Annual Report 2011

ICC Textiles Ltd

CONTENTS

COMPANY INFORMATION

Board of Directors

Mr. Shafiq A. Siddiqi	Chief Executive
Mr. Javaid S. Siddiqi	
Mr. Usman Haq	Company Secretary
Mr. Tariq Rehman	
Mr. Suhail Mannan	
Mr. Tahir Rehman	
Mr. Ahsan Suhail Mannan	
Mr. Awais Noorani	

Audit Committee

Mr. Javaid S. Siddiqi	Chairman
Mr. Tahir Rehman	Member
Mr. Awais Noorani	Member

Chief Financial Officer

- Mr. Javed Rashid

Auditors

- Anjum Asim Shahid Rahman
  Chartered Accountants
  01-Inter Floor, Eden Centre
  Jail Road, Lahore.

Bankers

- MCB Bank Ltd.
- Faysal Bank Ltd.

Legal Advisor

Imtiaz Siddiqi Associates
1st Floor, Nawa-e-Waqt Building,
4-Shahra-e-Fatima Jinnah, Lahore

Shares Registrar

Corplink (Pvt) Ltd.
Wings Arcade, I-K Commercial
Model Town, Lahore.
Ph: 042-35839182, 35916714
Fax: 042-35869037

Registered Office

242-A, Anand Road,
Upper Mall, Lahore.
Ph: 042-35751765-67
Fax: 042-35789206
Email: icctex@wol.net.pk

Factory

32-K.M, Lahore-Multan Road, Sunder
Distt. Lahore.
Ph: 042-37540726-27
Fax: 042-37540728

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Third (23rd) Annual General Meeting of ICC Textiles Limited will be held at Company's Registered Office at 242-A, Anand Road, Upper Mall, Lahore on Monday, October 31, 2011 at 10:30 a.m. to transact the following business:

ORDINARY

1. To confirm the minutes of the Extraordinary General Meeting held on March 29, 2011.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' Reports thereon.

3. To appoint auditors for the year ending June 30, 2012 and to fix their remuneration.

4. Any other business with the permission of the Chair.

By Order of the Board

Sd/-
USMAN HAQ
Company Secretary

LAHORE:
October 08, 2011

NOTES:

1. The Share Transfer Books of the Company will remain closed from 22.10.2011 to 31.10.2011 (both days inclusive). No transfer will be accepted for registration during this period.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. The CDC Account Holders are requested to bring their original CNIC and participant ID to attend the meeting.

3. Shareholders are requested to promptly notify the change in their address, if any to the Company's Shares Registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the board of directors, I take pleasure in presenting the Annual Report alongwith the Audited Accounts of the company pertaining to the financial year ending on June 30, 2011.

Financial Highlights

The company incurred a pretax loss of Rs. 84.491 million on total sales of Rs. 2,246.377 million as against a pretax loss of Rs. 144.207 million on total sales of Rs. 1,522.531 million in the preceding period.

● Total Sales	Rs.	2,246,376,985
● Gross Profit	Rs.	64,754,126
● Operating Profit	Rs.	23,411,241
● Financial Charges	Rs.	108,186,311
● Loss before tax	Rs.	-84,490,867
● Loss after tax	Rs.	-98,936,145
● Unappr. Loss brought forward	Rs.	-408,027,287
● Total Accumulated Loss	Rs.	-489,971,155
● Loss per Share	Rs.	-6.80

Period under Review

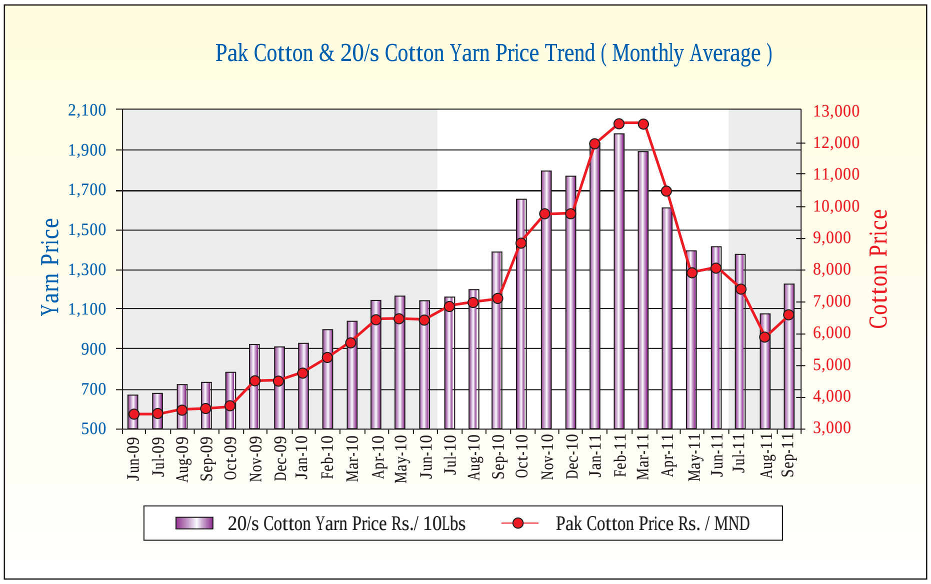
The last year's sharp increase in cotton and yarn prices continued unabated for the first eight months of the current year, with rates of 20 single cotton yarn touching a record peak of about Rs 230 per pound in Feb 2011 and international cotton price breaking a historical record of US$ 2 per pound. Similarly, Pakistan cotton price rose to a level of around Rs 12,500 per maund in Feb 2011 as compared to Rs. 3,500 in Jun 2009, an increase of 257% in 20 months. This extraordinary increase jeopardized the entire textile trade by creating an erratic pattern of profit and loss for various sectors and mills based on ability to speculate and liquidity to cover the raw material requirements at the right time. Small to medium sized mills with cashflow constraints suffered the most in this period of turmoil.

At ICC Textiles, we suffered heavily due to contractual default by several yarn suppliers who backed out of their commitments due to their appetite for additional profit by selling yarn elsewhere at higher prices. We, however, due to our prudent policy honored all our fabric contracts, while absorbing the losses. Moreover, we also suffered due to slow delivery of yarn from spinning mills due to domestic shortage because of excessive export demand.

The yarn boom was followed by increase in fabric prices, however, at peak level of yarn prices around Feb 2011, the fabric market slowed down as excessive yarn rates became unviable. This was followed by a sharp decline in yarn prices and fabric buyers resisted from placing orders, waiting for yarn prices to settle at a low level. The sharp downward trend, once again created a turmoil, as spinners with higher value raw material stock started incurring a loss. A part of the spinning sector shut down thus causing yarn availability problem for the weaving industry. Moreover, while some fabric buyers cancelled their contracts, others slowed down the lifting of fabric against their orders.

The increased yarn and fabric prices resulted in additional burden on our working capital requirement, thus putting huge strain on our cashflow.

With regard to electrical load shedding, the year started out well as the government had finally exempted load shedding for Industrial units based primarily on Pepco grid. However, due to a highly mismanaged energy policy and shortage of financial resources resulting in

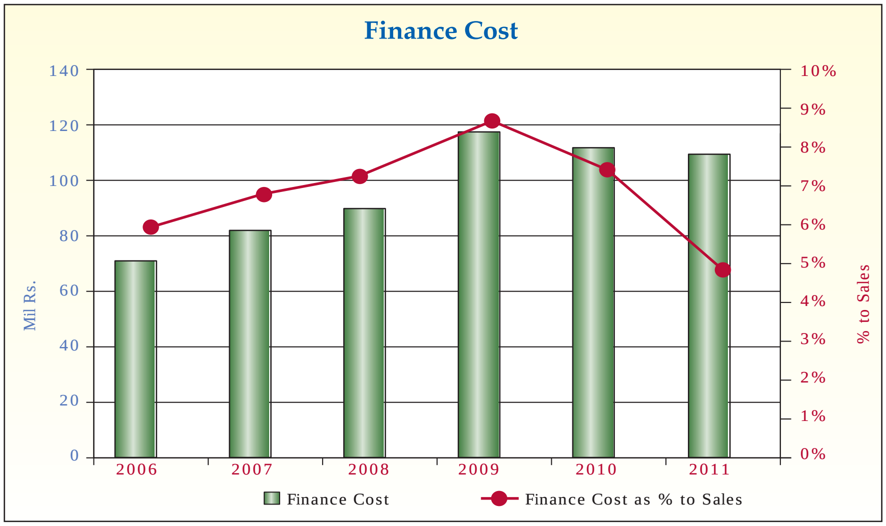


continuous circular debt, we are again encountering excessive scheduled and unscheduled load shedding in recent months.

The following factors influenced the performance of the company during this period.

- The Company sales in Sq Meters at 60 picks was 33.350 Million (2010: 33.133 Million). The cost of sales increased by Rs. 19.81 per sq meter (at 60 picks), mainly due to enhanced cost of raw materials and fuel & power, i.e. from Rs. 45.61 to Rs. 65.42, however, the net sale rate per sq meter (at 60 picks) increased by Rs. 21.41 i.e. from Rs. 45.95 to Rs. 67.36. The positive financial impact works out to Rs. 53 million aprox.

- Financial cost as a % of sales decreased to 4.8% (Rs. 108.186 Mil) from 7.3% (Rs. 110.899 Mil) due to enhanced value of sales.



- The fuel and power, including furnace oil, cost increased by Rs. 23.586 (16%) as compared to last year due to enhanced energy, diesel and furnace oil prices.

- Taxation has an additional negative impact of Rs. 18.806 million due to re-imposition of 1% minimum tax on local sales w.e.f. July 01, 2010.

