961,306**	918,480,185
Long term deposits	16	**7,157,690**	5,115,190
		894,118,996	923,595,375
Current assets			
Stores, spares and loose tools	17	**19,347,783**	30,791,055
Stock in trade	18	**595,115,739**	583,005,420
Trade receivables	19	**119,778,478**	185,808,914
Advances, prepayments and other receivables	20	**51,873,369**	64,914,699
Current taxation	21	**32,184,204**	21,230,280
Cash and bank balances	22	**13,258,956**	16,335,564
		831,558,529	902,085,932
		1,725,677,525	1,825,681,307

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

Lahore: September 29, 2010

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		Rupees	*Rupees*
Turnover - net	23	**3,186,159,742**	2,441,020,123
Cost of sales	24	**2,772,369,874**	2,167,920,720
Gross profit		**413,789,868**	273,099,403
Selling and distribution expenses	25	**53,332,253**	38,986,059
Administrative and general expenses	26	**44,035,886**	46,825,741
		97,368,139	85,811,800
Net other income	27	**2,667,986**	2,428,040
Operating profit		**319,089,715**	189,715,643
Finance cost	28	**140,059,317**	184,065,834
Other charges	29	**12,353,098**	395,486
Profit before taxation		**166,677,300**	5,254,323
Taxation	30	**38,043,908**	4,257,372
Profit after taxation		**128,633,392**	996,951
Earnings per share - basic and diluted	31	**11.75**	0.09

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

Lahore: September 29, 2010

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 *Rupees*	2009 *Rupees*
Profit after taxation	**128,633,392**	996,951
Other comprehensive income	**-**	-
Total comprehensive income	**128,633,392**	996,951

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

Lahore: September 29, 2010

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**587,654,729**	228,515,293
Payments for:			
Employees retirement benefits		**(7,547,839)**	(6,383,497)
Interest/markup		**(147,001,627)**	(160,604,488)
Income tax		**(27,003,389)**	(10,596,535)
Net cash flow from operating activities		**406,101,874**	50,930,773
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(56,352,360)**	(37,007,415)
Proceeds from disposal of property, plant and equipment		**564,000**	966,000
Net cash used in investing activities		**(55,788,360)**	(36,041,415)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**164,600,568**	100,000,000
Repayment of long term finances		**(153,215,101)**	(111,828,462)
Repayment of liabilities against assets subject to finance lease		**(4,229,576)**	(2,759,800)
Net decrease in short term borrowings		**(352,373,113)**	(21,388,507)
Dividend paid		**(8,172,900)**	(16,220,492)
Net cash used in financing activities		**(353,390,122)**	(52,197,261)
Net decrease in cash and cash equivalents		**(3,076,608)**	(37,307,903)
Cash and cash equivalents as at beginning of the year		**16,335,564**	53,643,467
Cash and cash equivalents as at end of the year	34	**13,258,956**	16,335,564

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

Lahore: September 29, 2010

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NAGINA
NAGINA GROUP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued subscribed and paid-up capital	Capital reserve	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*
As at July 01, 2008	109,500,000	7,760,000	367,028,496	484,288,496
Profit for the year ended June 30, 2009	-	-	996,951	996,951
Other comprehensive income for the year ended June 30, 2009	-	-	-	-
Final dividend on ordinary shares for the year ended June 30, 2008	-	-	(16,425,000)	(16,425,000)
As at June 30, 2009	109,500,000	7,760,000	351,600,447	468,860,447
Profit for the year ended June 30, 2010	**-**	**-**	**128,633,392**	**128,633,392**
Other comprehensive income for the year ended June 30, 2010	**-**	**-**	**-**	**-**
Final dividend on ordinary shares for the year ended June 30, 2009	**-**	**-**	**(8,212,500)**	**(8,212,500)**
As at June 30, 2010	**109,500,000**	**7,760,000**	**472,021,339**	**589,281,339**

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

Lahore: September 29, 2010

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1 REPORTING ENTITY

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

2.2 Basis of measurement

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

2.3 Judgements, estimates and assumptions

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

2.3.1 Depreciation method, rates and useful lives of property, 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 and the maximum period upto which such benefits are expected to be available.

2.3.2 Recoverable amount of assets/cash generating units and impairment

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.

2.3.3 Fair values based on inputs from other than active market

Fair values of financial instruments, which are based on inputs from other than active market are determined using valuation techniques which incorporate all factors that market participants would consider in setting a price and use inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

2.3.4 Taxation

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

2.3.5 Provisions

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

2.3.6 Obligation under defined benefit plan

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

2.4 Functional currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

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

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 cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using rates specified in note 15.1 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.

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 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 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.

3.3 Stock in trade

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

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

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

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

3.4 Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

3.5 Financial instruments

3.5.1 Recognition

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

3.5.2 Classification

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

3.5.2(a) Loans and receivables

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

3.5.2(b) Financial liabilities at amortized cost

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

3.5.3 Measurement

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

3.5.4 De-recognition

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

3.5.5 Off-setting

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

3.6 Ordinary share capital

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

3.7 Loans and borrowings

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

3.8 Finance leases

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

3.9 Operating leases

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

3.10 Trade and other payables

3.10.1 Financial liabilities

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

3.10.2 Non-financial liabilities

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

3.11 Provisions and contingencies

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

3.12 Trade and other receivables

3.12.1 Financial assets

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

3.12.2 Non-financial assets

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

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 income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

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

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

Interest income is recognized using effective interest method.

3.14 Comprehensive income

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

3.15 Borrowing costs

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

3.16 Income tax

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

3.16.1 Current taxation

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

3.16.2 Deferred taxation

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

3.17 Government grants

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

3.18 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

3.19 Cash and cash equivalents

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

3.20 Foreign currency transactions and balances

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

3.21 Impairment

3.21.1 Financial assets

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

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

3.21.2 Non-financial assets

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

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

3.22 Dividend distribution to ordinary shareholders

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

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

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

IAS 23 - Borrowing Costs (Revised 2007)

The revised standard has removed the option to expense out 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 revision has not had any impact on the Company's financial statements since the Company's accounting policy for borrowing costs is already in accordance with the requirements of the revised standard, and accordingly there are no adjustments in current or prior period resulting from application of this standard.

IAS 1 - Presentation of financial statements *(Revised 2007)*

The revised standard has brought about terminology changes, and changes in format and content of the financial statements. A new term "Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with shareholders in their capacity as shareholders, has been introduced, along with new titles for the financial statements. The Company has applied this standard retrospectively, but only to the extent it is consistent with the requirements of the Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Certain requirements of the standard, including change of titles for financial statements, that are in conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder, have not been applied in presenting these financial statements. The application of this standard has resulted in presentation of all non-owner changes in equity, other than profit after taxation, which is presented in profit and loss account, separately from owner changes, in 'Statement of Other Comprehensive Income'. There are no other adjustments in current or prior periods, however the removal of above mentioned inconsistencies and conflicts in future, will cause further changes in content and format of these financial statements.

IFRS 8 - Operating Segments

This standard has superseded the requirements of IAS 14 - Segment Reporting regarding disclosure of segment information and has inroduced the concept of mnagament approach to segment reporting. Application of this standard has had impact on the Company's financial statements only to the extent of disclosures as the Company was already following management approach in reporting segment information. There are no changes in accouting policies or adjustments in the current or prior periods resulting from application to this standard.

