

AL-ABID
SILK MILLS LIMITED

43rd ANNUAL REPORT
2011



43rd ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

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AL-ABID SILK MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Naseem A. Sattar	Chairman & Chief Executive
Mr. Azim Ahmed	Director
Mrs. Zarina Naseem	Director
Mst. Adia Naseem	Director
Mrs. Sadaf Nadeem	Director
Mrs. Reena Azim	Director
Mrs. Asra Amir	Director
Syed Raza Abbas Jaffari	Nominee Director (N.I.T.)

SECRETARY

Mr. S.M. Jawed Azam

AUDIT COMMITTEE

Mr. Naseem A. Sattar	Chairman
Mrs. Zarina Naseem	Member
Mst. Adia Naseem	Member

AUDITORS

Muniff Ziauddin Junaidy & Co.
Chartered Accountants

REGISTRARS

- (a) Adam Patel & Company
34/2-F, Block-5, Clifton, Karachi.
- (b) Gangjees Associates (For C.D.C. Purpose)
516, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5, Clifton, Karachi.

BANKERS

Allied Bank Limited
Bank Islami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited
Pak Oman Investment Company Limited
Pak Kuwait Investment Company (Private) Limited

REGISTERED OFFICE

A-39, S.I.T.E., Manghopir Road, Karachi.

MILLS

A-39,
A-51 / B,
A-34 / A,
D-14 / C-1,
A-29 / B,
S.I.T.E., Karachi.

AL-ABID SILK MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 43rd Annual General meeting of the Shareholders of the Company will be held at the Auditorium of the Institute of Chartered Accountants of Pakistan, G-31/8, Kehkashan, Clifton, Karachi on Thursday, October 27, 2011 at 4.30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the 42nd Annual General Meeting of the Company held on 29th October, 2010.
2. To receive, consider and adopt the annual audited accounts of the Company together with the Directors' and Auditors' Report thereon for the year ended June 30, 2011.
3. To appoint statutory Auditors for the year 2011-2012 and fix their remuneration. The present auditors M/s. Muniff Ziauddin Junaidy & Co. Chartered Accountants, have offered themselves for re-appointment as Auditors of the Company.
4. To consider any other business with the permission of the Chair.

SPECIAL BUSINESS:

5. To approve payment of remuneration and provision of certain facilities to the Chief Executive and the Director of the Company.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS:

The Shareholders approval is sought for the payment of remuneration and provision of certain facilities to the Chief Executive and the Director of the Company.

For the purpose it is proposed that the following resolution be passed with or without modification by the Shareholders as an Ordinary Resolution.

"RESOLVED THAT the Company hereby approves and authorizes payment of annual remuneration for the period January 2012 to December 2012 to Mr. Naseem A. Sattar – Chief Executive, a sum not exceeding Rs. 10,500,000/- and Mr. Azim Ahmed – Director, a sum not exceeding Rs. 5,400,000/-. In addition to above the Company also approves payment of the following perquisites to them:

- i) Company Maintained Car
Estimated expenses for fuel and repair etc.
Chief Executive Rs. 800,000/- p.a. (approx.)
Director Mr. Azim Ahmed Rs. 600,000/- p.a. (approx.)
- ii) Residential Telephone facilities for personal and official use.
Chief Executive Actual or maximum Rs.300,000/-p.a.
Director Mr. Azim Ahmed Actual or maximum Rs. 75,000/-p.a.
- iii) Air Travelling for Self and Dependents once in a year
Chief Executive Rs.1,200,000/-p.a.
Director Mr. Azim Ahmed Rs. 1,000,000/-p.a.

By Order of the Board

S. M. Jawed Azam
(Company Secretary)

Karachi. September 29, 2011

AL-ABID SILK MILLS LIMITED

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 20, 2011 to October 27, 2011 (both days inclusive).
 2. A member entitled 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 at the Registered Office of the Company not less than 48 hours before the time of meeting.
 3. Members are requested to promptly notify the Company of any change in their address. **CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.**
- A. For Attending the Meeting:**
- i) In case of individuals, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or, original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- B. For Appointing Proxies:**
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AL-ABID SILK MILLS LIMITED

REPORT TO THE SHARE HOLDERS

The Board of directors is pleased to present the Forty Third Annual Report and the Audited Financial Statements of the Company for the year ended June 30, 2011.

Textile sector plays vital role in the Pakistan's economy. It is at present facing multiple challenges both internally and externally. Ever increasing production cost, double digit inflation, rise in ERF markup and deteriorating law and order conditions are causing a major hurdle in growth. High energy cost and the prolonged power shortages further aggravated the hurdles. An unprecedented increase in cotton prices has all along remained the concern of the value added textile industry during the year under review hindering the growth in overall demand.

During the year under review the company registered sales at Rs 10.48 billion as compared to Rs 10.83 billion in the corresponding year whereas gross margin has slightly increased from 12.19% to 12.79% which could be much better, had the conditions mentioned above been conducive for increased margin. On top of it the demand in the international market has been also leaving much to desire due to respective markets financially tightening belts.

Future Outlook

International markets are now showing some improved trend due to recovery from global recession coupled with declining cotton prices and buyers have started showing some cautious movement which we experienced in the last quarter. Expecting situation to normalize internally, externally and raw material wise we hope that we should be able to have a turnover of Rs 15 billion in the next year provided things remain normal with regards to law and order situation as well as hold on the relentless spiraling cost.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors declare that:

- The financial statements prepared by the management of Al-Abid Silk Mills Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of Al-Abid Silk Mills Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements.
- The Board is responsible for the Company's system of internal control and reviewing its effectiveness. The Board considers that the Company's system of internal control is sound and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six years in summarized form is also enclosed in the annual report.

AL-ABID SILK MILLS LIMITED

NUMBER OF BOARD MEETINGS HELD DURING THE YEAR AND ATTENDANCE OF EACH DIRECTOR

During the year five board meetings were held. Each director has attended meetings as follows:

Name of Director	No. of meetings attended
Mr. Naseem A. Sattar	5
Mr. Azim Ahmed	5
Mrs. Zarina Naseem	5
Mst. Adia Naseem	5
Mrs. Sadaf Nadeem	4
Mrs. Reena Azim	4
Mrs. Asra Amir	4
Syed Raza Abbas Jaffari (Nominee Director of NIT)	3

AUDIT COMMITTEE

Size and Composition:

For the financial year ended June 30, 2011, the audit committee comprised the following three directors, two of whom are non-executive directors:

Mr. Naseem A. Sattar	Chairman
Mrs. Zarina Naseem	Member
Mst. Adia Naseem	Member

INTERNAL AUDIT FUNCTION:

The Board Audit Committee is assisted by the Internal Audit Function in maintaining a sound system of internal controls and best practices.

The Internal Audit Function reviews internal controls in all key activities of the company. It acts as a service to the business by assisting with continuous improvement of controls and procedures. Actions are agreed in response to its recommendation and these are followed up to ensure that satisfactory controls are maintained.

Quarterly reviews are also conducted between internal audit management and senior management of the business and major functions to assess their current control status to identify and address any areas of concern.

The Board is responsible for effectiveness of the company's system of internal control. The internal control systems are designed to meet company's requirement to avoid the risk to which it may be exposed.

There is no restriction placed upon the scope of the internal audit function. The members of the internal audit function are authorized to have full, free and unrestricted access to all departments, their personnel, records and information (in what ever form) and physical property. Documentation and information provided are subject to the appropriate levels of security and confidentiality.

AUDITORS:

M/s Muniff Ziauddin Junaidy & Co., Chartered Accountants have retired and being, offered themselves for reappointment. As required by the Code of Corporate Governance and based on the recommendation of the Audit Committee the board of Directors has recommended the appointment of the Muniff Ziauddin Junaidy & Co., Chartered Accountants for the year ending June 30, 2012.

AL-ABID SILK MILLS LIMITED

PATTERN OF SHAREHOLDING:

The Pattern of Shareholding and additional information regarding pattern of shareholding is attached to the financial statements included in this report.

