Annual Report 2010

Shadab Textile Mills Limited

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mian Aamir Naseem	**Chief Executive Officer**
	Mian Farrukh Naseem	
	Mian Shahzad Aslam	
	Mst. Nusrat Shamim	
	Ahmed Ali Tariq	
	Mazhar Hussain	
	Tariq Javaid	
AUDIT COMMITTEE	Mian Farrukh Naseem	**Chairman**
	Mian Shahzad Aslam	**Member**
	Ahmed Ali Tariq	**Member**
CHIEF FINANCIAL OFFICER	Mazhar Hussain	
COMPANY SECRETARY	Mazhar Hussain	
AUDITORS	M/s. Fazal Mahmood & Company Chartered Accountants	
SHARE REGISTRAR	Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35887262, 5839182 Fax: 042-35869037	
BANKERS	National Bank of Pakistan Bank Al-falah Limited	
REGISTERED OFFICE	A-601/A, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore. Ph: 042-35788714-16	
MILLS	Nasimabad, Shahkot, District Nankana Sahib.	

VISION STATEMENT

To Strive for excellence through commitments, integrity, honesty and team work.

MISSION STATEMENT

To be a model amongst the textile spinning, capable of producing high quality blended and hundred percent cotton yarn both for knitting and weaving.

- Complete satisfaction of Buyers/Consumers is our Motto.
- Manufacturing of blended and hundred percent cotton yarn as per the customers' requirements and market demand.
- Keeping pace with the rapidly changing technology by continuously balancing, modernization and replacement (BMR) of plant and machinery.
- Enhancing the profitability by improved efficiency and cost controls.
- Betterment of Mills Employees as quality policy.
- Protecting the environment and contributing towards the economic strength of the country and function as a good corporate citizen.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

- Formulate, implement, follow up and monitor the objectives, strategies, policies, procedures and overall business plan of the company.
- Oversee that the affairs of the company are being carried out prudently within the framework of objectives, existing laws/regulations and high business ethics.
- Ensure compliance of the company affairs as per legal and regulatory requirements and guidelines of the statutory authorities.
- Motivate and encourage initiatives and self realization in fellow members.
- Protect the interest and assets of the company.
- Maintain organizational effectiveness for the achievement of the organizational goals.
- Foster the conducive environment through respective policies.
- Company employees will avoid making personal gain (other than approved benefits) at the company's expenses and/or participating in or assisting activities which are against the company's interest.
- Company employees will not engage directly or indirectly without the permission of the company in any other business or paid occupation while in the service of the company.
- The company will not knowingly assist fraudulent activities of others.
- Ensure that the company interest supersedes all other interest.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the Shareholders of SHADAB TEXTILE MILLS LIMITED will be held on Saturday, October 30, 2010 at 10:30 a.m. at the Registered Office of the Company at A-601/A, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on March 27, 2010.

2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2010 together with Directors' and Auditors' Reports thereon.

3. To declare and approve the Cash Dividend at Rs. 1.00 per share i.e 10% for the year ended June 30, 2010 as recommended by the Board of Directors.

4. To appoint Auditors for the year 2010-2011 and fix their remuneration.

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

By order of the Board

LAHORE: October 05, 2010.

(Mazhar Hussain)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 24, 2010 to October 30, 2010 (both days inclusive). Transfers received at Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore, the Registrar and Shares Transfer Office of the Company by the close of business on October 23, 2010 will be treated in time for the purpose of above entitlement to the fransferees.

2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time of holding the meeting. A proxy must be a member.

3. Any Individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of corporate members should bring the usual documents required for such purposes.

4. Shareholders who has not yet supplied copy of their CNIC in complaince to our letter dated 16-04-2010 are once again advised through this notice to send a copy of their CNIC mentioning company name & Folio Number at our Share Registrar’s address for compliance of SECP notice at the earliest possible.

5. Shareholders are rqurested to immediately notify the change of address, if any to Share Registrar of Company.

DIRECTORS' REPORT

Dear Shareholders,

The Directors of the Company welcome you to the 31st Annual General Meeting and are pleased to present the Annual Report together with Audited Accounts of the Company for the year ended June 30, 2010.

Financial Results

The financial results of the company in comparative form are as follows:-

	(RUPEES IN THOUSAND)	
	June 30 2010	**June 30 2009**
Sales	1,246,000	874,380
Cost of sales	1,095,568	849,672
GROSS PROFIT	150,432	24,708
Administrative and general	23,046	22,315
Selling and distribution	1,103	778
	24,149	23,093
OPERATING PROFIT	126,283	1,615
Financial charges	45,315	43,654
Other Charges	5,635	-
	75,333	(42,039)
Other income	697	172
PROFIT / (LOSS) BEFORE TAXATION	76,030	(41,867)
Taxation	28,498	(13,606)
PROFIT / (LOSS) AFTER TAXATION	47,532	(28,261)
Basic earning per share - (Rupees)	15.84	(9.42)

By the grace of Almighty Allah, your company has earned a pre-tax profit of Rs. 76.030 million for the year ended June 30, 2010 as compared to loss of Rs. 41.867 million for the year ended June 30, 2009. Sales revenue and gross profit increased by 42.50% and 9.25% respectively as compared to previous year. The increase in sales revenue and gross profit is mainly due to recovery in international yarn market both in price and demand from the worldwide recessionary economic scenario.

International demand for textile related products especially yarn, grew considerably due to probably future increase in cotton prices. Domestic retail demand in India and China has also played a major role in keeping the yarn prices high. The production of yarn converted to 20/S has enhanced by 1.576 million kgs due to increase of average spindles operated during the year. Earning per share for the year ended June 30, 2010 stood at Rs.15.84 per share as compared to loss of Rs. 9.42 per share in the corresponding year.

During the year under review, the cotton prices domestically and internationally remained as high as never before. Wages & benefits cost and power & fuel cost increased due to increase in minimum wage rate and gas & electricity tariff respectively. Stores and spares cost increased due to major maintenance of machinery.

Dividend

The Board of Directors has recommended a cash dividend at Rs.1/- per share i.e. 10% to the shareholders of the company.

