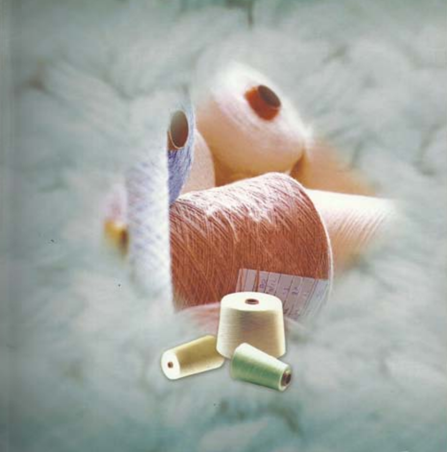
Annual Report 2010



Shahzad Textile Mills Limited

Shahzad Textile Mills Limited

ISO 9001:2008

Issue 4

Detailed scope

Manufacturing and Export of 100% Cotton, Blended, Pure Synthetic, Combed, Carded and Double Yarn

Further Clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organisation

Additional facilities

Site 01 : 34th Km, Sheikhupura Road, Sheikhupura, Pakistan
Site 02 : 7th Km Sheikhupura- Faisalabad Road, Sheikhupura, Pakistan

UKAS MANAGEMENT SYSTEMS
005

Certificate SG05/00526

The management system of

Shahzad Textile Mills Limited

Head Office: 19-A, Off Zafar Ali Road, Gulberg - V,
Lahore, Pakistan

has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

The Scope of registration appears on page 2 of this certificate.

Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organisation

This certificate is valid from 16 August 2011 until 15 August 2014
and remains valid subject to satisfactory surveillance audits.
Re certification audit due before 15 July 2014
Issue 4. Certified since 16 August 2005

This is a multi-site certification.
Additional site details are listed on the subsequent page.

Authorised by

SGS United Kingdom Ltd Systems & Services Certification
Rossmore Business Park Ellesmere Port Cheshire CH65 3EN UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com

SGS 9001-8 01.0311 M2

UKAS MANAGEMENT SYSTEMS
005

CONTENTS

32nd ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2010

COMPANY INFORMATION

Board of Directors	Mian Parvez Aslam	Chairman
	Mr. Imran Aslam	Chief Executive
	Mr. Humayun Bakht	
	Chaudhary Hakim Ali	
	Mr. Rashid Ahmed	
	Lt.Col. (R) Abdul Qayyum	
	Mr. Hassan-ud-Din Ansari	
Chief Financial Officer	Mr. Humayun Bakht	
Company Secretary	Mr. Hassan-ud-Din Ansari	
Auditors	Horwath Hussain Chaudhry & Co. Chartered Accountants	
Bankers	NIB Bank Ltd. Habib Metropolitan Bank Ltd. National Bank of Pakistan Bank Al- Falah (Islamic Banking)	
Registered Office	19-A Off. Zafar Ali Road, Gulberg-V, Lahore. Ph: +92 (42) 35754024-27 Fax: +92 (42) 35712313	
Mills Units # 1,3 & 4	34th KM Lahore Sheikhupura Road, Sheikhupura	
Unit # 2	7th KM Sheikhupura Faisalabad Road, Sheikhupura.	

VISION STATEMENT

We aim at seeing our mills to be a model manufacturing unit producing high quality yarn by complying with the requirements of Quality Management System and continuously improving its effectiveness for total customer's satisfaction. We wish to play a leading role in the spinning sector by keeping a substantial presence in the export and local markets.

MISSION STATEMENT

1. To install state of the art machinery and to acquire sophisticated process technology to achieve maximum growth in a competitive quality environment.

2. To make strenuous efforts to enhance profitability of the mills ensuring a fair return to the investors, shareholders and employees of the company.

3. To exercise maximum care for improvement of quality of our products by employing a team of highly skilled technicians and professional managers.

4. To strive hard to develop new markets for the sale of our products in export and local markets.

5. To improve customers' satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.

6. To attend to the prompt resolution of customers' complaints by taking timely corrective measures to redress the quality complaints.

7. To improve logistic facilities for our customers dispatch programme and issue all shipments / delivery documents well in time.

8. To make comprehensive arrangements for the training of our workers / technicians.

9. To promote team work, sense of transparency, creativity in our professionals and technical people.

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STATEMENT OF ETHICS AND BUSINESS PRACTICES

Shahzad Textile Mills Limited has laid down the following business ethics and principles, the observance of which is compulsory for all the directors and staff members of the company in the conduct of company's business in order to protect and safeguard the reputation and integrity of the company at all levels of its operations. Any contravention of these ethics is regarded as misconduct. The company will ensure that all the executives and subordinate staff members are fully aware of these standards and principles.

1. Conflict of interest

All staff members are expected not to engage in any activity which can cause conflict between their personal interests and company's interests, such as:

a. In effecting the purchases for the company and selling its products the directors and the staff members are forbidden from holding any personal interest in any organization supplying goods or services to the company or buying its products.

b. The staff members should not engage in any outside business while serving the company.

c. Staff members are not permitted to conduct personal business in company's premises or use company's facilities for the same.

d. If a staff member has direct or indirect relationship with an outside organization dealing with the company he must disclose the same to the management.

2. Confidentiality

All staff members are required not to divulge any secrets / informations of the company to any outsider even after leaving the service of the company unless it is so required by a court of law. During the course of service in the company they should not disseminate any information relating to business secrets of the company without the consent of management.

3. Kickbacks

All staff members are strictly forbidden not to accept any favour, gifts or kick backs from any organization dealing with the company. In case if such a favour is considered, in the interest of the company, the same should be disclosed clearly to the management.

4. Proper Books of Account

All funds, receipts and disbursements should be properly recorded in the books of accounts of the company. No false or fictitious entries should be made or misleading statement pertaining to the company or its operations should be issued. All agreements with agents, dealers and consultants should be made in writing supported with required evidence.

5. **Relationship with government officials suppliers, agents etc.**

The dealings of the company with Government officials, suppliers, buyers, agents and consultants of the company should always be such that the integrity of the company and reputation is not damaged. Members having queries in connection with how to deal with these requirements should consult the management.

6. **Health and Safety**

Every staff member is required to take care of his health and safety and of those working with him. The management is responsible for keeping its staff members insured as per government rules and regulations.

7. **Environment**

To preserve and protect the environment all staff members are required to operate the company's facilities and processes so as to ensure maximum safety of the adjoining communities, and strive continuously to improve environmental awareness and protections.

8. **Alcohol, Drugs**

All types of gambling and betting at the company's work places are strictly forbidden. Also bringing alcohols or drugs inside the work places are not allowed. If any staff member, not abiding by these prohibitions will attract disciplinary as well as penal action.

9. **Coordination among staff members to maintain discipline**

All staff members will work in close coordination with their co-workers, seniors and colleagues. Every member will cooperate with other members so that the company's work could be carried out effectively and efficiently. All cases of non-cooperation among staff members should be reported to the management for necessary and suitable action. Strict disciplinary action will be taken against those staff members who violate the rules and regulations of the company.

10. **Workplace harassment**

All staff members will be provided an environment that is free from harassment and in which all employees are equally respected. Work place harassment means any action that creates an intimidating, hostile or offensive environment which may include sexual harassment, disparaging remarks based on gender, religious, race or ethnicity.

SIX YEARS FINANCIAL SUMMARY

	2010	2009	2008	2007	2006	2005
			Rupees in Thousand			
Sales	3,116,385	2,223,397	1,190,419	1,100,181	909,784	693,800
Gross profit	346,644	125,216	52,107	62,474	104,684	63,800
Profit / (loss) before taxation	164,838	(55,491)	4,178	(27,954)	29,178	6,852
Provision for taxation	(22,447)	(2,539)	(4,847)	1,535	(5,622)	(9,932)
Profit / (loss) after taxation	142,391	(58,030)	(669)	(26,419)	23,556	(3,080)
Total assets	1,857,692	1,675,246	1,146,849	977,927	1,052,512	940,390
Current liabilities	367,594	326,444	383,904	235,258	245,563	206,990
	1,490,098	1,348,802	762,945	742,669	806,949	733,400
Represented by:						
Equity & surplus	981,374	798,867	504,919	410,731	436,448	417,085
Long term loans & leases	282,750	334,641	152,225	230,742	275,342	226,009
Deferred liabilities	225,974	215,294	105,801	101,196	95,159	90,306
	1,490,098	1,348,802	762,945	742,669	806,949	733,400

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of stock exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages the representation of non-executive directors on its Board of Directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

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

6. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the company are under process of approval.

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

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

9. The Chief Executive recommends that members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.

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.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has compiled with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee which comprises three members who are directors of the company.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set up an effective internal audit function.

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

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

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

Lahore
Dated: October 01, 2010

(IMRAN ASLAM)
Chief Executive

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **SHAHZAD TEXTILE MILLS LIMITED**, to comply with the Listing Regulations of the Karachi Stock Exchange and Lahore Stock Exchange respectively, where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately place before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related part transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arms length price or not.

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

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE

Dated: October 01, 2010

(Engagement Partner: Muhammad Nasir Muneer)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Second Annual General Meeting of the Shareholders of **SHAHZAD TEXTILE MILLS LIMITED** will be held at Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore on Thursday, October 28, 2010 at 12.15 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' Report thereon.
2. To approve and declare the payment of Final Cash Dividend @5.00% i.e. Rs.0.50 per share of Rs.10/- each as recommended by the Board of Directors.
3. To appoint auditors for the year ending June 30, 2011 and fix their remuneration.

   The present auditors M/s Horwath Hussain Chaudhry & Co., Chartered Accountants, retire and offer themselves for re-appointment.

SPECIAL BUSINESS:

4. To sanction the holding of office of profits by the working directors of the Company on the terms and conditions to be approved by the Board of Directors of the Company.
5. To consider and if deemed fit, to pass the following resolution, with or without modification, addition or deletion, as a Special Resolution in terms of Section 208 of the Companies Ordinance, 1984

   "RESOLVED that the Company be and is hereby authorized to make investment to the extent of Rs.100.000 million (Rupees one hundred million only) as loans and advances to Sargodha Jute Mills Limited, an associated company at the mark up of 1% above the rate of short term borrowing from banks."

   "RESOLVED FURTHER that the Chief Executive of the Company be and is hereby authorized to take all necessary actions including signing of any documents for carrying out the purposes aforesaid and giving full effect to the above resolution."

By order of the Board

Place: Lahore
Dated: October 04, 2010

(HASSAN-UD-DIN ANSARI)
Company Secretary

NOTES:

1. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time for holding the meeting.
2. The Share Transfer Books of the Company will remain closed from October 22, 2010 to October 28, 2010 (both days inclusive).
3. Any individual Beneficial Owner of CDC entitled to attend and vote at this meeting, must bring his/her NIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her NIC or Passport. Representatives of corporate members should bring the necessary documents required for such purpose.
4. The Shareholders are requested to immediately notify the change in address, if any

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the thirty second Annual General Meeting of the Company to be held on October 28, 2010:

Holding of Office of Profit by the Directors

The members' approval is sought for holding of office of profit by the following directors of the Company on the terms and conditions to be approved by the Board of Directors of the Company.