4.2 Approved accounting standards, interpretations and amendments thereto effective with no impact on Company's financial statements

Standards, interpretations and amendments	Description
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.
IAS 27 - Consolidated and Separate Financial Statements (amendments)	The amendments deal with measurement of cost of investment in subsidiaries, jointly controlled entities.
IAS 38 - Intangible Assets (amendments)	The amendment permits an entity to recognize a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
IAS 40 - Investment Property (amendments)	The standard has been amended to include within its scope investment property in the course of construction.
IAS 20 - Government Grants (amendments)	The amendment requires that the benefit of a government loan at a below-market rate of interest be treated as government grant.
IAS 39 - Financial Instruments *Recognition and Measurement* (amendments)	The standard has been amended to permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' and 'available for sale' categories in very limited circumstances. The amendment also clarifies accounting for embedded derivatives in case of such reclassification.
IFRS 2 - Share Based Payments (amendments)	The amendment clarifies the definition of vesting conditions and accounting treatment for cancellations, and introduce the concept of non-vesting conditions.

Standards, interpretations and amendments	Description
IAS 32 - Financial Instruments *Presentation* and IAS 1 - Presentation of Financial Statements (amendments)	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.
IFRIC 15 - Agreements for the Construction of Real Estate	The interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 - Construction Contracts or IAS 18 - Revenue, and when revenue from the construction of real estate should be recognized.
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	The interpretation provides guidance on detailed requirements for net investment hedging for certain hedge accounting designations.
IFRS 3 - Business Combinations (Revised 2008)	The revision broadens the definition of business combinations, provides guidance on measurement of contingent consideration, pre-existing interests in acquiree and non-controlling interests and on accounting for transaction costs.
IAS 27 - Consolidated and Separate Financial Statements (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Company's interest in subsidiaries.
IAS 28 - Investments in Associates (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Company's interest in associates.
IAS 39 - Financial Instruments *Recognition and Measurement* (amendments)	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IFRIC 17 - Distribution of Non-Cash Assets to Owners	The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

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

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

Standards, interpretations and amendments	Description
IFRS 5 - Non-Current Asset Held for Sale and Discontinued Operations (amendments)	The standard has been amended to modify disclosure requirements. The amendment is effective for annual period beginning on or after January 01, 2010.
IAS 7 - Statement of Cash Flows (amendments)	The amendments specify that only expenditures that result in a recognized asset in the balance sheet can be classified as cash flows from investing activities. The amendments are effective for annual period beginning on or after January 01, 2010.
IAS 17 - Leases (amendments)	The standard has been amended to permit leases of land to be classified and accounted for as finance leases if certain conditions are met. The amendments are effective for annual period beginning on or after January 01, 2010.

	2010 Rupees	2009 Rupees

5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2010 Rupees	2009 Rupees
Ordinary shares of Rs. 10 each		
8,760,000 (2009: 8,760,000) shares issued for cash	**87,600,000**	87,600,000
2,190,000 (2009: 2,190,000) shares issued as fully paid bonus shares	**21,900,000**	21,900,000
	109,500,000	109,500,000

6 CAPITAL RESERVE

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

7 LONG TERM FINANCES - SECURED

	Note	2010 *Rupees*	2009 *Rupees*
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finances ('TF')			
TF - I	*7.1*	**96,576,040**	144,864,058
TF - II	*7.2*	**1,744,324**	2,616,487
TF - III	*7.3*	**132,206,470**	169,979,746
TF - IV	*7.4*	**87,500,000**	100,000,000
TF - V	*7.5*	**15,594,820**	46,784,456
TF - VI	*7.6*	**90,000,000**	-
TF - VII	*7.7*	**64,600,568**	-
		488,222,222	464,244,747
Long Term Finances for Export Oriented Projects ('LTFEOP')			
LTFEOP - I	*7.8*	**5,631,744**	7,039,680
LTFEOP - II	*7.9*	**17,792,216**	22,240,271
LTFEOP - III	*7.10*	**24,894,105**	29,043,122
LTFEOP - IV	*7.11*	**7,761,000**	10,348,000
		56,079,065	68,671,073
		544,301,287	532,915,820
Current maturity presented under current liabilities	*11*	**(192,712,292)**	(143,215,100)
		351,588,995	389,700,720

7.1 The finance has been obtained from United Bank Limited for the expansion of spinning unit of the Company and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 0.7% per annum (2009: six months KIBOR plus 0.7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in October 2007.

7.2 The finance has been obtained from United Bank Limited for the expansion of spinning unit of the Company and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 0.7% per annum (2009: six months KIBOR plus 0.7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in August 2007.

7.3 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 1.5% per annum (2009: six months KIBOR plus 1.5% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in February 2009.

7.4 The finance has been obtained from National Bank of Pakistan for financial restructuring and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 2.5% per annum (2009: six months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in eight equal semi-annual installments with the first installment due in June 2010.

7.5 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 1.5% per annum (2009: six months KIBOR plus 1.5% per annum), payable semi-annually. The finance is repayable in eleven equal semi-annual installments with the first installment due in September 2005.

7.6 The finance has been obtained from Faysal Bank Limited for financial restructuring and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at three months KIBOR plus 2.25% per annum, payable quarterly. The finance is repayable in ten equal quarterly installments with the first installment due in May 2010.

7.7 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 1.75% per annum, payable semi-annually. The finance is repayable in eight equal semi-annual installments with the first installment due in December 2011.

7.8 The finance has been obtained from United Bank Limited as partial conversion of TF-I and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2009: 7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in December 2006.

7.9 The finance has been obtained from United Bank Limited as partial conversion of TF-I and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2009: 7% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in December 2006.

7.10 The finance has been obtained from United Bank Limited as partial conversion of TF-II and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2009: 7% per annum), payable semi-annually. The finance is repayable in eleven equal semi-annual installments with the first installment due in February 2007.

7.11 The finance has been obtained from Bank Alfalah Limited as partial conversion of TF-V and is secured by charge over operating assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at 7% per annum (2009: 7% per annum), payable quarterly. The finance is repayable in eight equal semi-annual installments with the first installment due in March 2007.

7.12 For restrictions on title, and assets pledged as security, refer to note 40 to the financial statements.

	Note	**2010**	2009
		Rupees	*Rupees*
8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED			
Present value of minimum lease payments	*8.1 & 8.2*	**21,186,996**	21,672,572
Current maturity presented under current liabilities	*8.1 & 8.2*	**(5,063,996)**	(3,679,188)
		16,123,000	17,993,384

8.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from six months KIBOR plus 1% to 3.4% per annum (2009: six months KIBOR plus 1% to 3.4% per annum). Lease rentals are payable quarterly over a tenor ranging from 4 to 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

8.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	Note	**2010**	2009
		Rupees	*Rupees*
Not later than one year		**7,839,166**	6,741,416
Later than one year but not later than five years		**19,526,187**	23,525,069
Total future minimum lease payments		**27,365,353**	30,266,485
Finance charge allocated to future periods		**(6,178,357)**	(8,593,913)
Present value of future minimum lease payments		**21,186,996**	21,672,572
Not later than one year	*11*	**(5,063,996)**	(3,679,188)
Later than one year but not later than five years		**16,123,000**	17,993,384

	Note	2010 Rupees	2009 Rupees
9 EMPLOYEES RETIREMENT BENEFITS			
The amounts recognized on balance sheet are as follows:			
Present value of defined benefit obligation	9.1	**14,760,631**	13,992,889
Unrecognized actuarial (losses)/gains	9.2	**(735,532)**	1,538,784
		14,025,099	15,531,673
9.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**13,992,889**	11,650,020
Charged to profit or loss for the year	9.3	**6,051,229**	9,501,448
Benefits paid during the year		**(7,547,839)**	(6,383,497)
Actuarial loss/(gain) arising during the year	9.2	**2,264,352**	(775,082)
As at end of the year		**14,760,631**	13,992,889
9.2 Movement in unrecognized actuarial (losses)/gains			
As at beginning of the year		**1,538,784**	763,702
(Loss)/gain arising during the year		**(2,264,352)**	775,082
Recognized during the year	9.3	**(9,964)**	-
As at end of the year		**(735,532)**	1,538,784
9.3 Charge to profit or loss			
Current service cost		**4,178,950**	7,377,170
Interest cost		**1,872,279**	2,124,278
	9.1	**6,051,229**	9,501,448
Actuarial gain recognized during the year	9.2	**(9,964)**	-
		6,041,265	9,501,448
9.4 The charge to profit or loss has been allocated as follows			
Cost of sales	24.3	**4,064,883**	6,763,946
Administrative and general expenses	26.1	**1,976,382**	2,737,502
		6,041,265	9,501,448

