Contents

BOARD OF DIRECTOR	Mr. Muneer Nawaz	Chairman
	Mr. M. Naeem	Chief Executive
	Mr. Mahmood Nawaz	
	Mr. C.M. Khalid	
	Mr. Farooq Hassan (NIT)	
	Mr. Toqueer Nawaz	
	Mrs. Sadia Mohammad	
	Lt. Col. (Retd.) R.D. Shams	
COMPANY SECRETARY	Mr. Jamil Ahmad Butt, FCMA	
AUDIT COMMITTEE OF THE BOARD	Mr. Muneer Nawaz	Chairman
	Mr. Mahmood Nawaz	Member
	Mr. C.M. Khalid	Member
	Syed Muhammad Farooq	Secretary
AUDITORS	M. Yousuf Adil Saleem & Co. Chartered Accountants. Cavish Court, A-35, Block 7 & 8 KCHS, Shahrah-e-Faisal, Karachi 75350.	
BANKS	Habib Bank Limited MCB Bank Limited The Bank of Punjab United Bank Limited Bank Alfalah Limited Standard Chartered Bank (Pakistan) Limited	
LEGAL ADVISOR	Mr. Ras Tariq Chaudhary 30-Mall Mansion The Mall Lahore.	
HEAD OFFICE	Shahnawaz Building, 19-Dockyard Road, West Wharf, Karachi-74000 Ph: 32313934-8, 32312834, 32310973 Fax: 32205723, 32310623 Website: www.shahtaj.com	
REGISTERED OFFICE	100-B/3, M. M. Alam Road, Culberg-III, Lahore-54660 Tel: (042) 35772991-3 Fax: (042) 35772999	
MARKETING OFFICE	House # 02, Block-L, Johar Town, Lahore Pakistan-54000 Ph: (042) 35313891-93 Fax: (042) 35313894	
FACTORY	46 K.M. Lahore/Multan Road Chunian Industrial Estate Bhai Pheru, Distt. Kasur, Punjab. Ph: (042) 5833875, 7541010	
SHARE REGISTRAR	Corporate Support Services (Pvt.) Limited Suite # 407,408, 4th Floor, Al-Ameera Centre, Shahrah-e-Iraq, Near Passport Office, Saddar Karachi. Tel: 35662023-24 Fax: 35221192	

To,

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ TEXTILE LIMITED that the 22nd Annual General Meeting of the Company will be held on Monday the 31st October, 2011 at 11.00 A.M. at PC Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of 21st Annual General Meeting held on 30th October, 2010.
2. To consider and adopt audited Financial Statements of the Company for the year ended June 30, 2011 together with Auditors' and Directors' Reports thereon.
3. To approve a cash Dividend @ 60% i.e. Rs.6.00 per share for the year ended June 30, 2011 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2011-2012 and to fix their remuneration. The present Auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

(JAMIL AHMAD BUTT)
Company Secretary

Karachi: September 30, 2011.

Notes:

1. The share transfer books of the Company will remain closed from 24th October to 3rd November, 2011 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
3. Holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC/Passport and providing a copy thereof.

OUR VISION:

To attain leadership position in the textile sector in Pakistan.

OUR MISSION:

To make the name of Shahtaj synonymous with Quality by striving for the highest level of efficiency, productivity, profitability, customers satisfaction, congenial employees relations and profit sharing with shareholders.

OVERALL CORPORATE STRATEGY:

To develop and market products in the high-end of the textile sector through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming at establishing SHAHTAJ TEXTILE LIMITED as the most trusted, efficient and successful name among all stake-holders.

1. The directors will ensure implementation of Company's corporate strategy, keeping in view Company's vision and mission and complying with is Memorandum and Articles of Association.

2. They will provide due guidance and discharge their duties to the best of their ability.

3. They will attend meetings of Board of Directors, Audit Committee of the Board, any other Committee and General Meeting of Company.

4. They will disclose their interest in any contract and appointments of the company officers and ownership of company shares and any changes therein.

5. They will not engage in any business competing with the company's business.

6. They will not allow contribution by the company to any political party or for any political purpose to any individual or body.

7. They will ensure maintenance and upkeep of company property, other assets and its record.

8. They will strictly observe all laws of land in running of the company affairs.

9. All company employees will perform their duties faithfully, truly and to the best of their judgement, skill and ability according to company rules and policies.