Mian Parvez Aslam	Chairman of Board of Directors
Mr. Rashid Ahmad	Director & General Manager Mills
Chaudhry Hakim Ali	Director & General Manager Head Office
Lt. Col. (R) Abdul Qayyum	Director & Deputy General Manager Mills
Mr. Hassan-ud-Din Ansari	Director & Company Secretary

For this purpose, it is proposed that the following Resolution be passed as an Ordinary Resolution:

"Resolved that sanction of the Company be and is hereby accorded to the directors of the Company to hold office of profit under the Company on the terms and conditions to be approved by the Board of Directors of the Company:"

Investment in Associated Company

Sargodha Jute Mills Limited is a Public Limited Company having assets of Rs.1,238.094 million with Paid-up Capital of Rs.112.285 million. The Company has reserves / un-appropriated profits amounting Rs.225.307 million as on 30th June, 2009. The Company manufactures and deals in all types of Jute Products. The Directors of the Company discussed the issue at length and resolved that the investment in the form of loans and advances in the Associated Companies would be beneficial for the company. The investment would be made at such time as the Chief Executive may think appropriate in the interest of the Company. The information required under Notification No. SRO 865 (I)/ 2000 dated December 06, 2000 is given below:

(i)	Name of Investee Company together with the amount and purpose of loan or advance; in case any loan had already been provided or loan has been written off to the said investee company, the complete details of said loan;	A Short Term Financing upto an amount of Rs.100.000 million shall be extended to Sargodha Jute Mills Limited. No loan is outstanding as of the date of notice.

(ii) A brief about the financial position of the investee company on the basis of last published financial statements;	Data as of June 30, 2009 Net Sales .... Rupees 1,880.630 Million Equity – Net .... Rupees 337.592 Million Long Term Loans and Lease .... Rupees 96.096 Million Current Assets .... Rupees 483.193 Million Total Assets .... Rupees 1,238.094 Million
(iii) Rate of mark-up to be charged;	1% above the rate of short term borrowing from banks.
(iv) Particulars of collateral security to be obtained from borrower and; if not needed justification thereof;	No Security is considered necessary as both the companies are associated companies.
(v) Source of funds from where loans or advances will be given;	Loans or advances will be given out of own funds of the Company's
(vi) Re-payment Schedule;	The loans and advances are adjustable within a period of twelve months and to be renewed for next four years by the directors.
(vii) Purpose of loans and advances; and	The purpose of Short Term Loans and Advances is to earn income on financial assistance required for working capital of the borrowing company.
(viii) Benefits likely to accrue to the company and the shareholders from loans and advances	The Investing Company and its shareholders will be benefited in a manner that their investment will fetch a return of 1% above the rate of short term borrowing from banks.

(B) The Directors of Shahzad Textile Mills Limited have no interest in the above investment except that they and some of their relatives are shareholders in the investee company.

Status of Pending Decisions

(C) The Shareholders of the Company have passed a Special Resolution for temporary loans and advances of Rs.200 million to M/s Shaheen Cotton Mills Limited, which has now stand merged with the Company.

CHIEF EXECUTIVE **DIRECTOR**

DIRECTORS' REPORT

I cordially welcome you to the thirty second annual general meeting of the company and proud to present consolidated audited financial statements along with auditors' report for the year ended June 30, 2010 after the lawful merger of Shaheen Cotton Mills Limited into Shahzad Textile Mills Limited.

Financial Results

The financial results of the company for the year under review are as under:

	2010	2009
	Rupees	Rupees
Profit/(Loss) before Taxation	149,861,229	(73,085,441)
Share of Profit of Associated Undertaking	14,976,701	17,594,209
	164,837,930	(55,491,232)
Taxation	(22,446,943)	(2,538,642)
Profit/(Loss) after Taxation	142,390,987	(58,029,874)

The financial data narrated above exhibits that company has earned pre-tax profit of Rs.164.838 millions as compared previous year's loss of Rs.(55.491) millions. This admirably good position is attained by dint of hard working of management which remained successful in obtaining very good sale rates from local as well as international market.

Another factor which has favorably effected the yarn rates is the demand for yarn created by China due to damage of their own cotton crop. China imported yarn in bulk quantity which became cause of increase in yarn rates in international market and it sufficiently supported the textile sector of Pakistan too.

Merger

The process of Merger of Shaheen Cotton Mills Limited into Shahzad Textile Mills Limited is successfully done with grace of Allah. The management feel it quite comfortable to run all the company's affairs at consolidated platform and determined to show best results in the coming period. The management also expecting strong book value per share that provides cushion if the economic condition of textile sector further deteriorate in the country. It will provide an opportunity of growth as when the liquidity in financial sector of the country improves.

Earning Per Share

Earning per share for the year is Rs.7.92. as compared to loss per share of Rs.(3.23) in the previous year.

Dividend

The Board of Directors is pleased to recommend 5% cash dividend per share.

Future Prospects

It is not out of place to mention that there is worst type of flood in the history of Pakistan which has badly effected the economic life of the people and almost calamity condition is prevailing in the effected area. The fast flowing water of flood has eradicated every thing came in its way including cotton crops standing in the fields. This ruination of crops may create acute shortage of the raw material like cotton in the coming period. Effect of the flood has started showing its results in shape of high cotton prices which is presently touching its crest i.e. Rs.7300/- per maund. It has also badly hampered the pace of the progress of the economy. Though government has focused all its attention along with financial resources to alleviate the miseries of the affected area but loss is so big that it will take years to bring the economy in previous flow of progress.

The Power crises like cessation of Sui-Gas in winter season , Load Shedding of electricity for hours in a day is still the main problem of the country which continuously upsetting the productivity of the Textile Units. Ever increasing electricity prices is further enhancing the adversity of the situation and becoming cause of low profitability of the company.

Keeping in view the above adversities nothing can be forecasted in the prevailing situation but we are exercising our best skill to give best results in the coming period.

ISO 9001-2008 Certification

The Company continues to operate the high standard of quality and had obtained latest version of ISO 9001-2008 Certification which is renewed every year after an exhaustive verification regarding implementation of system. The quality control certification will help to build up trust of new customers and strengthen the confidence of our existing clients.

Related Parties

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled price method except loan obtained from Directors without any finance cost in the interest of the company. The company has fully complied with the best practices of the transfer pricing as contained in the Listing Regulation. These transactions were placed before BOD and audited committee for approval.

Corporate and Financial Reporting Framework

a) The financial statement prepared by the management of the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of account for the Company have been maintained.

c) Appropriated accounting policies have been consistently applied in reparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting standards as applicable in Pakistan have been followed in the preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weakness in control will be removed.

f) There has been no material departure from the best practices of the Code of Corporate Governance as detailed in the listing regulations.

g) Six years financial summary is annexed.

h) There are no overdue taxes and levies as on June 30, 2010.

i) The Form 34 and Pattern of Shareholding as on June 30, 2010 as required by the section of 236 of the Companies Ordinance 1984 and Code of Corporate Governance is annexed with this report.

j) The role of Chairman and Chief Executive are separate and has clearly defined.

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

l) The company has adopted best practices of Corporate Governance as per listing regulations of exchanges.

m) No material change or commitment affecting financial position occurred between June 30, 2010 and the date of directors report.

n) No trade in the shares of the company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Board of Directors Meeting

During the period under review, six meetings of the Board of Directors were held from July 1, 2009 to June 2010. The attendance of the Board members was as follows:

Name of Directors	No. of Meetings Attended
Mr. Imran Aslam	6
Mian Parvez Aslam	6
Mr. Rashid Ahmed	6
Chaudhry Hakim Ali	6
Mr. Humayun Bakhat	6
Lt.Col.(R) Abdul Qayyum	6
Mr. Hassan-ud-Din Ansari	6

Audit Committee

The Board of Directors in compliance of Code of Corporate Governance has established an Audit Committee and the following directors are its members.

Mian Parvez Aslam	**Chairman**
Mr. Rashid Ahmad	Member
Chaudhry Hakim Ali	Member

Corporate Governance

Statement of compliance with the Code of Corporate Governance is annexed.

Auditors

The auditors M/s Horwath Hussain Chaudhury and Company, Chartered Accountants, will retire and are eligible for re-appointment as auditors for the company for the next year. The Audit Committee of the board has recommended the re-appointment of M/s Horwath Hussain Chaudhury and Company, Chartered Accountants, as external auditors of the Company for the year ending June 30, 2011.

We express our profound gratitude for the devotion and hard work by executives, staff members and workers of the company. We are equally thankful to our customers, share holders who have extended their cooperation in smooth running of company affairs.

For and on behalf of the Board

Dated: October 01, 2010

(Mr. Imran Aslam)
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

b) in our opinion;

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

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

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

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

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

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE

Dated: October 01, 2010

(Engagement Partner: Muhammad Nasir Muneer)

BALANCE SHEET AS AT

	Note	2010 Rupees	(Restated) 2009 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital: 21,000,000 (2009: 16,000,000) ordinary shares of Rs. 10 each		210,000,000	160,000,000
Issued, subscribed and paid up capital	7	135,525,690	135,525,690
Reserve for issue of shares pursuant to Scheme of Amalgamation		44,188,030	44,188,030
Reserves	8	269,766,175	107,712,504
		449,479,895	287,426,224
Surplus on Revaluation of Property, Plant and Equipment	9	531,893,811	511,441,415
Non Current Liabilities			
Long term financing	10	279,472,616	331,587,616
Liabilities against assets subject to finance lease	11	3,277,290	3,053,123
Deferred liabilities	12	225,974,276	215,294,004
		508,724,182	549,934,743
Current Liabilities			
Trade and other payables	13	133,153,035	133,420,339
Accrued interest / mark up	14	12,616,741	8,007,687
Short term borrowings	15	153,072,615	165,972,189
Current portion of non current liabilities	16	48,329,763	11,282,026
Provision for taxation	17	20,421,980	7,761,493
		367,594,134	326,443,734
Contingencies and Commitments	18	-	-
		1,857,692,022	1,675,246,116

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

CHIEF EXECUTIVE

JUNE 30, 2010

	Note	2010	(Restated) 2009
		Rupees	Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	19	1,290,313,370	1,286,498,866
Long term investment	20	180,110,073	122,073,366
Long term deposits		1,633,329	476,617
		1,472,056,772	1,409,048,849
Current Assets			
Stores and spares	21	57,729,861	30,408,211
Stock in trade	22	195,228,618	166,695,270
Trade debts	23	53,847,849	16,872,905
Advances, trade deposits, prepayments and other receivables	24	30,554,261	20,746,883
Short term investments	25	453,079	384,306
Financial asset held for disposal	26	-	5,085,990
Tax refunds due from government	27	26,375,096	20,704,767
Cash and bank balances	28	21,446,486	5,298,935
		385,635,250	266,197,267
		1,857,692,022	1,675,246,116