9.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2010 is based on actuarial valuation was carried out by independent valuers and that as at June 30, 2009 was determined by the management of the Company based on internal estimates. The principal actuarial assumptions used in determining present value of defined benefit obligation are:

	2010	2009
Discount rate	**10%**	12%
Expected rates of increase in salary	**10%**	11%
Expected average remaining working lives of employees	**14 years**	14 years

9.6 Historical information

		2010	2009	2008	2007	2006
Present value of defined benefit obligation	*Rupees*	**14,760,631**	13,992,889	11,650,020	12,682,836	7,615,462
Actuarial adjustment arising during the year	%	**15.34**	5.54	6.56	-	-

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

	Note	2010 Rupees	2009 Rupees
10 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	10.1	**65,298,404**	79,649,433
Deferred tax asset on deductible temporary differences	10.1	**(1,889,882)**	(38,235,354)
		63,408,522	41,414,079

10.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2010			
	As at July 01 *Rupees*	**Recognized in profit or loss** *Rupees*	**Recognized in equity** *Rupees*	**As at June 30** *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	**77,875,935**	**(13,562,671)**	**-**	**64,313,264**
Operating fixed assets - leased	**1,773,498**	**(788,358)**	**-**	**985,140**
	79,649,433	**(14,351,029)**	**-**	**65,298,404**
Deferred tax assets				
Employees retirement benefits	**(2,522,557)**	**632,675**	**-**	**(1,889,882)**
Unused tax losses and credits	**(35,712,797)**	**35,712,797**	**-**	**-**
	(38,235,354)	**36,345,472**	**-**	**(1,889,882)**
	41,414,079	**21,994,443**	**-**	**63,408,522**

	2009			
	As at July 01 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in equity *Rupees*	As at June 30 *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	85,572,985	(7,697,050)	-	77,875,935
Operating fixed assets - leased	585,513	1,187,985	-	1,773,498
	86,158,498	(6,509,065)	-	79,649,433
Deferred tax assets				
Employees retirement benefits	(2,623,741)	101,184	-	(2,522,557)
Unused tax losses and credits	(45,146,076)	9,433,279	-	(35,712,797)
	(47,769,817)	9,534,463	-	(38,235,354)
	38,388,681	3,025,398	-	41,414,079

10.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated as that proportion of total timing differences that the local sales, other than the indirect exports taxable under Section 154 (3B) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 35% (2009: 35%) of the timing differences so determined.

	Note	**2010** *Rupees*	2009 *Rupees*
11 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finances	*7*	**192,712,292**	143,215,100
Liabilities against assets subject to finance lease	*8*	**5,063,996**	3,679,188
		197,776,288	146,894,288
12 SHORT TERM BORROWINGS - SECURED			
These represent short term finances utilized under interest/mark-up arrangements from banking companies			
Cash finance	*12.1*	**62,021,034**	349,404,987
Running finance	*12.1*	**11,622,512**	20,988,788
Term advances	*12.1*	**70,000,000**	-
Export loans	*12.1*	**-**	35,000,000
Import loans	*12.1*	**101,422,390**	225,050,912
Finance against inland bills	*12.1*	**33,723,220**	-
		278,789,156	630,444,687

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

Mark-up on these finances is payable along with principal on maturity, with the exception of cash finance and running finance where mark-up is payable quarterly and that of finance against inland bills where mark-up is paid in advance at the time of disbursement. Local currency finances carry markup at rates ranging from one to three months KIBOR plus 0.5% to 2% per annum (2009: one to six months KIBOR plus 0.7% to 2.25% per annum). Foreign currency finances carry mark up at LIBOR of matching tenor plus spread of upto 0.75% per annum (2009: LIBOR of matching tenor plus spread of upto 0.75% per annum). Letters of credit / guarantee carry commission at 0.6% per annum (2009: 0.5% per annum).

The aggregate available short term funded facilities amounts to Rs. 1,305 million (2009: Rs. 1,067 million) out of which Rs. 1,026 million (2009: Rs. 437 million) remained unavailed as at the reporting date.

12.2 For restrictions on title, and assets pledged as security, refer to note 40 to the financial statements.

	Note	**2010**	2009
		Rupees	*Rupees*
13 TRADE AND OTHER PAYABLES			
Trade creditors - Unsecured		**27,699,420**	24,430,569
Accrued liabilities		**47,094,804**	39,123,030
Advances from customers - Unsecured		**66,528,319**	7,137,373
Infrastructure tax	*13.1*	**30,792,639**	-
Workers' Profit Participation Fund	*13.2*	**9,002,280**	333,250
Workers' Welfare Fund	*13.3*	**3,514,574**	112,996
Unclaimed dividend		**763,422**	723,822
Other payables - Unsecured		**2,254,793**	1,847,493
		187,650,251	73,708,533

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

	Note	**2010**	2009
		Rupees	*Rupees*
13.2 Workers' Profit Participation Fund			
As at beginning of the year		**333,250**	4,491,127
Interest on funds utilized by the Company	*13.2.1*	**30,648**	574,951
Charged to profit or loss for the year		**8,951,520**	282,490
Paid during the year		**(313,138)**	(5,015,318)
As at end of the year		**9,002,280**	333,250

13.2.1 Interest is charged at 17.5% (2009: 17.5%) per annum.

	2010	2009
13.3 Workers' Welfare Fund		
As at beginning of the year	**112,996**	-
Charged to profit or loss for the year	**3,401,578**	112,996
Paid during the year	**-**	-
As at end of the year	**3,514,574**	112,996

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

	2010	2009
14.1.1 Guarantees issued by banks on behalf of the Company	**62,987,600**	21,845,300
14.1.2 Bills discounted/negotiated	**161,080,610**	117,584,437

14.1.3 Various suits have been filed by ex-employees of the Company for termination benefits against the Company in labour courts. Amount involved is approximately Rs. 148,000 which may become payable if the cases are decided against the Company, however no provision has been made in this respect as the management is confident that these suits will be decided in favour of the Company.