- US$ exchange rate increased from Rs. 85.08 in June 2010 to Rs. 85.85 in June 2011.

Future Strategy and Prospects

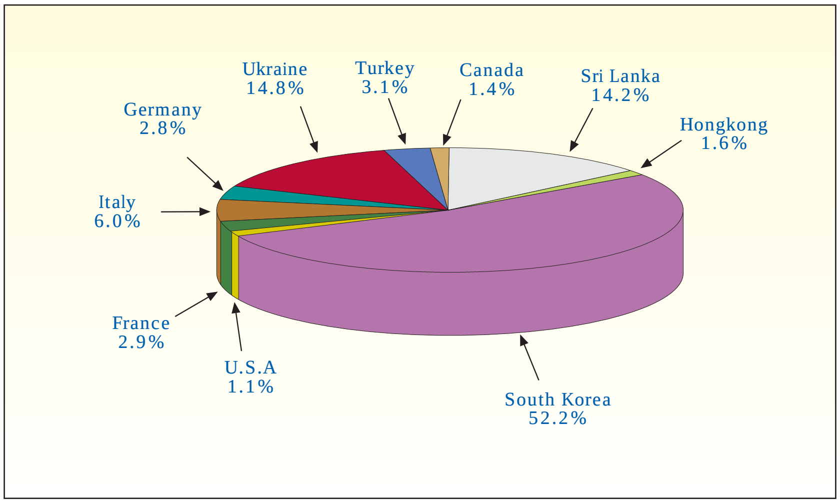
The historical extra ordinary rise and sharp decline in the textile commodity prices has created an environment of uncertainty in the global textile trade. Hopefully, this was a one time phenomenon which should not repeat soon. The industry, however, has to cope with the challenges such as the rising electricity and gas tariffs; shortage of the energy resource; the volatile domestic political and security situation and the economic slowdown in the western economies.

The yarn rates (20 Cotton) have come down from Rs 230 per lb to Rs 120 per lb and continue to decline in view of the sluggish demand. We foresee this to stabilize soon at a level where the fabric market should take a positive turn. The US dollar Rupee exchange rate, which remained somewhat stagnant during the year has started to appreciate in the first quarter of the new year which is a positive indicator.

The European Union import duty waiver for numerous textile products from Pakistan which includes a number of Greige fabric categories, is still under review and hopefully will be decided in Pakistan's favour soon.

Our Export distribution in terms of value for the year is as follows:

- Europe & North America 32 %
- Far East 68 %



Corporate and Financial Reporting Framework

In order to follow the SECP code of corporate governance, the following statements are given:

Presentation of Financial Statements

The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flow and changes in equity.

Books of Accounts

Proper books of accounts have been maintained by the Company.

Accounting Policies

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 (IAS)

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control System

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

Going Concern

Without qualifying their opinion, Company's auditors, in their report, have drawn your attention to note 1.2 to the financial statements, which states that during the year the company has incurred loss amounting to Rs. 98.936 million and has accumulated losses amounting to Rs. 489.971 million and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 341.508 million and that these conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

These financial statements have been prepared on going concern basis on the grounds that the company will be able to achieve satisfactory levels of profitability in the future based on plan drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of the adequate working capital from its lenders and sponsors.

To substantiate its going concern assumption, the company's paid up capital has been raised by Rs. 200,003,200 during the year by converting loans from directors and family members and associated company, by issuing further 20,003,320 shares of Rs. 10 each at par in order to reduce dependency on external debts and reducing financial cost of the company. Moreover, the Sponsors and an associated company are in the process of injecting additional funds into the company, of which Rs. 107.55 Million was received during the year.

Considering the support from sponsors / directors and the management's continuous follow up of gas based energy generation, we are of the view that there are no significant doubts about the company's ability to continue as a going concern.

Corporate Governance

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

Operating and Financial Data

Key operating and financial data of last six years is annexed herewith.

Staff Retirement Benefits

Value of unfunded gratuity scheme, based on actuarial valuation, at the period end was Rs.42.027 million (2010: Rs. 33.853 million).

Board Meetings

During the year July 2010 to June 2011, twelve meetings of the Board of Directors were held. Attendances by the Directors were as follows:

Name of Directors	Attendance	Remarks
Mr. Shafiq A. Siddiqi	12	
Mr. Javaid S. Siddiqi	9	
Mr. Usman Haq	12	
Mr. Tariq Rehman	8	
Mr. Haris Noorani	8	Retired on March 29, 2011
Mr. Suhail Mannan	11	
Mr. Tahir Rehman	12	
Mr. Pervaiz S. Siddiqi	1	Resigned on September 20, 2010
Mr. Ahsan Suhail Mannan	9	Appointed on September 20, 2010
Mr. Awais Noorani	2	Appointed on March 29, 2011

Pattern of Shareholding

The Pattern of shareholding as required by the Code of Corporate Governance is attached with this report.

Trading of Company Shares

During the financial year the trading in shares of the company by Directors, Company Secretary, CEO, CFO and Executives of the Company (including their spouses and minor children) is as follows:.

Name	Issued other than right u/s 86(1) of Companies Ordinance, 1984	Purchase
Mr. Shafiq A. Siddiqi	128,000	
Mr. Javaid S. Siddiqi	271,120	750,000
Mr. Usman Haq	112,000	820,000
Mr. Tahir Rehman	385,640	
Mr. Tariq Rehman	290,040	1,770,000
Mr. Suhail Mannan	563,572	1,500,000
Mr. Ahsan Suhail Mannan	125,360	
Mr. Awais Noorani		500
Mrs. Saeeda Shafiq W/o Shafiq A. Siddiqi	58,720	
Mrs. Ambereen Haq W/o Usman Haq	281,920	
Mrs. Anjum T. Rehman W/o Tahir Rehman	204,400	
Mrs. Shahima Rehman W/o Tariq Rehman	300,000	

Audit Committee

The Audit Committee comprises 3 members, of whom 2 are non-executive directors.

Dividend

Considering the results for the year, the board is not recommending disbursement of any dividend for the period ended June 30, 2011.

Acknowledgement

Finally, we appreciate the continued commitment, dedication and hard work shown by the employees of the company.

For and on behalf of the Board of Directors

LAHORE:
October 08, 2011

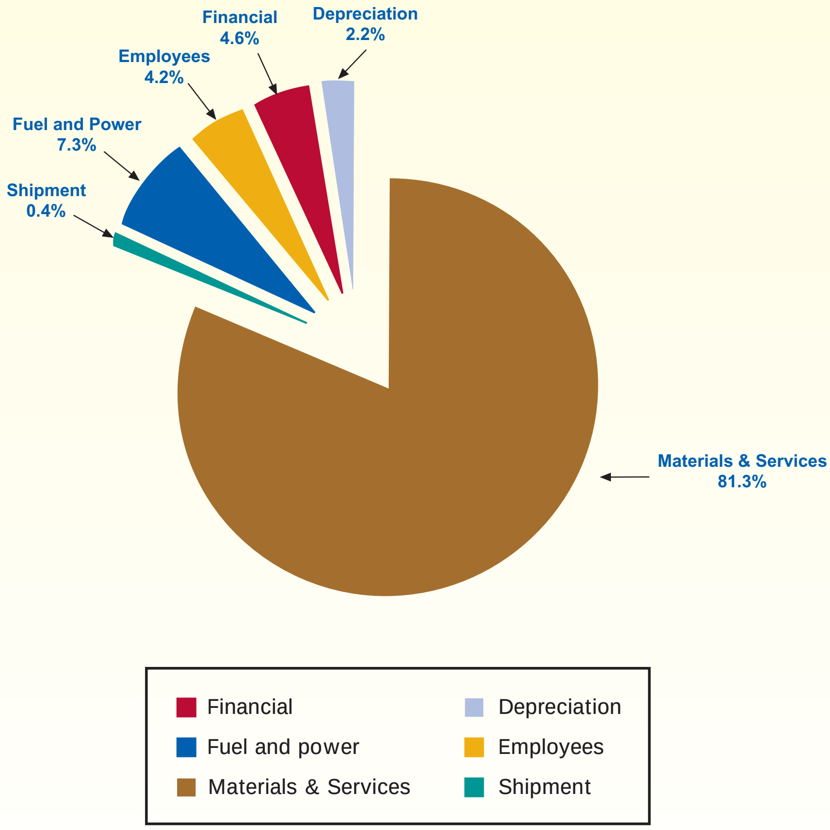
SHAFIQ A. SIDDIQI
Chief Executive

SIX YEARS AT A GLANCE

(Rs. in million)

	2006	2007	2008	2009	2010	2011
Sales	1,196.616	1,210.468	1,231.731	1,331.862	1,522.531	2,246.377
Gross profit/(loss)	103.815	71.919	(19.541)	88.954	11.391	64.754
Net profit/(loss) after tax	(32.663)	(78.219)	(161.919)	(74.016)	(145.138)	(98.936)
Fixed Assets	700.225	675.312	629.574	1,037.243	992.441	951.592
Long term liabilities	258.151	210.421	266.942	297.746	265.093	172.840
Retained earnings	34.273	(43.945)	(205.864)	(279.881)	(408.027)	(489.971)
Gross profit rate	8.7%	5.9%	(1.6%)	6.7%	0.7%	2.9%
Net profit rate	(2.7%)	(6.5%)	(13.1%)	(5.6%)	(9.5%)	(4.4%)
Current ratio	0.84:1	0.74:1	0.66:1	0.66:1	0.52:1	0.55:1
Share break up value (Rs.)	13.43	5.61	(10.58)	(17.99)	(30.80)	(18.99)
Earning per share (Rs.)	(3.27)	(7.82)	(16.19)	(7.40)	(14.51)	(6.80)
Dividend	Nil	Nil	Nil	Nil	Nil	Nil

BREAKUP OF COST



Statement of Compliance with Best Practices of Code of Corporate Governance

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

The company has applied the principles contained in the Code in the following manners:

1. The company encourage representation of independent non-executive directors on its Board of Directors. At present, the Board includes six independent non-executive directors.