DIRECTOR

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

	Note	2010 Rupees	(Restated) 2009 Rupees
Sales	29	3,116,384,541	2,223,397,326
Cost of sales	30	(2,769,740,494)	(2,098,180,941)
Gross Profit		346,644,047	125,216,385
Operating expenses:			
- Selling and distribution costs	31	(41,626,536)	(35,086,233)
- Administrative expenses	32	(64,881,163)	(53,354,553)
- Other operating charges	33	(14,115,104)	(43,451,658)
- Other operating income	34	4,253,051	11,468,514
		(116,369,752)	(120,423,930)
Operating Profit		230,274,295	4,792,455
Finance and other costs	35	(80,413,066)	(77,877,896)
Profit / (Loss) before Taxation and Share of Associated Undertaking		149,861,229	(73,085,441)
Share of net profit of associated undertaking		14,976,701	17,594,209
Profit / (Loss) before Taxation		164,837,930	(55,491,232)
Taxation	36	(22,446,943)	(2,538,642)
Profit / (Loss) after Taxation		142,390,987	(58,029,874)
Earnings per Share - Basic	37	10.51	(4.28)
Earnings per Share - Diluted	37	7.92	(3.23)

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

CHIEF EXECUTIVE **DIRECTOR**

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

	2010	(Restated) 2009
	Rupees	Rupees
Profit / (Loss) after Taxation	142,390,987	(58,029,874)
Transfer from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current period - net of deferred tax	16,861,271	17,553,901
Surplus realized in disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings	587,409	365,319
Share of associated undertaking's other comprehensive income	2,214,004	751,143
Other Comprehensive Income for the year	19,662,684	18,670,363
Total Comprehensive Income for the Year	162,053,671	(39,359,511)

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010	(Restated) 2009
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation and share of associated undertaking	149,861,229	(33,332,020)
Adjustments for:		
- Depreciation	57,123,993	58,961,435
- Gain on disposal of property, plant and equipment - Net	(3,670,871)	(83,404)
- (Surplus) / deficit on revaluation of investments - at fair value through profit and loss	(68,772)	439,447
- Excess liabilities written back	(211,514)	(2,182,400)
- Provision for gratuity	11,329,728	11,735,828
- Loss on disposal of financial asset held for disposal	1,399,989	-
- Provision for doubtful debts	400,992	440,591
- Provision for workers' profit (participation) fund	7,962,723	1,654,730
- Provision for workers' welfare fund	3,701,400	-
- Interest on workers' profit participation fund	260,002	113,345
- Finance cost	80,153,064	77,764,551
	158,380,734	148,844,123
Operating profit before working capital changes	308,241,963	115,512,103
Decrease / (increase) in current assets:		
- Stores and spares	(27,321,650)	(2,111,299)
- Stock in trade	(28,533,348)	168,030,851
- Trade debts	(37,375,936)	1,500,086
- Advances, trade deposits, prepayments and other receivables	(11,951,678)	187,277
- Tax refunds due from government	(5,670,329)	1,621,261
(Decrease) / increase in current liabilities:		
- Trade and other payables	(10,065,183)	(7,708,114)
	(120,918,124)	161,520,062
Cash generated from operations	187,323,839	277,032,165
Income tax paid	(7,814,894)	(11,233,981)
Gratuity paid	(6,644,292)	(8,720,456)
Finance cost paid	(55,007,143)	(54,612,704)
Workers' profit (participation) fund paid	(1,914,732)	(2,455,894)
Net Cash from Operating Activities	115,942,778	200,009,130
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment	(11,340,820)	(1,970,997)
Capital work in progress	(7,285,459)	(6,166,349)
Long term investment	(40,600,000)	-
Sale proceeds from disposal of financial asset held for sale	3,686,001	-
Long term deposits	(1,312,412)	-
Proceeds from disposal of property, plant and equipment	7,929,000	1,560,000
Net Cash used in Investing Activities	(48,923,690)	(6,577,346)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from directors	21,500,000	(7,123,119)
Repayment of long term loan	(47,501,867)	(34,200,000)
Liabilities against assets subject to finance lease	(11,970,096)	(16,597,367)
Short term finances	(12,899,574)	(145,865,397)
Net Cash used in Financing Activities	(50,871,537)	(203,785,883)
Net Increase / (Decrease) in Cash and Cash Equivalents	16,147,551	(10,354,099)
Cash and cash equivalents at the beginning of the year	5,298,935	15,653,034
Cash and Cash Equivalents at the End of the Year	21,446,486	5,298,935

CHIEF EXECUTIVE **DIRECTOR**

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

	Share Capital	Reserve for Issue of Shares	Share Premium	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2008 as previously reported	135,525,690	-	5,796,000	90,239,003	231,560,693
Share in reserves of associated undertaking under equity method	-	-	-	70,780,097	70,780,097
Balance as at June 30, 2008 as restated	135,525,690	-	5,796,000	161,019,100	302,340,790
Reserve arising as per Scheme of Amalgamation	-	44,188,030	-	(19,743,085)	24,444,945
Restated total comprehensive income for the year	-	-	-	(39,359,511)	(39,359,511)
Balance as at June 30, 2009 as restated	135,525,690	44,188,030	5,796,000	101,916,504	287,426,224
Balance as at June 30, 2009 as previously reported	135,525,690	-	5,796,000	132,193,361	273,515,051
Effect of amalgamation of operations of SCML	-	-	-	(97,899,800)	(97,899,800)
Reserve arising as per Scheme of Amalgamation	-	44,188,030	-	(19,743,085)	24,444,945
Share in reserves of associated undertaking under equity method net of deferred taxation	-	-	-	86,614,885	86,614,885
Comprehensive income of associated undertaking net of deferred taxation	-	-	-	751,143	751,143
Balance as at June 30, 2009 as restated	135,525,690	44,188,030	5,796,000	101,916,504	287,426,224
Total Comprehensive income for the year	-	-	-	162,053,671	162,053,671
Balance as at June 30, 2010	135,525,690	44,188,030	5,796,000	263,970,175	449,479,895

CHIEF EXECUTIVE **DIRECTOR**

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

Note 1
The Company and its Operations

Shahzad Textile Mills Limited is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (now the Companies Ordinance, 1984). Its shares are quoted on Karachi and Lahore Stock Exchanges of Pakistan. The Company manufactures and deals in all types of yarn. The registered office of the Company is situated at 19-A, Zafar Ali Road, Gulberg - V, Lahore.

Note 2
Amalgamation of Shaheen Cotton Mills Limited with and into Shahzad Textile Mills Limited

The Board of Directors of Shahzad Textile Mills Limited (the Company) in their meeting held on October 22, 2009 approved the Scheme of Amalgamation (the Scheme) of Shaheen Cotton Mills Limited (SCML) into the Company. The Scheme was unanimously approved by the shareholders of both companies on February 19, 2010.

Pursuant to the approval of Honorable Lahore High Court, the entire undertaking of SCML including property, assets, liabilities and its rights and obligations have been merged into and vested in the Company. In consideration for the amalgamation, the Company was required to issue and allot 4,418,803 fully paid ordinary shares of Rs. 10 each to the registered holders of ordinary shares of SCML in the ratio of 30 ordinary shares of the Company for 100 ordinary share of SCML.

The amalgamation of SCML with and into the Company is a business combination of entities under common control and therefore is outside the scope of IFRS-3 (Business Combinations). The Scheme of Amalgamation has been accounted for in these financial statements using "pooling of interest method" which requires to combine the financial results of SCML and the Company for the period in which the combination occurs and for any comparative periods as if they had been combined from the beginning of the earliest period presented.

Therefore, the profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity for the year ended June 30, 2009 represent the results of operations of the Company being a merged entity. Further, the corresponding figures reported in the balance sheet represent the balances of the Company being a merged entity as at June 30, 2009. Reserve arising on amalgamation has been taken to equity.

Note 3
Basis of Preparation

3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisionsor directives of the Companies Ordinance, 1984 shall prevail.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following:

Employee retirement benefits	Note 12	Present value
Certain property, plant and equipment	Note 19	Revalued amount
Investments in quoted companies	Note 25	Fair value

3.3 Functional and presentation currency

The financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee, unless otherwise stated.

Note 4

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

4.1 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in remaining useful life might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

4.2 Investments

The Company has recorded its certain investments by using quotations from active market. This estimate is subjective in nature and therefore, cannot be determined with precision.

4.3 Doubtful receivables

The Company has recorded its trade and other receivables after deducting appropriate provisioning using its prudence and experience. This estimate is subjective in nature. Recoveries of amounts already provided and / or the need of further provisioning cannot be determined with precision.

4.4 Employee retirement benefits

The Company has recorded its employee retirement benefits at fair value using actuarial assumptions regarding increase in salaries in subsequent years, remaining working lives of employees and an estimate of discount rates. Change in actuarial assumptions over the period of time may affect the fair value of post-employment benefits payable and the charge for such liability accounted for in any given period.

4.5 Inventories

The Company has recorded its inventories using lower of cost and net realizable value. Valuation of this inventory is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

4.6 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The management believes that the change in outcome of estimates would not have a material effect on t amounts disclosed in the financial statements.

Note 5
Amendments to Existing Standards and Forthcoming New Standards and Interpretations

5.1 Amendment to publish standards effective in current year and applicable to the Company

- IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after Ju 01, 2009), was issued in September 2007. The revised standard requires an entity to present, in Stateme of Changes in Equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensi income) are required to be presented separately from owner's changes in equity, either in one statement comprehensive income or in two statements (a separate income statement and a statement comprehensive income). In compliance with change in IAS-1 (Presentation of Financial Statements), t Company has opted to issue two separate statements.

- IAS 23 'Borrowing Cost' certain amendments have been published that are applicable to the financ statements covering annual periods, beginning on or after July 01, 2009. Adoption of these amendmer require the capitalization of borrowing costs directly attributable to acquisition, construction or production qualifying assets (one that takes substantial period of time to get ready for the use or sale) as part of the co of that asset. The option of immediately expensing these borrowing costs is removed. The Company accounting policy is already in compliance with the amendment.

- IFRS 7 (Amendment), 'Financial Instruments Disclosure' that became effective for the financial yea beginning on or after January 01, 2009, requires additional disclosures about fair value measurement a liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair valu The fair value measurement disclosures are presented in Note 42 to these financial statements. The liquid risk disclosures amendments are not expected to have a significant impact on the Company's financ statements.

- IFRS 8 - Operating Segments (effective from January 1, 2009). This standard requires the Company determine and present operating segments based on the information that is provided internally to t Company's Chief Operating Decision-maker that allocates resources to and assesses performance of operating segments. The management has determined that the Company has a single reportable segme and therefore, the adoption of the said IFRS has no material impact on the Company.

