Annual Report 2011

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	
	Mr. Ahmed Ali Tariq	
	Mr. Mazhar Hussain	
	Mr. Tariq Javaid	
AUDIT COMMITTEE	Mian Farrukh Naseem	**Chairman**
	Mian Shahzad Aslam	**Member**
	Mr. Ahmed Ali Tariq	**Member**
CHIEF FINANCIAL OFFICER	Mr. Mazhar Hussain	
COMPANY SECRETARY	Mr. 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, 35839182 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 32nd Annual General Meeting of the Shareholders of SHADAB TEXTILE MILLS LIMITED will be held on Monday, October 31, 2011 at 10:00 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 Annual General Meeting held on October 30, 2010.

2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2011 together with Directors' and Auditors' Reports thereon.

3. To declare and approve the Final Cash Dividend at Rs. 1.00 per share i.e. 10% for the year ended June 30, 2011 as recommended by the Board of Directors.

4. To appoint auditors for the year 2011-2012 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, 2011.

(Mazhar Hussain)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2011 to October 31, 2011 (both days inclusive). Transfers received at Corplink (Pvt) Limited, Wings Arcade, I-K, Commercial, Model Town, Lahore, the Registrar and Shares Transfer Office of the Company by the close of business on October 24, 2011 will be treated in time for the purpose of above entitlement to the transferees.

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 C.N.I.C or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her C.N.I.C or Passport. Representative of corporate members should bring the usual documents required for such purposes.

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

DIRECTORS' REPORT

Dear Shareholders,

The Directors of the Company welcome you to the 32nd Annual General Meeting and are pleased to present the Annual Report together with Audited Accounts of the Company for the year ended June 30, 2011.

Financial Results

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

	(RUPEES IN THOUSAND) June 30 2011	June 30 2010
Sales	**1,832,307**	1,246,000
Cost of sales	**1,664,082**	1,095,568
GROSS PROFIT	**168,225**	150,432
Administrative and general	**26,474**	23,046
Selling and distribution	**2,853**	1,103
	29,327	24,149
OPERATING PROFIT	**138,898**	126,283
Financial charges	**55,612**	45,315
Other charges	**5,901**	5,635
	77,385	75,333
Other income	**2,238**	697
PROFIT BEFORE TAXATION	**79,623**	76,030
Taxation	**25,381**	28,498
PROFIT AFTER TAXATION	**54,242**	47,532
Basic earning per share (Rupees)	**18.08**	15.84

During the year under review, your company earned profit after tax Rs. 54.242 million for the year ended June 30, 2011 as compared to after tax profit Rs. 47.532 million of the previous year. The sales substantially increased to Rs. 1832.307 million as compared to previous year sale of Rs. 1246.000 million representing an increase of 47.05% against previous year sales. Earning per share is Rs. 18.08 as compared to Rs. 15.84 per share.

During the year, the local as well as international prices of cotton were at its peak in March i.e. Rs.14,000/- per maund. These prices were historically high and have never been seen before. The company achieved better financial results in the first three quarters but during the last quarter i.e. April 2011 to June 2011 cotton prices fell so sharply and the demand of yarn in export markets, especially in China decreased due to higher cost and reduction in demand of their products in the world market. The local market also became depressed and prices of yarn reduced drastically. In the last quarter of the year, the production process remain closed partially / laid off for few days. These factors affected the profitability of the company.

The carrying value of stock in trade at average cost as of June 30, 2011 was higher than the prices of yarn sold and the replacement cost of the raw cotton purchased subsequent to the year end, your company was required to perform Net Realizable Value (NRV) test as per the company's policy which is to measure inventory at lower of cost and NRV. This policy is as per the International Accounting Standard 2 "Inventories" which is a part of the approved accounting standards as applicable in Pakistan, the accounting framework of the company. As a result of the performing NRV test, the aggregate amount of write-down of inventories to net realizable value recognized in these financial statements during the year is Rs. 23.563 million.

Future Prospects

Frequent power break downs and long hours load shedding by wapda and continuous curtailment of gas supply are the major factors affecting the productivity of the company. In the previous years gas was not supplied to the industrial sectors during winter but unfortunately this year we are facing severe shortage of gas during summer on weekly basis. In this situation, the production process during the current year remains partially closed / laid off and we are unable to generate cash inflows. Without continuous supply of energy, full capacity utilization is not possible.

High interest rates prevailing in the country are also hampering the industry alongwith inflationary pressures and all factors like energy cost, wages, salaries, spare parts, packing material and many other things. Market conditions are not favourable resultantly the sale is not absorbing its raw material and other costs. Presently the prices of yarn are reduced which is attracting its accumulation or its sale at lower rates. All the factors mentioned above are affecting the profitability of the company.