EARNINGS PER SHARE:

Based on the net profit for the current year the basic earnings per share is Rs. 6.79 (2010 : Restated Rs.10.63)

ACKNOWLEDGEMENT:

Towards the end, your directors are pleased to appreciate the cooperation extended by our bankers and financial institutions. Directors also acknowledge the dedication and hard work of all workers, staff and executives of the company and look forward to their continued efforts and devotion. At the same time we sincerely thank our valued shareholders and all well wishers for their understanding and continued support.

Thanks to all of you.

For and on behalf of the Board of Directors

(NASEEM A. SATTAR)
Chairman & Chief Executive

September 29, 2011

AL-ABID SILK MILLS LIMITED

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 No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good corporate governance, where by 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 and directors representing minority on its Board of Directors. At present the Board includes five non-executive directors and one independent directors representing institutions of shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All directors of the company are registered taxpayers.
4. There was no casual vacancy during the year.
5. The company has prepared a Statement of Ethics and Business Practices, which have been signed by the directors and employees of the company.
6. The Board has developed a Vision/mission statement, over all 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 CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose. The Board at least met once in an every quarter. Written Notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Arrangements are made to carry out an orientation course of directors, who have not attended the course from other forum to apprise them for their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO. A new CFO has been appointed since March 10, 2011.
11. The directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the code.

AL-ABID SILK MILLS LIMITED

15. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors and the chairman of this committee is an executive director.
16. The audit committee met at least once in a quarter prior to the approval of interim and final result of the Company 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 setup 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 spouse 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 the 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 of Directors

NASEEM A. SATTAR
Chairman & CEO

Karachi: September 29, 2011

AL-ABID SILK MILLS LIMITED

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 (the Code) for the year ended June 30, 2011, prepared by the Board of Directors of **Al-Abid Silk Mills Limited** to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges, require the Company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and those which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

Karachi: September 29, 2011

MUNIFF ZIAUDDIN JUNAIDY & CO.
CHARTERED ACCOUNTANTS
(Muhammad Moin Khan)

AL-ABID SILK MILLS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Al-Abid Silk Mills Limited** as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year were for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the company's affairs as at June 30, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: September 29, 2011

Muniff Ziauddin Junaidy & Co.
Chartered Accountants
(Muhammad Moin Khan)

AL-ABID SILK MILLS LIMITED

BALANCE SHEET AS AT

	Notes	2011 Rupees	2010 Rupees
EQUITY & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
20,000,000 Ordinary Shares of Rs. 10/- each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	5	134,095,500	95,782,500
Reserves			
Capital reserve	6	372,834,000	257,895,000
Unappropriated profit		761,057,832	702,423,220
		1,133,891,832	960,318,220
Shareholder's equity		1,267,987,332	1,056,100,720
Surplus on revaluation of fixed assets	7	514,699,488	554,724,488
LIABILITIES			
NON- CURRENT LIABILITIES			
Loan from director - unsecured	8	50,000,000	98,861,281
Long term loan from banks	9	27,488,521	49,479,345
Liabilities against assets subject to finance lease	10	42,108,142	57,780,347
Retirement benefits	11	57,156,177	49,981,271
		176,752,840	256,102,244
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	12	3,638,014,135	3,881,969,994
Accrued markup	13	81,848,565	46,659,404
Current maturity of long term loans			
- and Lease Liability	14	43,215,321	62,649,743
Short term finances	15	3,373,595,170	2,889,283,046
		7,136,673,191	6,880,562,187
CONTINGENCIES AND COMMITMENTS	16	-	-
		9,096,112,851	8,747,489,639

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

Naseem A. Sattar
Chairman & CEO

AL-ABID SILK MILLS LIMITED

JUNE 30, 2011

	Notes	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	2,053,145,834	2,199,215,769
Long term security deposit		1,946,645	1,946,645
 CURRENT ASSETS			
Stores and spares	18	161,040,428	154,763,973
Stock in trade	19	6,104,611,202	5,761,914,678
Trade debts	20	313,196,248	305,547,862
Loans and advances	21	16,979,095	39,975,793
Trade deposits and prepayments	22	22,966,451	18,297,163
Other receivables	23	317,038,844	129,899,995
Tax refunds due from government	24	67,722,615	72,240,817
Cash and bank balances	25	37,465,489	63,686,944
		7,041,020,372	6,546,327,225
		9,096,112,851	8,747,489,639

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

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

	Note	2011 Rupees	2010 Rupees
Sales and services	26	10,481,908,852	10,826,885,480
Cost of sales	27	9,141,739,776	9,506,907,621
Gross profit		1,340,169,076	1,319,977,859
Operating expenses			
Distribution cost	28	320,341,626	397,500,458
Administrative expenses	29	279,745,957	248,562,126
Other operating expenses	30	13,617,841	15,401,551
		613,705,424	661,464,135
		726,463,652	658,513,724
Other income	31	6,798,985	4,198,818
Profit from operations		733,262,637	662,712,542
Finance cost	32	548,449,086	453,691,493
Profit before taxation		184,813,551	209,021,049
Taxation - current	33	107,022,439	110,391,293
Profit after taxation		77,791,112	98,629,756
Other comprehensive income		-	-
Total Comprehensive income for the year		77,791,112	98,629,756
Earnings per share - basic and diluted	34	6.79	Restated 10.63

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

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	184,813,551	209,021,049
Adjustments for:		
Depreciation	168,351,266	172,324,448
Provision for gratuity	15,573,660	13,497,849
Gain on disposal of property, plant and equipment	(4,196,545)	(2,469,072)
	179,728,381	183,353,225
(Increase) / decrease in current assets:		
Stores and spares	(6,276,455)	16,993,806
Stock in trade	(342,696,524)	(797,810,236)
Trade debtors	(7,648,386)	(156,757,018)
Loan and advances	22,996,698	(7,371,234)
Trade deposits and prepayments	(4,669,288)	(3,364,234)
Other receivables	(187,138,849)	(49,463,227)
Tax refunds due from government	8,270,074	(16,112,430)
	(517,162,730)	(1,013,884,573)
Increase / (decrease) in current liabilities:		
Trade and other payable	(243,955,859)	747,947,072
Accrued mark-up	35,189,161	(5,708,912)
Short term finance	484,312,124	298,892,421
	275,545,426	1,041,130,581
Cash generated from operations	122,924,628	419,620,282
Taxes paid	(110,774,311)	(106,342,306)
Staff gratuity paid	(8,398,754)	(4,482,800)
Net cash generated from operations	3,751,563	308,795,176
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(65,841,802)	(152,618,350)
Proceeds from disposal of fixed assets	7,732,016	4,406,000
Long term security deposit	-	(60,000)
Net cash used in investing activities	(58,109,786)	(148,272,350)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from obligation under finance lease	9,517,000	37,884,000
Proceeds of loan from director	50,000,000	-
Repayment of loan from director	(98,861,281)	-
Proceeds from issue of ordinary share capital	134,095,500	-
Payments of obligation under finance lease	(31,051,192)	(65,993,081)
Payment of long term loans	(35,563,259)	(98,011,683)
Dividends paid	-	(7,183,688)
Net cash outflow from financing activities	28,136,768	(133,304,452)
Net (decrease) / increase in cash and cash equivalents	(26,221,455)	27,218,374
Cash and cash equivalents at the beginning of the year	63,686,944	36,468,570
Cash and cash equivalents at the end of the year	37,465,489	63,686,944

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

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

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

	Share Capital	Capital Reserve	Unappropriated Profit	Total
	----- Rupees -----			
Balance as at June 30, 2009	95,782,500	257,895,000	610,977,152	964,654,652
Total comprehensive income for the year ended June 30, 2010	-	-	98,629,756	98,629,756
Transactions with owners				
Final dividend @ Rs. 0.75 per share for the year ended June 30, 2009	-	-	(7,183,688)	(7,183,688)
Balance as at June 30, 2010	95,782,500	257,895,000	702,423,220	1,056,100,720
Total comprehensive income for the year ended June 30, 2011	-	-	77,791,112	77,791,112
Transactions with owners				
Issue of Capital - Right Shares	19,156,500	114,939,000	-	134,095,500
Bonus shares issued during the year in the ratio of 01 share for every 05 shares held	19,156,500	-	(19,156,500)	-
Balance as at June 30, 2011	134,095,500	372,834,000	761,057,832	1,267,987,332