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 non of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring in the Board during the year was filled up by the directors within specified period.

5. The Company has prepared a 'Statement of Ethics and Business Practices' signed by all the directors and employees of the Company.

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

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 Chief Executive and other executive directors, have been taken by the Board.

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

9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

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 Board has formed an audit committee. It comprises three members, one of them, the chairman is executive director and two are non-executive directors.

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 references of the committee have been formed and advised to the committee for compliance.

17. The Board has set up an effective internal audit function comprised of personnel considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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

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

LAHORE:
October 08, 2011

SHAFIQ A. SIDDIQI
Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 ICC Textiles Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges 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, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions 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 under taken 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 as applicable to the Company for the year ended 30 June 2011.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Engagement Partner: Asim Iftikhar

LAHORE
Dated: October 08, 2011

Auditors' Report to the Members

We have audited the annexed balance sheet of ICC Textiles Limited as at June 30, 2011 ("the Company") and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes 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 accounts and are further in accordance with accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 1.2 to the financial statements, which states that the Company has incurred loss of Rs. 98.936 million during the year and has accumulated losses of Rs. 489.971 million as of June 30, 2011 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 341.508 million. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. However, the mitigating factors and management plans for operating the company as a going concern are also given in note 1.2 to the financial statements and include restructuring of the company's debts and availability of financial support of directors and associated companies and injection of additional equity. Our opinion is not qualified in respect of this matter.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Engagement Partner: Asim Iftikhar

LAHORE:
October 08, 2011

BALANCE SHEET
As At June 30, 2011

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 32,000,000 (2010:16,000,000) ordinary shares of Rs. 10 each		320,000,000	160,000,000
Issued, subscribed and paid-up share capital	4	300,011,200	100,008,000
ACCUMULATED LOSS		(489,971,155)	(408,027,287)
		(189,959,955)	(308,019,287)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	461,422,017	478,414,294
LOANS FROM DIRECTORS AND MEMBERS	6	--	40,003,200
NON CURRENT LIABILITIES			
Long term financing from associated company	7	109,150,000	169,150,000
Long term financing from commercial banks	8	63,584,414	95,376,622
Liabilities against assets subject to finance lease	9	105,407	566,793
Deferred liabilities	10	42,027,090	33,853,029
Deferred taxation	5	126,633,167	135,782,855
CURRENT LIABILITIES			
Trade and other payables	11	157,700,693	152,058,736
Accrued markup	12	22,230,032	20,913,778
Short term borrowings	13	551,025,895	529,417,143
Current portion of long term liabilities	14	32,254,266	34,134,861
Provision for taxation		2,159,055	--
		765,369,941	736,524,518
CONTINGENCIES AND COMMITMENTS	15	--	--
		1,378,332,081	1,381,652,024

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

LAHORE:
October 08, 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	951,591,808	992,440,514
Assets subject to finance lease	17	1,048,693	5,218,846
		952,640,501	997,659,360
LONG TERM LOANS AND ADVANCES	18	130,000	148,000
LONG TERM DEPOSITS AND PREPAYMENTS	19	1,699,434	1,853,884
CURRENT ASSETS			
Stores, spare parts and loose tools	20	34,843,864	27,905,515
Stock in trade	21	241,482,851	228,873,000
Trade debts	22	95,613,299	60,212,200
Loans and advances	23	4,252,931	9,925,869
Trade deposits and short term prepayments	24	1,679,239	3,134,215
Other receivables	25	13,305,755	43,522,869
Income tax refundable		--	2,304,115
Cash and bank balances	26	32,684,207	6,112,997
		423,862,146	381,990,780
		1,378,332,081	1,381,652,024

Sd/-
Director

Sd/-
Chief Executive

PROFIT AND LOSS ACCOUNT

For The Year Ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
SALES	27	2,246,376,985	1,522,531,021
COST OF SALES	28	(2,181,622,859)	(1,511,140,212)
GROSS PROFIT		64,754,126	11,390,809
OPERATING EXPENSES			
Distribution cost	29	(14,918,317)	(20,103,621)
Administrative expenses	30	(25,573,357)	(24,660,784)
Other operating expenses	31	(851,211)	(718,970)
		(41,342,885)	(45,483,375)
OPERATING PROFIT / (LOSS)		23,411,241	(34,092,566)
FINANCE COST	32	(108,186,311)	(110,899,493)
		(84,775,070)	(144,992,059)
OTHER OPERATING INCOME	33	284,203	785,180
LOSS BEFORE TAXATION		(84,490,867)	(144,206,879)
TAXATION	34	(14,445,278)	(931,414)
LOSS AFTER TAXATION FOR THE YEAR		(98,936,145)	(145,138,293)
LOSS PER SHARE - BASIC AND DILUTED	35	(6.80)	(14.51)

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

LAHORE:	Sd/-	Sd/-
October 08, 2011	Director	Chief Executive

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
LOSS AFTER TAXATION FOR THE YEAR		(98,936,145)	(145,138,293)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(98,936,145)	(145,138,293)

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

LAHORE:
October 08, 2011

Sd/-
Director

Sd/-
Chief Executive

CASH FLOW STATEMENT
For The Year Ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(84,490,867)	(144,206,879)
Adjustments for:			
Depreciation on property, plant and equipment	16.1	50,049,850	49,378,244
Depreciation on leased assets	17.2	346,762	994,918
Loss on disposal of property, plant and equipment	16.2	17,867	17,112
Gain on disposal of leased assets	17.3	(51,829)	--
Staff gratuity	10	10,568,521	9,882,339
Finance cost	32	108,186,311	110,899,493
		169,117,482	171,172,106
		84,626,615	26,965,227
(Increase) / Decrease in current assets			
Stores, spare parts and loose tools		(6,938,349)	(3,899,852)
Stock in trade		(12,609,851)	(16,221,214)
Trade debts		(35,401,099)	62,217,224
Loans and advances		5,672,938	(4,741,015)
Trade deposits and short term prepayments		1,454,976	527,816
Other receivables		30,217,114	(11,078,396)
		(17,604,271)	26,804,563
Increase in current liabilities			
Trade and other payables		5,641,958	51,010,203
Cash generated from operations		72,664,302	104,779,993
Finance cost paid		(106,870,057)	(107,676,611)
Taxes paid		(19,131,796)	(6,502,959)
Gratuity paid	10	(2,394,460)	(6,490,301)
		(128,396,313)	(120,669,871)
Net cash used in operating activities	(A)	(55,732,012)	(15,889,879)

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Long term loans and advances		18,000	125,800
Long term deposits and prepayments		154,450	19,400
Sale proceeds of property, plant and equipment	16.2	11,000	250,400
Sale proceeds of leased assets	17.3	517,077	--
Fixed capital expenditure		(5,871,869)	(4,843,157)
Net cash used in investing activities	(B)	(5,171,342)	(4,447,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - secured		21,608,752	31,413,005
Proceeds from issuance of ordinary shares		200,003,200	--
Long term financing from associated company		(60,000,000)	--
Long term financing from commercial banks - secured		(31,792,208)	(8,750,000)
Liabilities against assets subject to finance lease		(2,341,981)	(2,126,316)
Loans from directors and members		(40,003,200)	--
Net cash from financing activities	(C)	87,474,563	20,536,689
NET INCREASE IN CASH AND BANK BALANCES	(A + B + C)	26,571,209	199,253
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,112,997	5,913,744
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		32,684,207	6,112,997

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

LAHORE:
October 08, 2011

Sd/-
Director

Sd/-
Chief Executive

STATEMENT OF CHANGES IN EQUITY
For The Year Ended June 30, 2011

Description	Paid-up Capital Rupees	Accumulated Loss Rupees	Total Rupees	Revaluation Surplus Rupees	Total Rupees
	A	B	C = A + B	D	E = C + D
Balance as at June 30, 2009	100,008,000	(279,881,271)	(179,873,271)	495,406,571	315,533,300
Total comprehensive loss for the year	--	(145,138,293)	(145,138,293)	--	(145,138,293)
Transfer from surplus on revaluation of property, plant and equipment-net of tax	--	16,992,277	16,992,277	(16,992,277)	--
Balance as at June 30, 2010	100,008,000	(408,027,287)	(308,019,287)	478,414,294	170,395,007
Ordinary shares issued	200,003,200	--	200,003,200	--	200,003,200
Total comprehensive loss for the year	--	(98,936,145)	(98,936,145)	--	(98,936,145)
Transfer from surplus on revaluation of property, plant and equipment-net of tax	--	16,992,277	16,992,277	(16,992,277)	--
Balance as at June 30, 2011	300,011,200	(489,971,155)	(189,959,955)	461,422,017	271,462,062

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

LAHORE:	Sd/-	Sd/-
October 08, 2011	Director	Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

1 STATUS AND NATURE OF BUSINESS

1.1 ICC Textiles Limited (the Company) was incorporated in Pakistan on May 25, 1989 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are listed on the Lahore and Karachi Stock Exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of grey fabric. The registered office of the Company is situated at 242-A, Anand Road, Upper Mall, Lahore.