Future Outlook

The profitability during the current year has shown a phenomenal improvement but the recent heavy rains and floods situation in the country have wiped off the positive expectation. The floods have caused huge losses to Pakistan's agriculture economy and hit the cotton growing areas of Punjab and Sindh. At present, production of 11 million bales is expected against the set target of 14 million bales for the year 2010-2011. The prices of cotton in the local market are prevailing between Rs.7,000/- per maund to Rs.7,200/- per maund.

Shortage of electricity and gas emerged as top issues of the year. The government as well as textile policy promised undisturbed supply of power and gas to the industry. For the last three years in the winter season (i.e. from the month of October to February) there was a long shut down of gas but to our utmost surprise this year unprecedented weekly gas load shedding has also started during the summer season. The supply of gas and electricity to the industry has worsened the situation and is making survival of spinning industry very difficult.

We foresee Chinese sourcing of yarn from Pakistan therefore demand for Pakistani yarn will support the prices. However, we endeavour to achieve positive result in the current year.

Corporate and Financial Reporting Framework

The financial statements prepared by the management present fairly its state of affairs, the results of its operation, cash flows and changes in equity.

a. Proper books of accounts have been maintained by the Company.

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

c. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

e. There are no significant doubts upon the company's ability to continue as a going concern.

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

g. Operating and financial data of last six years is annexed to the annual report.

h. There are no outstanding statutory payments on account of taxes, duties, levies and charges except routine payments of various levies.

i. Value of investments of provident fund as on 30-06-2010 was Rs.27.759 million.

j. The pattern of shareholding and the additional information as required by the CCG is annexed to the annual report.

k. Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transaction in the company's shares during the year, except as disclosed in pattern of shareholding in term of transmission made to Mian Farrukh Naseem and Mian Aamir Naseem directors of the Company.

Board of Directors

During the period 2009-2010, four meetings of the Board of Directors were held. The attendance position of each Director is as follows:

Sr. No.	Name of Director	No. of Meetings Attended
1	Mian Aamir Naseem	4
2	Mian Farrukh Naseem	4
3	Mian Shahzad Aslam	4
4	Mst. Nusrat Shamim	4
5	Syed Arif Hussain*	2
6	Ahmed Ali Tariq**	2
7	Mian Sajjad Aslam***	Nil
8	Mazhar Hussain	4
9	Tariq Javaid****	2

Note: - Syed Arif Hussain* and Mian Sajjad Aslam*** resigned from the Board and Ahmed Ali Tariq** & Tariq Javaid**** appointed in place w.e.f. 31.10.2009.

Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. During the year Syed Arif Hussain, Member Audit committee has resigned from the Board. Mr. Ahmed ali Tariq was appointed Member Audit committee in his place and consequent upon election of directors held on March 27, 2010, the fresh composition of Audit committee comprises as follows:

Mian Farrukh Naseem	Chairman
Mian Shahzad Aslam	Member
Ahmed Ali Tariq	Member

Auditors

The present Auditors M/s Fazal Mehmood & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment. The audit committee of the board has recommended the re-appointment of M/s Fazal Mahmood & Company, Chartered Accountants, as external auditors of the Company for the year 2010-2011.

Acknowledgements

The board avails the opportunity to appreciate the devoted work done by the executives, officers, staff and workers of the company.

for and on behalf of the Board

Aamir Naseem

Lahore: October 05, 2010

Mian Aamir Naseem
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulation of Karachi and 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 manner:

1. The company encourages representation of independent non-executive directors. At present Board of Directors include two executive and five independent non executive directors.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period two casual vacancies occured in the Board and were filled up by the Board within 30 days.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meeting, 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 in time.
9. The Board arranged orientation course for its director(s) to apprise them of their duties and responsibilities.
10. There is no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.
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 by the Board.
13. The directors, CEO, their spouse 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, of whom majority are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function.

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

19. The statutory auditors or the 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.

for and on behalf of the Board

Aamir Naseem

LAHORE: October 05, 2010.

MIAN AAMIR NASEEM
(Chief Executive Officer)

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of directors of **SHADAB TEXTILE MILLS LIMITED,** to comply with the listing regulation of the Karachi and Lahore Stock Exchanges respectively where the company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the listing regulations 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 transaction 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 place before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arms 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 2010.

LAHORE: October 05, 2010

FAZAL MAHMOOD & COMPANY
Chartered Accountants

SIX YEAR'S FINANCIAL DATA AT A GLANCE

(RUPEES IN MILLION)

PARTICULARS	2010	2009	2008	2007	2006	2005
ASSETS EMPLOYED						
Operating fixed assets	251.650	267.925	284.918	271.772	212.528	178.360
Assets subject to finance lease	-	-	-	-	-	6.339
Capital work-in-progress	-	0.217	2.529	39.049	62.352	12.442
Long term deposits	2.382	1.042	1.037	0.354	0.433	0.571
Current assets	240.487	171.280	120.881	120.881	148.532	129.391
TOTAL ASSETS EMPLOYED	494.519	440.464	409.365	432.056	423.845	327.103
FINANCED BY						
Share holders' equity	131.152	83.620	111.881	112.707	110.753	91.111
Long term liabilities	40.589	74.904	113.470	135.798	162.734	110.760
Deferred taxation	28.334	6.728	20.406	26.830	29.096	24.597
Current liabilities	294.444	275.212	215.179	156.721	121.262	100.635
TOTAL FUNDS INVESTED	494.519	440.464	460.936	432.056	423.845	327.103
PROFIT & (LOSS)						
Sales – net	1,246.000	874.380	862.888	705.739	678.830	492.861
Cost of sales	1,095.568	849.672	811.899	654.903	607.318	442.467
Gross profit	150.432	24.708	50.989	50.836	71.512	50.394
Administrative & general	23.046	22.315	21.944	20.817	19.342	12.865
Selling & distribution	1.103	0.778	0.399	0.474	0.223	0.358
Operating profit	126.283	1.615	28.646	29.545	51.947	37.171
Other income	0.697	0.172	0.334	0.471	0.523	0.251
	126.980	1.787	28.980	30.016	52.470	37.422
Financial charges	45.315	43.654	32.127	26.622	20.307	10.346
Other charges	5.635	-	-	0.177	1.613	1.356
PROFIT BEFORE TAXATION	76.030	(41.867)	(3.147)	3.217	30.550	25.720
Taxation	28.498	(13.606)	(2.321)	1.263	7.158	12.630
PROFIT AFTER TAXATION	47.532	(28.261)	(0.826)	1.954	23.392	13.090
PREVIOUS YEAR'S BALANCE B/F	(6.380)	21.881	22.707	20.753	1.111	3.021
Profit available for appropriation	41.152	(6.380)	21.881	22.707	24.503	16.111
Dividend	-	-	-	-	3.750	-
Transfer to general reserve	-	-	-	-	-	15.000
BALANCE CARRIED TO B/S	41.152	(6.380)	21.881	22.707	20.753	1.111
Dividend Proposed (%)	10.00	-	-	-	-	12.50
EARNING PER SHARES (Rs.)	15.84	(9.42)	(0.28)	0.65	7.80	4.36
Number of spindles installed	32640	32640	32640	26880	26400	25920
Number of spindles worked	32640	27800	30460	26880	26400	25920
Number of shifts per day	3	3	3	3	3	3
Actual production converted into 20's count (kgs. in million)	13.666	12.090	13.753	12.099	11.763	8.106