Dividend

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

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 30-06-2011 was Rs.32.043 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 transaction in the company's shares during the year is as follows:

Mian Aamir Naseem Director of the Company has gifted 1500 Shares to Mian Farrukh Naseem Director of the Company. Mrs. Fatima Aamir w/o Mian Aamir Naseem has purchased 146,400 shares and Mrs. Hina Farrukh w/o Mian Farrukh Naseem has purchased 48,000 shares respectively.

Board of Directors

During the year, six meetings of the Board of Director were held, Attendance of these meetings is as follows:

Sr. No.	Name of Director	No. of Meetings Attended
1	Mian Aamir Naseem	6
2	Mian Farrukh Naseem	6
3	Mian Shahzad Aslam	6
4	Mst. Nusrat Shamim	5
5	Mr. Ahmed Ali Tariq	5
6	Mr. Mazhar Hussain	6
7	Mr. Tariq Javaid	6

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
Mr. 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 2011-2012.

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, 2011

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 no casual vacancies occurred on the Board.

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 director’ 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

LAHORE: October 05, 2011.

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 2011.

LAHORE: October 05, 2011

FAZAL MAHMOOD & COMPANY
Chartered Accountants

SIX YEAR'S FINANCIAL DATA AT A GLANCE

(RUPEES IN MILLION)

PARTICULARS	2011	2010	2009	2008	2007	2006
ASSETS EMPLOYED						
Operating fixed assets	258.062	251.650	267.925	284.918	271.772	212.528
Capital work-in-progress	-	-	0.217	2.529	39.049	62.352
Long term deposits	2.382	2.382	1.042	1.037	0.354	0.433
Current assets	238.165	240.487	171.280	172.452	120.881	148.532
TOTAL ASSETS EMPLOYED	498.609	494.519	440.464	460.936	432.056	423.845
FINANCED BY						
Share holders' equity	182.394	131.152	83.620	111.881	112.707	110.753
Long term liabilities	68.290	40.589	74.904	113.470	135.798	162.734
Deferred taxation	49.517	28.334	6.728	20.406	26.830	29.096
Current liabilities	198.408	294.444	275.212	215.179	156.721	121.262
TOTAL FUNDS INVESTED	498.609	494.519	440.464	460.936	432.056	423.845
PROFIT & (LOSS)						
Sales – net	1,832.307	1,246.000	874.380	862.888	705.739	678.830
Cost of sales	1,664.082	1,095.568	849.672	811.899	654.903	607.318
Gross profit	168.225	150.432	24.708	50.989	50.836	71.512
Administrative & general	26.474	23.046	22.315	21.944	20.817	19.342
Selling & distribution	2.853	1.103	0.778	0.399	0.474	0.223
Operating profit	138.898	126.283	1.615	28.646	29.545	51.947
Financial charges	55.612	45.315	43.654	32.127	26.622	20.307
Other charges	5.901	5.635	-	-	0.177	1.613
	77.385	75.333	(42.039)	(3.481)	2.746	30.027
Other income	2.238	0.697	0.172	0.334	0.471	0.523
PROFIT BEFORE TAXATION	79.623	76.030	(41.867)	(3.147)	3.217	30.550
Taxation	25.381	28.498	(13.606)	(2.321)	1.263	7.158
PROFIT AFTER TAXATION	54.242	47.532	(28.261)	(0.826)	1.954	23.392
PREVIOUS YEAR'S BALANCE B/F	41.152	(6.380)	21.881	22.707	20.753	1.111
Profit available for appropriation	95.394	41.152	(6.380)	21.881	22.707	24.503
Dividend	3.000	-	-	-	-	3.750
BALANCE CARRIED TO B/S	92.394	41.152	(6.380)	21.881	22.707	20.753
Dividend Proposed (%)	10.00	10.00	-	-	-	-
EARNING PER SHARES (Rs.)	18.08	15.84	(9.42)	(0.28)	0.65	7.80
Number of spindles installed	32640	32640	32640	32640	26880	26400
Number of spindles worked	32640	32640	27800	30460	26880	26400
Number of shifts per day	3	3	3	3	3	3
Actual production converted into 20's count (kgs. in million)	12.771	13.666	12.090	13.753	12.099	11.763

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHADAB TEXTILE MILLS LIMITED** as at June 30, 2011 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, 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

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

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

LAHORE: October 05, 2011

BALANCE SHEET AS

	NOTE	2011	2010
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 6,000,000 ordinary shares of Rs. 10/- each.		**60,000**	60,000
Issued, subscribed and paid up	4	**30,000**	30,000
Reserves	5	**60,000**	60,000
Un-appropriated profit		**92,394**	41,152
		182,394	131,152
NON - CURRENT LIABILITIES			
Long term loans	6	**68,290**	40,589
Deferred liabilities	7	**49,517**	28,334
CURRENT LIABILITIES			
Trade and other payables	8	**65,815**	67,294
Accrued mark up on secured loans	9	**7,803**	34,268
Short term borrowings	10	**72,808**	98,303
Current portion of long term loans	11	**47,835**	87,721
Provision for taxation	12	**4,147**	6,858
		198,408	294,444
CONTINGENCIES AND COMMITMENTS	13	**-**	-
Total Equity & Liabilities		**498,609**	494,519