14.1.4 The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.

14.1.5 Contingencies related to tax matters are referred to note 30 to the financial statements.

14.2 Commitments

14.2.1 Commitments under irrevocable letters of credit for:

- purchase of stores, spare and loose tools	**7,157,835**	595,685
- purchase of raw material	**26,835,600**	117,670,696
	33,993,435	118,266,381

14.2.2 Commitments for capital expenditure	**-**	987,276

14.2.3 Commitments under operating leases

The Company has rented office premises from an associated undertaking under operating lease arrangements. Commitments for payments in future periods under the lease agreement are as follows:

	2010	2009
	Rupees	*Rupees*
- payments not later than one year	**240,000**	240,000
- payments later than one year	**-**	-
	240,000	240,000

15 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	*15.1*	**886,961,306**	904,722,345
Capital work in progress	*15.2*	**-**	13,757,840
		886,961,306	918,480,185

15 Operating fixed assets

2010

	COST						DEPRECIATION				Net book value
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	As at July 01 Rupees	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	as at June 30 Rupees
Assets owned by the Company											
Freehold land	6,093,568	-		-	6,093,568	-	-	-	-	-	6,093,568
Buildings on freehold land											
Mills	173,401,446	-		-	173,401,446	10	79,214,396	9,418,705	-	88,633,101	84,768,345
Other factory buildings	50,571,523	-		-	50,571,523	5	18,324,327	1,692,850	-	20,017,177	30,554,346
Non-factory buildings	4,331,455	-		2,442,466	6,773,921	10	3,199,059	113,240	-	3,312,299	3,461,622
Plant and machinery	1,235,578,935	60,000		53,079,838	1,288,718,773	10	553,745,293	68,628,696	-	622,373,989	666,344,784
Electric installation and equipment	61,876,928	22,411		14,007,133	75,906,472	10	30,048,456	4,001,838	-	34,050,294	41,856,178
Factory equipment	6,582,763	-		-	6,582,763	10	3,097,905	348,486	-	3,446,391	3,136,372
Laboratory equipment	11,157,359	9,000		-	11,166,359	10	3,690,930	747,093	-	4,438,023	6,728,336
Fire fighting equipment	1,846,665	-		-	1,846,665	10	1,111,253	73,541	-	1,184,794	661,871
Office equipment	11,048,146	222,270		-	11,270,416	10	7,378,522	377,816	-	7,756,338	3,514,078
Furniture and fixtures	6,173,947	40,600		-	6,214,547	10	3,382,074	280,967	-	3,663,041	2,551,506
Arms and ammunitions	763,013	-		-	763,013	10	424,101	33,891	-	457,992	305,021
Vehicles	13,740,447	226,482	(1,354,230)	8,500,000	21,112,699	20	6,841,184	2,119,023	3,665,083	12,625,290	8,487,409
	1,583,166,195	580,763	(1,354,230)	78,029,437	1,660,422,165		710,457,500	87,836,146	3,665,083	801,958,729	858,463,436
Assets subject to finance lease											
Plant and machinery	28,209,310	-		-	28,209,310	10	1,657,665	2,655,165	-	4,312,830	23,896,480
Vehilces	10,327,835	3,744,000	-	(8,500,000)	5,571,835	20	4,865,830	760,348	(4,655,733)	970,445	4,601,390
	1,621,703,340	4,324,763	(1,354,230)	69,529,437	1,694,203,310		716,980,995	91,251,659	(990,650)	802,929,174	886,961,306

2009

	COST						DEPRECIATION				Net book value
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	As at July 01 Rupees	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	as at June 30 Rupees
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-		6,093,568
Buildings on freehold land											
Mills	173,401,446	-	-	-	173,401,446	10	68,749,168	10,465,228	-	79,214,396	94,187,050
Other factory buildings	50,571,523	-	-	-	50,571,523	5	16,627,106	1,697,221	-	18,324,327	32,247,196
Non-factory buildings	4,331,455	-	-	-	4,331,455	10	3,073,237	125,822	-	3,199,059	1,132,396
Plant and machinery	1,218,436,638	12,482,337	-	4,659,960	1,235,578,935	10	478,833,114	74,912,179	-	553,745,293	681,833,642
Electric installation and equipment	61,876,928	-	-	-	61,876,928	10	26,511,958	3,536,498	-	30,048,456	31,828,472
Factory equipment	6,582,763	-	-	-	6,582,763	10	2,710,699	387,206	-	3,097,905	3,484,858
Laboratory equipment	11,157,359	-	-	-	11,157,359	10	2,861,327	829,603	-	3,690,930	7,466,429
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	1,029,541	81,712	-	1,111,253	735,412
Office equipment	10,941,846	106,300	-	-	11,048,146	10	6,972,369	406,153	-	7,378,522	3,669,624
Furniture and fixtures	6,173,947	-	-	-	6,173,947	10	3,071,865	310,209	-	3,382,074	2,791,873
Arms and ammunitions	763,013	-	-	-	763,013	10	386,444	37,657	-	424,101	338,912
Vehicles	16,872,838	466,574	(3,598,965)	-	13,740,447	20	7,837,367	1,752,503	(2,748,686)	6,841,184	6,899,263
	1,569,049,989	13,055,211	(3,598,965)	4,659,960	1,583,166,195		618,664,195	94,541,991	(2,748,686)	710,457,500	872,708,695
Assets subject to finance lease											
Plant and machinery	-	-	-	28,209,310	28,209,310	10	-	1,657,665	-	1,657,665	26,551,645
Vehilces	9,412,370	915,465	-	-	10,327,835	20	3,710,122	1,155,708	-	4,865,830	5,462,005
	1,578,462,359	13,970,676	(3,598,965)	32,869,270	1,621,703,340		622,374,317	97,355,364	(2,748,686)	716,980,995	904,722,345

15.1.1 Disposal of property, plant and equipment

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

	2009						
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Vehicles - owned							
Honda Civic - LXL 6388	990,280	851,414	138,866	150,000	11,134	Negotiation	Mazhar Farooq, Lahore
Toyota Corolla - LRP 2049	1,277,332	945,277	332,055	335,000	2,945	Negotiation	Qaisar Abbas, Lahore
Yamaha 100 - LOY 4633	56,000	53,111	2,889	16,000	13,111	Negotiation	Shaukat Ali, Khanewal
Honda CD 70 - LOZ 6933	55,000	51,629	3,371	16,000	12,629	Negotiation	Amjad Pervaiz, Sialkot
Honda CD 70 - LXE 9833	57,500	51,996	5,504	17,000	11,496	Negotiation	Mamoor Khan, Kohat
Honda Citi - LZH 5673	814,660	501,535	313,125	325,000	11,875	Negotiation	Sultan Habib, Lahore
Yamaha 100 - LXO 4833	68,368	60,243	8,125	18,000	9,875	Negotiation	Fiaz Mahmood, Lahore
Honda CD 70 - LXW 4634	68,755	58,542	10,213	23,000	12,787	Negotiation	Haji Talat, Lahore
Yamaha 100 - LRD 2799	71,700	58,387	13,313	22,000	8,687	Negotiation	Khalid Mahmood, Sargodha
Yamaha 100 - LXV 8427	70,700	57,573	13,127	21,000	7,873	Negotiation	Khawar Gulzar, Lahore
Honda CD 70 - LXW 4633	68,670	58,979	9,691	23,000	13,309	Negotiation	Zulfiqar Ali , Rahim Yar Khan
	3,598,965	2,748,686	850,279	966,000	115,721		

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

	Note	2010 Rupees	2009 Rupees
15.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*24*	**88,905,153**	94,841,991
Administrative and selling expenses	*26*	**2,346,506**	2,513,373
		91,251,659	97,355,364

15.2 Capital work in progress

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

	2009			
	As at July 01 *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at June 30 *Rupees*
Building	850,290	-	-	850,290
Plant and machinery	417,741	32,612,150	(32,869,270)	160,621
Electric installations and equipment	-	12,746,929	-	12,746,929
	1,268,031	45,359,079	(32,869,270)	13,757,840

In the previous year's financial statements, additions to electric installations and equipment amounting to Rs. 12,746,929 were erroneously included in additions to plant and machinery and were thus included in the closing balance of Capital Work in Progress ('CWIP') of plant and machinery as at June 30, 2009. The error has however been corrected in these financial statements, and the movement in CWIP of electric installations and equipment has been presented separately for both the current and prior periods presented.