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHADAB TEXTILE MILLS LIMITED** as at June 30, 2010 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 account and are further in accordance with accounting policies consistently applied, except for the change as described in note 1.2 with which we concur;

   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, 2010 and of the profit, comprehensive income, 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 (XVIII of 1980).

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Audit Engagment Partner:
SHEIKH ATIF FAROOQ

LAHORE: October 05, 2010

BALANCE SHEET AS

	NOTE	2010	2009
		(RUPEES IN THOUSAND)	
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES:			
Authorized			
6,000,000 ordinary shares of Rs. 10/- each.		60,000	60,000
Issued, subscribed and paid up	2	30,000	30,000
Reserves	3	60,000	60,000
Unappropriated profit / Accumulated (Loss)		41,152	(6,380)
		131,152	83,620
NON CURRENT LIABILITIES			
Long term loans	4	40,589	74,904
Deferred liabilities	5	28,334	6,728
CURRENT LIABILITIES			
Trade and other payables	6	67,294	52,020
Accrued mark up on secured loans	7	34,268	28,157
Short term borrowings	8	98,303	119,889
Current portion of long term loans	9	87,721	75,120
Provision for taxation	10	6,858	26
		294,444	275,212
CONTINGENCIES AND COMMITMENTS	11	-	-
		494,519	440,464

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

Aamir Naseem

(Mian Aamir Naseem)
Chief Executive Officer

AT 30 JUNE 2010

	NOTE	2010	2009
		(RUPEES IN THOUSAND)	
PROPERTY AND ASSETS			
Non Current Assets			
Property Plant and Equipment			
Operating fixed assets	12	251,650	267,925
Capital work in progress	13	-	217
LONG TERM DEPOSITS	14	2,382	1,042
CURRENT ASSETS			
Stores, spares and loose tools	15	23,128	17,956
Stock in trade	16	123,116	118,954
Trade debts	17	62,525	22,819
Loans and advances	18	3,715	2,094
Deposits, prepayments and other receivables	19	24,877	7,460
Cash and bank balances	20	3,126	1,997
		240,487	171,280
		494,519	440,464

(Mian Farrukh Naseem)
Director

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

	NOTE	(RUPEES IN THOUSAND) 2010	2009
Sales	21	1,246,000	874,380
Cost of Sales	22	1,095,568	849,672
GROSS PROFIT		150,432	24,708
Administrative and General	23	23,046	22,315
Selling and Distribution	24	1,103	778
		24,149	23,093
OPERATING PROFIT		126,283	1,615
Financial Charges	25	45,315	43,654
Other Charges	26	5,635	-
		75,333	(42,039)
Other Income	27	697	172
PROFIT / (LOSS) BEFORE TAXATION		76,030	(41,867)
Taxation	28	28,498	(13,606)
PROFIT / (LOSS) AFTER TAXATION		47,532	(28,261)
Basic earning per share (Rupees)	32	15.84	(9.42)

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

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director

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

	(RUPEES IN THOUSAND) 2010	2009
PROFIT / (LOSS) AFTER TAX	47,532	(28,261)
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	47,532	(28,261)

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

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010	2009
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		76,030	(41,867)
Adjustments for:			
Depreciation		27,257	29,364
Financial charges		45,315	43,654
Workers' profit participation fund		4,083	-
Workers' welfare fund		1,552	-
Balances written off		-	(172)
Profit on sale of fixed assets		(535)	-
Operating profit before working capital changes		153,702	30,979
Adjustments for working capital changes:			
(Increase)/Decrease In Current Assets			
Stores, spares and loose tools		(5,172)	(143)
Stock in trade		(4,162)	8,371
Trade debts		(39,706)	(9,700)
Loans and advances		(1,621)	1,150
Deposits and other receivables		(12,758)	858
		(63,419)	536
Increase/(Decrease) In Current Liabilities			
Short term finances		(21,586)	(402)
Trade and other payable		9,639	12,560
		(11,947)	12,158
Cash Generated from Operations		78,336	43,673
Financial charges paid		(39,204)	(23,957)
Income tax paid		(4,719)	(2,526)
		(43,923)	(26,483)
Net cash in flow from operating activities		34,413	17,190
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(10,990)	(10,059)
Sale proceed of fixed assets		760	-
Long term deposit paid		(1,340)	(5)
Net Cash (out flow) from investing activities		(11,570)	(10,064)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		(21,714)	(5,897)
Net cash (out flow) from financing activities		(21,714)	(5,897)
NET INFLOW OF CASH		1,129	1,229
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,997	768
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32	3,126	1,997

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

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director

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

(RUPEES IN THOUSAND)