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

Aamir Naseem

(Mian Aamir Naseem)
Chief Executive Officer

AT 30 JUNE 2011

	NOTE	2011 (RUPEES IN THOUSAND)	2010
ASSETS			
NON - CURRENT ASSETS			
Property, Plant and Equipment			
Operating fixed assets	14	**258,062**	251,650
LONG TERM DEPOSITS	15	**2,382**	2,382
		260,444	254,032
CURRENT ASSETS			
Stores & spares	16	**35,718**	23,128
Stock in trade	17	**123,996**	123,116
Trade debts	18	**37,713**	62,525
Loans and advances	19	**4,534**	3,715
Trade deposits, prepayments and other receivables	20	**31,843**	24,877
Cash and bank balances	21	**4,361**	3,126
		238,165	240,487
Total Assets		**498,609**	494,519

(Mian Farrukh Naseem)
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	NOTE	2011	2010
		(RUPEES IN THOUSAND)	
Sales - net	22	**1,832,307**	1,246,000
Cost of Sales	23	**1,664,082**	1,095,568
GROSS PROFIT		**168,225**	150,432
Administrative and General	24	**26,474**	23,046
Selling and Distribution	25	**2,853**	1,103
		29,327	24,149
OPERATING PROFIT		**138,898**	126,283
Financial Charges	26	**55,612**	45,315
Other Charges	27	**5,901**	5,635
		77,385	75,333
Other Income	28	**2,238**	697
PROFIT BEFORE TAXATION		**79,623**	76,030
Taxation	29	**25,381**	28,498
PROFIT AFTER TAXATION		**54,242**	47,532
BASIC EARNING PER SHARE - (RUPEES)	32	**18.08**	15.84

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, 2011

	(RUPEES IN THOUSAND)	
	2011	**2010**
PROFIT AFTER TAXATION	**54,242**	47,532
Other Comprehensive Income	**-**	-
TOTAL COMPREHENSIVE INCOME	**54,242**	47,532

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

Aamir Naseem
(Mian Aamir Naseem)
Chief Executive Officer

Farrukh Naseem
(Mian Farrukh Naseem)
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	NOTE	2011	2010
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**79,623**	76,030
Adjustments for:			
Depreciation		**27,017**	27,257
Financial charges		**55,123**	45,315
Workers' profit participation fund		**4,276**	4,083
Workers' welfare fund		**1,625**	1,552
Profit on sale of fixed assets		**-**	(535)
Gain on remeasurement of financial liability at fair value		**(2,170)**	-
Operating profit before working capital changes		**165,494**	153,702
Adjustments for working capital changes:			
(Increase)/decrease in current assets			
Stores & spares		**(12,590)**	(5,172)
Stock in trade		**(880)**	(4,162)
Trade debts		**24,812**	(39,706)
Loans and advances		**(819)**	(1,621)
Trade deposits, prepayments and other receivables		**3,207**	(12,758)
		13,730	(63,419)
Increase/(decrease) in current liabilities			
Trade and other payable		**(3,319)**	9,639
		(3,319)	9,639
Cash generated from operations		**175,905**	99,922
Financial charges paid		**(81,588)**	(39,204)
Income tax paid		**(17,082)**	(4,719)
WPPF paid		**(4,083)**	-
Dividend paid		**(2,978)**	-
		(105,731)	43,923
Net cash inflow from operating activities		**70,174**	55,999
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures		**(33,429)**	(10,990)
Sale proceed of fixed assets		**-**	760
Long term deposit paid		**-**	(1,340)
Net Cash (outflow) from investing activities		**(33,429)**	(11,570)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans			
- repayments		**(25,315)**	(21,714)
Short term borrowings (net)		**(10,195)**	(21,586)
Net cash (outflow) from financing activities		**(35,510)**	(43,300)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		**1,235**	1,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**3,126**	1,997
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33	**4,361**	3,126

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

Aamir Naseem

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

(RUPEES IN THOUSAND)

	Issued, subscribed and paid up share capital	General Reserve	Accumulated (Loss) / Un-appropriated Profit	Total
Balance as at June 30, 2009	30,000	60,000	(6,380)	83,620
Total comprehensive income				
- Profit after taxation	-	-	47,532	47,532
Balance as at June 30, 2010	30,000	60,000	41,152	131,152
Total comprehensive income				
- Profit after taxation	-	-	54,242	54,242
Transaction with owners				
Final Dividend for the year ended June 30, 2010 @ Rs. 1.00 per share	-	-	(3,000)	(3,000)
Balance as at June 30, 2011	**30,000**	**60,000**	**92,394**	**182,394**

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, 2011

1. 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 A-601/A, City Towers, Main Boulevard, Gulberg-II, Lahore.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Accounting Convention

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

2.2 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the 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.