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

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND OPERATIONS

Al-Abid Silk Mills Limited (the Company) was incorporated as a private limited company in the year 1968, later on it was converted into public limited company as on December 24, 1987 under Companies Ordinance, 1984. Currently, the shares of the Company are listed on Karachi and Lahore Stock Exchanges. The registered office is located at A-39, S.I.T.E., Manghopir Road, Karachi. The Company is principally engaged in manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and other textile made-ups. The manufacturing facilities of the Company are located at Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified by the provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ from the requirements of the approved accounting standards, the Ordinance and the said directives have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for stores, spares and loose tools and stock-in-trade which are carried at lower of cost and net realizable value, leasehold land which are carried at revalued amount and certain staff retirement benefits which are carried at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All the financial information presented in Pak Rupee has been rounded off to the nearest rupee.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year;

The following new standards and amendments to existing standards have been published that are mandatory and relevant for the Company's financial statements covering annual periods, beginning on or after following the dates:

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- (i) IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment will not effect the results or net assets of the Company as it only concerned with presentation and disclosure.
 - (ii) IAS 7 (Amendment), 'Statement of Cash Flows'. The amendment provides clarification that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognised assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.
 - (iii) IAS 17 (Amendment), 'Classification of leases of land and buildings'. The amendment deletes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. The Company's current accounting policy is in line with the requirements of IAS 17 and the Ordinance, therefore, the amendment will have no affect on the Company's financial statements.
 - (iv) IAS 18 (Amendment), 'Revenue'. The amendment provides additional guidance regarding the determination as to whether an entity is acting as a principal or an agent. The amendment does not have any impact on the Company's financial statements.
 - (v) IAS 36 (Amendment), 'Impairment of assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated or the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating Segment' (that is, before the aggregation of segments with similar economic characteristics). The amendment does not have any impact on the Company's financial statements.
 - (vi) IFRS 8 (Amendment), 'Disclosure of information about segment assets'. This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Since the operations of the Company are considered as a single reportable segment, therefore the amendment will have no affect on the Company's financial statements.
- 3.2 Standards, interpretations and amendments to published approved accounting standards effective in current year but are not relevant to the Company;**

The other new standards, amendments and interpretations are mandatory for the accounting periods beginning on or after July 1, 2010 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations though these may affect the accounting for future transactions and events.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant;

The following standards, amendments and interpretations to existing standards by the International Financial Reporting Interpretations Committee (IFRIC) have been published and are mandatory for accounting periods beginning on or after July 1, 2011 or later periods;

- (i) IAS 1 (Amendment) 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after January 1, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. There are no items of other comprehensive income, therefore, no impact is expected on the Company's financial statements.
- (ii) IAS 24 (Revised) 'Related Party Disclosures', is effective for the accounting periods on or after January 1, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have a material impact on the Company's financial statements.
- (iii) IFRS 7 (Amendment) 'Financial Instruments: Disclosures', is effective for the accounting periods beginning on or after January 1, 2011. This amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the financial instruments disclosures in the Company's financial statements.
- (iv) IFRIC 14 (Amendment) 'IAS 19 - The limit on a defined benefit assets, minimum funding requirements and their interaction', is effective for accounting periods beginning on or after January 1, 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

3.4 Property, Plant and Equipment

- (i) Operating fixed assets other than leasehold land are stated at cost less accumulated depreciation and impairment losses, if any. Leasehold land is stated at revalued amount.
- (ii) Residual values and useful lives are reviewed, at each balance sheet date, and adjusted if impact on depreciation is significant.
- (iii) The Company assesses at each balance sheet date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

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- (iv) Depreciation is charged to income on the reducing balance basis. Depreciation is charged at rates stated in note 17.1.
- (v) Depreciation on additions is charged from the month the assets are available for use while in the case of disposals, depreciation is charged one month prior up to the month in which the assets are disposed off.
- (vi) The depreciation method and useful lives of items of fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.
- (vii) Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalised and are depreciated over the remaining useful life of the related assets.
- (viii) Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sales proceeds and the carrying amount of asset and are included in the profit and loss account.
- (ix) Capital work in progress is stated at cost. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

3.5 Operating fixed assets held under finance lease and related depreciation

The Company accounts for operating fixed assets held under finance lease by recording the asset and the related liability. Operating fixed assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between its present value and finance cost so as to achieve a constant rate on the finance lease obligation. The finance cost is charged to profit and loss account and is included under finance charges. Depreciation is charged to income applying the reducing balance method at rates stated in note 17.1.

The Company assesses at each balance sheet date whether there is any indication that the leased operating fixed assets may be impaired. If such an indication exists, the carrying amounts of the related assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to income currently.

3.6 Surplus on Revaluation of Fixed Assets

Any revaluation surplus is credited to the surplus on revaluation of fixed assets, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

3.7 Stores and Spare Parts

Stores, spare parts and loose tools are stated at the lower of cost and net realizable value. The cost of inventory is based on weighted average cost less provision for obsolescence, if any. Items in transit are stated at cost comprising invoice value plus other charges thereon accumulated up to the balance sheet date.

3.8 Stock-in-trade

- (i) These are valued at lower of cost and net realizable value.
- (ii) Cost in relation to raw materials in hand, packing materials and other components has been calculated on a weighted average basis and represents invoice values plus other charges paid thereon.
- (iii) Cost in relation to work in process and finished goods represents direct cost of materials, wages and appropriate manufacturing overheads.
- (iv) Raw materials held in custom bonded warehouse and stock-in-transit are valued at cost comprising of invoice value plus other charges accumulated up to the balance sheet date.
- (v) Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to completion and to be incurred in marketing, selling and distribution.

3.9 Trade debts and other receivables

Trade and other receivables are carried at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of term deposits, cash and bank balances.

3.11 Revenue Recognition

- (i) Revenue from sale is recognised when significant risk and rewards of ownership are transferred to the buyer.
- (ii) Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

3.12 Borrowing Cost

Borrowing costs incurred on long term finances directly attributable for the construction/acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

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3.13 Foreign Currency Translation

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. All arising exchange gains and losses are recognised in the profit and loss account.

3.14 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of 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 of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the prevailing best estimate.

3.15 Dividend

Dividend is recognised as liability in the period in which it is approved by the shareholders.

3.16 Financial assets and liabilities

Consistent with prior years, all financial assets and 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, amortised cost or cost as the case may be. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognised when the rights to the cash flows from the financial assets expire or where the Company transfers the financial assets and the transfer qualifies for derecognition. Financial liabilities are derecognised when the obligation specified in the contract is discharged.

3.17 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is set-off and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.18 Interest / Mark-up bearing loans and borrowings

Interest / mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

3.19 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

3.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Derivative financial instruments and hedging activities

The Company designates derivative financial instruments fair value hedge. Fair value hedge represents hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly is categorized as 'financial asset at fair value through profit or loss'.

3.22 Retirement benefits

The Company operates an un-funded gratuity scheme covering all employees (excluding managerial staff). Provision is made annually based on management estimates which are adjusted periodically to agree with actuarial estimates. Actuarial gains and losses are recognized on a straight line basis over a period of 2 years. As per latest actuarial valuation carried out as at June 30, 2011, the value of scheme's liabilities are Rs. 57.16 million (2010: Rs. 49.98 million). The Projected Unit Credit Method of Valuation was used to generate actuarial values. The annual provision during the year are charged to income currently.

3.23 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(i) Current and prior year

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime in respect of imports & export.

(ii) Deferred

Deferred tax is provided using the balance sheet liability method on all temporary differences arising from differences between tax bases of assets and liabilities and their carrying amount for financial statements reporting purpose.

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3.24 Obligation under finance lease

Total outstanding obligation under the lease arrangement less finance cost attributable to future periods is presented as liability. Finance cost under the lease arrangement is distributed over the lease term so as to produce a constant periodic rate of finance cost on the balance of principal liability outstanding at the end of each period.

3.25 Borrowings

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the balance sheet date.

3.26 Segment Reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment, however certain information about Company's products as required by the approved accounting standards, are presented in note 39 to these financial statements.