10. Company employees will not divulge any information about the company or otherwise which comes to their knowledge during the course of employment to any person not connected therein either with in the company or outside.

11. Company employees will not involve in any indiscipline, misbehavior or misconduct, dishonesty, theft or fraud.

12. They will refrain from making commitments on behalf of the company beyond their delegated authority or detrimental to the interest of the company.

13. They will not engage directly or indirectly without the permission of the company in any other business or paid occupation while in the service of the company.

14. They will not give or take bribes or any illegal gratifications.

15. They will be punctual in attendance.

Directors are pleased to present 22nd Annual Report of the Company for the Financial Year ended June 30, 2011.

Financial Results and Prospects

By the Grace of God Almighty the Company performed well during the year. Sales crossed Rs.4 billion mark. Your Company was able to achieve before tax profit of Rs.234.480 Million and after tax Profit of Rs.204,734 Million with an EPS of Rs.21.19 This was partly due to increase in unit selling price in consequence of exceptionally high yarn prices and partly due to more production as six new high speed looms were installed at the end of previous year and further addition of 20 high speed looms during the year at a cost of Rs.114.231 Million.

The construction of office building at Lahore is nearing completion and is expected to be in use by the end of the calendar year. During the period Company also invested in Rs.171.415 Million in gas power generation facility. A new power house has been constructed with 2 Cummins Gas Generators of 1.75 MW each. The facility is ready for electric production. There is delay in supply of gas in spite of the project having been approved earlier by SNGPL. Matter is being pursued with the help of APTMA and it is hoped that the Company will be able to utilize gas power soon which is likely to reduce the power cost.

The period under review was a year of unprecedented volatility. Cotton prices in the international market doubled, resulting in steep rise of yarn cost and marked increase in price of textile products. This generated a sudden demand as further price rise was feared. There was flurry of purchasing leading to overbuying of the product. Starting with the last quarter of the year, the trend suddenly reversed. The cotton prices started falling rapidly and the yarn prices plummeted to an unprecedented low level. Thereby the buyers not only abruptly stopped purchasing but also delayed existing orders and stopped delivery of the produced items. This resulted in loss of orders, piling up of stocks and abnormal delay in recovery of trade debts. The overall market slowed down. It will take some time before the backlog is cleared and new orders build up. The Company is taking measures to overcome this situation, however a decrease in profitability in future periods seems imminent.

The Company is facing financial constraints due to delay in despatches, rise of Trade Debts and increase in the long term loans on account of addition of new looms and the power plant. Currently the situation is well under control. However, the cost of financing will be higher during the year.

With tight financial and management control and conducive labour relations, the Company will Inshallah continue to perform efficiently in terms of production and marketing and looks forward to better days ahead.

Dividend

To share the profits with the shareholders, Directors are pleased to recommend a 60% cash dividend for this year. A sum of Rs.150 Million is proposed to be transferred to general reserve.

Code of Corporate Governance

Company is cognizant of all requirements of Code of Corporate Governance and is complying with the same. A Statement of Compliance is annexed.

Corporate and Financial Reporting Statements

a) The financial statements, prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
b) Proper books of accounts have been maintained.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) There are no significant doubts upon the company's ability to continue as a going concern.
g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Six Years Review

Key operating and financial data and ratios of the company for the last six years are annexed.

Meetings of Board of Directors

During the year 4 meetings of the Board of Directors were held and were attended as follows:

Name of Director	Number of Meetings attended
Mr. Muneer Nawaz	4
Mr. M. Naeem	4
Mr. Mahmood Nawaz	4
Mr. C. M. Khalid	3
Mr. Farooq Hassan	4
Mrs. Sadia Muhammad	3
Mr. Toqueer Nawaz	3
Lt. Col. (Retd) Rashiduddin Shams	-

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2011 according to the revised Form 34 of the Companies Ordinance 1984 is annexed.

Trading of Shares

During the year, Mr. Toqueer Nawaz has purchased 25,412 shares from a family member amounting to Rs.636,571/-. This said transaction has been fully disclosed to the Directors in their meeting dated September 30, 2011 as per the requirement of the code of Corporate Governance.

Auditors

The Audit Committee of the Board has recommended the appointment of present Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, as Auditors of the Company for the year 2011-2012. Board agrees to this recommendation.