	Share Capital	Revenue Reserves		
	Paid Up Ordinary Share Capital	General Reserve	Accumulated (Loss)/ Un-appropriated Profit	Total
Balance as at June 30, 2008	30,000	60,000	21,881	111,881
Total comprehensive (loss)	-	-	(28,261)	(28,261)
Balance as at June 30, 2009	30,000	60,000	(6,380)	83,620
Total comprehensive income	-	-	47,532	47,532
Balance as at June 30, 2010	30,000	60,000	41,152	131,152

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

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

THE COMPANY AND ITS OPERATIONS

The company is registered as a public limited company in Pakistan and quoted on the Karachi and Lahore Stock Exchanges and engaged in the business of manufacturing, selling, buying and dealing in yarn of all types. The registered office of the company is situated at 6th Floor, A-601/A, City Towers, Main Boulevard, Gulberg-II, Lahore.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in the preparation of company's account are as follows:

1.1 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 Standard (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provision of and directives issued under the Companies Ordinance 1984. In case requirement differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

1.2 CHANGE IN ACCOUNTING POLICIES

During the financial year company has changed the following accounting policy:

IAS 1 (Revised), ‘Presentation of Financial Statements’ is applicable for the company from July 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard. The company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income). Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

<u>Standard, amendments and interpretations not yet effective</u>

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2010.

IFRS 2 Share based payment
IFRS 3 (Revised) Business combinations;
IAS 1 Presentation of Financial Statements (Amendment)
IAS 7 Statement of cash flows (Amendment)
IAS 17 Leases (Amendment)

IAS 27 (Revised) Consolidated and separate financial statements;
IAS 32 Presentation (Amendment)
IAS 36 Impairment of Assets (Amendment)
IAS 39 (Amendments) Financial instruments: recognition and measurement;
IFRIC 15 Agreement for the construction of real estate;
IFRIC 17 Distributions of non-cash assets to owners;
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRS 5 (Amendments) - improvements to IFRSs - IFRS 5 Non-current assets held for sale and discontinued operations.
IFRS 8 - Operating Segments - improvements to IFRSs

1.3 ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation.

The preparation of financial statements in conformity with International Accounting Standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amount of assets and liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Significant areas requiring the use of management estimates in the financial statements relate to provision for doubtful balances, provisions for income taxes, useful life and residual values of property plant and equipment. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in next year.

1.4 FOREIGN CURRENCY

All monitory assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit and loss account. Non-monitory items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The financial statements are presented in Pak Rupees which is the company's functional and presentation currency.

1.5 STAFF RETIREMENT BENEFITS

Defined Contribution Plan

The company operates a funded provident fund scheme covering all permanent employees. Monthly contribution @ 6.25% of basic pay of employees is made by the company to the trust.

1.6 PROPERTY, PLANT AND EQUIPMENT

Company owned assets

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment if any. Freehold land is stated at cost. Capital work in progress is stated at cost less any recognized impairment. Depreciation on all items of property, plant and equipment except for land has been charged to income applying the reducing balance method at the rates stated in note # 12.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with item will flow to the company and the cost of item can be measured reliability. All other repair and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalized. An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of items of property, plant and equipment is included in current year's income. Depreciation on additions is charged from the date when the assets are available for use and on disposals upto the date when the asset is disposed.

Leased assets

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortized over their expected useful life.

1.7 STORES, SPARES AND LOOSE TOOLS

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other incidental charges incurred thereon.

1.8 STOCK IN TRADE

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	At average cost.
Work in Process	At estimated manufacturing cost.
Finished Goods	At lower of average cost and net realizable value.
Wastes	At net realizable value.

Cost:
Cost of finished goods comprises cost of direct material, labour and appropriate manufacturing overheads.

Net Realizable Value:
Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale. Provision for obsolete and slow-moving stock in trade is based on management estimate.

1.9 TRADE DEBTS

Trade debts originated by the company are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

1.10 REVENUE RECOGNITION

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue from local sales is recognized at the time of dispatch of goods to the customer where risks and rewards are transferred to the customer. Export sales are recognized as revenue when invoiced will be transfer of significant risks and rewards of ownership, which coincides with date of shipping bill.

Dividend is recognized as income when the right to receive dividend is established. Profit on bank deposits is recognized when earned. Investment income is recognized when right to receive the income is established.

1.11 BORROWING COST

Borrowing Cost on long term finances and short term borrowings which are specifically obtained for the acquisition, construction or production of a qualifying assets are capitalized upto the date of commencement of commercial production on the respective assets . All other borrowing cost are charge to profit and loss account in the period in which these are incurred.

1.12 IMPAIRMENT OF ASSETS

The carrying amount of the assets are reviewed at each balance sheet date to identify the circumstances indicating the occurrence of impairment loss or reversal of previous impairment losses. If such indications exists, the recoverable amount of such assets is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of such assets is increased to the revised recoverable amount. Reversal of the impairment loss is recognized in income.

1.13 PROVISIONS

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past events 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. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

1.14 TAXATION

Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and rebates, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

1.15 FINANCIAL INSTRUMENTS

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when the obligations specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

1.16 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

1.17 CASH AND CASH EQUIVALENT

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, balances with banks, short term highly liquid investments that are readily convertible to known amount of cash and the subject to insignificant risk of change in values.

1.18 RELATED PARTY TRANSACTIONS

All transactions between the company and related parties are accounted for at arm's length price in accordance with 'Comparable Uncontrolled Price Method'.

1.19 DIVIDEND AND APPROPRIATIONS

Dividend distribution to the company's shareholders and appropriations to/from reserves is recognized in the period in which these are approved by the shareholders.

