

1st Quarterly Report
September 30, 2011



Shahzad Textile Mills Limited

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Company Information

Board of Directors	Mian Parvez Aslam	Chairman
	Imran Aslam	Chief Executive
	Humayun Bakht	
	Chaudhary Hakim Ali	
	Rashid Ahmed	
	Lt.Col. (R) Abdul Qayyum	
	Hassan-ud-Din Ansari	
Chief Financial Officer	Humayun Bakht	
Company Secretary	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)	
Share Registrar	Hameed Majeed Associates (Pvt.) Ltd. H.M. House, 7- Bank Square, Lahore	
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 Sheikhpura Road, Sheikhpura
	Unit # 2	7th KM Sheikhpura Faisalabad Road, Sheikhpura.

Directors' Report

Dear Shareholders,

The directors of the company take pleasure to present un-audited financial statements for the first quarter ended September 30, 2011.

The company has earned Pre-tax Profit Rs.20.304.(M) as compared to profit of Rs. 91.327(M) in the previous corresponding quarter. The company's sales are decreased to Rs.867.560(M) in the current quarter as compared to sales of Rs.1,062.478 (M) in the corresponding quarter of previous year.

This observable decrease in sales with comparison to previous period's sales is due to non availability of favorable yarn sale rates in local as well international market. Our units 3 & 4 which were shut down by the management due to heavy foreseeable losses in April 2011, started functioning in the month of July and September accordingly. This late operation of two units also became a cause of decrease in production and eventually in yarn sales.

The raw material prices did not show stability and exhibited upward trend in the current quarter and reached to point where cotton price is Rs.7000/- per maund, Polyester Rs. 182/- per kg and Viscose Rs. 321/- per kg. On the contrary, yarn prices could not fetch correspondingly equivalent rise in local as well as foreign market

There is still dark shadow of load shedding and unfavorable political circumstances, is prevailing on the economy. There is another factor which continuously disturbing the industry is unstable power rates but the management is firmly committed to face all these adversities with great courage and keep the company in profitable position.

As modernization and expansion plan to upgrade the production facilities in unit No.2 is concerned, four more imported Ring Frames are added in the existing machinery which are successfully installed and have started functioning.

Earning per share for the quarter is Rs.0.64

The directors take the opportunity to place on record their appreciation for the devotion and hard work by executives, staff members and workers of the company. We are also thankful to financial and other institutions which have extended excellent cooperation for running the company's affairs smoothly.

For and on behalf of the Board

Lahore

Dated: October 27, 2011

(IMRAN ASLAM)

Chief Executive

Condensed Interim Balance Sheet

As At September 30, 2011

	Un-Audited September,30 2011	Audited June ,30 2011
Note	(Rupees in thousand)	
CAPITAL AND LIABILITIES		
Share Capital and Reserves		
Authorized share capital: 21,000,000 (June 30, 2011: 21,000,000) ordinary shares of Rs. 10 each	210,000	210,000
Issued, subscribed and paid up share capital	179,714	179,714
Reserves	423,756	408,398
	603,470	588,112
Surplus on Revaluation of Property, Plant and Equipment	516,809	520,056
Non Current Liabilities		
Long term financing	174,407	188,429
Liabilities against assets subject to finance lease	1,425	1,733
Deferred liabilities	261,649	260,427
	437,481	450,589
Current Liabilities		
Trade and other payables	185,219	106,417
Accrued mark up	5,809	12,979
Short term borrowings	106,191	190,801
Current portion of non current liabilities	59,709	57,525
Provision for taxation	54,236	45,470
	411,164	413,192
Contingencies and Commitments	5	
Total Capital and Liabilities	1,968,924	1,971,949
ASSETS		
Non Current Assets		
Property, plant and equipment	1,335,829	1,348,331
Long term investment	206,758	204,168
Long term deposits	1,627	1,627
	1,544,214	1,554,126
Current Assets		
Stores and spares	46,880	47,829
Stock in trade	172,268	225,498
Trade debts	98,479	75,631
Advances, trade deposits, prepayments and other receivables	64,173	35,923
Short term investments	763	747
Tax refunds due from government	23,846	23,412
Cash and bank balances	18,301	8,783
	424,710	417,823
Total Assets	1,968,924	1,971,949