Appreciation

Directors acknowledge with thanks the hard work put in by the employees of the Company.

for and on behalf of the Board of Directors

(M. Naeem)
Chief Executive

Karachi: September 30, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

"This statement is being presented by the Board of Directors (the Board) of Shahtaj Textile Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in listing regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two executive directors and six non-executive directors, however, non-executive directors include one director nominated by a Financial Institution.

2. The directors 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 and none of them is member of any stock exchange.

4. There has been no casual vacancy in the Board during the year under review.

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

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions.

8. "The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transaction that were made on terms equivalent to those that prevails in the arm's length transaction only if such terms can be substantiated.

9. The meetings of Board were presided over by Chairman and, in his absence, by director elected by the Board for this purpose. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The directors of the Company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of Stock Exchanges. The management has devised a plan for orientation courses in next year.

11. There was no appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.

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

13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an Audit Committee. It comprise of these members, all of whom are non-executive directors including the Chairman of the committee.

17. The meetings of the audit committee were held 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.

18. The Company has an effective internal audit function headed by the Head of Internal Audit. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme 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 Companyand that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. 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 guide lines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

for and on behalf of the Board of Directors

Karachi: September 30, 2011

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chief Executive

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 SHAHTAJ TEXTILE LIMITED (the Company) to comply with the with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

Further, the Karachi and Lahore stock exchanges require the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length 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 placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

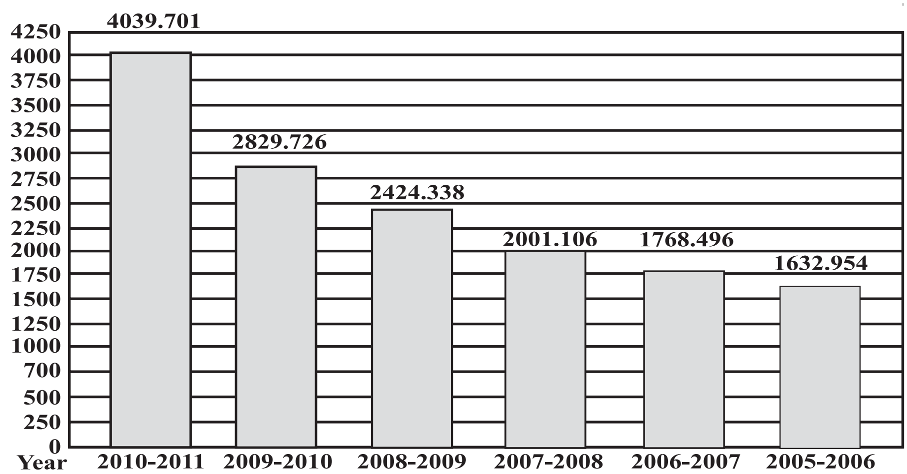
M. Yousuf Adil Saleem & Co.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