2.3 Use of Estimate & Judgment

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.

2.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan Rupee (Rs).

2.5 Standard, amendments and interpretations to approved accounting standards

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company’s current operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures:

– IFRS 7	– Financial Instruments Disclosures	(Effective July 1, 2010)
– IAS 1	– Amendment resulting from improvement to IFRSs	(Effective January 1, 2011)
– IAS 1	– Amendment to revise the way other comprehensive ncome is presented	(Effective July 1, 2012)
– IAS 12	– Income Taxes - Recovery of underlying assets	(Effective January 1, 2012)
– IAS 19	– Employee Benefits	(Effective January 1, 2013)
– IAS 24	– Related Party Disclosures	(Effective January 1, 2011)
– IAS 27	– Consolidated and Separate Financial Statements	(Effective January 1, 2013)
– IAS 28	– Investment in Associates	(Effective January 1, 2013)
– IAS 31	– Investment in Joint Ventures	(Effective July 1, 2010)
– IAS 32	– Financial Instruments Presentation	(Effective February 1, 2010)
– IAS 34	– Interim Financial Reporting	(Effective January 1, 2011)
– IFRIC13	– Customer Loyalty Programmers	(Effective February 1, 2011)
– IFRIC14	– The limit on Defined Benefit Asset minimum Funding Equipments and their Interaction	(Effective January 1, 2011)
– IFRIC19	– Extinguishing Financial Liabilities with Equity Instrument	(Effective July 1, 2010)
– IFRS 1	– First Time Adoption of IFRSs - Improvement to IFRS	(Effective January 1, 2011)
– IFRS 1	– First Time Adoption of IFRSs - Replacement of fixed date for certain exemptions with a date of transition to IFRSs.	(Effective July 1, 2011)
– IFRS 1	– First Time Adoption of IFRSs - Additional Exemption for entities ceasing to Suffer from severe hyper inflation.	(Effective July 1, 2011)
– IFRS 7	– Financial Instruments Disclosures - Improvements to IFRSs	(Effective January 1, 2011)
– IFRS 7	– Financial Instruments Disclosures - Enhancing disclosure about transfer of financial assets.	(Effective July 1, 2011)
– IFRS 10	– Consolidated Financial Statements	(Effective July 1, 2013)
– IFRS 11	– Joint Arrangements	(Effective January 1, 2013)
– IFRS 12	– Disclosure in Interest in Other Entities	(Effective January 1, 2013)
– IFRS 13	– Fair Value Measurement	(Effective January 1, 2013)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 PROPERTY, PLANT AND EQUIPMENT

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.

Borrowing costs pertaining to the construction and erection are capitalized up to the date of completion. Depreciation on property, plant & equipment is charged to income on reducing balance method at the rates specified in note No. 14. to the accounts to write off the cost cover their estimated useful lives.

Depreciation on addition and deletion is charged on the basis of number of days the asset remain in use of the company. Assets residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate at each balance sheet date. An asset carrying amount is written down immediately to its recoverable amount. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within “other income” in profit and loss account.

3.2 STORES & SPARES

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.

3.3 STOCK IN TRADE

These are valued at lower of cost and net realizable value. Cost comprises of:

Raw material	At weighted average cost
Work in Process	At direct cost & appropriate portion of production overhead
Finished Goods	At estimated manufacturing cost
Wastes	At net realizable value.

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

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.

3.4 TRADE DEBTS

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

3.5 FOREIGN CURRENCY TRANSLATION

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.

3.6 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.

3.7 TRADE AND OTHER PAYABLES

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

3.8 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.

3.9 BORROWING COSTS

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.

3.10 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.

3.11 IMPAIRMENT

a) FINANCIAL ASSETS

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) NON- FINANCIAL ASSETS

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.12 CONTINGENT LIABILITIES

Contingent liability is disclosed when the Company has a possible obligation as a result of past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

3.13 TAXATION

Current

Provision of current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination; and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.14 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.

3.15 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.

3.16 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.

3.17 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'.