1.2 During the year the Company incurred loss amounting to Rs. 98.936 million and has accumulated losses amounting to Rs. 489.971 million at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs. 341.508 million at the year end. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and ability of adequate working capital through continued support from:

(a) the principal lenders of the Company; and
(b) the sponsors of the Company.

These financial statements have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of the adequate working capital from its lenders and sponsors.

To substantiate its going concern assumption, the Company has raised its paid-up capital by Rs. 200,003,200, during the year, by converting already received loans from associated company, directors and their family members, by issuing further 20,000,320 ordinary shares of Rs. 10 each AT PAR in order to reduce dependency on external debts and reducing financial cost of the company. Moreover, ICC (Pvt) Limited, an associated company has advanced Rs. 100.0 million as long term operational loan to the Company. In addition, the management is also planning to set up gas based generation facility for increasing production and efficiency, thereby resulting in significant savings.

The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:

- IFRS 9 Financial Instruments: effective for annual periods beginning on or after 1 January 2013.

- IFRS 10 Consolidated Financial Statements: effective for annual periods beginning on or after 1 January 2013. This IFRS supersedes the requirements relating to consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements (as amended in 2008) and also supersedes SIC-12 Consolidation - Special Purpose Entities.

- IFRS 11 Joint Arrangements: effective for annual periods beginning on or after 1 January 2013. This IFRS supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non Monetary Contributions by Venturers.

- IFRS 12 Disclosure of Interests in Other Entities: effective for annual periods beginning on or after 1 January 2013.

- IFRS 13 Fair Value Measurement: effective for annual periods beginning on or after 1 January 2013.

- Amendments to IAS 1 Presentation of Financial Statements: these amendments regarding presentation of items of other comprehensive income are effective for annual periods beginning on or after 1 July 2012.

- IAS 19 Employee Benefits (amended 2011): effective for annual periods beginning on or after 1 January 2013.

- IAS 24 Related Party Disclosures (revised 2009): effective for annual periods beginning on or after 1 January 2011

- IAS 27 Separate Financial Statements (revised 2011): effective for annual periods beginning on or after 1 January 2013.

- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: effective for annual periods beginning on or after 1 January 2011.

- IAS 28 Investments in Associates and Joint Ventures (revised 2011): effective for annual periods beginning on or after 1 January 2013.

2.3 Standards, amendments or interpretations that became effective during the year

During the year, certain amendments to existing standards and a new interpretation IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments became effective; however, they did not have any material effect on the financial statements of the Company.

2.4 Accounting convention

These financial statements have been prepared under the historical cost convention except staff retirement benefits which are recognized at present value and free hold land, buildings and plant and machinery which has been carried at revalued amount as stated in notes 3.1 and 3.2 respectively.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are discussed in Note 41.

2.6 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency. All financial information presented in Pak Rupees have been rounded to the nearest rupee.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Provision is made annually to cover the obligations under the scheme.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2011, under Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate	14% per annum
- Expected rate of salary increase in future	13% per annum
- Average expected remaining working life of employees	6 years

Actuarial gains and losses related to employees defined benefit plan as at the start of the financial year, exceeding ten percent of the present value of defined benefit obligations as at that date are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise the actuarial gains and losses are not recognized.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except free hold land, buildings and plant and machinery which have been carried at revalued amount less accumulated depreciation and any subsequent accumulated impairment losses. Additions subsequent to revaluation are stated at cost less accumulated depreciation and any identified impairment loss.

Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the erection / construction period and attributable expenses in bringing the assets to their working condition.

Depreciation on all property, plant and equipment except freehold land is charged to profit on straight line method with the exception of furniture and fixture, vehicles, electrical appliances, office equipment which are charged to profit on diminishing balance method, so as to write off the cost or revalued amount of an asset over its estimated useful life. Depreciation is being charged at the rates given in note 16.

Depreciation on additions to property, plant and equipment except freehold land is charged from the date of acquisition / capitalization / start of commercial production of the assets and depreciation on assets disposed off during the year is charged up to the date of disposal.

The asset's residual values and estimated useful lives are reviewed, at the time of revaluations and adjusted if impact on depreciation is significant.

Any surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation of property, plant and equipment account. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred directly to accumulated profit / (loss).

Gain / loss on disposal of property, plant equipment is reflected in the income during the period in which they are incurred. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

3.3 Finance leases

Assets subject to finance leases are stated at the lower of present value of the minimum lease payments under the lease agreements and the fair value of the assets.

The related obligations of leases, net of finance cost, are included in liabilities against assets subject to finance lease.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate of financial cost on the balance outstanding. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 17. Depreciation of the leased assets is charged to income currently.

Depreciation on additions to leased assets is charged from the date of acquisition of the assets and depreciation on assets disposed off during the year is charged up to the date of disposal.

3.4 Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses.

3.5 Stores, spare parts and loose tools

These are stated at cost using moving average method except goods in transit which are stated at cost.

3.6 Stock in trade

Stock in trade is stated principally at lower of cost and net realizable value.

Cost of major components of stock in trade is determined as follows:-

Raw materials	-At annual average cost
Work in process and finished goods	-At prime cost plus appropriate production overheads using weighted average
Wastes	-At net realizable value

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

3.7 Financial instruments

Financial assets and financial liabilities are recognized at the fair value of the consideration given or received at the time when the Company becomes a party to the contractual provisions of the instrument by following the trade dated accounting. Financial asset or part thereof is de-recognized when the Company loses control of the contractual rights that comprise the financial asset or part thereof. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the right expires or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of the financial instruments.

3.8 Loans and advances

These are stated at cost which represents the fair value of the consideration.

3.9 Receivables

Receivables are carried at original invoice amount less any estimates made for doubtful receivable balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

3.10 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.11 Borrowings

Loans and borrowings are recorded at proceeds received. Subsequent to initial recognition, loans and borrowings are stated at original cost less subsequent repayments. Finance costs are accounted for on accrual basis and are included in accrued markup to the extent of the amount remaining unpaid.

3.12 Finance cost and other charges

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized when incurred, whereas all other borrowing costs are expensed out in the period of incurrence. Finance cost and other charges on long term financing are capitalized up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such specific long-term financing. All other finance cost and other charges are taken to the profit and loss account.

3.13 Foreign currencies

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into wherein the rates contracted for are used.

Gains and losses arising on retranslation are recorded in net profit or loss for the period.

3.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Export sales are recorded at the time of shipment. Exchange differences, if any, are adjusted in the period of realization.
- Local sales are recorded on dispatch of goods to the customers.
- Export rebates are accounted for on accrual basis.
- Interest income is recognized on time proportion basis.
- Investment income is recognized on time proportion basis.

3.15 Taxation

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

Current

Provision for current taxation is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

Deferred

Deferred taxation is accounted for on all material temporary differences by using the balance sheet liability method. However, deferred taxation is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

3.16 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed recoverable amount, assets are written down to their recoverable amount and the difference is charged to the profit and loss account.

3.17 Provisions

A provision is recognized in the financial statements when Company has legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of obligation.

3.18 Cash and cash equivalents

These include short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	Note	2011 Rupees	2010 Rupees
4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
30,001,120 (2010 : 10,000,800) ordinary shares of Rs. 10 each fully paid in cash		300,011,200	100,008,000

4.1 Movement during the year

2011 No. of Shares	2010 No. of Shares		Note	2011 Rupees	2010 Rupees
10,000,800	10,000,800	At July 01		100,008,000	100,008,000
20,000,320	--	Ordinary shares of Rs. 10 each issued during the year	4.2	200,003,200	--
30,001,120	10,000,800	At June 30		300,011,200	100,008,000

4.2 The company has increased its paid-up capital on April 08, 2011, by converting already received loans from associated company, directors and their family members (Refer Note 6 and 7) by Rs. 200,003,200 by issuing further 20,000,320 ordinary shares of Rs. 10 each AT PAR without offering right shares to all the existing shareholders as permissible under Section 86(1) of the Companies Ordinance, 1984 with the approval of Securities and Exchange Commission of Pakistan.

4.3 12,878,100 (2010: 2,878,100) shares of the Company are held by an associated company.

	Note	2011 Rupees	2010 Rupees
5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus arising on revaluation	5.1	588,055,184	614,197,149
Less: Deferred tax arising on surplus on revaluation	5.2	126,633,167	135,782,855
		461,422,017	478,414,294
5.1 Opening balance of surplus on revaluation		614,197,149	640,339,114
Less: Incremental depreciation:			
Buildings		2,683,103	2,683,103
Plant and machinery		23,458,862	23,458,862
		26,141,965	26,141,965
		588,055,184	614,197,149

The revaluation of free - hold land, buildings on free - hold land and plant and machinery was carried out by Arch-e-decon (Evaluators, Surveyors, Architects and Engineers) as at June 30, 2009.

Incremental depreciation represents the difference between actual depreciation on revalued property, plant and equipment and equivalent depreciation based on historical cost of property, plant and equipment.

Surplus on revaluation of property, plant and equipment can be utilized by the Company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

		Note	2011 Rupees	2010 Rupees
5.2	Related deferred tax liability on July 01		135,782,855	144,932,543
	Deferred tax liability arising on revaluation		--	--
	Tax effect on incremental depreciation		(9,149,688)	(9,149,688)
			126,633,167	135,782,855

6 LOANS FROM DIRECTORS AND MEMBERS

The interest free unsecured loans obtained for weaving expansion project have been converted into share capital in April 2011 (Refer Note 4.2).