	Note	2010 Rupees	2009 Rupees
16 LONG TERM DEPOSITS			
Utility companies and regulatory authorities	*16.1*	**7,103,690**	5,061,190
Financial institutions		**54,000**	54,000
		7,157,690	5,115,190

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

	Note	2010 Rupees	2009 Rupees
17 STORES, SPARES AND LOOSE TOOLS			
Stores		**12,415,606**	21,986,946
Spares		**6,863,839**	8,533,053
Loose tools		**68,338**	271,056
		19,347,783	30,791,055
18 STOCK IN TRADE			
Raw material - spinning unit		**417,884,925**	493,466,907
Fuel stock - power unit		**8,064,442**	13,036,200
Work in process		**27,039,511**	22,478,448
Finished goods	*18.1*	**142,126,861**	54,023,865
		595,115,739	583,005,420

18.1 Stock of finished goods include stock of waste valued at Rs. 1,651,028 (Rs. 1,514,611).

18.2 Entire stock in trade, with the exception of waste, is carried at cost being lower than net realizable value

18.3 Details of stock pledged as security are referred to in note 40 to the financial statements.

	Note	2010	2009
		Rupees	*Rupees*
19 TRADE RECEIVABLES			
Local - unsecured, considered good		**112,365,480**	120,294,280
Foreign - secured	*19.1*	**7,412,998**	65,514,634
		119,778,478	185,808,914

19.1 These are secured against letters of credit

	Note	2010	2009
		Rupees	*Rupees*
20 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - *unsecured, considered good*		**4,223,247**	4,248,836
Advances to employees - *unsecured, considered good*	*20.1*	**656,444**	579,927
Prepayments		**1,162,945**	5,559,880
Export rebate receivable	*20.2*	**442,206**	495,979
Withholding tax on regular income certificates	*30.9*	**6,240,800**	6,240,800
Letters of credit		**24,655,513**	42,823,766
Insurance claims		**2,485,478**	934,854
Sales tax refundable		**11,771,380**	3,287,592
Other receivables - *unsecured, considered good*		**235,356**	743,065
		51,873,369	64,914,699

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

	Note	2010	2009
		Rupees	*Rupees*
20.2 Export rebate receivable			
As at beginning of the year		**495,979**	442,206
Claimed during the year		**69,313**	111,822
Received/adjusted during the year		**(123,086)**	(58,049)
As at end of the year		**442,206**	495,979
21 CURRENT TAXATION			
Advance income tax		**48,233,669**	22,462,254
Provision for taxation		**(16,049,465)**	(1,231,974)
		32,184,204	21,230,280
22 CASH AND BANK BALANCES			
Cash at banks			
current accounts in local currency		**8,214,807**	8,582,510
deposit/saving accounts in local currency	*22.1 & 22.2*	**5,017,163**	7,728,643
deposit/saving accounts in foreign currency	*22.1*	**26,986**	24,411
		13,258,956	16,335,564

22.1 Effective mark-up rate in respect of deposit/saving accounts, for the year, ranges from 9.33% to 9.65% (2009: 9.38% to 12.60%).

23 TURNOVER - NET

		2010		
		Local	**Export**	**Total**
		Rupees	***Rupees***	***Rupees***
Yarn	*23.1 & 23.2*	**1,204,315,972**	**1,529,568,444**	**2,733,884,416**
Power		**177,989,192**	**-**	**177,989,192**
Raw cotton, polyester etc.	*23.3*	**139,453,493**	**-**	**139,453,493**
Waste	*23.4*	**59,385,252**	**75,378,076**	**134,763,328**
		1,581,143,909	**1,604,946,520**	**3,186,090,429**
Export rebate		**-**	**69,313**	**69,313**
Trade discount		**-**	**-**	**-**
Sales tax		**-**	**-**	**-**
		1,581,143,909	**1,605,015,833**	**3,186,159,742**

		2009		
		Local	Export	Total
		Rupees	*Rupees*	*Rupees*
Yarn	*23.1 & 23.2*	1,551,459,703	491,086,775	2,042,546,478
Power		255,907,622	-	255,907,622
Raw cotton, polyester etc.	*23.3*	82,155,803	-	82,155,803
Waste	*23.4*	20,787,037	39,511,361	60,298,398
		1,910,310,165	530,598,136	2,440,908,301
Export rebate		-	111,822	111,822
Trade discount		-	-	-
Sales tax		-	-	-
		1,910,310,165	530,709,958	2,441,020,123

23.1 These include sales to related parties amounting to Rs. 273,782,402 (2009: Rs. 443,736,389).

23.2 Yarn export sales include indirect exports, taxable under Section 154 (3B) of the Income Tax Ordinance, 2001, amounting to Rs. 747,841,824 (2009: Rs. nil).

23.3 These include sales to related parties amounting to Rs. nil (2009: Rs. 42,848,843).

23.4 These include sales to related parties amounting to Rs. nil (2009: Rs. 116,534).

	Note	**2010**	2009
		Rupees	*Rupees*
24 COST OF SALES			
Raw material consumed - spinning unit	*24.1*	**1,959,107,562**	1,452,353,849
Fuel consumed - power unit	*24.2*	**320,231,349**	378,691,111
Stores, spares and loose tools consumed		**126,138,024**	72,706,507
Salaries, wages and benefits	*24.3*	**137,019,998**	126,406,617
Insurance		**9,032,944**	9,175,363
Electricity		**66,827,725**	10,658,929
Repair and maintenance		**5,953,744**	4,799,453
Depreciation	*15.1.3*	**88,905,153**	94,841,991
Others		**28,506,616**	12,720,299
Manufacturing cost		**2,741,723,115**	2,162,354,119
Work in process			
As at beginning of the year		**22,478,448**	18,911,424
As at end of the year		**(27,039,511)**	(22,478,448)
		(4,561,063)	(3,567,024)
Cost of goods manufactured		**2,737,162,052**	2,158,787,095

	Note	2010	2009
		Rupees	*Rupees*
Finished goods			
As at beginning of the year		**54,023,865**	46,959,475
Purchased during the year	24.4	**123,310,818**	16,198,015
As at end of the year		**(142,126,861)**	(54,023,865)
		35,207,822	9,133,625
		2,772,369,874	2,167,920,720

24.1 Raw material consumed - spinning unit

As at beginning of the year		**493,466,907**	484,507,473
Purchased during the year	24.1.1	**1,883,525,580**	1,461,313,283
As at end of the year		**(417,884,925)**	(493,466,907)
		1,959,107,562	1,452,353,849

24.1.1 These include purchases from related parties amounting to Rs. 105,761,125 (2009: 32,223,063).

24.2 Fuel consumed - power unit

As at beginning of the year		**13,036,200**	15,091,874
Purchased during the year	24.2.1	**332,386,526**	388,982,195
Sold during the year	24.2.2	**(17,126,935)**	(12,346,758)
As at end of the year		**(8,064,442)**	(13,036,200)
		320,231,349	378,691,111

24.2.1 These include purchases from related parties amounting to Rs. nil (2009: 14,597,976).

24.2.2 These include sales to related parties amounting to Rs. 1,716,934 (2009: Rs. 12,346,758).

24.3 These include charge in respect of employees retirement benefits amounting to Rs.4,064,883 (2009: Rs. 6,763,946).

24.4 These include purchases from related parties amounting to Rs. 98,099,162 (2009: 13,168,115).

	Note	2010	2009
		Rupees	*Rupees*
25 SELLING AND DISTRIBUTION EXPENSES			
Export			
Ocean freight and forwarding		**17,112,746**	17,246,037
Commission	25.1	**18,529,724**	10,271,992
Export development surcharge		**2,232,665**	1,197,493
		37,875,135	28,715,522
Local			
Inland transportation		**10,152,329**	6,437,340
Commission	25.1	**4,815,858**	3,212,511
Others		**488,931**	620,686
		15,457,118	10,270,537
		53,332,253	38,986,059

25.1 Commission on sales, previously shown as deduction from turnover, have reclassified and presented as selling and distribution expenses for better presentation.