5.2 Amendment to published standards effective in current year not applicable to the Company

The following amendments to existing standard have been published that are not applicable to t Company's financial statements:

- IAS 27 (Revised), 'Consolidated and Separate Financial Statement', is effective from July 01, 2009. Th revised standard requires the effects of all transactions with non-controlling interests to be recorded in equi if there is no change in control and these transactions will no longer result in goodwill or gains and losses. Th Standard also specifies the accounting when control is lost. Any remaining interest in the entity remeasured to fair value, and a gain or loss is recognized in income statement.

- IAS 38 (Amendment), 'Intangible Assets' (effective from July 01, 2009). The amended standard states th the prepayment may only be recognized in the event that payment has been made in advance of obtainir right of access of goods or receipts of services.

- IAS 39 (Amendment), 'Financial Instruments Recognition and Measurement' - Reclassification of Financi Assets (effective from July 01, 2009). The amendments to the standard permit an entry to reclassify no derivative financial assets (other than those designated at fair value through profit or loss by the entity upo initial recognition) out of the fair value through profit or loss category in the particular circumstances. Th amendment also permits an entity to transfer from the available for sale category to the loans and receivab category, a financial asset that would have met the definition of loans and receivable (if the financial ass had not been designated as available for sale), if the entity has intention and ability to hold that financial ass for the foreseeable future.

- IFRS 2, 'Share based payment' (effective from 1 January 2009). This standard requires attribution of group share-based payment transactions only if they are equity settled. The amendments require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate financial statements.

- IFRS 3 (Revised), 'Business Combinations' (effective from July 01, 2009). The revised standard continues to apply the acquisition method to business combination with some significant changes. To exemplify, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisitions related costs are required to be expensed.

- IFRS 4, 'Insurance Contracts' (effective from 1 July 2009). The standard prescribes the accounting treatment for embedded derivatives and deposit components to avoid the omission of assets and liabilities. It also permits an expanded presentation for insurance contracts acquired in a business combination or portfolio transfer and addresses limited aspects of discretionary participation features contained in insurance contracts or financial instruments.

Other Interpretations		Effective Date (accounting period)
IFRIC 13	Customers Loyalty Programs	July 01, 2009
IFRIC 15	Agreement for the Construction of Real Estate	January 01,2009
IFRIC 16	Hedge of Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17	Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18	Transfer of Assets from Customers	July 01, 2009

5.3 Amendments and Interpretation to published standards not yet effective

The following standards, interpretations and amendments in respect of approved accounting standards are for accounting periods beginning on or after January 01, 2010:

Standards or Interpretation		Effective Date (accounting period beginning on/after)
Revision / Improvements / Amendments to IFRSs in 2009		
IAS 1	Presentation of Financial Statements	January 01, 2010
IAS 7	Statement of Cash Flows	January 01, 2010
IAS 17	Leases	January 01, 2010
IAS 32	Financial Instruments: Presentation	January 01, 2010
IAS 36	Impairment of Assets	January 01, 2010
IAS 39	Financial Instruments (Recognition and Measurement)	January 01, 2010
IFRS 1	First Time Adoption of International Financial Reporting Standards	January 01, 2010
IFRS 2	Share-based Payments	January 01, 2010
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
IFRS 8	Operating Segments	January 01, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010
Revision / Improvements / Amendments to IFRSs in 2010		
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 24	Related Party Disclosure'	January 01, 2011
IAS 27	Consolidated and Separate Financial Statements	July 01, 2010
IAS 34	Interim Financial Reporting	January 01, 2011
IFRS 1	First Time Adoption of International Financial Reporting	January 01, 2011
IFRS 3	StandardsBusiness Combinations	July 01, 2010

IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IFRIC 13	Customer Loyalty Programs	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Assets	January 01, 2011

The Company expects that the adoption of above standards, amendments and interpretations will have no material impact on the Company's financial statements in the period of initial application.

Note 6
Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

6.1 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and of which a reliable estimate can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

6.2 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under the gratuity scheme after completion of one year of continuous service. The benefit is calculated basing upon the number of completed years of service and last drawn gross salary.

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

6.3 Taxation

Current

Charge for taxation for the year on taxable profit is based on applicable tax rates after taking into account all tax credits and rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent of potential available taxable profits against which temporary differences, unused tax losses and tax credits can be utilized.

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

6.4 Trade and other payables

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

6.5 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land which is stated at revalued amount and buildings and plant and machinery which are stated at revalued amounts less accumulated depreciation.

The management reviews market value of land, building and plant and machinery at each balance sheet date to ascertain whether the fair value of revalued assets has differed materially from the carrying value of revalued assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 19 and is charged to the profit and loss account. Depreciation on additions is charged from the month in which the asset is available for use upto the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

Leased

Leases where the Company has substantially all the risks and rewards of ownership are classified as 'finance lease'. Assets subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Related rental obligations, net of finance charges are included in liabilities against assets subject to finance lease. Liabilities are classified as current and long term depending upon the timing of payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset using the reducing balance method at the same rates as used for owned assets. Depreciation of leased assets is charged to the profit and loss account. Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Capital work-in-progress

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

6.6 Impairment

Carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use.

Impairment loss is recognized as expense in the profit and loss account. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

6.7 Investments

In associated undertakings

An associate is an entity in which the Company holds more than 20% voting power or over which t Company has significant influence and that is neither a subsidiary nor an interest in a joint ventu Significant influence is the power to participate in the financial and operating policy decisions of the inves but is not control or joint control over those policies.

The operating results, assets and liabilities of the associate are incorporated in the financial stateme using the equity method of accounting. This method is applied from the date when significant influenc established until the date when that significant influence ceases. The Company's share of income a expenses of the associated undertaking are recognized basing upon the latest audited financial stateme of the associated undertaking after realigning its accounting policies, if required.

The Company's investment is reduced to zero in recognition of its share of losses of the associa undertaking. Further losses are recognized only when the Company has made payments on behalf of t associated undertaking or has an obligation to make payments on its behalf.

Unrealized gains and losses, if any, arising from transactions with associated undertaking are elimina under the equity method. The Company's share of changes recognized directly in the associa undertaking's equity are recognized directly in the equity of the Company and disclosed in the statement changes in equity.

Investments in associates, not accounted for under the equity method are classified as "Available for Sale"

Other investments

Investments, other than in associates, are initially recognized at cost, comprising the consideration paid a cost of transaction except in the case of investment at fair value through profit or loss where transaction co are charged to the profit and loss account when incurred. For listed securities, closing quotations of sto exchanges on last working day of the accounting year are considered for determining the fair value, while t unquoted securities, cost is considered as fair value of securities.

The classification is made on the basis of intended purpose for holding such investments. These a measured at the balance sheet date in accordance with the requirements of IAS-39 (Financial Instrumen Recognition and Measurement) described as under:

Available for sale

These are stated at fair value and changes in carrying value are recognized in equity until investment is so or determined to be impaired at which time the accumulated gain or loss previously recognized in equity included in the profit and loss account.

At fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as su upon initial recognition. Financial instruments are designated at fair value through profit or loss if th Company manages such investments and makes purchase and sale decisions based on their fair value accordance with the Company's investment strategy. All investments classified as investments at fair valu through profit or loss are initially measured at cost being the fair value of consideration given. At subseque dates these investments are measured at fair value, determined on the basis of prevailing market prices, wi any resulting gain or loss recognized directly in the profit and loss account.

Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Company has positiv intent and ability to hold investments to maturity are classified as investments held to maturity. These ar initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost usin the effective interest rate method, less any impairment losses.

6.8 Stores, spares and stock in trade

These are valued at lower of cost and net realizable value; cost being determined as under:

Stores and spares	- At moving average cost
Raw materials	- At moving average cost
Material in transit	- At cost comprising invoice value plus incidental charges paid thereon
Work in process	- At estimated average manufacturing cost
Finished goods	- At average manufacturing cost
Wastes	- At net realizable value

Manufacturing cost in relation to work-in-process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

Net realizable value signifies the selling price at which goods in stock could be currently sold less any further costs which would be incurred to complete the sale.

6.9 Trade debts and other receivables

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for uncollectible amounts, if any. Bad debts are written off as incurred and provision is made against debts considered doubtful when the collection of full amount is no longer probable.

6.10 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

6.11 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of an instrument. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

6.12 Offsetting

Financial assets and financial liabilities and tax assets and tax liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

6.13 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

6.14 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

6.15 Revenue recognition

Local sales are recorded on dispatch of goods to customers

Export sales are recorded at the time of receipt of bill of lading

Dividend on equity investments is recognized as income when the Company's right to receive the dividend is established

6.16 Borrowing costs

Borrowing costs are charged to income as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets and are capitalized as part of the cost of assets.

6.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets, and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

6.18 Dividends

Dividend is recognized as a liability in the period in which it is declared.

Note 7

Issued, Subscribed and Paid Up Capital

2010	2009		2010	2009
No. of shares			Rupees	Rupees
12,240,569	12,240,569	Ordinary shares of Rs. 10 each fully paid in cash	122,405,690	122,405,690
1,312,000	1,312,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	13,120,000	13,120,000
13,552,569	13,552,569		135,525,690	135,525,690

7.1 14,990 (2009: 7,700) ordinary shares of the Company are held by Sargodha Jute Mills Limited, an associated undertaking, as at the balance sheet date.

7.2 Movement in number of shares during the year	Number	Number
Opening number of shares issued	13,552,569	13,552,569
Shares Issued during the year		
Closing number of shares issued	13,552,569	13,552,569

Note 8
Reserves

	2010	(Restated) 2009
	Rupees	Rupees
Capital		
Share premium reserve	5,796,000	5,796,000
Revenue		
Unappropriated profit	263,970,175	101,916,504
	269,766,175	107,712,504

Note 9
Surplus on Revaluation of Property, Plant and Equipment

	Note	2010	(Restated) 2009
		Rupees	Rupees
Land - freehold			
- Opening balance		176,735,670	176,735,670
- Revaluation during the year		4,151,250	-
		180,886,920	176,735,670
Buildings on freehold land:			
- Opening balance		30,059,268	31,590,855
- Revaluation during the year		27,060,994	-
		57,120,262	31,590,855
Plant and machinery			
- Opening balance		304,646,478	322,725,537
- Revaluation during the year		10,466,103	-
		315,112,581	322,725,537
	9.1	553,119,763	531,052,062
Deferred taxation relating to surplus on property, plant and equipment arising during the year transferred to deferred tax (refer to Note 12.1)		(8,915,622)	-
		544,204,141	531,052,062
Deferred taxation relating to export	9.2	5,138,349	(1,691,427)
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the year transferred to retained earnings		(16,861,271)	(17,553,901)
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings		(587,409)	(365,319)
		531,893,811	511,441,415

9.1 Revaluation of land, buildings and plant and machinery was carried out by an approved valuer as at September 30, 1995 resulting in revaluation surplus of Rs. 435.412 million. The following basis were used for revaluation:

Land	Market value
Building	Residual value
Plant and machinery	Residual value

Freehold land was further revalued by an approved valuer as at March 28, 2008 that resulted in revaluation surplus of 97.360 million. Market values of land in the vicinity of the factory area were used as basis of valuation.