7 LONG TERM FINANCING FROM ASSOCIATED COMPANY - Unsecured

These represent facilities obtained from Associated Company. The break up of these facilities is as follows:

	Note	2011 Rupees	2010 Rupees
Loan I	7.1	9,150,000	9,150,000
Loan II	7.2	--	60,000,000
Loan III	7.3	--	100,000,000
Loan IV	7.4	100,000,000	--
		109,150,000	169,150,000

7.1 The loan is not repayable within twelve months from the balance sheet date.

7.2 This loan was obtained for Weaving Expansion Project and subordinated to banks (to the extent of Rs. 40 million) has been converted into share capital in April 2011 (Refer Note 4.2).

7.3 The loan which was subordinated to banks (to the extent of Rs. 50 million) has been converted into share capital in April 2011 (Refer Note 4.2).

7.4 The markup is charged at the same rates which are charged by the banks to the associated company ranging from 13.51% to 15.90% per annum.

8	LONG TERM FINANCING FROM COMMERCIAL BANKS - Secured	Note	Sanctioned Limit-Rupees	2011 Rupees	2010 Rupees
	MCB Bank Limited - Term Loan	8.1	204,000,000	63,584,414	95,376,622
	MCB Bank Limited - Demand Finance	8.2	63,584,416	31,792,208	31,792,208
				95,376,622	127,168,830
	Current portion			(31,792,208)	(31,792,208)
				63,584,414	95,376,622

8.1 The loan has been obtained for weaving expansion project and was repayable in 14 half yearly equal installments, with 18 months grace period, commencing from March 31, 2006. However, after conversion in SBP LTF-EOP the total number of installments reduced to 13.

The markup rate is charged @ 7% per annum w.e.f. December 18, 2006 when the loan was converted into SBP LTF-EOP.

The loan was rescheduled by MCB Bank Limited by deferring four half yearly installments of principal due from September 30, 2008 to March 31, 2010. Now these installments will be payable from September 30, 2011 to March 29, 2013. This rescheduling includes deferment of two half yearly installments of the loan due on March 31, 2009 and September 30, 2009 as per grace period allowed by State Bank of Pakistan in payment of principal outstanding under LTF-EOP debt swap facility.

8.2 Demand finance has been obtained from MCB Bank Limited under rescheduling arrangement of LTF-EOP facility. Repayment will be made in 2 equal instalments on 30.09.2013 and 29.03.2014. The markup is charged @ 6 month KIBOR plus 1% per annum.

The above loans are secured against first pari passu charge on property, plant and equipment of the Company.

9	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	2011 Rupees	2010 Rupees
	Present value of the minimum lease payments	567,465	2,909,446
	Current portion	(462,058)	(2,342,653)
		105,407	566,793

The present value of minimum lease payments has been discounted at an implicit interest rate ranging from 15.93% to 16.73% p.a. to arrive at their present value. The lessee has the option to purchase the asset after expiry of the lease term which it intends to exercise.

Taxes, repairs, replacements and insurance costs are to be born by the lessee.

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

	Minimum Lease Payments	Finance Cost not yet due	2011 Present Value of Minimum Lease Payments	2010 Present Value of Minimum Lease Payments
	Rupees			
Not later than one year	488,202	26,144	462,058	2,342,653
Later than one year and not later than five years:				
2012	-	-	-	461,515
2013	106,121	714	105,407	105,278
	106,121	714	105,407	566,793
	594,323	26,858	567,465	2,909,446

	2011 Rupees	2010 Rupees
10 DEFERRED LIABILITIES:		
Staff retirement benefits - gratuity	42,027,090	33,853,029

The scheme provides for gratuity benefits for all of its permanent employees who attain the minimum qualifying period. Provision has been made on the basis of latest actuarial valuation made on June 30, 2011 using projected unit credit method.

	2011 Rupees	2010 Rupees
Amount disclosed in balance sheet		
Present value of defined benefit obligation	43,473,190	34,284,972
Unrecognized gains / (losses)	(1,446,100)	(431,943)
	42,027,090	33,853,029
Movement in net liability		
Opening liability	33,853,029	30,460,991
Expense incurred	10,568,521	9,882,339
Benefits paid	(2,394,460)	(6,490,301)
Closing liability	42,027,090	33,853,029
Charge for the year		
Current service cost	6,454,324	6,300,211
Interest cost	4,114,197	3,582,128
	10,568,521	9,882,339

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees
The Present Value of defined benefit obligation is as follows:				
As at June 30	43,473,190	34,284,972	29,851,063	25,623,108

	Note	2011 Rupees	2010 Rupees
Charge for the year has been allocated as under:			
Cost of sales	28.2	4,240,568	3,973,711
Distribution cost	29.1	426,694	422,386
Administrative expenses	30.1	5,901,259	5,486,242
		10,568,521	9,882,339

11 TRADE AND OTHER PAYABLES

	2011 Rupees	2010 Rupees
Creditors	83,611,570	91,543,240
Accrued liabilities	9,012,530	8,122,623
Advance from customers	16,859,421	9,674,772
Unclaimed dividend	1,662,656	1,662,656
Due to associated company	46,158,310	40,351,425
Tax deducted at source	354,276	49,666
Others	41,930	654,354
	157,700,693	152,058,736

12 ACCRUED MARKUP

	2011 Rupees	2010 Rupees
Accrued mark-up / interest on long term financing	2,256,646	2,977,280
Accrued mark-up / interest on short term borrowings	19,973,386	17,936,498
	22,230,032	20,913,778

	Note	Sanctioned Limit-Rupees	2011 Rupees	2010 Rupees

13 SHORT TERM BORROWINGS

	Note	Sanctioned Limit-Rupees	2011 Rupees	2010 Rupees
Commercial banks-secured	13.1	505,000,000	467,802,852	469,689,627
Commercial banks-current account	13.2		28,073,043	12,127,516
Associated company-unsecured	13.3		10,100,000	22,600,000
Director/Sponsor member-unsecured	13.4		45,050,000	25,000,000
			551,025,895	529,417,143

13.1 The facilities are secured against hypothecation of stock in trade, pari passu charge on current assets, second charge on property, plant and equipment of the Company and security of an associated company. Mark-up is payable at the rate ranging from 13.03% to 16.0% per annum and is payable on quarterly basis.

13.2 The unfavourable balance has arisen due to cheques issued prior to the year end. The bank has confirmed favourable balance in this regard at the year end.

13.3 The markup is charged at the same rates which are charged by the banks to the associated company ranging from 13.51% to 16.77% per annum.

13.4 The markup is charged at the same rates which are charged by the bank to the director/sponsor member ranging from 13.04% to 17.63% per annum.

14 CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2011 Rupees	2010 Rupees
Long term financing from commercial banks	8	31,792,208	31,792,208
Liabilities against assets subject to finance lease	9	462,058	2,342,653
		32,254,266	34,134,861

15 CONTINGENCIES AND COMMITMENTS

15.1 The Company has not accounted for excise duty on long term financing charged by PICIC amounting to Rs. 6,471,581 (2010: Rs.6,471,581). However, out of this amount the Company has paid Rs. 1,941,474 as advance federal excise duty (Note 25). The Company has filed an appeal in the Supreme Court of Pakistan against the decision of the Lahore High Court. The Company is of the view that such liability is not payable by the Company. The final outcome of the matter is pending.

15.2 Commitments against irrevocable letter of credit for import of raw materials as at June 30, 2011 amounted to Rs. Nil (2010: Rs. 6.992 million).

16 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Cost or assessed value as on July 01, 2010	Cost of Additions/ (Deletions)	Surplus on revaluation	Gross book value as on June 30, 2011	DEPRECIATION Rate %	As on July 01, 2010	Revaluation Adjustments	For the year/ (adjustment on disposals)	As on June 30, 2011	Net book value as on June 30, 2011
Land - freehold	233,800,000	-	-	233,800,000	-	-	-	-	-	233,800,000
Building on freehold land	125,082,740	-	-	125,082,740	3.8 - 10	4,812,106	-	4,810,875	9,622,981	115,459,759
Plant and machinery	675,243,728	7,002,117	-	682,245,845	4.8 - 10	43,562,791	-	44,134,254	87,697,045	594,548,800
Furniture and fittings	3,106,505	14,900	-	3,121,405	10	2,053,087	-	105,852	2,158,939	962,466
Vehicles	7,923,053	1,134,967	-	9,058,020	20	6,180,598	-	571,753	6,752,351	2,305,669
Electrical appliances	1,769,873	113,504	-	1,883,377	10	812,296	-	102,402	914,698	968,679
Office equipment	7,270,841	964,523 (40,300)	-	8,195,064	10	4,335,348	-	324,714 (11,433)	4,648,629	3,546,435
2011 Rupees	1,054,196,740	9,230,011 (40,300)	-	1,063,386,451		61,756,226	-	50,049,850 (11,433)	111,794,643	951,591,808

DESCRIPTION	Cost or assessed value as on July 01, 2009	Cost of Additions/ (Deletions)	Surplus on revaluation	Gross book value as on June 30, 2010	DEPRECIATION Rate %	As on July 01, 2009	Revaluation Adjustments	For the year/ (adjustment on disposals)	As on June 30, 2010	Net book value as on June 30, 2010
Land - freehold	233,800,000	-	-	233,800,000	-	-	-	-	-	233,800,000
Building on freehold land	124,615,424	467,316	-	125,082,740	3.8 - 10	-	-	4,812,106	4,812,106	120,270,634
Plant and machinery	671,266,582	3,977,146	-	675,243,728	4.8 - 10	-	-	43,562,791	43,562,791	631,680,937
Furniture and fittings	3,119,458	22,650 (35,603)	-	3,106,505	10	1,961,696	-	115,820 (24,429)	2,053,087	1,053,418
Vehicles	8,575,697	65,729 (718,373)	-	7,923,053	20	6,195,786	-	475,836 (491,024)	6,180,598	1,742,455
Electrical appliances	1,611,405	158,468	-	1,769,873	10	719,229	-	93,067	812,296	957,577
Office equipment	7,187,513	151,848 (68,520)	-	7,270,841	10	4,056,255	-	318,624 (39,531)	4,335,348	2,935,493
2010 Rupees	1,050,176,079	4,843,157 (822,496)	-	1,054,196,740		12,932,966	-	49,378,244 (554,984)	61,756,226	992,440,514