3.27 Related Party Transactions

All related party transactions are carried out on an arm's length basis using Comparable Uncontrolled Price method.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4.1 Property, Plant and Equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

4.2 Income tax

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

4.3 Stores, Spare Parts and Stock in Trade

The Company reviews the net realizable value of stores, spare parts, loose tools and stock in trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

4.4 Retirement benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 11.

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5	SHARE CAPITAL			2011	2010
	2011	2010		Rupees	Rupees
	(Number of shares)				
	<u>20,000,000</u>	<u>20,000,000</u>	Authorised Capital		
			Ordinary shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
	8,713,900	6,798,250	Issued, subscribed and paid up capital		
			Ordinary shares of Rs. 10 each fully paid-up in cash	87,139,000	67,982,500
	4,695,650	2,780,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	46,956,500	27,800,000
	<u>13,409,550</u>	<u>9,578,250</u>		<u>134,095,500</u>	<u>95,782,500</u>
5.1	Movement in share capital during the year				
	2011	2010			
	(Number of shares)				
	9,578,250	9,578,250	Balance at beginning of the year	95,782,500	95,782,500
	1,915,650	-	Issued ordinary shares of Rs 10 each as fully paid bonus shares	19,156,500	-
	1,915,650	-	Ordinary shares of Rs. 10 each issued as fully paid right shares at premium	19,156,500	-
	<u>13,409,550</u>	<u>9,578,250</u>		<u>134,095,500</u>	<u>95,782,500</u>
6	SHARE PREMIUM				
			Balance at beginning of the year	257,895,000	257,895,000
			Premium on issue of right shares	114,939,000	-
				<u>372,834,000</u>	<u>257,895,000</u>
7	SURPLUS ON REVALUATION OF FIXED ASSETS				
			Balance at beginning of the year	554,724,488	554,724,488
			Deficit during the year	(40,025,000)	-
				<u>514,699,488</u>	<u>554,724,488</u>
7.1	The Company has updated the revaluation of Leasehold land on August 31, 2010. The valuation has been determined by the independent valuer M/s. Anjum Adil & Associates on the basis of prevailing market rates. The earlier valuation was carried out by the same independent valuer on August 31, 2007 on the basis of prevailing market rates at that time.				
8	LONG TERM LOAN FROM DIRECTOR - Unsecured			2011	2010
				Rupees	Rupees
			Balance at beginning of the year	98,861,281	98,861,281
			Disbursed during the year	50,000,000	-
			Repaid during the year	(98,861,281)	-
				<u>50,000,000</u>	<u>98,861,281</u>
8.1	The above is interest free loan from director of the company				

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9 LONG TERM BORROWINGS - SECURED (NON-PARTICIPATORY)

Name of Banks	Sale price	Purchase price	Number of installments and date of commencement	Rate of mark-up per annum	2011 Rupees	2010 Rupees
Askari Bank Limited	67,862,179	84,964,099	20 equal quarterly September 4, 2006 Grace Period 01 Year	7.0% Per Annum	-	13,572,435
Pak Oman Investment Company I	86,871,864	107,417,218	22 equal quarterly September 4, 2006 Grace Period 06 Months	7.0% Per Annum	48,865,423	70,583,395
Pak Oman Investment Company II	1,091,413	1,638,507	22 equal quarterly September 4, 2006 Grace Period 01 Year	2.0% over 6 months KIBOR	613,922	886,774
					49,479,345	85,042,604
Less: Transfer to Current maturity				14	21,990,824	35,563,259
					27,488,521	49,479,345

9.1 These borrowings are denominated in Pak Rupees and are secured against first equitable hypothecation charge ranking pari passu over immovable properties of the Company and by way of first pari passu hypothecation over current operating fixed assets of the Company. The effective mark-up rate that prevailed during the year on these facilities ranged from 7% to 15.78 % per annum (2010: 7% to 12.26% per annum).

10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2011 Rupees	2010 Rupees
Present value of minimum lease payments		63,332,639	84,866,831
Current maturity shown under current liabilities	14	(21,224,497)	(27,086,484)
		42,108,142	57,780,347
Minimum lease payments			
Not later than one year		26,489,820	31,569,732
Later than one year and not later than 5 years		46,729,720	66,896,259
		73,219,540	98,465,991
Finance charges not yet due		(9,886,901)	(13,599,160)
Present value of finance lease liabilities		63,332,639	84,866,831
Present value of finance lease liabilities			
Not later than one year		21,224,497	27,086,484
Later than one year and not later than 5 years		42,108,142	57,780,347
		63,332,639	84,866,831

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10.1	Payments under leases include financial charges at the rates ranging between 8% to 17.78% (2010: 7% to 15.96%) per annum . Leases carry purchase options at the end of the lease period. There are no financial restrictions in the lease agreements.		
11	RETIREMENT BENEFITS		
		2011	2010
		Rupees	Rupees
11.1	Reconciliation of obligation as at year end		
	Present value of defined benefit obligation	51,307,933	44,867,166
	Payable to outgoing employees	449,893	393,417
	Unrecognized actuarial gain	5,398,352	4,720,688
	Liability at end of the year	57,156,177	49,981,271
11.2	Movement in liability		
	Liability at beginning of the year	49,981,271	40,966,222
	Charge for the year	15,573,660	13,497,849
	Benefits paid	(8,398,754)	(4,482,800)
	Liability at end of the year	57,156,177	49,981,271
11.3	Charge for the year		
	Current service cost	10,218,846	8,873,970
	Interest cost	5,384,060	4,623,879
	Actuarial Gains charge	(29,246)	-
		15,573,660	13,497,849
11.4	Principal actuarial assumptions used in the valuation		
	Discount rate (per annum)	12%	12%
	Future salary increase (per annum)	11%	11%
	Remaining Retirement age (years)	8 Yrs	8 Yrs
12	TRADE AND OTHER PAYABLES		
	Trade creditors	1,030,064,606	1,309,775,197
	Other creditors	488,732,324	464,981,136
	Accrued liabilities	49,375,097	47,356,978
	Workers' profit participation fund	23,706,847	23,668,172
	Bills payable under letters of credit	2,032,147,368	2,020,125,978
	Advance from customers	11,071,883	14,773,579
	Unclaimed dividend	108,310	108,310
	Other liabilities	2,807,700	1,180,644
		3,638,014,135	3,881,969,994
12.1	Workers' profit participation fund		
	Opening balance	23,668,172	19,195,143
	Interest on W.P.P.F.	1,332,415	815,014
		25,000,587	20,010,157
	Paid during the year	(11,215,310)	(7,563,115)
		13,785,277	12,447,042
	Provision for the year	9,921,570	11,221,130
		23,706,847	23,668,172

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12.2 Interest is charged @ 15.99% (2010: 14.55%) per annum on outstanding balance.

	2011	2010
	Rupees	Rupees
13 ACCRUED MARKUP		
Export refinance loan & US Dollar loan	77,974,199	44,075,177
Liabilities against assets subject to finance lease.	1,025,110	1,328,945
Long term loan	308,379	681,255
Short term finance	2,540,877	574,027
	81,848,565	46,659,404

14 CURRENT MATURITY OF LONG-TERM LOANS AND LEASE LIABILITY

Long term Loans	21,990,824	35,563,259
Liabilities against assets subject to finance lease.	21,224,497	27,086,484
	43,215,321	62,649,743

15 SHORT TERM FINANCES

Secured		
From banks and financial institutions	3,373,595,170	2,889,283,046

15.1 The facilities consist of various types of short term finances from different banks and non-banking financial institutions. The facilities are secured against hypothecation charge on stocks, mortgage on factory property of Plot No. A-51/B, A-29/B, D-14/C-1 and A- 34/A with building and machinery installed thereon and charge on book debts and receivables of the company.

15.2 The rate of markup on these finances ranges between 2.89% to 16.09% (2010: 3.40% to 17.02%) per annum.

16 CONTINGENCIES AND COMMITMENTS

	2011	2010
	Rupees	Rupees
16.1 Contingencies		
Bank guarantee	92,694,414	69,432,037

The bank guarantees have been issued in favour of various government agencies.

The Sales Tax department has filed an appeal in the Honorable High Court of Sindh on 23rd August, 2000 against the Order of the learned Appellate Tribunal Customs and Sales Tax for recovery of Additional Tax and Surcharge amounting to Rs. 3.449 million for the year 1992-93. No provision for this amount has been made in these accounts as the management of the Company is of the view that the decision of the Learned Appellate Tribunal Customs and Sales Tax given in favour of the Company will be successfully defended in the Honorable High Court.