During the year, the Company has further revalued its land, buildings and plant and machinery. The valuation was carried out by an approved valuer as on June 30, 2010 that has resulted in revaluation surplus of Rs. 41.678 million. The following basis were used for revaluation:

Land	Market value
Buildings	Replacement value
Plant and machinery	Market value

9.2 This represents amount transferred to deferred tax liability due to change in proportion of local and export sales resulting in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.

Note 10
Long Term Financing

	Note	2010 Rupees	(Restated) 2009 Rupees
Loans from banking company - Secured			
NIB Bank Limited	10.1	236,995,735	310,610,735
Loans from related parties - Unsecured	10.2		
Directors		33,100,000	11,600,000
Others		9,376,881	9,376,881
		42,476,881	20,976,881
		279,472,616	331,587,616

10.1 Loans from banking company - NIB Bank Limited

	2010	2009
Term Finance - I	174,985,488	178,585,488
Term Finance - II	15,340,632	45,940,632
State Bank of Pakistan's LTF - EOP Scheme	63,807,482	63,807,482
Freezed mark up (refer to Note 14)	77,014,000	56,477,133
	331,147,602	344,810,735
Payments / adjustments during the year	(47,501,867)	(34,200,000)
	283,645,735	310,610,735
Current portion transferred to current liabilities	(46,650,000)	-
	236,995,735	310,610,735

10.1.2 This represents long term financing obtained from NIB Bank Limited (formerly PICIC). During 2009, the Company reached an interim period agreement with the Bank to restructure / reschedule its outstanding liabilities. As per the terms of the interim period agreement, the Company paid Rs. 34.200 million towards its outstanding liabilities upto June 30, 2009 and the payment of its principal and mark up, both overdue and not yet due, were freezed. During 2010, the Company reached a rescheduling agreement with the Bank as under:

The loan is secured against first charge of Rs. 470.28 million on property, plant and equipment of the Company and personal guarantees of sponsoring directors of the Company.

The loan shall be repayable by April 2014 in monthly installments as under:

	Rupees
Gross amount payable from July 01, 2009 to December 31, 2009	24,000,000
Gross amount payable from January 01, 2010 to December 31, 2010	50,625,000
Gross amount payable from January 01, 2011 to December 31, 2011	62,700,000
Gross amount payable from January 01, 2012 to December 31, 2012	71,405,462
Gross amount payable from January 01, 2013 to December 31, 2013	72,000,000
Gross amount payable from January 01, 2014 to April 30, 2014	22,881,281

Mark up on loan would be levied effective from January 1, 2010 and worked out @ 3 months KIBOR minus 1.5% per annum. In case of default in payment of three consecutive installment, the entire package would be withdrawn and mark up would be charged @ 3 months KIBOR plus 4.25% - 4.50% per annum with retrospective effect. State Bank of Pakistan's LTF - EOP loan would be settled subsequent to the settlement of Term Finances I & II.

Overdue mark up as at June 30, 2009 and that accruing upto December 31, 2009 would be frozen and waived upon the payment of the outstanding principal and mark up in accordance with the rescheduling agreement.

10.2 This represents unsecured and interest free loan obtained from related parties to meet the working capital and other liquidity requirements of the Company. The repayment terms have not yet been settled.

Note 11
Liabilities Against Assets Subject to Finance Lease

	2010	(Restated) 2009
	Rupees	Rupees
Future gross minimum lease payments and the period in which they will become due are as under:		
2010	-	12,425,700
2011	2,032,502	419,854
2012	1,826,557	66,064
2013	1,079,834	-
	4,938,893	12,911,618
Security deposits	903,000	2,604,600
Gross minimum lease payments	5,841,893	15,516,218
Financial charges not currently due	(884,840)	(1,181,069)
Present value of minimum lease payments	4,957,053	14,335,149
Current portion shown under current liabilities	(1,679,763)	(11,282,026)
	3,277,290	3,053,123

Finance lease arrangement have been entered into with various leasing companies for plant and machinery and vehicle. Monthly lease rentals include finance cost ranging from 13.01% to 14.94% (approximately) per annum which are used as discounting factors.

These leases are secured against cash deposits of Rs. 0.903 million (2009: Rs. 2.605 million), demand promissory notes and personal guarantees of sponsoring directors of the Company. The security deposits shall be adjusted against the residual value along with the last installment as the management intends to retain leased assets at the expiry of the lease term.

Reconciliation between total of minimum lease payments and their present value is as under:

	2010	2009
Gross minimum lease payments:		
- Due not later than one year	2,188,202	14,814,887
- Due later than one year but not later than five years	3,653,691	701,331
	5,841,893	15,516,218
Present value of minimum lease payments:		
- Due not later than one year	1,679,763	13,582,000
- Due later than one year but not later than five years	3,277,290	753,149
	4,957,053	14,335,149

Note 12
Deferred Liabilities

	Note	2010	(Restated) 2009
		Rupees	Rupees
Deferred tax - net	12.1	204,060,474	198,065,638
Staff retirement benefits - Gratuity	12.2	21,913,802	17,228,366
		225,974,276	215,294,004

	2010 Rupees	(Restated) 2009 Rupees
12.1 Deferred tax - Net		
Credit / (Debit) balance arising in respect of:		
- Share of net profit of associated undertakings	11,451,006	9,707,337
- Accelerated tax depreciation	115,662,078	121,054,324
- Surplus on revaluation of property, plant and equipment	110,735,778	112,212,647
- Recognized losses	(28,996,864)	(43,098,307)
- Staff retirement benefits and others	(4,791,525)	(1,810,363)
	204,060,474	198,065,638

12.1.1 During the year, the Company has utilized unincorporated tax losses of Rs. 88.690 million of prior years against current year's taxable income and remaining unaccounted tax losses as at the balance sheet date amount to Rs. 56.090 million.

12.2 Staff retirement benefits - Gratuity

12.2.1 Latest actuarial valuation of retirement benefits payable was carried out as at June 30, 2010 by an independent actuary using the following significant assumptions:

	2010	2009
Discount rate	12%	12%
Expected rate of salary increase in future years	11%	11%
Average expected remaining working life time of employees	5 years	5 years
Actuarial valuation method	Projected Unit Credit Method	

12.2.2 Basing upon the actuarial valuation, the Company's liability works out to be as under:

	2010	2009
Balance sheet liability as previously reported	17,228,366	14,212,994
Expense for the year	11,329,728	11,735,828
	28,558,094	25,948,822
Benefits paid to employees	(6,644,292)	(8,720,456)
	21,913,802	17,228,366
Reconciliation		
Present value of defined benefit obligation	20,730,830	15,918,326
Unrecognized actuarial gain	1,252,223	1,310,040
Liability recognized in accounts	21,983,053	17,228,366
Charge for the year		
Current service cost	9,419,529	10,083,066
Interest cost	1,910,199	1,654,634
Actuarial loss	-	(1,872
	11,329,728	11,735,828

12.2.3 The Company does not have any plan assets covering its post-employment benefits payable. Th comparative statement of present value of defined benefit obligations is as under:

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Present value of defined defined benefit obligation	21,983,053	17,228,366	14,212,994	7,892,326	-
Less: Plan assets	-	-	-	-	-
Deficit	21,983,053	17,228,366	21,983,053	7,892,326	-

Note 13
Trade and Other Payables

	Note	2010 Rupees	(Restated) 2009 Rupees
Creditors for:			
- Goods supplied		16,810,762	18,127,309
- Services		32,604,782	35,856,511
Accrued liabilities		65,690,282	33,533,295
Provision for repair and maintenance of gas generators		-	25,528,415
Advances from customers		4,173,280	17,024,809
Workers' (profit) participation fund	13.1	7,962,723	1,654,730
Workers' welfare fund		3,701,400	-
Unclaimed dividend		236,772	236,772
Unclaimed wages		1,272,849	976,490
Other payables		700,185	482,008
		133,153,035	133,420,339

13.1 Workers' (profit) participation fund

	2010 Rupees	(Restated) 2009 Rupees
Balance at the beginning of the year	1,654,730	2,342,549
Provision during the year	7,962,723	1,654,730
Interest on funds utilized in the Company's business	260,002	113,345
	9,877,455	4,110,624
Paid during the year	(1,914,732)	(2,455,894)
	7,962,723	1,654,730

Note 14
Accrued Interest / Mark-up

	2010 Rupees	(Restated) 2009 Rupees
Long term financing	81,878,081	56,477,133
Freezed mark up (refer to Note 10.1)	(77,014,000)	(56,477,133)
	4,864,081	-
Liabilities against assets subject to finance lease	-	276,488
Short term borrowings	7,752,660	7,731,199
	12,616,741	8,007,687

Note 15
Short Term Borrowings

From banking companies - Secured	Note	2010 Rupees	(Restated) 2009 Rupees
Cash / packing finances	15.1	153,072,615	165,828,630
Unpresented cheques		-	143,559
		153,072,615	165,972,189

15.1 These represent utilized portion of funded and unfunded short term finance facilities of Rs. 875 million (2009: Rs. 872 million) available from various banks under mark up arrangements. These facilities shall expire on various dates latest by December 31, 2010. Mark up on these facilities is charged upto 3 months KIBOR plus 2%, (2009: 3 months KIBOR plus 2%), payable quarterly. The aggregate short term finances are secured by ranking and hypothecation charge on stocks and receivables; lien over export and import documents and personal guarantee of sponsoring directors of the Company.

Note 16
Current Portion of Non-Current Liabilities

	Note	2010 Rupees	(Restated) 2009 Rupees
Long term financing	10.1	46,650,000	-
Liabilities against assets subject to finance lease	11	1,679,763	11,282,026
		48,329,763	11,282,026

Note 17
Provision for Taxation - Net

	2010 Rupees	(Restated) 2009 Rupees
Opening balance	7,761,493	11,641,280
Provision:		
- Current year	20,421,980	7,761,493
- Prior years	-	99,281
	20,421,980	7,860,774
Payments / adjustments against advance tax and refunds	(7,761,493)	(11,740,561)
	20,421,980	7,761,493

17.1 In view of accumulated tax losses, provision for minimum taxation has been incorporated in these financial statements. Assessments upto Assessment Year 2002-2003 are finalized and for Tax Years 2003 onward are deemed to be accepted under the self assessment scheme.

Note 18
Contingencies and Commitments

Contingencies

The Company has provided bank guarantees in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 36.788 million (2009: Rs. 36.638 million) on account of payment of dues against consumption of natural gas.

Commitments

Commitments / contracts for capital expenditure outstanding as at the balance sheet date amount to Rs. 13.213 million (2009: 13.246 million).

Letters of credit and commitments / contracts for other than capital expenditure outstanding as at the balance sheet date amount to Rs. 10.709 million (2009: Rs. 23.311 million), approximately.