	Note	2011 Rupees	2010 Rupees
16.1 Depreciation for the year has been allocated as under :			
Cost of sales	28	48,945,129	48,374,897
Administrative expenses	30	1,104,721	1,003,347
		50,049,850	49,378,244

16.2 Disposal of property, plant and equipment

The following are the details of disposals during the year:

Particulars	Cost	Book Value	Sale Proceeds	Gain/(loss) on disposal	Mode of Disposal	Name and Address
HP 4100 Laser-jet Printer	8,500	6,951	1,500	(5,451)	Negotiation	I.A. Enterprises, 1 Mian Meer Road, Upper Mall, Lahore.
Nokia 5130 Mobile Phone	9,700	8,237	3,000	(5,237)	Negotiation	Mr. Samiullah Khan, 183-E, Tajpura LDA Scheme, Lahore.
Nokia 9300 Mobile Phone	22,100	13,679	6,500	(7,179)	Negotiation	Al-Qamar Mobiles G/33-Hafeez Centre, Main Boulevard, Gulberg III, Lahore.
2011 Rupees	40,300	28,867	11,000	(17,867)		
2010 Rupees	822,496	267,512	250,400	(17,112)		

16.3 Free - hold land, buildings on free - hold land and plant and machinery were most recently revalued on June 30, 2009 by an independent valuer, Arch-e-decon (Evaluators, Surveyors, Architects and Engineers), resulting in surplus of Rs. 447.892 million and incorporated in the financial statements for the year ended June 30, 2009. Previously revaluation was carried out on free - hold land in 2006, resulting in surplus of Rs. 192.446 million. The basis used for revaluation of property, plant and equipment are as follows:

Free - hold land	The value of free - hold land ascertained according to the local market value.
Buildings on free - hold land	Present day construction rates for different types of building structure depreciated to account for the age and condition of the building.
Plant and machinery	The value has been determined with reference to prevailing prices of similar plants and machinery depreciated to account for the age, usage and physical condition.

16.4 Free - hold land, buildings on free - hold land and plant and machinery represent values subsequent to revaluation as at June 30, 2006 and June 30, 2009. Had there been no revaluation, the carrying amount of the revalued assets would have been as follows:

	2011 Rupees	2010 Rupees
Free - hold land	7,553,867	7,553,867
Buildings on free - hold land	51,065,281	53,193,053
Plant and machinery	297,143,228	310,807,501
	355,762,376	371,554,421

17 ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION	COST				DEPRECIATION					Written down value as on June 30, 2011
	As on July 01, 2010	Additions	Deletions	As on June 30, 2011	Rate %	As on July 01, 2010	Adjustment	For the year	As on June 30, 2011	
Plant and machinery	3,138,797	-	3,138,797	-	10	908,288	(915,621)	7,333	-	-
Vehicles	6,287,000	-	4,026,000	2,261,000	20	3,298,663	(2,425,785)	339,429	1,212,307	1,048,693
2011 Rupees	9,425,797	-	7,164,797	2,261,000		4,206,951	(3,341,406)	346,762	1,212,307	1,048,693

DESCRIPTION	COST				DEPRECIATION					Written down value as on June 30, 2010
	As on July 01, 2009	Additions	Deletions	As on June 30, 2010	Rate %	As on July 01, 2009	Adjustment	For the year	As on June 30, 2010	
Plant and machinery	3,138,797	-	-	3,138,797	10	660,454	-	247,834	908,288	2,230,509
Vehicles	6,287,000	-	-	6,287,000	20	2,551,579	-	747,084	3,298,663	2,988,337
2010 Rupees	9,425,797	-	-	9,425,797		3,212,033	-	994,918	4,206,951	5,218,846

17.1 Deletion during the year represent expiry of four leases. The company has opted to buy these assets at their residual value. These have been transferred to the operating fixed assets of the company at their written down value.

17.2 Depreciation for the year has been allocated as under :

	Note	2011 Rupees	2010 Rupees
Cost of sales	28	7,333	247,834
Administrative expenses	30	339,429	747,084
		346,762	994,918

17.3 Disposal of leased assets

The following are the details of disposals during the year:

Particulars	Cost	Book Value	Sale Proceeds	Gain/(loss) on disposal	Mode of Disposal	Name and Address
Santro Club GV (LWQ-6353)	618,000	234,435	263,376	28,941	Employee	Mr. Rehan Hamid Wyne House No. 419 - A, RECHS Near Johar Town, Block A, Lahore
Suzuki Cultus (LEA-9087)	608,000	230,813	253,701	22,888	Employee	Mr. Muhammod Ramzan Anwar House No. 9, Umer Farooq Street, Model Town, Link Road, Lahore
2011 Rupees	1,226,000	465,248	517,077	51,829		
2010 Rupees	-	-	-	-		

		Note	2011 Rupees	2010 Rupees
18	LONG TERM LOANS AND ADVANCES			
	Advances - considered good	18.1	130,000	148,000
18.1	Advance to:			
	Executives		144,000	334,000
	Employees		82,000	27,200
			226,000	361,200
	Current portion:			
	Executives		(48,000)	(186,000)
	Employees		(48,000)	(27,200)
			(96,000)	(213,200)
			130,000	148,000

18.2 Loans to employees are secured against retirement benefits.

	Note	2011 Rupees	2010 Rupees
19 LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits		1,855,134	3,460,784
Less: Current Portion		(155,700)	(1,606,900)
		1,699,434	1,853,884
20 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		15,650,612	11,269,985
Spare parts		15,604,298	13,108,389
Packing materials		926,513	1,033,082
Loose tools		2,662,441	2,494,059
		34,843,864	27,905,515
21 STOCK IN TRADE			
Raw materials		41,640,150	59,626,724
Work in process		64,266,249	45,563,327
Finished goods		135,380,761	123,614,881
Scrap / waste		195,691	68,068
		241,482,851	228,873,000
22 TRADE DEBTS - Considered good			
Export - Secured against letters of credit		28,218,180	8,066,922
Local - Secured against letters of credit		49,812,931	14,652,716
- Unsecured		17,582,188	37,492,562
		67,395,119	52,145,278
		95,613,299	60,212,200
23 LOANS AND ADVANCES			
Advances - unsecured, considered good:			
to executives	23.1	307,142	189,152
to employees		119,950	138,964
to suppliers		3,825,839	6,243,817
		4,252,931	6,571,933
Letters of credit		-	3,353,936
		4,252,931	9,925,869

23.1 The maximum aggregate amount due from the associated companies and executives at the end of any month was Rs. Nil (2010: Rs. 26,288) and Rs. 355,160 (2010: Rs.1,644,070) respectively.

		Note	2011 Rupees	2010 Rupees
24	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Security deposits		155,700	1,606,900
	Prepayments		990,318	1,079,447
	Export rebate receivable		533,221	447,868
			1,679,239	3,134,215
25	OTHER RECEIVABLES			
	Sales tax refundable		11,364,281	41,443,237
	Advance federal excise duty		1,941,474	1,941,474
	Others		-	138,158
			13,305,755	43,522,869
26	CASH AND BANK BALANCES			
	Cash in hand		247,961	179,555
	Cash at banks:			
	Current accounts		32,088,497	5,784,668
	Saving accounts		347,749	148,774
			32,436,246	5,933,442
			32,684,207	6,112,997
27	SALES			
	Cloth - Export - invoiced value		458,749,485	479,273,788
	- Exchange gain		112,526	2,193,860
			458,862,011	481,467,648
	- Local		1,761,352,901	1,057,408,818
			2,220,214,912	1,538,876,466
	Waste		7,270,623	2,464,153
	Export rebate		207,851	246,401
	Processing		33,110,018	-
			2,260,803,404	1,541,587,020
	Commission and claim		(14,426,419)	(19,055,999)
			2,246,376,985	1,522,531,021

27.1 Sales are exclusive of sales tax amounting to Rs. 705,508 (2010: Rs. 112,156).

	Note	2011 Rupees	2010 Rupees
28 COST OF SALES			
Raw materials consumed	28.1	1,811,102,747	1,156,194,241
Salaries, wages and other benefits	28.2	83,023,702	73,058,470
Fuel and power		169,919,963	146,334,009
Stores consumed		86,972,313	72,976,310
Processing charges		1,572,815	1,195,458
Insurance		2,705,995	2,786,325
Repairs and maintenance		7,461,392	2,887,431
Depreciation on property, plant and equipment	16.1	48,945,129	48,374,897
Depreciation on leased assets	17.2	7,333	247,834
Others		323,500	425,532
		2,212,034,889	1,504,480,507
Adjustment of work-in-process			
Opening stock		45,563,327	35,098,918
Closing stock		(64,266,249)	(45,563,327)
		(18,702,922)	(10,464,409)
Adjustment of finished goods and waste			
Opening stock		123,682,949	136,804,336
Cloth purchased		184,395	4,002,727
Closing stock		(135,576,452)	(123,682,949)
		(11,709,108)	17,124,114
		2,181,622,859	1,511,140,212