16.2 Commitments:	2011	2010
	Rupees	Rupees
Commitments under LCs for raw materials and spares parts	44,588,906	115,132,953

17 PROPERTY, PLANT AND EQUIPMENT

	Note	2011 Rupees	2010 Rupees
Operating Fixed Assets	17.1	2,053,145,834	2,163,317,285
Capital Work in Progress	17.6	-	35,898,484
		<u>2,053,145,834</u>	<u>2,199,215,769</u>

17.1 Operating Fixed Assets

Particulars	Year 2010-2011								
	Lease hold Land	Building on Lease hold land	Plant, Machinery & Equipment	Furniture & Fixture	Office equipment	Electric, gas & Other Installation	Vehicles	Sewing & cutting machines	Total
Rate	10%	10%	10%	10%	10%	10%	20%	10%	
Owned Assets	Rupees								
Cost as on July 01, 2010	600,225,002	436,434,111	2,167,405,685	91,278,620	31,700,834	130,396,820	86,641,761	-	3,544,082,833
Addition during the year	-	48,839,893	10,946,653	8,164,153	1,458,220	1,981,780	18,912,587	-	90,303,286
Deletion during the year	-	-	(2,145,972)	-	-	-	(6,265,000)	-	(8,410,972)
Deficit for the year	(40,025,000)	-	-	-	-	-	-	-	(40,025,000)
Transfer during the year	-	-	127,298,194	-	2,719,000	-	6,162,000	-	136,179,194
Cost as on June 30, 2011	560,200,002	485,274,004	2,303,504,560	99,442,773	35,878,054	132,378,600	105,451,348	-	3,722,129,341
Depreciation as on July 01, 2010	-	251,243,597	1,119,536,267	52,916,774	20,641,855	72,307,785	49,243,533	-	1,565,889,811
Charge for the year	-	22,125,406	112,650,874	4,331,696	1,328,197	5,876,002	9,563,236	-	155,875,411
Deletion during the year	-	-	(1,524,985)	-	-	-	(4,663,641)	-	(6,188,626)
Transfer during the year	-	-	54,475,521	-	751,213	-	2,555,723	-	57,782,457
Depreciation as on June 30, 2011	-	273,369,003	1,285,137,677	57,248,470	22,721,265	78,183,787	56,698,851	-	1,773,359,053
WDV as on June 30, 2011	560,200,002	211,905,001	1,018,366,883	42,194,303	13,156,789	54,194,813	48,752,497	-	1,948,770,288
Leased Assets	Rupees								
Cost as on July 01, 2010	-	6,500,000	220,088,657	-	2,719,000	-	28,249,527	23,243,334	280,800,518
Addition during the year	-	-	5,870,000	-	-	-	5,567,000	-	11,437,000
Deletion during the year	-	-	-	-	-	-	(1,719,000)	-	(1,719,000)
Transfer during the year	-	-	(119,498,194)	-	(2,719,000)	-	(6,162,000)	(7,800,000)	(136,179,194)
Cost as on June 30, 2011	-	6,500,000	106,460,463	-	-	-	25,935,527	15,443,334	154,339,324
Depreciation as on July 01, 2010	-	687,917	73,321,921	-	751,213	-	11,403,962	9,511,242	95,676,255
Charge for the year	-	581,208	8,153,234	-	-	-	2,931,365	810,048	12,475,855
Deletion during the year	-	-	-	-	-	-	(405,875)	-	(405,875)
Transfer during the year	-	-	(52,307,122)	-	(751,213)	-	(2,555,723)	(2,168,399)	(57,782,457)
Depreciation as on June 30, 2011	-	1,269,125	29,168,033	-	-	-	11,373,729	8,152,891	49,963,778
WDV as on June 30, 2011	-	5,230,875	77,292,430	-	-	-	14,561,798	7,290,443	104,375,546
Total WDV as on June 30, 2011	560,200,002	217,135,876	1,095,659,313	42,194,303	13,156,789	54,194,813	63,314,295	7,290,443	2,053,145,834

Particulars	Year 2009-2010								
	Lease hold Land	Building on Lease hold land	Plant, Machinery & Equipment	Furniture & Fixture	Office equipment	Electric, gas & Other Installation	Vehicles	Sewing & cutting machines	Total
Rate	10%	10%	10%	10%	10%	10%	20%	10%	
Owned Assets	Rupees								
Cost as on July 01, 2009	600,225,002	420,702,949	2,111,105,998	88,145,885	31,700,834	129,143,848	72,282,476		3,453,306,992
Addition during the year	-	4,066,466	56,299,687	3,132,735	-	1,252,972	14,084,005		78,835,865
Deletion during the year	-	(3,335,304)	-	-	-	-	(4,960,720)		(8,296,024)
Transfer during the year	-	15,000,000	-	-	-	-	5,236,000		20,236,000
Cost as on June 30, 2010	600,225,002	436,434,111	2,167,405,685	91,278,620	31,700,834	130,396,820	86,641,761	-	3,544,082,833
Depreciation as on July 01, 2009	-	230,182,875	1,007,221,787	48,818,456	19,413,079	65,949,515	43,423,073		1,415,008,785
Charge for the year	-	20,406,087	112,314,480	4,098,318	1,228,776	6,358,270	7,185,515		151,591,446
Deletion during the year	-	(2,274,115)	-	-	-	-	(4,084,982)		(6,359,097)
Transfer during the year	-	2,928,750	-	-	-	-	2,719,927		5,648,677
Depreciation as on June 30, 2010	-	251,243,597	1,119,536,267	52,916,774	20,641,855	72,307,785	49,243,533	-	1,565,889,811
WDV as on June 30, 2010	600,225,002	185,190,514	1,047,869,418	38,361,846	11,058,979	58,089,035	37,398,228	-	1,978,193,022
Leased Assets	Rupees								
Cost as on July 01, 2009	-	21,500,000	190,039,657	-	2,719,000	-	25,650,527	23,243,334	263,152,518
Addition during the year	-	-	30,049,000	-	-	-	7,835,000	-	37,884,000
Deletion during the year	-	-	-	-	-	-	-	-	-
Transfer during the year	-	(15,000,000)	-	-	-	-	(5,236,000)	-	(20,236,000)
Cost as on June 30, 2010	-	6,500,000	220,088,657	-	2,719,000	-	28,249,527	23,243,334	280,800,518
Depreciation as on July 01, 2009	-	2,166,667	59,240,358	-	532,570	-	10,666,881	7,985,454	80,591,930
Charge for the year	-	1,450,000	14,081,563	-	218,643	-	3,457,008	1,525,788	20,733,002
Deletion during the year	-	-	-	-	-	-	-	-	-
Transfer during the year	-	(2,928,750)	-	-	-	-	(2,719,927)	-	(5,648,677)
Depreciation as on June 30, 2010	-	687,917	73,321,921	-	751,213	-	11,403,962	9,511,242	95,676,255
WDV as on June 30, 2010	-	5,812,083	146,766,736	-	1,967,787	-	16,845,565	13,732,092	185,124,263
Total WDV as on June 30, 2010	600,225,002	191,002,597	1,194,636,154	38,361,846	13,026,766	58,089,035	54,243,793	13,732,092	2,163,317,285

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17.2 Allocation of Depreciation

	Note	2011 Rupees	2010 Rupees
Manufacturing overheads	27.2	153,441,972	159,414,940
Admin expenses	29	14,909,294	12,909,508
		168,351,266	172,324,448

17.3 In accordance with an agreement dated December 8, 2003 with M/s. Al-Abid Exports (Private) Limited (AAEPT) an associated company, certain stitching machines of the Company had been shifted at the premises of AAEPT for the sole purpose of stitching and quilting products of the company. The book value of the aforesaid machines as at June 30, 2010 was Rs. 8,560,786. However, w.e.f. July 01, 2010 the Company has acquired the premises of Al-Abid Exports (Private) Limited measuring approximately 125,000 square feet on rental basis as per approval of EOGM held on July 01, 2010 for stitching with own staff and facilities of the Company.