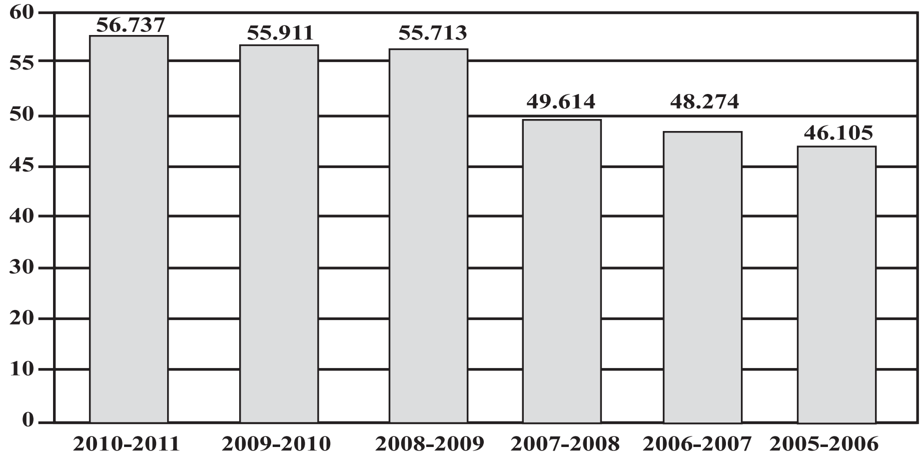
Karachi: September 30, 2011

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
PROFIT & LOSS ACCOUNT						
Net turnover	4039.701	2841.300	2432.058	2001.106	17.68.496	1632.954
Gross profit	443.376	333.746	270.479	131.645	162.158	172.639
Operating profit	344.522	215.158	153.235	82.816	105.874	115.823
Profit before tax	234.480	133.328	50.432	15.593	38.487	57.381
Profit after tax	204.734	107.795	38.886	(0.345)	29.960	35.834
Earnings per share (Rs.)	21.19	11.16	4.03	(0.04)	3.10	3.71
Cash dividend	60%	45%	20%	-	20%	20%
Dividend payment ratio	28%	40%	50%	-	64%	54%
Cash distribution per share in Rupees	6.00	4.50	2.00	-	2.00	2.00
BALANCE SHEET						
Shareholders funds	96.600	96.600	96.600	96.600	96.600	96.600
Reserves	504.861	337.737	243.308	195.865	178.574	117.813
Property plant and equipment	859.041	685.171	696.562	758.279	717.543	709.488
Long term liabilities	457.044	154.491	256.739	269.965	211.418	241.842
Net current assets / liabilities	346.047	85.473	93.111	8.397	40.951	14.728
INVESTORS INFORMATION						
Gross profit ratio	10.97%	11.75%	11.12%	6.58%	9.17%	10.57%
Profit before tax ratio	5.80%	4.71%	2.08%	0.78%	2.18%	3.51%
Inventory turnover ratio	9.47	12.44	12.03	10.95	11.15	11.7
Fixed asset turnover ratio	4.70	4.11	3.34	2.71	2.40	2.16
Return on capital employed	31.19%	22.09%	9.74%	(0.78%)	7.21%	8.95%
Debt equity ratio	41:59	24 : 76	39:69	42:58	35:65	36:64
Current ratio	1.42:1	1.11 : 1	1.14:1	1.01:1	1.08:1	1:1
Interest cover ratio	4.03	2.63	1.49	1.23	1.57	1.98
STATEMENT OF VALUE ADDED DISTRIBUTION						
Employees remuneration	137.811	113.541	104.236	91.011	84.952	72.481
Government as taxes	29.746	25.532	11.545	18.493	8.527	21.547
Shareholders as dividends	57.960	43.470	19.320	-	19.320	19.320
Retained with in business	146.774	64.325	19.567	6.508	22.395	19.046
Financial charges to providers of finance	110.042	81.831	102.803	67.223	67.387	58.442

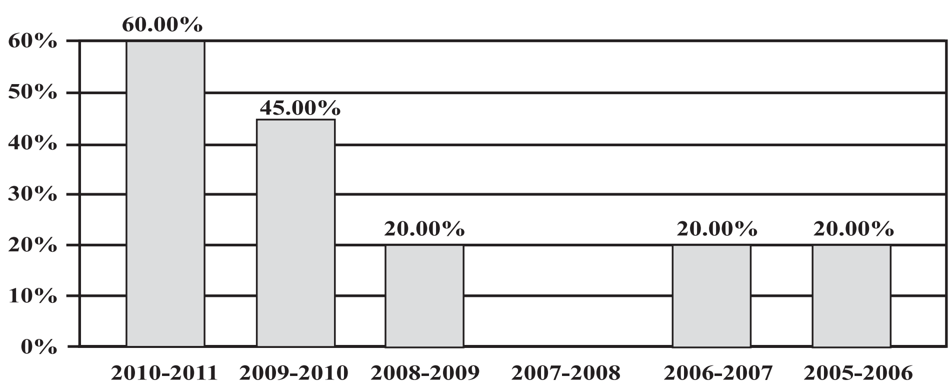
Turn-over
Last Six Years



Annual Production
Last Six Years



Annual Dividend
Last Six Years



THE COMPANIES ORDINANCE 1984

(SECTION 236(1) AND 464)