	Note	2010 Rupees	2009 Rupees
26 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' remuneration		**7,292,730**	6,183,102
Directors' meeting fee		**70,000**	15,000
Salaries and benefits	*26.1*	**19,751,236**	18,772,059
Rent, rates and taxes		**522,000**	518,500
Printing and stationery		**498,285**	518,764
Communication		**1,425,143**	1,771,879
Electricity		**1,273,089**	998,430
Repair and maintenance		**91,931**	148,948
Vehicles running and maintenance		**3,409,471**	2,266,510
Traveling and conveyance		**2,197,170**	8,471,329
Legal and professional charges		**2,170,117**	1,571,181
Auditors' remuneration	*26.2*	**652,500**	517,500
Fee and subscription		**472,632**	663,703
Entertainment		**113,998**	130,484
Insurance		**1,516,227**	1,633,411
Depreciation	*15.1.3*	**2,346,506**	2,513,373
Others		**232,851**	131,568
		44,035,886	46,825,741

26.1 These include charge in respect of employees retirement benefits amounting to Rs.1,976,382 (2009: Rs. 2,737,502).

	Note	2010 Rupees	2009 Rupees
26.2 Auditor's remuneration			
Annual statutory audit		**500,000**	375,000
Half yearly review		**75,000**	75,000
Review report under Code of Corporate Governance		**50,000**	40,000
Out of pocket expenses		**27,500**	27,500
		652,500	517,500
27 NET OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		**365,286**	358,159
Foreign exchange gain		**101,499**	88,435
		466,785	446,594
Other income/(expenses)			
Gain on disposal of property, plant and equipment	*15.1.1*	**200,420**	115,721
Scrap sale		**2,002,781**	2,865,725
Donations	*27.1*	**(2,000)**	(1,000,000)
		2,201,201	1,981,446
		2,667,986	2,428,040

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

	Note	2010 Rupees	2009 Rupees
28 FINANCE COST			
Interest / mark-up on:			
long term finances		**67,134,050**	62,948,294
liabilities against assets subject to finance lease		**3,034,408**	2,535,039
short term borrowings		**62,734,548**	110,192,611
workers' profit participation fund		**30,648**	574,951
		132,933,654	176,250,895
Foreign exchange loss		**717,582**	3,957,692
Bank charges and commission		**6,408,081**	3,857,247
		140,059,317	184,065,834

	Note	2010 Rupees	2009 Rupees
29 OTHER CHARGES			
Workers' Profit Participation Fund		**8,951,520**	282,490
Workers' Welfare Fund		**3,401,578**	112,996
		12,353,098	395,486
30 TAXATION			
Current taxation	*30.1*	**16,049,465**	1,231,974
Deferred taxation	*10.1*	**21,994,443**	3,025,398
		38,043,908	4,257,372

30.1 Provision for current tax has been made in accordance with section 18 and section 154 of the Income Tax Ordinance, 2001 ('the Ordinance'). The Company has carried forward losses in respect of its local sales and the provision for current tax relates only to export sales of the Company, which are taxable under the final tax regime. There is no relationship between the aggregate tax expense and accounting profit and accordingly, no numerical reconciliation has been presented.

30.2 Assessments upto assessment year 2001-2002 have been finalized under the relevant provisions of the Repealed Income Tax Ordinance, 1979.

30.3 Assessment for the assessment year 2002-2003 was finalized through assessment order dated April 30, 2005 against which the Company filed an appeal before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] on several grounds. The CIR(A), through appellate order dated November 10, 2005, decided the case in favour of the Company on all issues except the estimation of sale value of scrap which was maintained at Rs 1,450,000 as against the sale proceeds of Rs 1,007,544 declared by the Company. The department has preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') against the CIR(A)'s order, which is pending for hearing.

30.4 The Company's case was selected for audit by the department for tax year 2003 in terms of section 177 of the Ordinance vide letter dated May 4, 2006. On conclusion of audit proceedings, the department, through order dated September 29, 2008 passed under section 122(1) of the Ordinance, raised a tax demand of Rs 8,458,874. The Company filed an appeal before the CIR(A) against this order and CIR(A), through order dated June 13, 2009, dismissed certain disallowances / additions made by the Assistant Commissioner Inland Revenue ('ACIR') and upheld some of them against which the Company filed an appeal before ATIR. Moreover, the department also went into cross appeal against the CIR(A)'s order before ATIR. Both appeals are pending for adjudication. The appeal effect was issued by the department assessing taxable income at Rs 2,056,740 and tax refundable at Rs 3,443,879. Further the department is also in appeal before ATIR on the issue of 'minimum tax on turnover' which is pending for hearing.

30.5 The assessment for the tax year 2004 was amended under section 122(5A) of the Ordinance through order dated September 29, 2009, issued by the ACIR, thereby assessing taxable income at Rs 24,151,913 and tax liability at Rs 8,767,144. The Company filed an appeal against this order before CIR(A). However, the CIR(A) did not allow full relief to the Company. Moreover, the ground that ACIR has illegally invoked the provisions of section 122(5A) of the Ordinance, was also rejected by the CIR(A). Against these issues, the Company has filed an appeal before the ATIR. Further the department is in appeal before ATIR on the issue of 'minimum tax on turnover' which is pending for hearing.

30.6 Income tax returns for tax year 2005, transitional tax year 2005 and tax year 2006 are deemed assessments in terms of section 120(1) of the Ordinance.

30.7 The Deputy Commissioner Inland Revenue ('DCIR') initiated the withholding tax compliance proceedings under section 161/205 of the Ordinance, through notice dated May 21, 2010 whereby the Company was required to submit a reconciliation statement as per Rule 44(4) of the Income Tax Rules, 2002. In this connection, the reconciliations in the requisite formats alongwith underlying documents were submitted to the DCIR on June 29, 2010 and June 18, 2010. The proceedings have not been concluded by the DCIR.

30.8 Income tax return for the tax year 2009 is deemed assessment in terms of section 120(1) of the Ordinance.

30.9 In previous years the Company encashed its investment in Regular Income Certificates issued by National Saving Centre ('NSC') amounting to Rs.193.76 million. NSC unauthorizedly deducted an amount of Rs. 6.24 million on account of withholding tax from the amount of return on said investment. The Company filed a writ petition on February 14, 2004 with Honorable Lahore High Court ('LHC') for refund of this incorrectly withheld amount. LHC vide order dated March 14, 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 20 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.

	Unit	2010	2009
31 EARNINGS PER SHARE			
Profit attributable to ordinary shareholders	*Rupees*	**128,633,392**	996,951
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**10,950,000**	10,950,000
Earnings per share	*Rupees*	**11.75**	0.09

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

32 GOVERNMENT GRANTS

During the year, the Company recognized Rs. 7,334,966 (2009: Rs. 9,348,404) as mark-up rate subsidy which has been accounted for as government grant in accordance with IAS 20 'Government Grants'. The amount has been deducted in reporting interest/mark-up expenses on relevant borrowings.