17.4 Had there been no revaluation, related figures of leasehold land would have been as on June 30, 2011 Rs. 45,500,514 (June 30, 2010 Rs. 45,500,514).

17.5 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Written down value	Sales Proceeds	Gain / (Loss)	Mode of Disposal	Description
Rupees							
Vehicles							
Toyota Corolla (Reg No. ABY 371)	661,300	617,371	43,929	600,000	556,071	Negotiation	Mr. Asim Shah, House No. H-104, Zeenat Plaza, Gulshan-e-Iqbal Karachi
Suzuki Mehran (Reg No. ACE 578)	331,700	304,157	27,543	182,000	154,457	Negotiation	-do-
Suzuki Mehran (Reg No. ACE 709)	337,400	293,624	43,776	242,000	198,224	Negotiation	-do-
Suzuki Mehran (Reg No. AEM 136)	334,000	290,666	43,334	242,000	198,666	Negotiation	-do-
Suzuki Mehran (Reg No. AGP 419)	333,000	250,022	82,978	270,000	187,022	Negotiation	-do-
Honda City (Reg No. AFM 840)	840,000	591,662	248,338	561,000	312,662	Negotiation	Mr. Naimatullah Jan, House No. H-104 Zeenat Plaza, Gulshan-e-Iqbal Karachi
Suzuki Mehran (Reg No. ATY -633)	480,000	70,933	409,067	480,000	70,933	Insurance Claim	E.F.U. Insurance Ltd
Suzuki Mehran (Reg No. ATY -635)	480,000	70,933	409,067	480,000	70,933	Insurance Claim	-do-
Suzuki Alto (Reg No. ADL 912)	471,300	429,129	42,171	325,195	283,024	Negotiation	Muhammad Yaseen, 181 & 182 sector 4-D Near Badar Chowk Orangi Town
Suzuki Mehran (Reg No. ADQ 875)	336,000	298,419	37,581	200,000	162,419	Negotiation	-do-
Suzuki Mehran (Reg No. ABP 065)	251,000	239,501	11,499	200,000	188,501	Negotiation	-do-
Suzuki Mehran (Reg No. ABH 786)	238,300	197,348	40,952	200,000	159,048	Negotiation	-do-
Toyota Corolla (Reg No. V 5312)	270,000	264,933	5,067	200,000	194,933	Negotiation	-do-
Honda City (Reg No. ACD 511)	601,000	446,077	154,923	405,000	250,077	Negotiation	-do-
Honda Civic (Reg No. ATC 138)	1,719,000	405,875	1,313,125	1,719,000	405,875	Insurance Claim	E.F.U. Insurance Ltd
Honda Motor Cycle	50,000	49,400	600	35,000	34,400	Insurance Claim	-do-
Tractor	100,000	99,786	214	130,289	130,075	Negotiation	Mr. Mukhtiar Sher Shah Road, Quality Godown, Karachi
Lifter	150,000	149,680	320	191,563	191,243	Negotiation	-do-
Machines							
Generator	305,000	251,780	53,220	110,766	57,546	Negotiation	-do-
Quilting Machine	1,245,606	836,625	408,981	459,408	50,427	Negotiation	-do-
Folding Machine	70,366	59,315	11,051	135,449	124,398	Negotiation	-do-
Double Folding Machine	481,000	338,862	142,138	148,348	6,210	Negotiation	-do-
Folding Machine	44,000	38,403	5,597	214,998	209,401	Negotiation	-do-
	10,129,972	6,594,501	3,535,471	7,732,016	4,196,545		

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17.6 Capital Work In Progress	2011			2010		
	Building	Machinery	Total	Building	Machinery	Total
	-----Rupees-----					
Cost as on July 01,	35,898,484	-	35,898,484	-	-	-
Addition during the year	9,543,515	-	9,543,515	35,898,484	40,694,169	76,592,653
Transfer to operating fixed assets during the year	(45,441,999)	-	(45,441,999)	-	(40,694,169)	(40,694,169)
Cost as on June 30,	-	-	-	35,898,484	-	35,898,484

18 STORES AND SPARES	2011	2010
	Rupees	Rupees
Stores	27,680,429	17,604,846
Spares	133,359,999	137,159,127
	<u>161,040,428</u>	<u>154,763,973</u>

19 STOCK IN TRADE	2011	2010
	Rupees	Rupees
Raw materials		
In hand	2,168,487,418	1,552,525,684
Bonded warehouse	10,066,775	16,743,124
	<u>2,178,554,193</u>	<u>1,569,268,808</u>
Work-in-process	3,423,437,015	3,718,086,844
Finished goods	502,619,994	474,559,026
	<u>6,104,611,202</u>	<u>5,761,914,678</u>

20 TRADE DEBTS	2011	2010
	Rupees	Rupees
Considered good		
Secured	310,276,801	300,020,804
Unsecured	2,919,447	5,527,058
	<u>313,196,248</u>	<u>305,547,862</u>

20.1 These are secured against letters of credit issued by the customers in favour of the Company.

21 LOANS AND ADVANCES	2011	2010
	Rupees	Rupees
Advances-considered good		
Loans to staff and workers	1,359,376	813,398
Against import expenses	2,956,333	20,299,968
Advances to suppliers, contractors and others - unsecured	12,663,386	18,862,427
	<u>16,979,095</u>	<u>39,975,793</u>

22 TRADE DEPOSITS AND PREPAYMENTS	2011	2010
	Rupees	Rupees
Trade deposits - unsecured and considered good	19,817,892	13,379,374
Prepayments	3,148,559	4,917,789
	<u>22,966,451</u>	<u>18,297,163</u>

23 OTHER RECEIVABLES	2011	2010
	Rupees	Rupees
Duty drawback	312,713,680	126,653,692
Research and development support	4,325,164	3,246,303
	<u>317,038,844</u>	<u>129,899,995</u>

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	2011	2010
	Rupees	Rupees
24 TAX REFUNDS DUE FROM GOVERNMENT		
Sales tax	63,740,389	72,010,463
Income tax	3,982,226	230,354
	<u>67,722,615</u>	<u>72,240,817</u>
25 CASH AND BANK BALANCES		
Cash in hand	530,846	697,122
Cash at Banks		
- Current account	29,016,321	54,908,378
- Saving account	1,701,738	1,930,446
- Term deposit	6,216,584	6,150,998
	<u>36,934,643</u>	<u>62,989,822</u>
	<u>37,465,489</u>	<u>63,686,944</u>
26 SALES AND SERVICES		
Sales		
Export sales	10,226,588,528	10,675,878,824
Local sales	225,366,568	149,398,494
	<u>10,451,955,096</u>	<u>10,825,277,318</u>
Services		
Cloth Processing - Printing and dyeing	29,953,756	1,608,162
	<u>10,481,908,852</u>	<u>10,826,885,480</u>
27 COST OF SALES		
Cost of materials consumed	7,542,874,130	8,766,830,577
Salaries and wages	324,455,560	290,602,941
Manufacturing overhead	1,303,647,699	1,590,178,661
	<u>9,170,977,389</u>	<u>10,647,612,179</u>
Work - in- process		
Opening stock	3,718,086,844	2,871,897,482
Closing stock	(3,423,437,015)	(3,718,086,844)
	<u>294,649,829</u>	<u>(846,189,362)</u>
Cost of goods manufactured.	<u>9,465,627,218</u>	<u>9,801,422,817</u>
Finished goods		
Opening stock	474,559,026	451,904,520
Closing stock	(502,619,994)	(474,559,026)
	<u>(28,060,968)</u>	<u>(22,654,506)</u>
	<u>9,437,566,250</u>	<u>9,778,768,311</u>
Less : Duty drawback	295,826,474	271,860,690
	<u>9,141,739,776</u>	<u>9,506,907,621</u>
27.1 Cost of Materials Consumed		
Dyes and chemicals	708,206,044	847,399,485
Production stores and packing material	465,090,516	569,391,685
Grey cloth	6,272,529,826	7,199,094,343
Wadding materials	31,178,989	49,121,122
Flock materials	65,868,755	101,823,942
	<u>7,542,874,130</u>	<u>8,766,830,577</u>