1 **Incorporation Number** **L02158**

2 **Name of Company** **Shahtaj Textile Limited**

3 **Pattern of Holding of the shares held by shareholders as at June 30, 2011**

4

Serial Number	Number of Shareholders	Shareholdings From		To	Total Number of Shares Held
1	162	1	-	100	9,208
2	155	101	-	500	55,366
3	641	501	-	1000	374,886
4	133	1001	-	5000	296,152
5	29	5001	-	10000	203,602
6	16	10001	-	15000	185,816
7	2	15001	-	20000	35,075
8	2	20001	-	25000	46,000
9	2	25001	-	30000	51,097
10	3	30001	-	35000	94,226
11	3	45001	-	50000	141,132
12	3	50001	-	55000	156,946
13	1	70001	-	75000	72,722
14	2	100001	-	105000	203,518
15	2	110001	-	115000	227,500
16	1	135001	-	140000	139,654
17	1	220001	-	225000	223,630
18	2	235001	-	240000	475,233
19	1	240001	-	245000	241,700
20	1	255001	-	260000	256,335
21	2	260001	-	265000	524,824
22	1	335001	-	340000	335,200
23	1	395001	-	400000	396,750
24	1	410001	-	415000	412,821
25	1	465001	-	470000	466,478
26	1	475001	-	480000	475,726
27	1	505001	-	510000	506,000
28	1	525001	-	530000	529,670
29	1	540001	-	545000	540,162
30	1	830001	-	835000	832,571
31	1	1145001	-	1150000	1,150,000
	1174				**9,660,000**

The slabs with nil holding have been omitted.

S.No	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	1154	7,954,323	82.35%
2	Investment Companies (NIT & ICP)	3	488,051	5.05%
3	Finanacial Institutions	16	67,626	0.70%
4	Associated Companies	1	1,150,000	11.90%
		1174	**9,660,000**	**100.00%**

PETTERN OF SHARE HOLDING AS AT JUNE 30, 2011

	Shareholder's Category	Number of Share Held	Percentage of Shareholding (%)
5.1	**Director, CEO and Their spouse and minor children**		
1	Mr. Mahmood Nawaz	412,821	
	Mrs. Bushra Mahmood Nawaz	115,000	
	Mrs. Bushra Mahmood Nawaz (CDC)	17,825	
2	Mr. Muneer Nawaz (Chairman)	832,571	
	Mrs. Abida Muneer Nawaz (Wife)	396,750	
3	Mr. C.M. Khalid	239,771	
	Mrs. Amtul Hai Khalid (Wife)	256,335	
4	Mr. M. Naeem (CEO)	103,068	
5	Mrs. Amtul Bari Naeem	506,000	
	Mrs. Amtul Bari Naeem (CDC)	529,670	
6	Lt. Col. (Retd.) Rashiduddin Shams	3,450	
7	Sadia Taqi (CDC)	2,500	
8	Toqueer Nawaz	260,874	
	Toqueer Nawaz (CDC)	54,000	
		3,730,635	**38.62**
5.2	**Associated Companies, undertaking & related parties**		
	Shahtaj Sugar Mills Limited	**1,150,000**	**11.90**
5.3	**NIT & ICP**		
	National Bank of Pakistan, Trustee Deptt. (CDC) (Represented on Board of Directors)	**475,726**	
	National Investment Trust (CDC)	12,250	
	IDBP (ICP UNIT) (CDC)	75	
		488,051	**5.05**
5.4	**Banks, Development Financial Institutions, Non Banking Financial Institutions**		
	Habib Bank Limited (CDC)	75	
	National Bank of Pakistan(CDC)	45,286	
	NIB Bank Limited (CDC)	14,500	
	ACE Securities (Private) Limited (CDC)	2,300	
	Darson Securities (Private) Limited (CDC)	209	
	Fair Deal Securities (Private) Limited (CDC)	425	
	H.M. Investment (Pvt) Ltd., (CDC)	230	
	Highlink Capital (Private) Limited (CDC)	100	
	Ismail Abdul Shakoor Securities (Private) Limited (CDC)	50	
	M.R. Securities (SMC) (Private) Limited (CDC)	150	
	Muhammad Ahmed Nadeem Securities (Private) Limited (CDC)	75	
	N.H Securities (Private) Limited (CDC)	75	
	Pearl Capital Management (Private) Limited (CDC)	1	
	Progressive Investment Management (Pvt)Ltd., (CDC)	500	
	S.H Bukhari Securities (Private) Limited (CDC)	575	
	Y.S Securities & Services (Private) Limited (CDC)	3,075	
		67,626	**0.70**
5.5	**Insurance Companies**	-	
5.6	**Modarbas and mutal Funds**	**-**	
5.8	**General Public**		
a.	Local	1,344,241	
b.	Local (CDC)	2,878,872	
c.	Foreign		
		4,223,113	**43.72**
5.9	**Others**		
	Eexecutives	**575**	**0.01**
		9,660,000	**100.00**
5.7	**Share holders holding 10%**		
	Shahtaj Sugar Mills Limited	1,150,000	11.90
	Mrs. Amtul Baree Naeem	1,035,670	10.72