3.18 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)	
	2011	**2010**
4. 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

4.1 Associated companies hold 375,000 (2010: 375,000) shares as at June 30, 2011.

			(RUPEES IN THOUSAND) 2011	2010
5.	**RESERVES**			
	Revenue Reserve			
	General Reserve		**60,000**	60,000
6.	**LONG TERM LOANS**			
	Loan from Banking Companies - Secured	6.1	**68,290**	40,589
6.1	**National Bank of Pakistan**			
	Term Finance I	6.1.1	**93,947**	-
	Term Finance II (Frozen Mark up)	6.1.2	**13,130**	-
	Term Finance IV	6.1.3	**-**	13,400
	Term Finance VI	6.1.3	**-**	15,340
	Term Finance VII	6.1.3	**-**	38,580
	Term Finance VIII	6.1.3	**-**	38,370
	Term Finance V	6.1.4	**9,048**	22,620
	Balance as at 30th June		**116,125**	128,310
	Less:			
	Current portion shown under Current Liabilities		**(47,835)**	(87,721)
			68,290	40,589

6.1.1 According to rescheduling / restructuring arrangements with National Bank of Pakistan, previously outstanding Term Finance Loans IV,VI,VII and VIII have been consolidated into new Term Finance Loan I. The new Term Finance I Loan is repayable in 9 bi-annual equal installments commencing from March 1, 2011. The loan carries markup @ 6 months kibor + 3% p.a. payable on quarterly basis.

6.1.2 According to rescheduling / restructuring arrangements with National Bank of Pakistan, frozen markup payable has been converted into term finance II. The approved limit of this loan is Rs. 30.600 Million. The loan is repayable in twenty four monthly installments commencing from July 2010 and repayable by June 01, 2012. The loan is interest free, therefore using prevailing market interest rate of 3 months kibor + 3% , the fair value of the old markup loan is estimated at Rs. 13.130 million. The difference of Rs.2.170 million between the gross proceeds and the fair value of the loan is the benefit derived from the interest free loan and has been recognized as gain (refer note.28). Fair value has been determined using discounting techniques.

6.1.3 According to rescheduling with NBP, term finance loans IV, VI, VII and VIII have been consolidated into new term finance loan term finance I with limit of Rs. 105.690 million.

6.1.4 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.

6.1.5 The above finances 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.

		(RUPEES IN THOUSAND) 2011	2010
7. DEFERRED LIABILITIES			
Deferred Taxation	7.1	**49,517**	28,334

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

	2011	2010
Taxable Temporary Differences		
Accelerated tax depreciation allowance.	**49,517**	47,137
Deductible Temporary Differences		
Tax Losses	**-**	(4,645)
Minimum tax available for carry forward	**-**	(14,158)
	49,517	28,334

8. TRADE AND OTHER PAYABLES

		2011	2010
Creditors		**17,983**	15,944
Contractors retention money		**274**	39
Security deposits - Interest free	8.1	**5,623**	5,620
Provident fund trust		**564**	499
Accrued charges		**29,265**	33,548
Unclaimed dividend		**97**	75
Advances from customers		**3,756**	5,134
Workers' profit participation fund	8.2	**4,276**	4,083
Workers' welfare fund		**3,177**	1,552
Others		**800**	800
		65,815	67,294

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

8.2 WORKERS' PROFIT PARTICIPATION FUND

Workers profit participation fund represents allocation for the year.

9. ACCRUED MARK UP ON SECURED LOANS

	2011	2010
Mark up on long term financing and short term bank borrowings	**7,803**	34,268

10. SHORT TERM BORROWINGS

	2011	2010
From Banking Companies - Secured	**72,808**	98,303
	72,808	98,303

10.1 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. 335 million (2010: Rs. 350 million). Unavailed facility as at balance sheet date is Rs. 262 million. Mark-up is paid at the rate ranging from 3 months Kibor plus 2% to 2.5 %. It includes inland letter of credit for purchase of raw material amounting to Rs. Nil (2010: Rs. 28.094 million).

		(RUPEES IN THOUSAND)	
		2011	2010

11. CURRENT PORTION OF LONG TERM LOANS

National Bank of Pakistan	6	**47,835**	87,721
		47,835	87,721

12. PROVISION FOR TAXATION

Opening balance	**6,858**	26
Less:		
Adjusted during the year	**(6,909)**	(60)
	(51)	(34)
Current	**4,147**	6,285
Prior	**51**	607
	4,198	6,892
	4,147	6,858

13. CONTINGENCIES AND COMMITMENT

13.1 Contingencies

Counter guarantees of Rs. 14.487 million (2010: Rs. Nil) has been issued by the bank of the company to Sui Northern Gas Pipelines Limited against gas connections.

13.2 Commitments

Commitments for capital expenditure are amounting to Rs. Nil (2010: Rs. Nil) and non capital expenditure are amounting to Rs. 7.636 million (2010.: Rs. 16.691 million).