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	2011 Rupees	2010 Rupees
27.2 Manufacturing Overhead		
Insurance premium	40,414,470	36,839,570
Repairs and maintenance	144,009,148	123,161,666
Rent, rates and taxes	70,731,844	31,352,731
Heat, light and power	387,759,410	419,505,638
Water consumption charges	47,853,896	56,054,966
Service charges	315,679,154	599,695,911
Checking, mending and rolling charges	38,634,616	24,865,890
Coolie, cartage and freight	105,123,189	139,287,349
Depreciation	17.2 153,441,972	159,414,940
	1,303,647,699	1,590,178,661
 28 DISTRIBUTION COST		
Salaries and benefits	45,101,853	34,495,860
Packing and forwarding	107,433,707	134,727,489
Commission and brokerage	35,050,357	91,910,351
Samples, lab testings and other charges	25,567,387	26,356,234
Traveling	36,429,952	31,082,141
Publicity	32,446,544	34,739,797
Postage, courier and stamps	10,039,084	15,855,750
Entertainment	2,114,479	2,383,777
Export development tax	26,158,263	25,949,059
	320,341,626	397,500,458
 29 ADMINISTRATIVE EXPENSES		
Directors' remuneration	15,900,000	14,174,376
Salaries and benefits	115,940,678	102,525,724
Staff welfare	9,908,859	7,006,106
Electricity	43,084,379	46,611,738
Car maintenance	22,411,350	20,035,156
Conveyance	361,616	382,107
Entertainment	1,734,258	2,108,738
Printing and stationery	7,356,026	6,414,471
Communication	8,235,576	8,296,417
Legal and professional	16,476,323	10,000,100
Auditors' remuneration	29.1 645,000	545,000
Advertisement	1,856,799	959,082
Subscription and fees	3,744,742	2,445,818
Charity and donation	29.2 472,626	240,000
Insurance premium	9,310,168	7,617,105
Service contracts	800,970	969,250
Repairs and maintenance	5,597,807	4,675,937
Miscellaneous	999,486	645,493
Depreciation	14,909,294	12,909,508
	279,745,957	248,562,126

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	2011 Rupees	2010 Rupees
29.1 Auditors' remuneration		
Audit fees	500,000	400,000
Fee for half yearly review	120,000	120,000
Out of pocket expenses	25,000	25,000
	645,000	545,000
29.2 None of the directors or their spouses have any interest in donees' fund.		
30 OTHER OPERATING EXPENSES		
Workers' profit participation fund	9,921,570	11,221,130
Workers' welfare fund	3,696,271	4,180,421
	13,617,841	15,401,551
31 OTHER INCOME		
Income from financial assets/liabilities		
Profit on PLS deposits	822,749	373,754
Income from non-financial assets/liabilities		
Sales of scrap	1,779,691	1,355,992
Gain on disposal of property, plant and equipment	4,196,545	2,469,072
	6,798,985	4,198,818
32 FINANCE COST		
Bank charges, mark-up and commission	179,263,600	206,847,278
Mark-up on FATR account	108,727,917	51,592,733
Mark-up on short term running finance	36,463,819	39,066,416
Mark-up on export refinance loans	207,780,424	128,705,246
Lease finance charges	7,127,755	11,842,848
Mark-up on long term loan	4,229,378	9,904,306
Interest on US Dollar Loan	3,523,778	4,917,652
Interest on W.P.P.F	1,332,415	815,014
	548,449,086	453,691,493
33 TAXATION		
Current	107,022,439	110,391,293

Major revenues of the company are taxable under the Final Tax Regime on the basis of turnover and not on the basis of profits. Therefore, tax expense reconciliation is not presented.

Deferred tax accounting does not apply to the Company because its income is entirely covered under FTR. The Company do not have a temporary difference which is a fundamental basis on which inter-period tax allocation is done through deferred tax accounting.

34 EARNINGS PER SHARE - BASIC & DILUTED

34.1 Basic earnings per share			
Total comprehensive income for the year	Rupees	77,791,112	98,629,756
Weighted average number of shares	Number	11,464,723	9,282,446
Basic earnings per share	Rupees	6.79	Restated 10.63

34.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the company.

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35 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2011 Rupees	2010 Rupees
Al-Abid Exports (Private) Limited (Associated Company)		
Processing services rendered	3,793,133	-
Confection and packaging availed	-	141,523,078
Rent expense	27,936,000	-
Outstanding balance - payable	(2,328,000)	(3,075,455)

The outstanding balance as at the balance sheet date is secured and the settlement terms are against the payments/receipts through normal banking channels for the transactions during the period

36 REMUNERATION OF DIRECTORS & EXECUTIVE

	CHIEF EXECUTIVE		DIRECTOR		EXECUTIVES	
	2011	2010	2011	2010	2011	2010
	Rupees					
Basic	6,363,636	5,998,778	3,272,727	2,591,753	33,453,214	21,375,160
House rent	2,863,636	2,699,450	1,472,727	1,166,289	15,053,945	9,618,821
Other allowances and perquisites	1,272,728	1,199,756	654,546	518,350	7,013,900	4,495,144
	10,500,000	9,897,984	5,400,000	4,276,392	55,521,059	35,489,125
Number of persons	1	1	1	1	39	25

36.1 The Chief Executive and Directors have been provided with free use of the company maintained cars, residential telephones for business and personal use and foreign air traveling for self and dependents once in a year. Certain executives have also been provided with free use of Company maintained car

36.2 Aggregate amount charged in the accounts for Board Meeting fee to non - executive Directors is Rs.50,000 (2010: Rs.66,000).

37 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issues new shares and other measures commensurate to the circumstances. The Board of Directors also monitors the level of dividends to ordinary shareholders.

38 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

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38.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

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

	2011		2010	
	Rupees	US Dollar	Rupees	US Dollar
Trade debts	310,276,801	3,670,077	300,020,804	3,520,958
Short term borrowing	(110,000,825)	(1,278,336)	(114,057,842)	(1,332,451)
Accrued Mark Up on borrowing	(1,035,472)	(12,033)	(924,875)	(10,804)
Net exposure	<u>199,240,504</u>	<u>2,379,708</u>	<u>185,038,087</u>	<u>2,177,703</u>

The following significant exchange rates have been applied:

	Average Rate		Reporting date rate	
	2011	2010	2011	2010
	------(Rupees)-----			
Rs. against 1 US Dollar	<u>86.04</u>	<u>84.30</u>	<u>85.85 / 86.05</u>	<u>85.21 / 85.60</u>

Sensitivity Analysis

10% strengthening / weakening of Pak rupees against the following currencies at the reporting date would have increased / (decreased) profit before tax for the year by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on profit before tax	2011	2010
	Rupees	Rupees
US Dollar	<u>19,924,050</u>	<u>18,503,809</u>

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk and borrowings issued at fixed interest rates gives rise to fair value interest rate risk. Significant interest rate risk exposures are primarily managed by a suitable mix of borrowings at fixed and variable interest rates.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2011	2010
	Rupees	Rupees
Financial assets		
Term Deposit Receipts	<u>6,216,584</u>	<u>6,150,998</u>
Financial liabilities		
Long term Loans	49,479,345	85,042,604
Liabilities against assets subject to finance lease	63,332,639	84,866,831
Short term finances	3,373,595,170	2,889,283,046
Bills payable under letter of credit	<u>2,032,147,368</u>	<u>2,020,125,978</u>
	<u>5,518,554,522</u>	<u>5,079,318,459</u>

AL-ABID SILK MILLS LIMITED

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/ decreased profit before tax for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2011 Rupees	2010 Rupees
Effect on Profit before tax	7,152,406	3,895,310

38.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade deposits, trade debts, loans and advances, other receivables and interest receivable on deposits with banks

Significant part of the sales of the Company occurs against letter of credit, therefore, trade debts mainly arise from exports. The Company believes that it is not exposed to any specific credit risk in respect of trade debts

The credit risk on liquid funds maintained with banks, as such banks enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The carrying amounts of financial assets (category-wise) that represent Company's maximum credit exposure as at the reporting date are as follows:

	2011 Rupees	2010 Rupees
Loans and receivables		
Long term security deposit	1,946,645	1,946,645
Trade debts	313,196,248	305,547,862
Loans and advances	16,979,095	39,975,793
Trade deposits and prepayments	22,966,451	18,297,163
Other receivables	317,038,844	129,899,995
Tax refunds due from government	67,722,615	72,240,817
Cash and bank balances	37,465,489	63,686,944
	777,315,387	631,595,219

The maximum exposure to credit risk for trade debts on geographic basis as at the reporting date is as follows:

	2011 Rupees	2010 Rupees
United State of America & Canada	101,973,993	134,639,023
Europe	199,985,269	161,223,654
Pakistan	2,919,447	5,527,058
Others	8,317,539	4,158,127
	313,196,248	305,547,862

The ageing of trade debts at the reporting date is as follows:

	2011 Rupees	2010 Rupees
Not past due	290,376,021	295,789,129
Past due 0-60 days	22,820,227	5,508,177
Past due 61 and above	-	4,250,556
	313,196,248	305,547,862

AL-ABID SILK MILLS LIMITED

Based on past experience, the Company believes that no impairment is necessary against amounts past due by 61 days and above as the debt is due from foreign customers which are secured against letter of credit in favor of the Company.