	(RUPEES IN THOUSAND)	
	2010	**2009**
2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
2,000,000 ordinary shares of Rs. 10/- each fully paid in cash.	20,000	20,000
1,000,000 ordinary shares of Rs. 10/- each issued as bonus shares	10,000	10,000
	30,000	30,000

2.1 Associated companies holds 450,000 (2009: 450,000) shares of Rs. 10/- each as at June 30, 2010.

3. RESERVES		
Revenue Reserve		
General Reserve	60,000	60,000

		2010	2009
		(RUPEES IN THOUSAND)	

4. LONG TERM LOANS

		2010	2009
Loan from Banking Companies - Secured		40,589	74,904
National Bank of Pakistan			
Demand Finance III	4.1	-	2,742
Demand Finance IV	4.2	13,400	14,000
Demand Finance V	4.3	22,620	36,192
Demand Finance VI	4.4	15,340	16,500
Demand Finance VII	4.5	38,580	40,500
Demand Finance VIII	4.6	38,370	40,090
Balance as at 30th June		128,310	150,024
Less:			
Current portion shown under Current Liabilities		(87,721)	(75,120)
		40,589	74,904

4.1 The loan was fully paid off during the year.

4.2 This loan carries mark-up @ 8% p.a. During the financial year 2008 this loan was rescheduled. The loan is repayable in four equal biannual installments commencing form October 2008.

4.3 This loan carries mark-up @ 7% p.a. and Kibor plus 3%. This is repayable in 10 equal half yearly installments, commencing from December 31, 2007 and is repayable by June 30, 2012.

4.4 This loan carries mark up @ 6 months Kibor plus 3% with floor of 6% p.a. During the financial year 2008 this loan was rescheduled. The loan is repayable in six equal biannual installments commencing form January 2009.

4.5 This represents Term Finance Facility obtained for import of Machinery . It carries mark up @ 6 months Kibor plus 3 % with floor of 6 % p.a. During the financial year 2008 this loan was rescheduled. The loan is repayable in nine equal biannual installments commencing form September 2008.

4.6 The approved limit of this loan is Rs. 50.00 Million. The loan carries mark-up @ 3 months Kibor plus 3 % p.a without floor & cap. During the financial year 2008 this loan was rescheduled. The loan is repayable in twenty equal quarterly installments commencing form October 2008 and is repayable by July 31, 2013.

The finances stated in notes from 4.1 to 4.6 above are secured against first equitable / registered mortgage ranking pari passu over fixed assets of the company, demand promissory note and personal guarantees of the directors of the company.

5. DEFERRED LIABILITIES

	2010	2009
Deferred Taxation	28,334	6,728

		(RUPEES IN THOUSAND) 2010	2009

Deferred taxation liability comprises of the following taxable / (deductible) temporary differences:

		2010	2009
Taxable Temporary Differences			
Accelerated tax depreciation allowance		47,137	48,311
Deductible Temporary Differences			
Tax Losses		(4,645)	(32,555)
Minimum tax available for carry forward		(14,158)	(9,028)
		28,334	6,728

6. TRADE AND OTHER PAYABLES

		2010	2009
Creditors		15,944	20,259
Contractors retention money		39	47
Security deposits - Interest free	6.1	5,620	5,710
Provident fund trust		499	513
Accrued charges		33,548	20,176
Unclaimed dividend		75	75
Advances from customers		5,134	4,440
Workers' profit participation fund	6.2	4,083	-
Workers' welfare fund		1,552	-
Others		800	800
		67,294	52,020

6.1 No interest is payable on the deposits and it can be used for the business.

6.2 WORKERS' PROFIT PARTICIPATION FUND

Workers profit participation fund represents allocation for the year.

7. ACCRUED MARK UP ON SECURED LOANS

	2010	2009
Mark up on long term financing and short term bank borrowings	34,268	28,157

8. SHORT TERM BORROWINGS

	2010	2009
From Banking Companies - Secured	98,303	119,889
	98,303	119,889

These have been obtained from banking companies on mark-up basis and are secured by pledge and hypothecation of stocks & stores, charge on stocks, book debts, and other movable assets of the company and against personal guarantee of directors. The borrowing form a part of total credit facilities available to the extent of Rs. 350 million (2009: Rs. 345 million). Unavailed facilitiy as at balance sheet date is Rs. 252 million. Mark-up is paid at the rate ranging from 3 months Kibor plus 2% with floor of 5% p.a. It includes inland letter of credit for purchase of raw material amounting to Rs. 11.427 million (2009: RS. 28.094) million.

		(RUPEES IN THOUSAND) 2010	2009
9. CURRENT PORTION OF LONG TERM LOANS			
National Bank of Pakistan	4	87,721	75,120
		87,721	75,120
10. PROVISION FOR TAXATION			
Opening balance		26	4,345
Less:			
Adjusted during the year		(60)	(4,391)
		(34)	(46)
Current		6,285	26
Prior		607	46
		6,892	72
		6,858	26

Income tax assessment of the company has been finalized upto tax year 2009.

11. CONTINGENCIES AND COMMITMENT

Commitments for capital expenditure are amounting to Rs. Nil (2009: Rs. Nil) and non capital expenditure are amounting to Rs. 16.691 million (2009.: Rs. 28.691 million).

12. Schedule of Tangible Property, Plant & Equipment

(RUPEES IN THOUSAND)

	Land Freehold	Building on Freehold Land	Pland and Machinery	Electric Installations	Factory Equipments	Furniture & Fixture	Vehicles	Office Equipments	Total
At July 1, 2008									
Cost	3,351	76,864	413,490	2,425	150	3,585	9,229	3,168	512,262
Accumulated depreciation	-	33,668	182,769	1,609	129	2,148	5,295	1,726	227,344
Net book value	3,351	43,196	230,721	816	21	1,437	3,934	1,442	284,918
Year ended June 30, 2009									
Opening Net book value	3,351	43,196	230,721	816	21	1,437	3,934	1,442	284,918
Additions	-	920	10,877	-	-	48	460	66	12,371
Disposals									
Cost	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-	-	-
Depreciation charged for the year	-	(4,335)	(23,807)	(82)	(2)	(147)	(841)	(150)	(29,364)
Closing Net book value	3,351	39,781	217,791	734	19	1,338	3,553	1,358	267,925
At June 30, 2009									
Cos	3,351	77,784	424,367	2,425	150	3,633	9,689	3,234	524,633
Accumulated depreciation	-	38,003	206,576	1,691	131	2,295	6,136	1,876	256,708
Net book Value	3,351	39,781	217,791	734	19	1,338	3,553	1,358	267,925
Year ended June 30, 2010									
Opening Net book value	3,351	39,781	217,791	734	19	1,338	3,553	1,358	267,925
Additions	-	-	9,599	-	-	150	1,458	-	11,207
Disposals									
Cost	-	-	-	-	-	-	1,237	-	1,237
Depreciation	-	-	-	-	-	-	(1,012)	-	(1,012)
Net book value	-	-	-	-	-	-	225	-	225
Depreciation charged for the year	-	(3,978)	(22,203)	(73)	(2)	(135)	(730)	(136)	(27,257)
Closing Net book value	3,351	35,803	205,187	661	17	1,353	4,056	1,222	251,650
At June 30, 2010									
Cost	3,351	77,784	433,966	2,425	150	3,783	9,910	3,234	534,603
Accumulated depreciation	-	41,981	228,779	1,764	133	2,430	5,854	2,012	282,953
Net book Value	3,351	35,803	205,187	661	17	1,353	4,056	1,222	251,650
Depreciation Rate (%)	-	10	10	10	10	10	20	10	