28.1 Raw materials consumed

	2011 Rupees	2010 Rupees
Opening stock	59,626,724	40,748,532
Purchases	1,786,646,702	1,168,363,714
Freight and octroi	7,366,234	6,708,719
	1,794,012,936	1,175,072,433
Claims	(896,763)	-
Closing stock	(41,640,150)	(59,626,724)
	1,811,102,747	1,156,194,241

28.2 Salaries, wages and other benefits include retirement benefits amounting to Rs. 4,240,568 (2010: Rs. 3,973,711).

	Note	2011 Rupees	2010 Rupees
29 DISTRIBUTION COST			
Salaries and other benefits	29.1	2,971,271	2,764,287
Vehicles running and maintenance		447,665	380,648
Communication		375,591	431,246
Freight, shipment and others		10,320,588	15,699,053
Other expenses		803,202	828,387
		14,918,317	20,103,621

	Note	2011 Rupees	2010 Rupees

29.1 Salaries and other benefits include retirement benefits amounting to Rs. 426,694 (2010: Rs. 422,386).

30 ADMINISTRATIVE EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries and other benefits	30.1	11,556,648	11,566,864
Traveling and conveyance		1,676,299	2,393,400
Rent, rates and taxes		1,763,460	1,909,798
Printing and stationery		763,365	880,155
Communication		1,497,996	1,266,560
Vehicles running and maintenance		2,122,127	1,716,565
Entertainment		904,251	814,972
Repair and maintenance		585,894	605,517
Utility expenses		311,079	242,045
Legal and professional		443,227	439,828
Subscription		1,496,430	197,174
Insurance		889,631	839,675
Advertisement		118,800	37,800
Depreciation on property, plant and equipment	16.1	1,104,721	1,003,347
Depreciation on leased assets	17.2	339,429	747,084
		25,573,357	24,660,784

30.1 Salaries and other benefits include retirement benefits amounting to Rs. 5,901,259 (2010: Rs. 5,486,242).

31 OTHER OPERATING EXPENSES

	Note	2011 Rupees	2010 Rupees
Auditors' remuneration	31.1	806,250	681,600
Others		44,961	37,370
		851,211	718,970

31.1 Auditors' remuneration

	2011 Rupees	2010 Rupees
Audit fee	500,000	500,000
Half yearly review	50,000	50,000
Code of Corporate Governance	25,000	25,000
Tax representation and consultancy fee	205,600	88,000
Out of pocket expenses	25,650	18,600
	806,250	681,600

32 FINANCE COST

	2011 Rupees	2010 Rupees
Interest on long term financing	9,982,545	11,454,516
Interest on financing from associated company	20,743,257	28,059,662
Interest on short term borrowings	74,476,303	67,996,313
Interest on liabilities against assets subject to finance lease	114,794	376,823
Bank charges	2,869,412	3,012,179
	108,186,311	110,899,493

	Note	2011 Rupees	2010 Rupees
33 OTHER OPERATING INCOME			
Income on financial assets			
Interest on saving accounts and advances to employees		14,577	9,278
Income on assets other than financial assets			
Loss on disposal of property, plant and equipment	16.2	(17,867)	(17,112)
Gain on disposal of leased assets	17.3	51,829	-
(Loss)/gain on sale of raw materials and stores		(27,066)	690,659
Others		262,730	102,355
		284,203	785,180

34 TAXATION

	2011 Rupees	2010 Rupees
Current	23,594,966	10,081,102
Deferred tax on revaluation of assets	(9,149,688)	(9,149,688)
	14,445,278	931,414

34.1 Provision for income tax has been made in the accounts at the rate of 1.0% of export sales under final tax regime plus 1.0% of local sales under minimum tax regime u/s 154 and u/s 113 of the Income Tax Ordinance, 2001 respectively. For assessment years 2001-2002 and 2002-2003 appeals are pending before Income Tax Appellate Tribunal. The Company has not accounted for deferred taxation, except for revaluation surplus, because it is not probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

34.2 Reconciliation of applicable and effective tax rate	%	%
Tax rate applicable to Company	35.00	35.00
Effective tax rate	(17.10)	(0.65)

As the Company is under final tax and minimum tax regime (refer to note 34.1), the effective tax rate cannot be reconciled with the applicable rate.

35 LOSS PER SHARE - BASIC AND DILUTED

Loss per share is calculated by dividing loss after tax for the period by weighted average number of shares outstanding during the period as follows:

	2011	2010
Loss attributable to ordinary shareholders	(98,936,145)	(145,138,293)
Weighted average number of ordinary shares	14,548,818	10,000,800
Loss per share - Basic and diluted	(6.80)	(14.51)

35.1 No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

36 FINANCIAL ASSETS AND LIABILITIES

	Mark-up Bearing			Non Mark-up Bearing			
	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Grand Total 2011 Rupees
Financial Assets							
Long term loans and advances	-	-	-	96,000	130,000	226,000	226,000
Trade debts	-	-	-	95,613,299	-	95,613,299	95,613,299
Other receivables	-	-	-	-	-	-	-
Cash and bank balances	347,749	-	347,749	32,336,458	-	32,336,458	32,684,207
	347,749	-	347,749	128,045,757	130,000	128,175,757	128,523,506
Financial Liabilities							
Long term financing from associated company	-	109,150,000	109,150,000	-	-	-	109,150,000
Long term financing from commercial banks	31,792,208	63,584,414	95,376,622	-	-	-	95,376,622
Liabilities against assets subject to finance lease	462,058	105,407	567,465	-	-	-	567,465
Trade and other payables	-	-	-	140,486,996	-	140,486,996	140,486,996
Accrued markup	-	-	-	22,230,032	-	22,230,032	22,230,032
Short term borrowings	551,025,895	-	551,025,895	-	-	-	551,025,895
	583,280,161	172,839,821	756,119,982	162,717,028	-	162,717,028	918,837,010
On balance sheet gap 2011	(582,932,412)	(172,839,821)	(755,772,233)	(34,671,271)	130,000	(34,541,271)	(790,313,504)

	Mark-up Bearing			Non Mark-up Bearing			
	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Maturity up to One Year Rupees	Maturity after One Year Rupees	Sub Total Rupees	Grand Total 2010 Rupees
Financial Assets							
Long term loans and advances	27,200	-	27,200	186,000	148,000	334,000	361,200
Trade debts	-	-	-	60,212,200	-	60,212,200	60,212,200
Other receivables	-	-	-	138,158	-	138,158	138,158
Cash and bank balances	148,774	-	148,774	5,964,223	-	5,964,223	6,112,997
	175,974	-	175,974	66,500,581	148,000	66,648,581	66,824,555
Financial Liabilities							
Long term financing from associated company	-	169,150,000	169,150,000	-	-	-	169,150,000
Long term financing from commercial banks	31,792,208	95,376,622	127,168,830	-	-	-	127,168,830
Liabilities against assets subject to finance lease	2,342,653	566,793	2,909,446	-	-	-	2,909,446
Trade and other payables	-	-	-	142,334,298	-	142,334,298	142,334,298
Accrued markup	-	-	-	20,913,778	-	20,913,778	20,913,778
Short term borrowings	529,417,143	-	529,417,143	-	-	-	529,417,143
	563,552,004	265,093,415	828,645,419	163,248,076	-	163,248,076	991,893,495
On balance sheet gap 2010	(563,376,030)	(265,093,415)	(828,469,445)	(96,747,495)	148,000	(96,599,495)	(925,068,940)

EFFECTIVE INTEREST RATES

Financial liabilities

Long term financing from associated company	13.51% to 15.90%	per annum
Long term financing from commercial banks	7% to 14.69%	per annum
Liabilities against leased assets	15.93% to 16.73%	per annum
Short term borrowings	13.03% to 17.63%	per annum

Financial assets

Cash with banks on saving accounts	3% to 5%	per annum

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Credit risk and concentration of credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if the counter parties fail completely to perform as contracted.

Credit risk arises principally from loans and advances, trade debts, deposits, other receivables and bank balances. Out of total financial assets of Rs. 128.524 million (2010: Rs. 66.824 million), the financial assets that are subject to credit risk amounted to Rs. 128.049 million (2010: Rs.66.463 million).

For trade receivables, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with the limits set by the management. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

Concentration of the credit risk arises when the number of counter parties engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration risk.

The carrying amount of the financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2011 Rupees	2010 Rupees
Trade debts	95,613,299	60,212,200
Other receivables	-	138,158
Bank balances	32,436,246	6,112,997
	128,049,545	66,463,355

The breakup of amount due from customers other than related parties as stated in note 22 is presented below.

Due from foreign customers	28,218,180	8,066,922
Due from local customers	67,395,119	52,145,278
	95,613,299	60,212,200

Based upon past experience, no provision for doubtful debts has been made during the year for local and foreign customers.

The ageing of trade debts at the reporting date was:

Past due 1-30 days	41,780,396	45,814,578
Past due 31-150 days	48,354,176	9,874,825
Past due over 150 days	5,478,727	4,522,797
	95,613,299	60,212,200

The Company's most significant amount receivable is from a customer which amounts to Rs. 49,813,931 (2010: Rs. 11,988,442) that has a good track record with the Company.

Most of the trade debts are secured against letters of credit. The Company has placed funds with financial institutions with high credit rating. The Company assesses the credit quality of counterparties as satisfactory. Loans to employees are secured against retirement benefits.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's value of its financial instruments. The Company is exposed to currency risk and interest rate risk.