	2010 *Rupees*	2009 *Rupees*
33 CASH GENERATED FROM OPERATIONS		
Profit before taxation	**166,677,300**	5,254,323
Adjustments for non-cash and other items		
Interest / markup expense	**132,933,654**	176,250,895
Gain on disposal of property, plant and equipment	**(200,420)**	(115,721)
Foreign exchange loss	**616,083**	3,869,257
Provision for employees retirement benefits	**6,041,265**	9,501,448
Depreciation	**91,251,659**	97,355,364
	230,642,241	286,861,243
Operating profit before changes in working capital	**397,319,541**	292,115,566
Changes in working capital		
Stores, spares and loose tools	**11,443,272**	(4,197,957)
Stock in trade	**(12,110,319)**	(17,535,174)
Trade receivables	**66,131,935**	(40,228,643)
Advances, prepayments and other receivables	**13,041,330**	(20,499,691)
Long term deposits	**(2,042,500)**	(3,458,000)
Trade and other payables	**113,871,470**	22,319,192
	190,335,188	(63,600,273)
Cash generated from operations	**587,654,729**	228,515,293
34 CASH AND CASH EQUIVALENTS		
Cash and bank balances	**13,258,956**	16,335,564
	13,258,956	16,335,564

35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Nature of transaction	**Pricing mechanism**
Sale of goods and services	Comparable uncontrolled price method
Purchase of goods and services	Comparable uncontrolled price method
Dividend distribution	As approved by the shareholders
Compensation of key management personnel	As per terms of employment

Details of transactions and balances with related parties is as follows:

35.1 Transactions with related parties

35.1.1 *Associated companies*

	Note	2010 *Rupees*	2009 *Rupees*
Sale of yarn	*23.1*	**273,782,402**	443,736,389
Sale of raw cotton, polyester etc.	*23.3*	**-**	42,848,843
Sale of waste	*23.4*	**-**	116,534
Sale of furnace oil	*24.2.2*	**17,126,935**	12,346,758
Sale of stores and spares		**-**	100,920
Purchase of raw cotton, polyester etc.	*24.1.1*	**105,761,125**	32,223,063
Purchase of furnace oil	*24.2.1*	**-**	14,597,976
Purchase of yarn	*24.4*	**98,099,162**	13,168,115
Purchase of stores and spares		**49,000**	211,561
Rent paid		**480,000**	480,000

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	Note	2010	2009
		Rupees	Rupees
35.1.2 *Key management personnel*			
Short term employee benefits	26	7,292,730	6,183,102
Post employment benefits		-	-

35.2 Balances with related parties

There are no balances with related parties as at the reporting date.

36 FINANCIAL INSTRUMENTS

36.1 Financial instruments by class and category

	Note	2010		2009	
		Loans and receivables	Financial liabilities at amortized cost	Loans and receivables	Financial liabilities at amortized cost
		Rupees	Rupees	Rupees	Rupees
Financial assets					
Long term deposits	16	7,157,690	-	5,115,190	-
Trade receivables	19	119,778,478	-	185,808,914	-
Insurance claims	20	2,485,478	-	934,854	-
Cash and bank balances	22	13,258,956	-	16,335,564	-
		142,680,602	-	208,194,522	-
Financial liabilities					
Long term finances	7	-	544,301,287	-	532,915,820
Liabilities against assets subject to finance lease	8	-	21,186,996	-	21,672,572
Short term borrowings	12	-	278,789,156	-	630,444,687
Accrued interest/mark-up		-	27,034,875	-	41,133,496
Trade creditors	13	-	27,699,420	-	24,430,569
Accrued liabilities	13	-	47,094,804	-	39,123,030
		-	946,106,538	-	1,289,720,174
		142,680,602	946,106,538	208,194,522	1,289,720,174

36.2 Fair values of financial instruments

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

36.2.1 Methods of determining fair values

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

36.2.2 Discount/interest rates used for determining fair values

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

37 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

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

37.1 Credit risk

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

	Note	2010 Rupees	2009 Rupees
37.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Long term deposits with financial institutions	*16*	**54,000**	54,000
Trade receivables	*19*	**119,778,478**	185,808,914
Insurance claims	*20*	**2,485,478**	934,854
Cash at banks	*22*	**13,258,956**	16,335,564
		135,576,912	203,133,332

37.1.2 Concentration of credit risk

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

	2010 Rupees	2009 Rupees
Customers	**119,778,478**	185,808,914
Banking companies and financial institutions	**15,798,434**	17,324,418
	135,576,912	203,133,332

37.1.3 Credit quality and impairment

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

37.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits, security deposits and insurance claims. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

37.1.3(b) Counterparties without external credit ratings

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

	2010		2009	
	Gross carrying amount *Rupees*	**Accumulated Impairment** *Rupees*	Gross carrying amount *Rupees*	Accumulated Impairment *Rupees*
Neither past due nor impaired	**119,378,278**	**-**	185,808,914	-
Past due by 0 to 6 months	**-**	**-**	-	-
Past due by 6 to 12 months	**400,200**	**-**	-	-
	119,778,478	**-**	185,808,914	-

The Company's two (2009: five) significant customers account for Rs. 59.93 million (2009: Rs. 76.07 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 5% (2009: 5%) of trade receivables as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. Further, trade receivables amounting to Rs. 7.4 million (2009: Rs. 65.5 million) secured through confirmed letters of credit and thus do not carry any significant credit risk.

The Company believes that no impairment allowance is necessary in respect of trade receivables past due since the Company expects that the same will be recovered.

37.1.4 Collateral held

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

37.1.5 Credit risk management

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

37.2 Liquidity risk

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

37.2.1 Exposure to liquidity risk

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

	2010				
	Carrying amount *Rupees*	**Contractual cash flows** *Rupees*	**One year or less** *Rupees*	**One to five years** *Rupees*	**More than five years** *Rupees*
Long term finances	**544,301,287**	**663,477,316**	**253,226,568**	**392,562,737**	**17,688,011**
Liabilities against assets subject to finance lease	**21,186,996**	**27,022,333**	**7,496,144**	**19,526,189**	**-**
Short term borrowings	**278,789,156**	**280,292,596**	**280,292,596**	**-**	**-**
Accrued interest/mark-up	**27,034,875**	**27,034,875**	**27,034,875**	**-**	**-**
Trade creditors	**27,699,420**	**27,699,420**	**27,699,420**	**-**	**-**
Accrued liabilities	**47,094,804**	**47,094,804**	**47,094,804**	**-**	**-**
	946,106,538	**1,072,621,344**	**642,844,407**	**412,088,926**	**17,688,011**

	2009				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to five years *Rupees*	More than five years *Rupees*
Long term finances	532,915,820	627,176,018	207,739,553	419,436,465	-
Liabilities against assets subject to finance lease	21,672,572	30,266,485	6,741,416	23,525,069	-
Short term borrowings	630,444,687	635,498,121	635,498,121	-	-
Accrued interest/mark-up	41,133,496	41,133,496	41,133,496	-	-
Trade creditors	24,430,569	24,430,569	24,430,569	-	-
Accrued liabilities	39,123,030	39,123,030	39,123,030	-	-
	1,289,720,174	1,397,627,719	954,666,185	442,961,534	-

37.2.2 Liquidity risk management

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

37.3 Market risk

37.3.1 Currency risk

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

37.3.1(a) Exposure to currency risk

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

	2010	2009
	Rupees	*Rupees*
Financial liabilities		
Short term borrowings	**101,422,390**	225,050,912
Trade creditors	**-**	14,385,791
	101,422,390	239,436,703
Financial assets		
Trade receivables	**7,412,998**	65,514,634
Cash and bank balances	**26,986**	24,411
	7,439,984	65,539,045
Net exposure	**93,982,406**	173,897,658

37.3.1(b) Exchange rates applied during the year

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

	2010		2009	
	Average rate for the year	**Spot as at the reporting date**	Average rate for the year	Spot as at the reporting date
	Rupees	***Rupees***	*Rupees*	*Rupees*
Financial assets	**83.72**	**85.40**	78.10	81.10
Financial liabilities	**83.92**	**85.60**	78.30	81.30

37.3.1(c) Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US $ would have increased profit for the year by Rs. 9.4 (2009: Rs. 17.4 million). A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