14. SCHEDULE OF PROPERTY, PLANT & EQUIPMENT

(RUPEES IN THOUSAND)

	Land Freehold	Building on Freehold Land	Pland and Machinery	Electric Installations	Factory Equipments	Furniture & Fixtures	Vehicles	Office Equipments	Total
At June 30, 2009									
Cost	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	-	(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
Year ended June 30, 2011									
Opening net book value	3,351	35,803	205,187	661	17	1,353	4,056	1,222	251,650
Additions	-	7,314	23,183	-	-	-	2,852	80	33,429
Disposals									
Cost	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-	-	-
Depreciation	-	(3,824)	(21,770)	(66)	(2)	(135)	(1,095)	(125)	(27,017)
Closing net book value	3,351	39,293	206,600	595	15	1,218	5,813	1,177	258,062
At June 30, 2011									
Cost	3,351	85,098	457,149	2,425	150	3,783	12,762	3,314	568,032
Accumulated depreciation	-	45,805	250,549	1,830	135	2,565	6,949	2,137	309,970
Net book value	3,351	39,293	206,600	595	15	1,218	5,813	1,177	258,062
Depreciation rate (%)	-	10	10	10	10	10	20	10	

(RUPEES IN THOUSAND)

14.1 Depreciation for the year has been allocated as follows:

	2011	2010
Cost of goods sold	25,662	26,256
General and administrative expenses	1,355	1,001
	27,017	27,257

	(RUPEES IN THOUSAND) 2011	2010
15. LONG TERM DEPOSITS		
Others	**2,382**	2,382
	2,382	2,382
16. STORES & SPARES		
Stores	**9,875**	8,127
Spares	**25,843**	15,001
	35,718	23,128
17. STOCK IN TRADE		
Raw material	**67,464**	71,211
Work in process	**16,844**	11,987
Finished goods	**38,941**	39,738
Waste	**747**	180
	123,996	123,116

17.1 Stock in trade includes raw material, work in process and finished goods of Rs.100.160 million (2010 : Rs. Nil) valued at net realizable value.

17.2 The aggregate amount of write down of inventories to net realizable value recognized during the year was Rs. 23.563 million (2010 : Rs. Nil)

	2011	2010
18. TRADE DEBTS		
These are unsecured but considered good.	**37,713**	62,525
19. LOANS AND ADVANCES		
(Unsecured but considered good):-		
Advances to :		
Suppliers and contractors	**2,284**	1,937
Against expenses	**2,244**	1,529
Employees	**6**	249
	4,534	3,715
20. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Income tax	**16,582**	6,409
Letters of credit	**10,646**	11,686
	27,228	18,095
Deposits:		
Sales tax	**2,794**	4,413
Margin on bank guarantee	**1,587**	1,587
Security deposit	**-**	213
	4,381	6,213
Prepayments	**210**	453
Other receivables	**24**	116
	31,843	24,877

(RUPEES IN THOUSAND)

21. CASH AND BANK BALANCES

		2011	2010
Cash in hand		**402**	384
Cash with banks:			
In current accounts		**3,959**	2,742
		4,361	3,126

22. SALES - net

		2011	2010
Local		**1,836,832**	1,248,407
Waste		**13,545**	8,537
		1,850,377	1,256,944
Less: commission		**(18,070)**	(10,944)
		1,832,307	1,246,000

23. COST OF SALES

	Note	2011	2010
Raw material consumed	23.1	**1,306,139**	801,508
Salaries, wages and benefits	23.2	**104,250**	93,288
Stores and spares		**37,682**	27,294
Packing materials		**14,980**	12,217
Fuel and power		**159,526**	151,007
Repair and maintenance		**3,273**	3,928
Insurance		**4,124**	3,398
Other factory overhead		**1,872**	1,730
Depreciation		**25,662**	26,256
		351,369	319,118
		1,657,508	1,120,626
Opening stock in process		**11,987**	12,148
		1,669,495	1,132,774
Closing stock in process		**(16,844)**	(11,987)
Cost of goods manufactured		**1,652,651**	1,120,787
Opening stock of finished goods		**39,919**	14,700
Purchase of yarn		**11,200**	-
		1,703,770	1,135,487
Closing stock of finished goods		**(39,688)**	(39,919)
		1,664,082	1,095,568

23.1 RAW MATERIAL CONSUMED

	2011	2010
Opening stock	**71,211**	92,106
Purchases - net	**1,302,392**	780,613
	1,373,603	872,719
Less: Closing stock	**(67,464)**	(71,211)
	1,306,139	801,508

23.2 Salaries, wages and other benefits include Rs. 2.545 million (2010: Rs. 2.250 million) in respect of staff retirement benefits.