(RUPEES IN THOUSAND)

12.1 Depreciation for the year has been allocated as follows:

	2010	2009
Cost of goods sold	26,256	28,226
General and administrative expenses	1,001	1,138
	27,257	29,364

	(RUPEES IN THOUSAND) 2010	2009
13. CAPITAL WORK IN PROGRESS		
Plant & Machinery	-	217
	-	217
14. LONG TERM DEPOSITS		
Others	2,382	1,042
	2,382	1,042
15. STORES, SPARES AND LOOSE TOOLS		
Stores	8,127	3,539
Spares	15,001	14,416
Loose tools	-	1
	23,128	17,956
16. STOCK IN TRADE		
Raw material	71,211	92,106
Work in process	11,987	12,148
Finished goods	39,738	14,053
Waste	180	647
	123,116	118,954
17. TRADE DEBTS		
These are unsecured but considered good.	62,525	22,819
18. LOANS AND ADVANCES		
(Unsecured but considered good):-		
Advances to :		
Suppliers and contractors	1,937	1,812
Against expenses	1,529	210
Employees	249	72
	3,715	2,094
19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Income tax	6,409	1,750
Letters of credit	11,686	759
	18,095	2,509
Deposits:		
Sales tax	4,413	2,373
Margin on bank guarantee	1,587	1,707
Security Deposit	213	213
	6,213	4,293
Prepayments	453	40
Other receivables	116	618
	24,877	7,460

(RUPEES IN THOUSAND)

20. CASH AND BANK BALANCES

		2010	2009
Cash in hand		384	230
Cash with banks:			
In current accounts		2,742	1,767
		3,126	1,997

21. SALES

		2010	2009
Local		1,248,407	871,908
Export		-	2,615
		1,248,407	874,523
Waste		8,537	7,135
		1,256,944	881,658
Less:			
Commission		(10,944)	(7,278)
		1,246,000	874,380

22. COST OF SALES

		2010	2009
Raw material consumed	22.1	801,508	608,890
Salaries, wages and benefits	22.2	93,288	70,712
Stores and spares		27,294	18,872
Packing materials		12,217	10,568
Fuel and power		151,007	97,177
Repair and maintenance		3,928	2,656
Insurance		3,398	2,815
Other factory overhead		1,730	1,441
Depreciation		26,256	28,226
		319,118	232,467
		1,120,626	841,357
Opening stock in process		12,148	10,093
		1,132,774	851,450
Closing stock in process		(11,987)	(12,148)
Cost of goods manufactured		1,120,787	839,302
Opening stock of finished goods		14,700	25,070
		1,135,487	864,372
Closing stock of finished goods		(39,919)	(14,700)
		1,095,568	849,672

		(RUPEES IN THOUSAND) 2010	2009
22.1	**RAW MATERIAL CONSUMED**		
	Opening stock	92,106	92,162
	Purchases - net	780,613	608,834
		872,719	700,996
	Less:		
	Closing stock	(71,211)	(92,106)
		801,508	608,890

22.2 Salaries, wages and other benefits include Rs. 2.250 million (2009: Rs. 1.964 million) in respect of staff retirement benefits.

23. ADMINISTRATIVE AND GENERAL EXPENSES

		2010	2009
Salaries, allowances and benefits	23.1	16,289	15,578
Traveling and conveyance		237	214
Vehicle running and maintenance		1,702	2,260
Printing and stationery		419	351
Newspaper and periodicals		24	26
Postage, telegram and telephone		426	445
Advertisement		114	72
Rent, rates, and taxes		352	170
Legal and professional		460	423
Auditor's remuneration	23.2	540	192
Subscription and donations	23.3	104	153
Insurance		597	754
Entertainment		185	171
Computerization		153	84
General		196	141
Lighting charges		247	143
Depreciation		1,001	1,138
		23,046	22,315

23.1 Salaries, allowances and benefits include Rs.0.389 million (2009: Rs. 0.352 million) in respect of staff retirement benefits.

23.2 Auditors Remuneration

	2010	2009
Statutory audit fee	500	150
Half yearly review fee	20	20
Provident fund audit & other certification fee	20	22
	540	192

23.3 No director or his spouse had any interest in the donee's fund.

(RUPEES IN THOUSAND)

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2010	2009
Freight and expenses on local sales		1,103	717
Forwarding and export		-	61
		1,103	778

25. FINANCIAL CHARGES

	2010	2009
Mark-up on:		
Long term loans-secured	19,583	20,244
Short term bank borrowings - secured	23,277	22,040
	42,860	42,284
Bank charges and commission	2,455	1,370
	45,315	43,654

26. OTHER CHARGES

	2010	2009
Workers' profit participation fund	4,083	-
Workers' welfare fund	1,552	-
	5,635	-

27. OTHER INCOME

	Note	2010	2009
Profit on sale of fixed assets	27.1	535	-
Sale of scrap		141	-
Profit on sale of stores		21	-
Balances written off		-	172
		697	172

27.1 The company sold vehicle (Toyota corolla) to Mr. Liaqat Ali (Saden Shah colony, Lahore) for Rs.0.760 Million resulting in profit of Rs. 0.535 Million. The initial cost of the vehicle was Rs.1.237 Million with accumulated deprecation of Rs. 1.012 Million and written down value of Rs. 0.225 Million.