Note 19
Property, Plant and Equipment

	Note	2010	2009
		Rupees	Rupees
Operating fixed assets	19.1	1,267,475,970	1,265,794,610
Capital work in progress	19.6	22,837,400	20,704,256
		1,290,313,370	1,286,498,866

19.1 Operating fixed assets

Description	Cost / Revalued Amounts					Depreciation				Book Value
	As at 01-07-2009	Additions / (Disposal)	Revaluation Adjustment	Total as at 30-06-2010	Rate %	Up to 01-07-2009	For the Year	Adjustments	Total as at 30-06-2010	as at 30-06-2010
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Owned										
Land - freehold	181,537,500	-	4,151,250	185,688,750		-	-	-	-	185,688,750
Buildings on freehold land	205,603,260	5,152,317	27,060,994 (99,977,513)	137,839,058	5	94,418,263	5,559,250	(99,977,513)	-	137,839,058
Plant and machinery	1,647,547,258	26,054,329 (3,781,200)	10,466,103 (878,525,202)	801,761,288	5-10	836,951,191	41,144,714 (1,899,693)	2,328,990 (878,525,202)	-	801,761,288
Power house	159,183,835	-	-	159,183,835	5	34,329,277	6,242,728	-	40,572,005	118,611,830
Furniture and fixtures	5,867,172	-	-	5,867,172	10	4,721,719	114,545	-	4,836,264	1,030,908
Vehicles	12,194,148	9,385,015 (7,086,117)	-	14,493,046	20	7,927,485	1,380,635 (4,709,495)	601,668	5,200,293	9,292,753
Electric installations	24,126,365	39,749	-	24,166,114	10	16,816,741	734,275	-	17,551,016	6,615,098
Computers and equipment	2,575,655	-	-	2,575,655	20	1,670,715	118,418	-	1,789,133	786,522
Arms and ammunition	410,775	-	-	410,775	7	107,819	21,207	-	129,026	281,749
Fire fighting equipment	24,225	(24,225)	-	-	10	24,225	-	(24,225)	-	-
	2,239,070,193	40,631,410 (10,891,542)	(936,824,368)	1,331,985,693		996,967,435	55,315,772 (6,609,188)	(975,596,282)	70,077,737	1,261,907,956
Leased										
Plant and machinery	23,000,000	(23,000,000)	-	-	5	1,241,042	1,087,948	(2,328,990)	-	-
Vehicle	3,105,775	4,892,000 (1,138,275)	-	6,859,500	20	1,172,881	720,273	(601,668)	1,291,486	5,568,014
	26,105,775	(19,246,275)	-	6,859,500		2,413,923	1,808,221	(2,930,658)	1,291,486	5,568,014
June 30, 2010	2,265,175,968	45,523,410 (35,029,817)	(936,824,368) -	1,338,845,193		999,381,358	57,123,993 (6,609,188)	(978,526,940)	71,369,223	1,267,475,970
June 30, 2009	2,267,002,509	1,970,997 (3,797,538)	- -	2,265,175,968		942,740,865	58,961,435	(465,452)	1,247,608,766	1,265,794,610

19.2 Latest surplus on revaluation of property, plant and equipment has been incorporated using depreciation elimination method as allowed under IAS 16 (Property, Plant and Equipment).

19.3 Latest revaluation of land, building and plant and machinery was carried out by an independent valuer on June 30, 2010 as fully explained in Note 9. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as follows :

	As on June 30, 2010		
	Cost	Accumulated depreciation	Book Value
	Rupees	Rupees	Rupees
Land - freehold	4,801,830	-	4,801,830
Buildings on freehold land	136,043,608	65,376,694	70,666,914
Plant and machinery	922,698,800	515,508,036	407,190,764
	1,063,544,238	580,884,730	482,659,508

19.4 Depreciation charge for the year has been allocated as under:

	Note	2010	2009
		Rupees	Rupees
Cost of sales	30	54,768,915	57,137,362
Administrative expenses	32	2,355,078	1,824,073
		57,123,993	58,961,435

19.5 Disposal of property, plant and equipment

Particular	Cost / Revalued	Accumulated depreciation	Book Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and machinery:							
- Diesel generator	3,781,200	1,899,693	1,881,507	4,200,000	2,318,493	Negotiation	Sargodha Jute Mills Limited
Vehicles:							
- Toyota Corolla LRH-2675	1,206,881	937,945	268,916	600,000	331,084	Negotiation	Shahid Mehmood
- Toyota Corolla LRH-9797	1,209,415	939,930	269,485	600,000	330,515	Negotiation	Liaqat Ali
- Honda City LZX-8379	903,914	518,244	385,670	500,000	114,330	Negotiation	Shamim Bano
- Toyota Corolla LZZ-7349	1,348,977	750,391	598,586	600,000	1,414	Negotiation	Najam Saeed
- Suzuki Bolan LWE-8345	475,960	256,638	219,322	425,000	205,678	Insurance claim	
- Suzuki Baleno LRK-3041	854,530	695,856	158,674	300,000	141,326	Negotiation	Mr. Zaheer Uddin Babar
- Suzuki Bolan LWE-8403	476,460	282,522	193,938	300,000	106,062	Negotiation	Mr. Shah Rauf Kiani
- Suzuki Cultus LWK-1154	610,000	327,969	282,031	404,000	121,969	Negotiation	Mr. Muhammad Iqbal
	10,867,317	6,609,188	4,258,129	7,929,000	3,670,871		

	2010	(Restated) 2009
	Rupees	Rupees
19.6 Capital Work in Progress		
Buildings on freehold land		
Opening balance	2,271,056	508,907
Additions during the year	2,881,259	1,762,149
	5,152,315	2,271,056
Transferred to buildings on freehold land	(5,152,315)	-
Closing balance	-	2,271,056
Advance for purchase of office	22,837,400	18,433,200
	22,837,400	20,704,256

Note 20
Long Term Investment

	2010	(Restated) 2009
	Rupees	Rupees
Associated undertaking - Unquoted		
Sargodha Jute Mills Limited:		
- 8,120,000 (2009: 4,060,000) fully paid ordinary shares of Rs. 10 each		
- Equity held 36.16% (2009: 36.16%)	162,673,367	103,644,553
- Cost of investment Rs. 65,600,000 (2009: Rs. 25,000,000)		
- Share in net profit of associated undertaking	14,976,701	17,594,209
- Share in realized surplus on revaluation of property, plant and equipment of associated undertaking	2,468,773	831,237
- Share in appreciation on revaluation of investments available for sale of associated undertaking	(8,768)	3,367
	180,110,073	122,073,366

20.1 Shahzad Textile Mills Limited and Shaheen Cotton Mills Limited held 18.08% shares each in Sargodha Jute Mills Limited prior to amalgamation and this investment was treated as "Investment in Related Party - Available for Sale" in their individual financial statements. Consequent to the amalgamation of Shaheen Cotton Mills Limited in and with the Company, as fully explained in Note 2, the combined investment in Sargodha Jute Mills Limited has reached 36.16% and hence become the associate of the Company. Keeping in view the combined investment in Sargodha Jute Mills Limited, the Company has accounted for its investment in Sargodha Jute Mills Limited under equity method as prescribed in IAS-28 (Investments in Associates), with retrospective effect.

Summarized audited financial statements of Sargodha Jute Mills Limited as at June 30, 2010 are as follows:

Equity	498,098,154	337,592,276
Total assets	1,475,557,780	1,238,093,585
Revenue	2,196,277,780	1,880,629,961
Profit after tax	41,417,869	48,656,551

Note 21
Stores and Spares

	Note	2010	(Restated) 2009
		Rupees	Rupees
Stores	21.1	45,628,731	18,626,072
Spares		12,101,130	11,782,139
		57,729,861	30,408,211

21.1 This includes stores in transit amounting to Rs. 16.090 million (2009: Nil) as at the balance sheet date.

22.1 Stores include certain items that may result in capital expenditure but are not distinguishable at the time of purchase of goods.

Note 22
Stock in Trade

	2010	(Restated) 2009
	Rupees	Rupees
Raw materials	112,393,712	119,575,699
Work in process	23,792,563	14,634,050
Finished goods	59,042,343	32,485,521
	195,228,618	166,695,270

22.1 Stocks include an amount of Rs. 106.608 (2009: Rs. 106.737 million) approximately, which are pledged against short term borrowings (refer to Note 15).

Note 23
Trade Debts

	2010	(Restated) 2009
	Rupees	Rupees
Local debts (Unsecured - considered good)	16,858,584	6,185,182
Local debts (Unsecured - considered doubtful)	2,938,586	2,595,175
Provision for doubtful debts	(2,938,586)	(2,595,175)
	16,858,584	6,185,182
Foreign debts (Unsecured - considered good)	36,989,265	10,687,723
	53,847,849	16,872,905

Note 24
Advances, Trade Deposits, Prepayments and Other Receivables

	Note	2010	(Restated) 2009
		Rupees	Rupees
Advances - Considered good:			
- Employees - Net	24.1	563,253	630,693
- Suppliers and others		12,115,285	5,447,287
- Income tax deducted at source		15,040,671	9,912,200
L/c margin		29,312	803,465
Export margin deposit		726,111	458,611
Lease margin deposit		155,700	2,300,000
Prepayments		303,399	705,917
Insurance and cotton claims receivable		1,489,544	478,625
Others		130,986	10,085
		30,554,261	20,746,883

24.1 Amount due from chief executive, directors and executives as at the balance sheet date was Nil (2009: Nil).

Note 25
Short Term Investments

	Note	2010	(Restated) 2009
		Rupees	Rupees
At fair value through profit or loss			
Related party - Quoted	25.1		
Sajjad Textile Mills Limited - 26,000 (2009: 26,000) fully paid ordinary shares of Rs. 10 each - Market value per share is Rs. 0.75 (2009: Rs. 2) - Cost of investment Rs. 0.147 million (2009: Rs. 0.147 million)		19,500	52,000
Others - Quoted			
Sargodha Spinning Mills Limited - 42,000 (2009: 42,000) fully paid ordinary shares of Rs. 10 each - Market value per share is Rs. 1 (2009: Rs. 0.86) - Cost of investment Rs. 0.09 million (2009: Rs. 0.09 million)		42,000	36,120
Nishat (Chunian) Mills Limited - 69 (2009: 69) fully paid ordinary shares of Rs.10 each including 30 (2009: 30) bonus shares - Market value per share is Rs. 15.78 (2009: Rs. 8.61) - Cost of investment Rs. 908 (2009 : Rs. 908)		1,089	594
Crescent Fibres Limited - 45,675 (2009: 45,675) fully paid ordinary shares of Rs. 10 each including 2,175 (2009 : 2,175) ordinary shares received as bonus shares. - Market value per share is Rs. 8.25 (2009: Rs. 6.15) - Cost of investment Rs. 0.122 million (2009: Rs. 0.122 million)		376,819	280,902
Crescent Textile Mills Limited - 302 (2009: 302) fully paid ordinary shares of Rs. 10 each received as bonus shares - Market value per share is Rs. 21.57 (2009: Rs. 24.5)		6,514	7,399
First Equity Modaraba - 1,005 (2009: 1,005) fully paid ordinary shares of Rs. 10 each - Market value per share is Rs. 1.25 (2009: Rs. 0.99) - Cost Rs. 6,049 (2009: Rs. 6,049)		1,256	995
NIB Bank Limited - 317 (2009: 317) fully paid ordinary - shares of Rs. 10 each including 36 (2009: 36) ordinary shares of Rs. 10 each received as bonus shares and 3 bonus shares of PICIC Insurance Limited Market value Rs. 2.99 per share (2009: Rs. 4.75) - Market value per share is Rs. 3.1 (2009: Rs. 5.99) - Cost Rs. 750 (2009: Rs. 750)		948	1,509
Adamjee Insurance Company Limited - 62 (2009: 57) fully paid ordinary shares of Rs. 10 each received as bonus shares - Market value per share is Rs. 79.88 (2009: Rs. 83.99)		4,953	4,787
		453,079	384,306