Currency risk

The Company is exposed to currency risk on trade debts denominated in US Dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2011 USD	2011 Rupees	2010 USD	2010 Rupees
Foreign debtors	328,692	28,218,180	95,038	8,066,922

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2011	2010	2011	2010
US Dollar	84.93	83.43	85.85	85.28

A 10% strengthening of the functional currency against USD at 30 June would have increased loss for the year by Rs. 2,821,818 (2010: Rs. 806,692). A 10% weakening of the functional currency against USD at 30 June would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and associated company. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate in percentage		Carrying amount in Rupees	
	2011	2010	2011	2010
Financial liabilities				
Variable rate instruments				
Long term financing from associated company	13.51 - 15.90	13.28 - 15.85	109,150,000	169,150,000
Long term financing from commercial banks	7.00 - 14.69	6.00 - 14.76	95,376,622	127,168,830
Short term borrowings	13.03 - 17.63	13.03 - 18.26	551,025,895	529,417,143

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss 100 basis points	
	Increase	Decrease
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	7,555,525	(7,555,525)
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	8,257,360	(8,257,360)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Capital risk management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term financing" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital and reserves" and net debt.

The salient information relating to capital risk management of the Company at year end were as follows:

	2011 Rupees	2010 Rupees
Total borrowings	755,552,517	825,735,973
Less: Cash and cash equivalents	32,684,207	6,112,997
Net debt	722,868,310	819,622,976
Total equity	(189,959,955)	(308,019,287)
Total capital	532,908,355	511,603,689

37 RELATED PARTY TRANSACTIONS

The related parties comprise of associated companies, directors and their close family members, executives and major shareholders of the Company. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements were as follows;

	Note	2011 Rupees	2010 Rupees
Long term borrowing obtained from ICC (Private) Limited - interest bearing		100,000,000	-
Short term borrowing repaid to ICC (Private) Limited - interest bearing		12,500,000	-
Short term borrowing obtained from a sponsor member		4,050,000	25,000,000
Short term borrowing obtained from a director		16,000,000	-
Interest on loan debited by ICC (Private) Limited	37.1	20,743,257	28,059,662
Interest on loan obtained from sponsor member / director		3,470,669	1,639,366
Reimbursable expenses incurred on behalf of ICC (Private) Limited		13,233,617	8,729,956
Shareable expenses debited to ICC (Private) Limited		1,750,903	1,853,235
Reimbursable expenses incurred on behalf of Imperial Soft (Private) Limited		-	51,454
Reimbursable expenses incurred by ICC (Private) Limited		-	27,436

37.1 Interest on long term financing and short term borrowing is charged at the same rates which are charged by the banks to the associated company / sponsor member / director.

37.2 The companies are associated due to common directorship.

37.3 Transactions with related parties are carried out at arm's length price determined in accordance with comparable uncontrolled price method.

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	-	-	4,891,351	-	-	2,304,320
House rent allowance	-	-	1,767,497	-	-	747,129
Other allowances	-	-	731,723	-	-	405,019
Medical expenses	-	-	142,960	-	-	52,037
Utilities	-	-	-	-	-	-
Rupees	-	-	7,533,531	-	-	3,508,505
No. of persons	1	2	6	1	2	3

38.1 The directors of the Company have opted not to draw any remuneration from the Company voluntarily.

38.2 Some executives are provided with free use of Company cars as per rules.

38.3 No meeting fee was paid to the directors for attending the meetings of the board.

	2011	2010
39 NUMBER OF EMPLOYEES		
Number of employees at the end of the period	595	613

40 CAPACITY INSTALLED AND ACTUAL PRODUCTION

	2011	2010
No. of looms installed	172	172
No. of looms worked	172	172
Shifts per day	3	3
No. of days actually worked	364	364
Rated capacity (Square Meters in millions)	39.6	39.6
Actual production (Square Meters in millions)	32.9	32.5

It is difficult to determine precisely the production / rated capacity in textile weaving mills since it fluctuates widely depending on various factors such as speed, width and construction of cloth woven etc.

41 ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgement basis, which provisions may differ in the future years based on the actual experience. The difference in provision if any, is recognized in the future period.

Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendations of technical teams of the Company. The said recommendation also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimate in the future years might affect the carrying amounts of the respective item of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Stock in trade and stores and spares

The Company's management reviews the net realizable value (NRV) and impairment of stock in trade and stores and spares to access any diminution in the respecting carrying values and wherever required provision for NRV / impairment is made. The difference in provision, if any, is recognised in the future period.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 08, 2011.

43 FIGURES

- Figures have been rounded off to the nearest rupee.

LAHORE:	Sd/-	Sd/-
October 08, 2011	Director	Chief Executive

FORM - 34

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHARE HOLDERS AS ON JUNE 30, 2011

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
157	1	100	12,871
1,017	101	500	476,228
108	501	1,000	105,729
155	1,001	5,000	446,363
47	5,001	10,000	379,252
18	10,001	15,000	224,104
7	15,001	20,000	118,391
11	20,001	25,000	245,720
6	25,001	30,000	168,000
3	30,001	35,000	99,700
3	35,001	40,000	112,203
1	50,001	55,000	50,463
1	55,001	60,000	56,490
1	65,001	70,000	70,000
1	75,001	80,000	80,000
1	80,001	85,000	84,016
5	95,001	100,000	486,270
5	125,001	130,000	633,612
1	135,001	140,000	139,900
2	150,001	155,000	306,160
1	155,001	160,000	158,900
1	160,001	165,000	164,870
2	165,001	170,000	338,900
2	175,001	180,000	355,500
1	180,001	185,000	181,500
1	190,001	195,000	195,000
1	200,001	205,000	203,710
1	230,001	235,000	235,000
2	235,001	240,000	473,000
1	280,001	285,000	281,920
1	310,001	315,000	311,000
1	405,001	410,000	410,000
1	420,001	425,000	425,000
1	440,001	445,000	440,570
2	475,001	480,000	958,815
1	530,001	535,000	533,815
1	915,001	920,000	915,808
1	930,001	935,000	932,000
2	1,020,001	1,025,000	2,042,240
1	1,495,001	1,500,000	1,500,000
1	1,765,001	1,770,000	1,770,000
1	2,875,001	2,880,000	2,878,100
1	9,995,001	10,000,000	10,000,000
1,578			30,001,120

DETAIL OF SHAREHOLDING
AS ON JUNE 30, 2011

	Categories of shareholders	Shares held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children		
	Mr. Shafiq A. Siddiqi	80,000	0.27
	Mr. Shafiq A. Siddiqi (CDC)	128,000	0.43
	Mr. Javaid Shafiq Siddiqi	169,450	0.56
	Mr. Javaid Shafiq Siddiqi (CDC)	1,021,120	3.40
	Mr. Usman Haq	70,000	0.23
	Mr. Usman Haq (CDC)	932,000	3.11
	Mr. Tahir Rehman (CDC)	479,415	1.60
	Mr. Tariq Rehman (CDC)	2,303,815	7.68
	Mr. Suhail Mannan	915,808	3.05
	Mr. Suhail Mannan (CDC)	1,500,000	5.00
	Mr. Ahsan Suhail Mannan	203,710	0.68
	Mr. Awais Noorani	500	0.00
	Mrs. Saeeda Shafiq W/o Shafiq A. Siddiqi	95,420	0.32
	Mrs. Ambereen Haq W/o Usman Haq	176,200	0.59
	Mrs. Ambereen Haq W/o Usman Haq (CDC)	281,920	0.94
	Mrs. Anjum T. Rehman W/o Tahir Rehman (CDC)	479,400	1.60
	Mrs. Shahima Rehman W/o Tariq Rehman (CDC)	425,000	1.42
	Total:	9,261,758	30.87
2	Associated Companies, undertakings and related parties		
	M/s ICC (Pvt.) Limited	2,878,100	9.59
	M/s ICC (Pvt.) Limited (CDC)	10,000,000	33.33
	Total:	12,878,100	42.93
3	NIT and ICP		
	Investment Corporation of Pakistan	1,400	0.00
	National Bank of Pakistan (CDC)	164,870	0.55
	National Investment Trust Ltd. (CDC)	4,246	0.01
	Total:	170,516	0.57
4	Banks Development Financial Institutions, and Non Banking Financial Institutions.	104,710	0.35
5	Insurance Companies	158,900	0.53
6	Modarabas and Mutual Funds	-	-
7	General Public		
	a Local	7,367,831	24.56
	b Foreign		
8	Others (to be specified)		
	Joint Stock Companies	59,305	0.20
	Charitable Trusts	-	0.00
	Executives		
		-	0.00
	Grand Total:	30,001,120	100
9	Share holders holding 10%		
	M/s ICC (Pvt.) Limited-Associated Company	12,878,100	42.93

FORM OF PROXY

The Company Secretary
ICC Textiles Ltd.
242-A, Anand Road,
Upper Mall, Lahore

I/We --

of -- being a member of ICC TEXTILES

LIMITED and holder of --- Ordinary shares as per Share
(Number of Shares)

Register Folio No. ------------ and CDC Participant I.D. NO. --------------- and Sub Account No. ------------

hereby appoint --

of --

or failing him ---

of --

as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held at its Registered Office 242-A, Anand Road, Upper Mall, Lahore on Monday, the October 31, 2011 at 10:30 a.m. and at every adjournment thereof.

Signed this -- Day of -- 2011.

WITNESSES:

1. Signature:

   Name: ----------------------------------

   Address: ------------------------------

   NIC or ----------------------------------

   Passport No. --------------------------

2. Signature:

   Name: ----------------------------------

   Address: ------------------------------

   NIC or ----------------------------------

   Passport No. --------------------------

Signature

AFFIX
REVENUE
STAMP
RS. 5/-

Note: Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy need not to be a member of the Company.

CDC shareholders and their Proxies are requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company.