28. TAXATION

	2010	2009
Current	6,285	26
Prior	607	46
Deferred tax	21,606	(13,678)
	28,498	(13,606)

28.1 Provision for current year taxation represents minimum tax under the provisions of Income Tax Ordinance, 2001, as the tax computation results in tax loss, therefore, reconciliation between average effective tax rate and the applicable tax rate is not presented. (2009: Provision for taxation represents final tax @ of 1% on export sales, minimum tax on local sales was not applicable for tax year 2009).

29. CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts during the period for remuneration including benefits to Chief Executive officer, Directors and Executives is as follows:

(RUPEES IN THOUSAND)

	Chief Executive Officer 2010	Directors 2010	Executives 2010
Managerial Remuneration	612	1,308	1,313
House rent	275	589	591
Medical allowance	63	131	131
Utility allowance	70	153	153
	1,020	2,181	2,188
Number	1	3	2

	Chief Executive Officer 2009	Directors 2009	Executives 2009
Managerial Remuneration	576	1,031	1,239
House rent	259	464	558
Medical allowance	60	103	124
Utility allowance	65	120	145
	960	1,718	2,066
Number	1	2	2

Chief Executive Officer of the company has been provided with a free Company maintained car.

No meeting fee was paid to the directors of the company during the year (June 30, 2009: Rs. Nil).

30. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

Transaction with Related Parties/ Associated Undertakings, other than remuneration and benefits to key management personnel's under the terms of their employment (refer note 29) and other than the payments made to the retirement benefit plans are as under:

The company sold to associated undertaking material of aggregate sum of Rs. 2.058 Million (2009: Rs. Nil) and purchased from associated undertaking material of aggregate sum of Rs. 4.631 Million (2009: Rs. Nil) during the year.

The maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. Nil (2009: Rs. Nil).

		(RUPEES IN THOUSAND)	
31.	**BASIC EARNING PER SHARE**	**2010**	**2009**

There is no dilutive effect on the basic earning per share of the company.

	2010	2009
Profit / (Loss) after taxation	47,532	(28,261)
Weighted average number of issued shares (in Thousand)	3,000	3,000
Basic earning per share (in Rupees)	15.84	(9.42)

32 . CASH AND CASH EQUIVALENTS

	2010	2009
Cash and bank balances	3,126	1,997

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	2010	2009
Production at normal capacity Converted to 20/s (Kgs.)	14,429,710	12,874,463
Actual production converted to 20/s (Kgs.)	13,665,805	12,089,905
No. of shifts worked per day	3	3

REASON FOR LOW PRODUCTION

Reason for low production is due to normal maintenance, gas and electric shut down / closures.

34. NUMBER OF EMPLOYEES

	2010	2009
At the year end number of employees of the company	925	899

35. FINANCIAL INSTRUMENTS BY CATEGORY

(RUPEES IN THOUSAND)

FINANCIAL ASSETS
as per Balance Sheet

	2010	2009
Cash and bank balances	3,126	1,997
Trade debts	62,525	22,819
Loans & advances	249	72
Deposit prepayments & other receivables	1,916	2,538
Long term deposits	2,382	1,042
	70,198	28,468

FINANCIAL LIABILITIES
as per Balance Sheet

	2010	2009
Long term loans	128,310	150,024
Short term borrowings	98,303	119,889
Trade and other payable	56,525	47,580
Accrued mark-up on secured loans	34,268	28,157
	317,406	345,650

35.1 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.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk mangement policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set apporpriate risk limits and controls, and to monitor risks and adherence to limits, Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activites. The company, through its training and management standards and procedures, aims to develope a discplined and constructive control environment in which all employees understand their roles and obligations. This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk and the company’s management of capital.

The Audit Committe oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

36.1 CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans to/due from related parties.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Limits are reviewed periodically and the customers may transact with the Company only on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are 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 of credit risk.

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

	(RUPEES IN THOUSAND)	
	2010	**2009**
Cash and bank balances	3,126	1,997
Trade debts	62,525	22,819
Loans & Advances	249	72
Deposit Prepayments & Other Receivables	1,916	2,538
Long term deposits	2,382	1,042
	70,198	28,468

Based on past experience the management believes that no impairment allowance is necessary as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

Bank balances are held only with reputable banks with high quality credit ratings.

36.2 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, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Following is the maturity analysis of financial liabilities:

2010	Upto 1 Year	Between 1 to 5 Years	Total
<u>Non derivative financial liabilities</u>			
Long term loans	87,721	40,589	128,310
Short term borrowings	98,303	-	98,303
Trade and other payable	56,525	-	56,525
Accrued mark-up on secured loans	34,268	-	34,268
	276,817	40,589	317,406

(RUPEES IN THOUSAND)

2009	Upto 1 Year	Between 1 to 5 Years	Total
Non derivative financial liabilities			
Long term loans	75,120	74,904	150,024
Short term borrowings	119,889	-	119,889
Trade and other payable	47,580	-	47,580
Accrued mark-up on secured loans	28,157	-	28,157
	270,746	74,904	345,650

36.2.1 The contractual cash flows relating to the above financial liabilites have been determined on the basis of mark-up rate effectively as at 30 June. The rate of mark-up have been disclosed in respective notes to the financial statements.

36.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

36.3.1 Interest Risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

Cash flow sensitivity analysis

A change of 100 basis points in interest rate of long term loans at the reporting date would have increased / (decreased) equity and profit or (loss) by Rs. 1.445 million.

36.3.2 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

37. CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders. The Company's objectives when managing capital are:

(i) "to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 5, 2010 by the Board of Directors of the company.

39. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on Octber 5, 2010 has recommended final cash dividend at Rs. 1/- per share (i.e 10%) amounting to Rs. 3.000 million on the existing paid up value of the share capital for approval of the shareholders in the Annual Genergal Meeting to be held on October 30, 2010.