37.3.1(d) Currency risk management

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

37.3.2 Interest rate risk

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

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

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

	2010	2009
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**-**	-
Financial liabilities	**56,079,065**	68,671,073
Variable rate instruments		
Financial assets	**5,044,149**	7,753,054
Financial liabilities	**788,198,374**	1,116,362,006

37.3.2(b) Fair value sensitivity analysis for fixed rate instruments and fair value hedges

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

37.3.2(c) Cash flow sensitivity analysis for variable rate instruments and cash flow hedges

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 7.83 million (2009: Rs. 11.09 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

37.3.2(d) Interest rate risk management

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

37.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

38 CAPITAL MANAGEMENT

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

	Unit	**2010**	2009
Total debt	*Rupees*	**565,488,283**	554,588,392
Total equity	*Rupees*	**589,281,339**	468,860,447
		1,154,769,622	1,023,448,839
Gearing	*% age*	**48.97%**	54.19%

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

39 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on september 29, 2010 has proposed dividend on ordinary shares at Rs. 3/50 per ordinary share of Rs. 10 each. The proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting and has not been included as a liability in the financial statements.
`

	2010 *Rupees*	2009 *Rupees*
40 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Hypothecation of stocks and movables	2,535,750,000	2,271,750,000
Hypothecation of book debts and receivables	2,467,846,000	2,228,845,898
Floating charge	-	215,000,000
Mortgage over land and building	1,429,000,000	1,295,000,000
Hypothecation of plant and machinery	1,429,000,000	1,295,000,000
Pledge		
Raw material	-	39,283,324

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2010		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**1,920,000**	**3,220,440**	**4,760,000**
Allowances and perquisites	**1,049,967**	**1,102,323**	**2,345,000**
Meeting fee	**-**	**70,000**	**-**
Post employment benefits	**-**	**-**	**250,013**
	2,969,967	**4,392,763**	**7,355,013**
Number of persons	**1**	**2**	**8**

	2009		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	1,656,000	259,020	3,640,000
Allowances and perquisites	830,752	1,106,330	1,820,000
Meeting fee	-	15,000	-
Post employment benefits	-	-	303,349
	2,486,752	1,380,350	5,763,349
Number of persons	1	2	7

42 SEGMENT INFORMATION

The Company has adopted IFRS 8 - Operating Segments with effect from July 01, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocated resources to the segments and to assess their performance. In contrast, the predecessor standard, IAS 14 - Segment Reporting, required identification of two sets of segments; business and geographical, using a risks and returns approach, with a company's systems of internal financial reporting to key management personnel serving only at the starting point for the identification of such segments. Adoption of IFRS 8 has resulted in changes in disclosure and presentation of the Company's segment information. However, there is no change in basis of segmentation and measurement of segment profit or loss, since the Company's segmentation in previous periods was based on management approach to segment reporting.

42.1 Products and services from which reportable segments derive their revenues

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

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

Information regarding Company's reportable segments is presented below.

42.2 Segment revenues and results

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

	Spinning		Power	
	2010	2009	**2010**	2009
	Rupees	*Rupees*	***Rupees***	*Rupees*
Segment revenue	**2,984,824,968**	2,171,627,998	**375,428,383**	440,435,382
Inter segment revenue	**-**	-	**(197,439,191)**	(184,527,760)
Revenue from external customers	**2,984,824,968**	2,171,627,998	**177,989,192**	255,907,622
Segment result	**129,704,292**	(19,322,093)	**(1,070,900)**	20,319,044

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

42.3 Segment assets and liabilities

	Spinning		Power	
	2010	2009	**2010**	2009
	Rupees	*Rupees*	***Rupees***	*Rupees*
Segment assets	**1,543,253,013**	1,663,574,290	**182,424,512**	162,107,017
Segment liabilities	**1,136,396,186**	1,356,820,860	**-**	-

42.4 Additions to non-current assets

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

	Spinning		Power	
	2010	2009	**2010**	2009
	Rupees	*Rupees*	***Rupees***	*Rupees*
Property, plant and equipment	**60,096,360**	59,329,755	**-**	-
	60,096,360	59,329,755	**-**	-

42.5 Other segment information

	Spinning		Power	
	2010	2009	**2010**	2009
	Rupees	*Rupees*	***Rupees***	*Rupees*
Depreciation	**78,216,855**	83,779,112	**13,034,804**	13,576,252
Interest expense	**132,933,654**	176,250,895	**-**	-
Interest income	**365,286**	358,159	**-**	-
Income tax expense	**38,043,908**	4,257,372	**-**	-

42.6 Geographical information

The Company's operations are not distributed geographically.

43 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2010**	2009
Spinning			
Number of spindles installed	*No.*	**54,528**	54,528
Plant capacity on the basis of utilization converted into 30s count	*Kgs*	**13,654,540**	13,654,540
Actual production converted into 30s count	*Kgs*	**11,904,500**	11,703,132

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

	Unit	2010	2009
Power			
Installed capacity (based on 8.760 hrs)	*Mwhs*	**121,414**	121,414
Power generated	*Mwhs*	**51,006**	65,983
Self consumption	*Mwhs*	**35,923**	41,776
Electricity sold billed	*Mwhs*	**15,083**	24,207

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

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2010 by the Board of Directors of the Company.

45 GENERAL

Figures have been rounded off to the nearest rupee.

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

Lahore: September 29, 2010

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 **30-06-2010**

4.

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
72	1	100	3,737
101	101	500	31,567
65	501	1,000	49,573
74	1,001	5,000	168,994
24	5,001	10,000	174,895
4	10,001	15,000	49,397
6	15,001	20,000	105,620
1	20,001	25,000	20,800
1	25,001	30,000	25,638
2	30,001	35,000	61,500
-	35,001	50,000	-
2	50,001	55,000	104,000
-	55,001	60,000	-
1	60,001	65,000	63,700
1	130,001	135,000	131,350
1	135,001	140,000	140,000
-	140,001	425,000	-
1	425,001	430,000	427,514
-	430,001	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	705,000	-
1	705,001	710,000	706,880
-	710,001	745,000	-
1	745,001	750,000	745,015
-	750,001	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
			52,700
366	**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. JAMAL NASIM (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	4.67
	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	5.74
		5,182,370	47.33
5.3	**NIT and ICP**		
	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	706,880	6.45
	NATIONAL INVESTMENT TRUST LIMITED	18,203	0.17
	NATIONAL BANK OF PAKISTAN	4,418	0.04
	NATIONAL BANK OF PAKISTAN	427,514	3.90
	IDBP (ICP Unit)	200	0.00
		1,157,215	10.56
5.4	**Banks Development Finance Institutions, Non Banking**	149,831	1.37
	Finance Institutions.	149,831	1.37
5.5	**Insurance Companies**	63,700	0.58
5.6	**Modarabas and Mutual Funds**	745,015	6.80
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	713,709	6.52
	b. Foreign	Nil	Nil
5.9	**Others**	98,335	0.90
	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 52,700 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head "General Public".

FORM OF PROXY

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

I/We ____ of ______________being member(s) of ELLCOT SPINNING MILLS LTD., and holder of ________________ Ordinary Shares as per Share Register Folio No. _____________ (In case of Central Depository System Account Holder A/c No. ____________ Participant I.D. No. _____________________) hereby appoint __________________________________ of ______________ who is member of the company as per Register Folio No. __________________ (In case of Central Depository System Account Holder A/c No. ____________ Participant I.D. No. _____________________) or failing him/her ____________________________________ of ______________ who is member of the Company as per Register Folio No. _________________ (In case of Central Depository System Account Holder A/c No. ____________ Participant I.D. No. _____________) as my/our proxy to vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company to be held on October 26, 2010 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 ________________ 2010

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.