Company's bank balances can be assessed with reference to the following external credit ratings:

Bank	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Bank Islamic Pakistan Limited	PACRA	A1	A
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AA+
Meezan Bank Limited	JCR-VIS	AA-	A1
National Bank of Pakistan	JCR-VIS	A1+	AAA
Standard Chartered Bank Pakistan Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Summit Bank Limited	JCR-VIS	A2	A
The Bank of Punjab	PACRA	A1+	AA -

38.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Financial Liabilities At Amortized Cost	2011			
	Carrying Amount	Contractual Cash Flows	Less Than 01 Year	More Than 01 Year
			-----Rupees-----	
Long term loan from banks	49,479,345	53,891,805	24,933,178	28,958,627
Liabilities against assets -subject to finance lease	63,332,639	73,219,540	26,489,820	46,729,720
Trade and other payables	3,638,014,135	3,638,014,135	3,638,014,135	-
Accrued markup	81,848,565	81,848,565	81,848,565	-
Short term finances	3,373,595,170	3,373,595,170	3,373,595,170	-
	7,206,269,854	7,220,569,215	7,144,880,867	75,688,347

AL-ABID SILK MILLS LIMITED

Financial Liabilities At Amortized Cost	2010			
	Carrying Amount	Contractual Cash Flows	Less Than 01 Year	More Than 01 Year
	-----Rupees-----			
Long term loan from banks	85,042,604	94,529,217	40,647,658	53,881,559
Liabilities against assets -subject to finance lease	84,866,831	98,465,992	31,569,733	66,896,259
Trade and other payables	3,881,969,994	3,881,969,994	3,881,969,994	-
Accrued markup	46,659,404	46,659,404	46,659,404	-
Short term finances	2,889,283,046	2,889,283,046	2,889,283,046	-
	6,987,821,879	7,010,907,653	6,890,129,835	120,777,818

39 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment.

Revenue from sale of home textile products represents 99.76% (2010 : 98.62%) of the sales of the Company.

97.84% (2010 : 98.62%) of the sales of the Company are made to foreign customers.

All non-current assets of the Company at 30 June are located in Pakistan.

Four foreign customers of the Company's revenue consist 83.04% (2010: 73.13%) of sales of the Company for the year.

40 NUMBER OF EMPLOYEES

The total number of employees at the end of the year

2011 Number	2010 Number
<u>2,485</u>	<u>2,252</u>

41 PLANT CAPACITY AND PRODUCTION

The production capacity of the plant can not be determined as it depends upon the process, the quality of the cloth used for printing and dyeing, which may compose of different kinds of fabrics and texture having different construction and weights.

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue in the Board of Directors' meeting held on September 29, 2011.

43 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. Significant reclassifications include

Statement	Nature of item	Reclassification from	Reclassification to	Rupees
Profit and loss account	Expense	Research and development	Cost of sales	229,855,193
Profit and loss account	Expense	Research and development	Distribution Cost	218,485,582
Profit and loss account	Expense	Research and development	Administrative Expenses	35,659,755

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

Key Operating and Financial Data

	-----Rupees in million-----					
Sales and services	10,482	10,827	9,101	5,496	4,601	4,454
Gross Profit	1,340	1,320	1,312	682	613	721
Profit from Operations	733	663	573	428	369	385
Profit before taxation	185	209	137	95	84	105
Profit after taxation	78	99	45	39	38	59
Property, plant and equipment	2,053	2,199	2,221	2,300	2,110	2,146
Long term security deposit	1.95	1.95	1.89	1.95	2.44	3.91
Net current assets	(96)	(334)	(430)	(401)	(344)	(287)
Total assets employed	<u>1,959</u>	<u>1,867</u>	<u>1,793</u>	<u>1,900</u>	<u>1,769</u>	<u>1,863</u>
Represented by:						
Share Capital	134	96	96	96	96	74
Reserves	1,134	960	869	831	799	640
Shareholders' equity	1,268	1,056	965	927	895	714
Surplus on revaluation -of fixed assets	515	555	555	555	391	391
Long term Financing	120	206	232	387	458	736
Retirement benefits	57	50	41	31	25	22
Total capital employed	<u>1,959</u>	<u>1,867</u>	<u>1,793</u>	<u>1,900</u>	<u>1,769</u>	<u>1,863</u>
Operating activities	3	309	348	261	330	127
Investing activities	(58)	(148)	(98)	(198)	(145)	(76)
Financing activities	28	(133)	(225)	(95)	(168)	(147)
Cash & cash equivalents -at beginning of the year	64	36	11	43	26	122
Cash & cash equivalents -at end of the year	<u>37</u>	<u>64</u>	<u>36</u>	<u>11</u>	<u>43</u>	<u>26</u>
Dividend (%age)	-	7.5%	7.5%	7.5%	7.5%	7.5%
Debt-equity ratio						
Debt	0.06	0.11	0.13	0.21	0.26	0.40
Equity	0.94	0.89	0.87	0.79	0.74	0.60

AL-ABID SILK MILLS LIMITED

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2011

NUMBER OF SHARE HOLDERS	SHAREHOLDING			TOTAL SHARES
455	1	--	100	8,614
160	101	--	500	24,124
17	501	--	1,000	11,947
18	1,001	--	100,000	119,709
11	100,001	--	1,000,000	3,105,446
2	1,000,001	--	3,000,000	2,624,548
1	3,000,001	--	8,000,000	7,515,162
664	TOTAL			13,409,550

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
1. Individuals	651		
Holding more than 10%		-	-
Holding less than 10%		723,262	5.394%
2. Financial institutions	5		
National Bank of Pakistan - Trustee department NI(U)T fund		1,145,187	8.540%
National Bank of Pakistan		692,683	5.166%
The Bank of Punjab, Treasury Division		243,841	1.818%
Faysal Bank Limited		177,399	1.323%
National Investment Trust Limited		29,490	0.220%
3. Insurance Company	1		
State Life Insurance Corporation of Pakistan		236,994	1.767%
4. Holding of Directors	7		
Mr. Naseem A. Sattar		7,515,162	56.044%
Mrs. Zarina Naseem		1,479,361	11.032%
Mr. Azim Ahmed		479,818	3.578%
Mst. Adia Naseem		328,322	2.448%
Mrs. Sadaf Nadeem		132,281	0.986%
Mrs. Reena Azim		112,875	0.842%
Mrs. Asra Amir		112,875	0.842%
Total	664	13,409,550	100.000%

There was no trade carried out by the directors, CEO, CFO, Company Secretary, their spouses or minor children.

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AL-ABID SILK MILLS LIMITED

PROXY FORM

I/We _____

of _____

being member of **AL-ABID SILK MILLS LIMITED**, and holding _____ Ordinary Shares as per

Share Register Folio No. _____

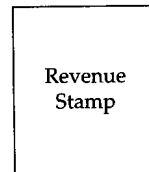
hereby appoint _____ Folio No. _____

or failing him _____ Folio No. _____

of _____

as my/our proxy in my/our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 27th October, 2011 and at any adjournment thereof.

Singed this _____ day of _____ 2011



(Signature should agree with the specimen signature registered with the Company) _____

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