Note 25
Short Term Investments

	Note	2010 Rupees	(Restated) 2009 Rupees
At fair value through profit or loss			
Related party - Quoted	25.1		
Sajjad Textile Mills Limited - 26,000 (2009: 26,000) fully paid ordinary shares of Rs. 10 each - Market value per share is Rs. 0.75 (2009: Rs. 2) - Cost of investment Rs. 0.147 million (2009: Rs. 0.147 million)		19,500	52,000
Others - Quoted			
Sargodha Spinning Mills Limited - 42,000 (2009: 42,000) fully paid ordinary shares of Rs. 10 each - Market value per share is Rs. 1 (2009: Rs. 0.86) - Cost of investment Rs. 0.09 million (2009: Rs. 0.09 million)		42,000	36,120
Nishat (Chunian) Mills Limited - 69 (2009: 69) fully paid ordinary shares of Rs.10 each including 30 (2009: 30) bonus shares - Market value per share is Rs. 15.78 (2009: Rs. 8.61) - Cost of investment Rs. 908 (2009 : Rs. 908)		1,089	594
Crescent Fibres Limited - 45,675 (2009: 45,675) fully paid ordinary shares of Rs. 10 each including 2,175 (2009 : 2,175) ordinary shares received as bonus shares. - Market value per share is Rs. 8.25 (2009: Rs. 6.15) - Cost of investment Rs. 0.122 million (2009: Rs. 0.122 million)		376,819	280,902
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NIB Bank Limited - 317 (2009: 317) fully paid ordinary - shares of Rs. 10 each including 36 (2009: 36) ordinary shares of Rs. 10 each received as bonus shares and 3 bonus shares of PICIC Insurance Limited Market value Rs. 2.99 per share (2009: Rs. 4.75) - Market value per share is Rs. 3.1 (2009: Rs. 5.99) - Cost Rs. 750 (2009: Rs. 750)		948	1,509
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		453,079	384,306

Note 25
Short Term Investments

	Note	2010 Rupees	(Restated) 2009 Rupees
At fair value through profit or loss			
Related party - Quoted	25.1		
Sajjad Textile Mills Limited - 26,000 (2009: 26,000) fully paid ordinary shares of Rs. 10 each - Market value per share is Rs. 0.75 (2009: Rs. 2) - Cost of investment Rs. 0.147 million (2009: Rs. 0.147 million)		19,500	52,000
Others - Quoted			
Sargodha Spinning Mills Limited - 42,000 (2009: 42,000) fully paid ordinary shares of Rs. 10 each - Market value per share is Rs. 1 (2009: Rs. 0.86) - Cost of investment Rs. 0.09 million (2009: Rs. 0.09 million)		42,000	36,120
Nishat (Chunian) Mills Limited - 69 (2009: 69) fully paid ordinary shares of Rs.10 each including 30 (2009: 30) bonus shares - Market value per share is Rs. 15.78 (2009: Rs. 8.61) - Cost of investment Rs. 908 (2009 : Rs. 908)		1,089	594
Crescent Fibres Limited - 45,675 (2009: 45,675) fully paid ordinary shares of Rs. 10 each including 2,175 (2009 : 2,175) ordinary shares received as bonus shares. - Market value per share is Rs. 8.25 (2009: Rs. 6.15) - Cost of investment Rs. 0.122 million (2009: Rs. 0.122 million)		376,819	280,902
Crescent Textile Mills Limited - 302 (2009: 302) fully paid ordinary shares of Rs. 10 each received as bonus shares - Market value per share is Rs. 21.57 (2009: Rs. 24.5)		6,514	7,399
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Adamjee Insurance Company Limited - 62 (2009: 57) fully paid ordinary shares of Rs. 10 each received as bonus shares - Market value per share is Rs. 79.88 (2009: Rs. 83.99)		4,953	4,787
		453,079	384,306

25.1 Investments are measured at fair value in accordance with IAS - 39 (Financial Instruments: Recognition and Measurement). The quoted market value in an active market is considered as fair value of investment. The resulting difference between cost and fair value of investment is taken to the profit and loss account.

Note 26
Financial Asset Held for Disposal

	2010	(Restated) 2009
	Rupees	Rupees
Investment held for sale	-	5,085,990

26.1 This represented 2,608,200 ordinary shares of Shahzad Textile Mills Limited, fully paid in cash, held by Shaheen Cotton Mills Limited and were classified as held for sale in the individual financial statements for the year ending June 30, 2009. The investment was disposed off during the year prior to the sanction of Scheme of Amalgamation.

Note 27
Tax Refunds Due from Government

	2010	2009
	Rupees	Rupees
Sales tax	7,364,781	4,111,111
Income tax	19,010,315	16,593,656
	26,375,096	20,704,767

Note 28
Cash and Bank Balances

	2010	2009
	Rupees	Rupees
Cash in hand	737,178	326,059
With banks in:		
- Current accounts	20,054,163	4,007,981
- Deposit account	650,000	960,000
- Foreign currency account	5,145	4,895
	20,709,308	4,972,876
	21,446,486	5,298,935

Note 29
Sales - Net

	2010	2009
	Rupees	Rupees
Yarn:		
- Local less returns	2,160,650,338	1,451,309,605
- Export	944,494,397	776,149,351
Duty draw back	71,161	74,417
Wastes	34,756,994	23,239,584
	3,139,972,890	2,250,772,957
Less: Commission to selling agents	(23,588,349)	(27,375,631)
	3,116,384,541	2,223,397,326

Note 30
Cost of Sales

	Note	2010 Rupees	2009 Rupees
Raw materials consumed		2,132,366,577	1,514,166,826
Stores and spares consumed		59,636,657	46,029,635
Packing materials consumed		52,950,873	40,494,107
Salaries, wages and other benefits	30.1	217,462,349	156,785,156
Fuel and power		272,471,948	195,789,144
Insurance		8,695,344	8,603,329
Repairs and maintenance		5,243,122	27,767,814
Other manufacturing expenses		1,860,044	1,582,544
Depreciation	19.4	54,768,915	57,137,362
		2,805,455,829	2,048,355,917
Opening work in process		14,634,050	20,394,511
Closing work in process		(23,792,563)	(14,634,050)
		(9,158,513)	5,760,461
		2,796,297,316	2,054,116,378
Cost of goods manufactured:			
- Opening finished goods		32,485,521	66,157,084
- Purchase of yarn		-	10,393,000
- Closing finished goods		(59,042,343)	(32,485,521)
		(26,556,822)	44,064,563
		2,769,740,494	2,098,180,941

30.1 Salaries and benefits include Rs. 9.050 million (2009: Rs. 8.731 million) on account of staff retirement benefits.

Note 31
Selling and Distribution Costs

	2010 Rupees	2009 Rupees
Freight and octroi	20,342,934	16,782,357
Export sale expenses	21,232,498	17,143,603
Export claims and others	51,104	1,160,273
	41,626,536	35,086,233

Note 32
Administrative Expenses

	Note	2010 Rupees	2009 Rupees
Salaries, wages and other benefits	32.1	36,269,659	31,823,952
Printing and stationery		1,327,077	967,530
Telephones, telegrams and postage		1,617,821	1,410,293
Traveling and conveyance		1,137,895	1,614,112
Repairs and maintenance		2,347,697	1,349,403
Vehicles' running and maintenance		4,844,749	4,732,876
Rent, rates and taxes		1,467,183	682,095
Insurance		1,508,871	2,138,712
Legal and professional charges		2,836,055	372,840
Fees and subscription		1,302,495	1,264,086
Utilities		4,581,580	2,771,276
Entertainment		1,804,045	2,012,759
Advertisement		1,174,180	212,112
Donations	32.2	100,000	-
Miscellaneous		206,778	178,434
Depreciation	19.4	2,355,078	1,824,073
		64,881,163	53,354,553

32.1 salaries and benefits include Rs. 2.280 million (2009: Rs. 3.004 million) on account of staff retirement benefits.

32.1 Directors and their spouses do not have any interest in the donees.

Note 33
Other Operating Charges

	2010	(Restated) 2009
	Rupees	Rupees
Auditors' remuneration		
- Statutory audit	500,000	750,000
- Limited scope review	100,000	100,000
- Other attestation services	50,000	25,000
	650,000	875,000
Deficit on revaluation of investments at fair value through profit or loss	-	439,447
Deficit on remeasurement of investment held for sale	-	39,753,421
Loss on disposal of financial asset (refer to Note 26)	1,399,989	-
Provision for workers' profit participation fund	7,962,723	1,654,730
Provision for workers' welfare fund	3,701,400	-
Provision for doubtful debts	400,992	440,591
Exchange loss	-	288,469
	14,115,104	43,451,658

Note 34
Other Operating Income

	2010	(Restated) 2009
	Rupees	Rupees
Income from financial assets:		
- Exchange gain	238,024	1,165,097
- Interest income	20,597	6,537
- Profit on bank account	43,273	-
- Gain on value of investments at fair value through profit or loss	68,772	-
	370,666	1,171,634
Income from non - financial assets:		
- Gain on disposal of property, plant and equipment - Net	3,670,871	83,404
- Profit on sale of imported cotton	-	7,860,076
- Excess liabilities written back	211,514	2,182,400
- Doubling income of yarn	-	171,000
	4,253,051	11,468,514

Note 35
Finance and Other Costs

	2010	(Restated) 2009
	Rupees	Rupees
Interest / mark-up on:		
- Long term financing	28,899,081	30,662,100
- Liabilities against assets subject to finance lease	1,340,209	3,611,635
- Short term borrowings	46,203,185	41,018,089
	76,442,475	75,291,824
Bank charges and commission	3,389,542	2,177,393
Bank guarantee commission	321,047	295,334
Interest on workers' profit participation fund	260,002	113,345
	80,413,066	77,877,896

Note 36
Taxation

	2010	(Restated) 2009
	Rupees	Rupees
Current		
- Current year	20,421,980	7,761,493
- Prior years	53,400	99,281
	20,475,380	7,860,774
Deferred	1,971,563	(5,322,132)
	22,446,943	2,538,642

36.1 Minimum tax charge for the year has been incorporated in these financial statements due to brought forward tax losses.