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

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Profit And Loss Account (Un-Audited)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2011

		September,30 2011	September,30 2010
	Note	(Rupees in thousand)	
Sales		867,560	1,062,478
Cost of sales	7	(805,045)	(930,802)
Gross Profit		62,515	131,676
Operating expenses:			
- Selling and distribution costs		(11,894)	(7,223)
- Administrative expenses		(17,870)	(18,375)
- Other operating charges		(1,209)	(4,626)
- Other operating income		145	839
		(30,828)	(29,385)
Operating Profit		31,687	102,291
Finance cost		(13,401)	(14,222)
Profit before Taxation and Share of Associated Undertaking		18,286	88,069
Share of net profit of associated undertaking		2,018	3,258
Profit before Taxation		20,304	91,327
Taxation		(8,765)	(15,675)
Profit after Taxation		11,539	75,652
Earnings per Share - Basic		0.64	4.21

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

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (Un-Audited) FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2011

	September,30 2011	September,30 2010
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and share of associated undertaking	18,286	88,069
Adjustments for:		
- Depreciation	14,713	14,262
- Gain on disposal of property, plant and equipment - Net	-	(172)
- Surplus on revaluation of investments - at fair value through profit and loss	(15)	(334)
- Provision for gratuity	4,070	3,222
- Provision for workers' profit (participation) fund	975	4,626
- Provision for workers' welfare fund	234	-
- Interest on workers'(profit) participation fund	334	-
- Finance cost	13,067	14,222
	33,378	35,826
Operating profit before working capital changes	51,664	123,895
Decrease / (increase) in current assets:		
- Stores and spares	949	(3,290)
- Stock in trade	53,230	(53,382)
- Trade debts	(22,848)	(14,219)
- Advances, trade deposits, prepayments and other receivables	(15,322)	(93,880)
- Tax refunds due from government	(434)	(2,162)
(Decrease) / increase in current liabilities:		
- Trade and other payables	77,259	46,343
	92,834	(120,590)
Cash generated from operations	144,498	3,305
Income tax paid	(12,968)	(2,992)
Gratuity paid	(2,847)	(897)
Finance cost paid	(18,814)	(14,524)
Net Cash from Operating Activities	109,869	(15,108)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment	(20,189)	(2,947)
Capital work in progress	17,977	(4,962)
Proceeds from disposal of property, plant and equipment	-	300
Net Cash used in Investing Activities	(2,212)	(7,609)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from directors repaid	-	(5,000)
Repayment of long term loans	(13,200)	(19,501)
Liabilities against assets subject to finance lease	(330)	(434)
Short term borrowings	(84,610)	72,010
Net Cash (Used In) / From Financing Activities	(98,140)	47,075
Net Increase / (Decrease) in Cash and Cash Equivalents	9,517	24,358
Cash and cash equivalents at the beginning of the quarter	8,784	21,446
Cash and Cash Equivalents at the End of the Quarter	18,301	45,804

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Statement Of Comprehensive Income (Un-Audited)
For The 1st Quarter Ended September 30, 2011

	September 2011	September 2010
	(Rupees in thousand)	
Profit after Taxation	11,539	75,652
Transfer from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current period - net of deferred tax	3,248	4,732
Share of associated undertaking's other comprehensive income	572	586
Other Comprehensive Income for the period	3,820	5,318
Total Comprehensive Income for the period	15,359	80,970

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Statement Of Changes In Equity (Un-Audited)
For The 1st Quarter Ended September 30, 2011

	Share Capital	Reserve for Issue of Shares	Share Premium Reserve	Unappropriated Profit	Total
	(Rupees in thousand)				
Balance as at June 30, 2010	135,526	44,188	5,796	263,970	449,480
Total Comprehensive income for the first quarter ended September 30, 2010	-	-	-	80,970	80,970
Shares issued during the period	44,188	(44,188)			
Balance as at September 30, 2010	179,714	-	5,796	344,940	530,450
Balance as at June 30, 2011	179,714	-	5,796	402,601	588,111
Total Comprehensive income for the first quarter ended September 30, 2011	-	-	-	15,359	15,359
Balance as at September 30, 2011	179,714	-	5,796	417,960	603,470

CHIEF EXECUTIVE

DIRECTOR

Selected Notes To The Interim Financial Statements (Un-Audited) For The 1st Quarter Ended September 30, 2011

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, Off Zafar Ali Road, Gulberg - V, Lahore.