40. GENERAL

Figures have been rounded off to the nearest thousand rupee.

(Mian Aamir Naseem)	(Mian Farrukh Naseem)
Chief Executive Officer	**Director**

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

FORM 34

PATTERN OF SHAREHOLDING

1. Incorporation Number **0007162**
2. Name of the Company **SHADAB TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30 06 2010**

4.

No. of Shareholders	Shareholdings From		To	Total shares held
69	1	-	100	2,379
67	101	-	500	13,645
14	501	-	1000	10,346
15	1001	-	5000	33,422
4	5001	-	10000	32,919
2	10001	-	15000	21,937
2	15001	-	20000	32,214
3	25001	-	30000	90,000
3	30001	-	35000	95,026
5	35001	-	40000	183,866
2	40001	-	45000	85,720
1	45001	-	50000	46,550
1	50001	-	55000	52,650
1	55001	-	60000	56,250
5	60001	-	65000	311,418
1	65001	-	70000	68,500
1	70001	-	75000	75,000
1	80001	-	85000	82,650
2	90001	-	95000	185,639
2	100001	-	105000	208,491
1	190001	-	195000	193,200
1	200001	-	205000	202,136
1	265001	-	270000	267,056
1	270001	-	275000	273,986
1	370001	-	375000	375,000
206				3,000,000

5.	Categories of shareholders	Shares Held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children.	1,197,464	39.9155
5.2	Associated Companies, undertakings and related parties.	450,000	15.0000
5.3	NIT and ICP	97,233	3.2411
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	10,467	0.3489
5.5	Insurance Companies	-	-
5.6	Modarabas and Mutual Funds	-	-
5.7	Shareholders holding 10%	375,000	12.5000
5.8	General public		
	a. Local	1,244,607	41.4869
	b. Foreign	-	-
5.9	Others (to be specified)		
	1. Joint Stock Companies	200	0.0067
	2. Others	29	0.0010

6.	Signature of Company Secretary	
7.	Name of Signatory	Mr. Mazhar Hussain
8.	Designation	Company Secretary
9.	NIC Number	☐☐☐☐☐ – ☐☐☐☐☐☐☐ – ☐
10.	Date	30-06-2010

CATEGORIES OF SHAREHOLDERS REQIURED UNDER C.C.G .
AS AT JUNE 30, 2010

DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN

S. No.	Name	Shareholding	%age
1.	Mian Shahzad Aslam	193,200	6.4400
	Mian Shahzad Aslam (CDC)	41,420	1.3807
2.	Mst. Nusrat Shamim	267,056	8.9019
3	Mian Farrukh Naseem	202,136	6.7379
4.	Mian Aamir Naseem	273,986	9.1329
5.	Mazhar Hussain	600	0.0200
6.	Tariq Javaid	520	0.0173
7.	Ahmed Ali Tariq	104,246	3.4749
8.	Mrs. Fatima Aamir W/o Mian Aamir Naseem (CDC)	1,500	0.0500
	Mrs. Fatima Aamir W/o Mian Aamir Naseem	82,650	2.7550
9.	Mrs. Hina Farrukh W/o Mian Farrukh Naseem	30,150	1.0050
		1,197,464	39.9155
	ASSOCIATED COMPANIES		
1.	Husein Sugar Mills Limited	375,000	12.5000
2.	Sargodha Textile Mills Ltd.	75,000	2.5000
		450,000	15.0000
	NIT & ICP		
1.	Investment Corporation of Pakistan	600	0.0200
2.	National Bank of Pkistan Trustee Deptt. (CDC)	94,207	3.1402
3.	National Investment Trust Limited (CDC)	2,426	0.0809
		97,233	3.2411
	FINANCIAL INSTITUTION		
1.	National Bank of Pakistan. (CDC)	10,467	0.3489
		10,467	0.3489
	JOINT STOK COMPANIES		
1.	Y.S. Securities & Services (Pvt) Ltd. (CDC)	200	0.0067
		200	0.0067
	OTHERS		
1.	Punjab Cooperative Board (CDC)	29	0.0010
		29	0.0010
	SHARES HELD BY THE GENERAL PUBLIC	1,244,607	41.4869
	TOTAL:	**3,000,000**	**100.0000**

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

Husein Sugar Mills Limited	375,000	12.5000

During the financial years the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows.

S. No.	Name	Sale	Purchase
1.	Mian Farrukh Naseem	-	69,686
2.	Mian Aamir Naseem	-	69,686
3.	Mr. Tariq Javaid	-	400
4.	Mrs. Fatima Aamir W/o Mian Aamir Naseem	400	-

FORM OF PROXY

I / We ______________________________

Son / Daughter / Wife of ______________________________

being a member of SHADAB TEXTILE MILLS LIMITED and holder of ______________
(Number of Shares)

Ordinary Shares as per Registered Folio No. ______________________________

hererby appoint Mr. ______________________ of ______________________

of failing him Mr. ______________________ of ______________________

who is also a member of SHADAB TEXTILE MILLS LIMITED, Vide Registered Folio No. __________

as my / our proxy to vote for me / us and on my / our behalf at the 31st Annual General Meeting of the Company to be held on Saturday, October 30, 2010 at 10:30 a.m. and at any adjournment thereof.

As witness my / our hand (s) this ______________ day of ______________ 2010

1. Witness:

Signature ______________

Name ______________

Address ______________

____

____

Affix Revenue Stamps of Rs. 5/-

____

Signature of Member

2. Witness:

Signature ______________

Name ______________

Address ______________

____

____

Shareholder’s Folio No. ______________

CDC A/c No. ______________

NIC No. | | | | | | | | | | | | | | | |

NOTE:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his / her behalf. Proxies in order to be valid must be received at the Registered Office of the Company 48 hours before the time of the meeting. A proxy must be member of the Company.

2. CDC shareholders are requested to bring with them their Computrised National Identity Cards alongwith the participants’ ID numbers and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.

3. Signature should agree with specimen signature registered with the company.