	Note	2011	2010
		(RUPEES IN THOUSAND)	
24. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances and benefits	24.1	17,793	16,289
Traveling and conveyance		578	237
Vehicle running and maintenance		2,009	1,702
Printing and stationery		393	419
Newspaper and periodicals		13	24
Postage, telegram and telephone		425	426
Advertisement		37	114
Rent, rates, and taxes		780	352
Legal and professional		600	460
Auditor's remuneration	24.2	537	540
Subscription and donations	24.3	152	104
Insurance		727	597
Entertainment		230	185
Computerization		144	153
General		233	196
Lighting charges		468	247
Depreciation		1,355	1,001
		26,474	23,046

24.1 Salaries, allowances and benefits include Rs.0.419 million (2010: 0.389 million) in respect of staff retirement benefits.

24.2 Auditors remuneration

	2011	2010
Statutory audit fee	**500**	500
Half yearly review fee	**25**	20
Provident fund audit & other certification fee	**12**	20
	537	540

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

	2011	2010
25. SELLING AND DISTRIBUTION EXPENSES		
Freight and expenses on local sales	**2,853**	1,103
	2,853	1,103
26. FINANCIAL CHARGES		
Mark-up on:		
Long term loans-secured	**16,874**	19,583
Short term bank borrowings - secured	**34,128**	23,277
	51,002	42,860
Bank charges and commission	**4,121**	2,455
Interest on workers' profit participation fund	**489**	-
	55,612	45,315
27. OTHER CHARGES		
Workers' profit participation fund	**4,276**	4,083
Workers' welfare fund	**1,625**	1,552
	5,901	5,635

	(RUPEES IN THOUSAND) 2011	2010

28. OTHER INCOME

	2011	2010
Profit on sale of fixed assets	-	535
Sale of scrap	-	141
Gain on remeasurement of financial liability at fair value	**2,170**	-
Profit on sale of stores	-	21
Miscellaneous income	**68**	-
	2,238	697

29. TAXATION

	2011	2010
Current	**4,147**	6,285
Prior	**51**	607
Deferred tax	**21,183**	(2,267)
	25,381	4,625

29.1 The company's income tax assessments have been finalized upto and including tax year 2010.

<u>Reconciliation of tax charge for the year</u>

	2011	2010
Accounting profit for the year before tax	**79,623**	-
Tax on accounting profit at applicable rate @ 35%	**28,752**	-
Tax effect of amounts that are inadmissible for tax purposes	**8,696**	-
Tax effect of amounts that are admissible for tax purposes	**(11,836)**	-
Adjustment of brought forward tax loss	**(4,543)**	-
Adjustment of minimum tax	**(16,922)**	-
Tax effect relating to prior years	**51**	-
Tax effect of timing differences	**21,183**	-
	25,381	-

30. 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 2011	Directors 2011	Executives 2011
Managerial remuneration	**720**	**1,510**	**1,415**
House rent	**324**	**679**	**637**
Medical allowance	**72**	**151**	**141**
Utility allowance	**84**	**176**	**165**
	1,200	**2,516**	**2,358**
Number	**1**	**3**	**2**

	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

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

30.2 No meeting fee was paid to the directors of the company during the year (June 30, 2010: Rs.Nil).

31. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

Transaction with Related Parties/ Associated Undertaking, other than remuneration and benefits to key management personnel's under the terms of their employment (refer note 30) 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. 24.279 Million (2010: Rs. 2.058 Million) and purchased from associated undertaking material of aggregate sum of Rs. 5.712 Million (2010: Rs. 4.631 Million) during the year.

The maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. Nil (2010: Rs. Nil).

	(RUPEES IN THOUSAND) 2011	2010
32. BASIC EARNING PER SHARE		
There is no dilutive effect on the basic earning per share of the company.		
Profit after taxation	**54,242**	47,532
Weighted average number of ordinary shares outstanding during the year (No. in '000)	**3,000**	3,000
Basic earning per share (Rupees)	**18.08**	15.84
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**4,361**	3,126
34. PLANT CAPACITY AND ACTUAL PRODUCTION		
Production at normal capacity converted to 20/s (Kgs.)	**13134449**	14429710
Actual production converted to 20/s (Kgs.)	**12771421**	13665805
No. of shifts worked per day	**3**	3

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

	2011	2010
35. NUMBER OF EMPLOYEES		
At the year end number of employees of the company	**807**	925

36. FINANCIAL INSTRUMENTS BY CATEGORY

	(RUPEES IN THOUSAND)	
FINANCIAL ASSETS as per Balance Sheet		
Cash and bank balances	**4,361**	3,126
Trade debts	**37,713**	62,525
Loans & advances	**6**	249
Deposit, prepayments & other receivables	**1,611**	1,916
Long term deposits	**2,382**	2,382
	46,073	70,198
FINANCIAL LIABILITIES as per Balance Sheet		
Long term loans	**116,125**	128,310
Short term borrowings	**72,808**	98,303
Trade and other payable	**54,606**	56,525
Accrued mark-up on secured loans	**7,803**	34,268
	251,342	317,406

36.1 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.

37. 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 management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate 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 activates. The company, through its training and management standards and procedures, aims to developed a disciplined 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 Committee 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.