Note 2 Basis of Preparation

- 2.1 These condensed interim financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and are in compliance with the International Accounting Standard - 34 (Interim Financial Reporting) and being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.
- 2.2 The accounting policies and methods of computation of these condensed interim financial statements are the same as those followed in the preparation of annual audited financial statements for the preceding financial year ended on June 30, 2011.
- 2.3 These condensed interim financial statements are unaudited and are presented in Pak rupees, which is the Company's functional and presentational currency.

Note 3 Use of Estimates and Judgements

Judgements and estimates made by the management in the preparation of these interim financial statements are the same as those applied in the preparation of the preceding annual audited financial statements of the Company for the year ended June 30, 2011.

Note 4 Long term Financing

	(Un-Audited) September 30, 2011	(Audited) June 30, 2011
	Number in thousand	
Opening balance	244,424	326,122
Add : Mark up Freezed during the period / year	1,423	12,429
Less: Repayments during the period / year	(13,200)	(94,127)
	232,647	244,424
Less: Current portion	(58,240)	(55,995)
	174,407	188,429

Note 5 Contingencies and Commitments

Contingencies

There is no material change in the status of contingencies as reported in the annual audited financial statements for the preceding year ended June 30, 2011.

Commitments

- Commitments / contracts for capital expenditure outstanding as at the balance sheet date amount to Rs. 5.913 million (June 30, 2011: Rs. 5.913 million).
- Letters of credit and commitments / contracts for other than capital expenditure outstanding as at the balance sheet date amount to Rs. 4.460 million (June 30, 2011: Rs. Nil).

Note 6	(Un-Audited)	(Audited)
Property, Plant and Equipment	September 30, 2011	June 30, 2011
	Rupees in thousand	
6.1 Operating fixed assets		
Opening written down value	1,297,511	1,267,476
Additions during the period / year (at cost)	20,188	89,016
	1,317,699	1,356,492
Disposals during the period / year (at cost)	-	(4,023)
	1,317,699	1,352,469
Depreciation charge for the period / year (net of disposal)	(14,713)	(54,958)
	1,302,986	1,297,511
6.2 Capital work in progress		
Capital work in progress	32,843	50,820
	1,335,829	1,348,331

Note 7	(Un Audited)	(Un Audited)
Cost of Sales	September 30, 2011	September 30, 2010
	Rupees in thousand	
Raw materials consumed	593,756	746,901
Stores and spares consumed	11,090	12,210
Packing materials consumed	14,789	15,287
Salaries, wages and other benefits	50,103	55,413
Fuel and power	66,214	82,549
Insurance	2,943	2,392
Repairs and maintenance	909	2,119
Other manufacturing expenses	1,631	1,204
Depreciation	13,714	13,393
	755,149	931,468
Opening work in process	32,095	23,793
Closing work in process	(35,173)	(33,041)
	(3,078)	(9,248)
Cost of goods manufactured	752,071	922,220
Opening finished goods	49,516	59,042
Purchase of yarn	51,889	
Closing finished goods	(48,431)	(50,460)
	52,974	8,582
	805,045	930,802

Note 8
Transactions with Related Parties

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

	(Un-Audited)	(Un-Audited)
	September 30, 2011	September 30, 2010
	Rupees in Thousands	
- Purchase of goods and services	48	29
- Sale of goods and services	80	59
- Loan from directors repaid	-	(5,000)
- Mark on loan from directors	174	1,015
- Loans from related parties repaid	-	(9,377)
- Directors remuneration	2,742	2,742

**Note 9
General**

- 9.1 These interim financial statements are authorized for issue on October 27, 2011 by the Board of Directors of the Company.
- 9.2 Figures have been rounded off to the nearest thousand rupees and
- 9.3 No significant re-arrangement / reclassification has been made.

CHIEF EXECUTIVE

DIRECTOR