Reconciliation of tax charge for the year:

	2010	(Restated) 2009
	Rupees	Rupees
Tax @ 35% on profit before taxation	57,693,276	(19,421,931)
Tax effect of permanent differences	489,996	-
Prior year tax charge	53,400	99,281
Tax effect on income taxed at reduced rates	(3,744,175)	(4,398,552)
Tax effect of exports under final tax regime	(19,631,450)	-
Inadmissible items	1,295,490	-
Minimum taxation	20,421,980	7,761,493
Unincorporated tax losses and other credits	(34,131,574)	18,498,351
	22,446,943	2,538,642

Note 37
Earnings per Share

	Note	2010	(Restated) 2009
		Rupees	Rupees
- Basic	37.1	10.51	(4.28)
- Diluted	37.2	7.92	(3.23)

37.1 Basic

		2010	2009
Profit / (Loss) after taxation for the year attributable to ordinary shareholders	Rupees	142,390,987	(58,029,874)
Weighted average number of ordinary shares outstanding during the year	Number	13,552,569	13,552,569
Earnings per share - Basic	Rupees	10.51	(4.28)

37.2 Diluted

		2010	2009
Profit / (Loss) after taxation for the year attributable to ordinary shareholders	Rupees	142,390,987	(58,029,874)
Weighted average number of ordinary shares outstanding during the year	Number	13,552,569	13,552,569
Effect of dilutive reserve arising as per Scheme of Amalgamation	Number	4,418,803	4,418,803
		17,971,372	17,971,372
Earnings per share - Diluted	Rupees	7.92	(3.23)

Note 38
Transactions with Related Parties

Related parties and associated undertakings comprise related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	2010	(Restated) 2009
	Rupees	Rupees
- Purchase of materials, goods and services	278,400	82,100
- Sale of materials, goods and services	161,342	181,275
- Loan from directors received / (repaid)	21,500,000	(6,500,000)
- Rent paid	1,200,000	600,000
- Purchase of shares in Sargodha Jute Mills Limited	40,600,000	-
- Sale of plant and machinery	4,200,000	-

There were no transactions with key management personnel other than undertaken as per terms of their employment that have been disclosed in Note 39. Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

Note 39
Chief Executive's, Directors' and Executive's Remuneration

The aggregate amounts charged in the financial statements for the year as remuneration and benefits to the chief executive, directors and executive of the Company are as follows:

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	3,818,182	6,491,455	3,441,059	2,290,909	6,644,199	3,085,217
Medical	381,818	649,145	344,105	229,091	664,421	308,522
Staff retirement benefits	350,000	445,425	400,917	210,000	540,050	400,917
	4,550,000	7,586,025	4,186,081	2,730,000	7,848,670	3,794,656
Number of persons	1	5	3	1	6	3

39.1 The chief executive, two directors and executives are provided with free use of Company maintained vehicle. Executive is defined as an employee with basic salary exceeding Rs. 500,000.

39.2 No meeting fee has been paid to any director of the Company.

Note 40
Segment Information

For management purposes, the activities of the Company are recognized into one operating segments, i.e. manufacturing and sales of yarn. The Company operates in the said reportable operating segment based on the nature of the product, risk and return, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's reportable segment. Entity-wide disclosures regarding reportable segment are as follows:

	2010	(Restated) 2009
Information about products:		
- Yarn	98.89%	98.96%
Major customers:		
2 customers (2009: 2 customers)	21.19%	25.19%
Revenue from external customers attributed to foreign countries	30.08%	34.48%

- All non-current assets of the Company are located in Pakistan as at the reporting date.

Note 41
Plant Capacity and Production

		2010	(Restated) 2009
Plant capacity converted into 20/S count based on three shifts per day for 365 days (2009: 365 days)	Kgs	35,301,278	35,301,278
Actual production converted into 20/S count	Kgs	32,663,699	26,392,749

Reasons for shortfall

Reasons attributable to under utilization of optimal production capacity are mainly due to various factors such as yarn spun, spindles' speed, twist, maintenance of machinery, power shutdown and raw materials used etc.

Note 42
Financial Risk Management

42.1 Financial risk factors

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

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2010	(Restated) 2009
	Rupees in thousands	
Trade debts	36,989	10,688
Gross balance sheet exposure	36,989	10,688
Outstanding commitments against letters of credit	(10,709)	(23,311)
Net exposure	26,280	(12,623)

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	83.37	80.00
Reporting date rate	85.40	81.34

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rs. 1.850 million (2009: Rs. 0.534 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to equity and commodity price risk in respect of investments carried at market value.

Sensitivity analysis

A change of 5% in the value of investments at fair value through profit or loss would have increased / decreased profit or loss by Rs. 22,654 (2009: Rs. 19,215) on the basis that all other variables remain constant.

(iii) Interest rate risk

This represents 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 has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2010	(Restated) 2009
	Rupees in thousands	
Floating rate instruments		
Financial liabilities		
Long term financing	283,646	310,611
Liabilities against assets subject to finance lease	4,957	14,335
Short term borrowings	153,073	165,829
Financial assets		
Bank balances - saving accounts	650	960

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs. 4.417 million (2009: Rs. 4.908 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) 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. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010	(Restated) 2009
	Rupees in thousands	
Long term deposits	886	172
Trade debts	53,848	16,873
Advances, trade deposits and other receivables	2,910	1,578
Short term investments	453	384
Bank balances	20,709	4,973

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 722 million worth unavailed short term borrowing limits available (both funded and unfunded) from financial institutions and Rs 21.446 million cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2010	(Restated) 2009
	Rupees in thousands	
Total borrowings	484,152	511,895
Cash and bank balances	(21,446)	(5,299)
Net Debt	462,706	506,596
Equity	449,480	287,426
Total Capital	912,186	794,022
Gearing Ratio	50.72%	63.80%

Note 44
Subsequent Events

44.1 The directors in their meeting held on October 01, 2010 have recommended a final dividend of Rs. 0.50 per share (2009: Nil) in respect of year ended June 30, 2010.

44.2 Securities of Shaheen Cotton Mills Limited have been delisted on CDC and the shareholders of Shaheen Cotton Mills Limited have been issued shares of the Company in accordance with the Scheme of Amalgamation (refer to Note 2).

Note 45
Authorization of Financial Statements

These financial statements have been authorized for issue by the Board of Directors of the Company on October 01, 2010.

Note 46
General

Comparative figures have been re-arranged / reclassified and include amounts pertaining to Shaheen Cotton Mills Limited, pursuant to the Scheme of Amalgamation as fully explained in Note 2 to these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

FORM - 34

PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT 30TH JUNE, 2010

No. of Shareholders	Share Holding From	To	Total Shares Held
244	1	100	7,689
159	101	500	40,348
28	501	1,000	20,534
40	1,001	5,000	81,910
6	5,001	10,000	42,870
3	10,001	15,000	40,326
1	15,001	20,000	15,061
1	20,001	25,000	22,356
1	35,001	40,000	38,755
1	105,001	110,000	105,907
2	235,001	240,000	471,025
1	265,001	270,000	268,566
1	280,001	285,000	283,284
1	420,001	425,000	420,226
1	545,001	550,000	545,830
1	645,001	650,000	646,796
1	680,001	685,000	684,660
2	695,001	700,000	1,400,000
1	735,001	740,000	738,930
1	820,001	825,000	823,570
1	840,001	845,000	842,263
1	1,220,001	1,225,000	1,220,980
1	1,735,001	1,740,000	1,738,238
1	3,050,001	3,055,000	3,052,445
500			13,552,569

CATEGORIES OF SHAREHOLDERS
AS AT 30-06-2010

Categories of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer and their spouce and minor children.	2,609,206	19.252
Associated Companies, Undertakings and Related Parties.	7,700	0.057
NIT and ICP.	8,500	0.063
Banks, Development Financial Institutions, Non Banking Financial Instittutions.	7,600	0.056
Insurance Companies	6,200	0.046
Modaraba and Mutual Funds.	1,738	0.013
Shareholders holding 10% and above.	4,790,683	35.349
General Public		
a) Local	6,120,755	45.163
b) Foreign	-	
Others (to be specified)		
Crescent Jute Products Limited	60	0.000
Sarfraz Mahmood (Pvt.) Limited	12	0.000
MSM Aninar Financials (Pvt.) Limited	115	0.001
Total:	13,552,569	100.000

Detail of Pattern of Shareholding as per Requirements of Code of Corporate Governance as at 30-06-2010

Shareholders' Category		No. of Shareholders	No. of Shares Held
Associated Companies, Undertakings and Related Parties.			
Sargodha Jute Mills Limited		1	7,700
NIT and ICP			
National Bank of Pakistan, Trustee Department (NIT)		1	200
Investment Corporation of Pakistan		1	8,300
Directors, Chief Executive Officer and Their Spouse and Minor Children			
Mr. Imran Aslam	Chief Executive Officer/Director		738,930
Mian Parvez Aslam	Director		646,796
Mr. Rashid Ahmad	Director		500
Chaudhry Hakim Ali	Director		500
Mr. Humayun Bakht	Director		500
Lt. Col. ® Abdul Qayyum	Director		500
Mr. Hassan-ud-Din Ansari	Director		500
Mrs. Fakhra Parvez	Spouse		1,220,980
Executives		-	-
Public Sector Companies and Corporations		-	-
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modaraba and Mutual Funds		13	15,725
Shareholders holding 10% or more than voting interest			
Mr. Irfan Aslam		1	3,052,445
Mian Shahzad Aslam		1	1,738,238

No trade in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children. | -

PROXY FORM

1 / We ______________________________

Of ______________________________

in the district of ______________________ being a member of **SHAHZAD TEXTILE MILLS LIMITED** and holder of ______________________ Ordinary shares as
(Number of Shares)

per Share Register Folio No. ______________________ here appoint

______________________ of ______________________

another member of the company of failing him ______________________

of ______________________ another member of the Company as

my / our proxy to vote of me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Thursday, October 28, 2010 and at any adjournment thereof.

Signed this ______________ day of ______________ 2010

1. Witness:
   Signature ______________
   Name ______________
   Address ______________
   ____
   ____

Affix Revenue Stamps of Rs. 5/-

____
Signature of Member

2. Witness:
   Signature ______________
   Name ______________
   Address ______________
   ____
   ____

Shareholder's Folio No. ______________

CDC A/c No. ______________

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

Notes:
1. Proxies, in order to be effective, must be received at the Company's Registered Office, 19-A, Off Zafar Ali Road, Gulberg-V, Lahore, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
2. CDC shareholders are requested to bring with them their National Identity Cards alongwith the participants' ID numbers and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.