37.1 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)	
	2011	**2010**
Cash and bank balances	**4,361**	3,126
Trade debts	**37,713**	62,525
Loans & advances	**6**	249
Deposit prepayments & other receivables	**1,611**	1,916
Long term deposits	**2,382**	2,382
	46,073	70,198

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.

37.2 LIQUIDITY RISK

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

(RUPEES IN THOUSAND)

2011	Upto 1 Year	Between 1 to 5 Years	Total
Non derivative financial liabilities			
Long term loans	**47,835**	**68,290**	**116,125**
Short term borrowings	**72,808**	**-**	**72,808**
Trade and other payable	**54,606**	**-**	**54,606**
Accrued mark-up on secured loans	**7,803**	**-**	**7,803**
	183,052	**68,290**	**251,342**

2010	Upto 1 Year	Between 1 to 5 Years	Total
Non derivative financial liabilities			
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

37.2.1 The contractual cash flows relating to the above financial liabilities 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.

37.3 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 optimizing the return.

37.3.1 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.1.189 million (2010: Rs. 1.445 million).

37.3.2 Fair value of financial assets and liabilities

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

38. 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.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 5, 2011 by the Board of Directors of the company.

40 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in thier meeting held on October 5, 2011 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 sherholders in the Annual General meeting to be held on October 31, 2011.

41. GENERAL

Figures have been rounded off to the nearest thousand rupee.

Aamir Naseem

(Mian Aamir Naseem)
Chief Executive Officer

Farrukh Naseem

(Mian Farrukh Naseem)
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 2011**

4.

No. of Shareholders	Shareholdings From		Shareholdings To	Total shares held
81	1	-	100	2,603
75	101	-	500	16,124
17	501	-	1000	12,981
10	1001	-	5000	19,124
3	5001	-	10000	24,418
2	10001	-	15000	22,313
2	15001	-	20000	32,299
3	25001	-	30000	90,000
2	30001	-	35000	62,025
4	35001	-	40000	145,546
2	40001	-	45000	85,720
2	45001	-	50000	94,550
5	60001	-	65000	311,418
2	70001	-	75000	148,000
1	80001	-	85000	82,650
1	85001	-	90000	88,253
1	90001	-	95000	94,207
2	100001	-	105000	208,491
1	145001	-	150000	147,900
1	190001	-	195000	193,200
1	200001	-	205000	203,636
1	265001	-	270000	267,056
1	270001	-	275000	272,486
1	370001	-	375000	375,000
221				3,000,000

5.	Categories of shareholders	Shares Held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children.	1,391,864	46.3955
5.2	Associated Companies, undertakings and related parties.	375,000	12.5000
5.3	NIT and ICP	97,233	3.2411
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	8,968	0.2989
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	1,051,706	35.0569
	b. Foreign	-	-
5.9	Others (to be specified)		
	1. Joint Stock Companies	75,200	2.5067
	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	30-06-2011

CATEGORIES OF SHAREHOLDERS REQIURED UNDER C.C.G . AS AT JUNE 30, 2011

S. No.	Name	Shareholding	%age
	DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN		
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	203,636	6.7879
4.	Mian Aamir Naseem	272,486	9.0829
5.	Mr. Mazhar Hussain	600	0.0200
6.	Mr. Tariq Javaid	520	0.0173
7.	Mr. Ahmed Ali Tariq	104,246	3.4749
8.	Mrs. Fatima Aamir W/o Mian Aamir Naseem (CDC)	147,900	4.9300
	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
	Mrs. Hina Farrukh W/o Mian Farrukh Naseem (CDC)	48,000	1.6000
		1,391,864	46.3955
	ASSOCIATED COMPANIES		
1.	Husein Sugar Mills Limited	375,000	12.5000
		375,000	12.5000
	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)	8,968	0.2989
		8,968	0.2989
	JOINT STOCK COMPANIES		
1.	Y.S. Securities & Services (Pvt) Ltd. (CDC)	200	0.0067
2.	Sargodha Textile Mills Limited	75,000	2.5000
		75,200	2.5067
	OTHERS		
1.	Punjab Cooperative Board (CDC)	29	0.0010
		29	0.0010
	SHARES HELD BY THE GENERAL PUBLIC	1,051,706	35.0569
	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	-	1,500
2.	Mian Aamir Naseem	1,500	-
3.	Mrs. Fatima Aamir W/o Mian Aamir Naseem (CDC)	-	146,400
4.	Mrs. Hina Farrukha W/o Mian Farrukh Naseem (CDC)	-	48,000

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 32nd Annual General Meeting of the Company to be held on Monday, October 31, 2011 at 10:00 a.m. and at any adjournment thereof.

As witness my / our hand (s) this ______________ day of ______________ 2011

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.