We have audited the annexed balance sheet of SHAHTAJ TEXTILE LIMITED ("the Company") as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion :

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

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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible under the Zakat and Usher ordinance (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner
Nadeem Yousuf Adil

Karachi: September 30, 2011

BALANCE SHEET AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
SHARE CAPITAL AND RESERVES			
Authorised 10,000,000 ordinary shares of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	3	96,600,000	96,600,000
General reserve	4	270,000,000	200,000,000
Unappropriated profits		234,861,368	137,737,511
		601,461,368	434,337,511
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax	5	52,739,224	53,588,676
NON-CURRENT LIABILITIES			
Long-term financing	6	457,043,920	154,491,532
Deferred liabilities	7	112,485,183	132,195,769
		569,529,103	286,687,301
CURRENT LIABILITIES			
Trade and other payables	8	223,198,531	258,376,927
Interest accrued	9	33,027,906	17,415,500
Short-term borrowings	10	467,513,933	394,335,341
Current portion of long-term financing	6	76,712,326	103,547,231
Taxation - net		-	6,973,561
		800,452,696	780,648,560
CONTINGENCIES AND COMMITMENTS	11		
		2,024,182,391	1,555,262,048

	Note	2011 Rupees	2010 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	859,040,643	685,171,077
Long-term loans	13	1,089,409	1,181,391
Long-term deposits	14	27,552,544	2,788,045
		887,682,596	689,140,513
CURRENT ASSETS			
Stores, spares and loose tools	15	46,655,123	38,854,103
Stock-in-trade	16	426,415,977	226,845,554
Trade debts	17	614,058,719	564,700,560
Loans and advances	18	19,545,895	2,234,464
Trade deposits and short-term prepayments	19	324,694	1,652,432
Interest accrued		487,519	2,780,107
Other receivables	20	2,262,546	1,093,713
Taxation - net		828,616	-
Sales tax refundable		11,546,712	16,968,467
Other financial assets	21	3,600,000	3,400,000
Cash and bank balances	22	10,773,994	7,592,135
		1,136,499,795	866,121,535
		2,024,182,391	1,555,262,048

The annexed notes from 1 to 40 form an integral part of these financial statements.

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

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

	Note	2011 Rupees	2010 Rupees
Sales - net	23	4,039,700,858	2,829,225,818
Cost of goods sold	24	(3,596,324,238)	(2,495,480,030)
Gross profit		443,376,620	333,745,788
Other operating income	25	24,180,531	20,111,052
		467,557,151	353,856,840
Distribution cost	26	(26,460,465)	(16,508,826)
Administrative expenses	27	(79,196,206)	(42,565,359)
Other operating expenses	28	(17,378,254)	(79,624,219)
Finance cost	29	(110,041,730)	(81,830,770)
		(233,076,655)	(220,529,174)
Profit before taxation		234,480,496	133,327,666
Taxation	30	(29,746,127)	(25,532,286)
Profit for the year		204,734,369	107,795,380
Other comprehensive income for the year		-	-
Total comprehensive income for the year		204,734,369	107,795,380
Earnings per share - basic and diluted (Rupees)	31	21.19	11.16

The annexed notes from 1 to 40 form an integral part of these financial statements.

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

CASH FLOW STAEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		234,480,496	133,327,666
Adjustments for:			
Depreciation	12.2	67,607,897	69,266,444
Finance cost	29	110,041,730	81,830,770
Provision for gratuity and leave encashment		11,395,589	10,745,009
Provision for doubtful debts	17	28,015,453	-
Provision for obsolete stores and spares	15	4,102,054	-
Provision for obsolete raw material	16	913,812	-
Net realizable value charges on stock-in-trade	16.1	27,075,329	6,954,063
Interest income	25	(375,951)	(294,834)
Loss on cross currency swap	28	-	69,098,728
Operating cash flows before movements in working capital		483,256,409	370,927,846
(Increase) / decrease in current assets			
Stores, spares and loose tools		(11,903,074)	(5,590,824)
Stock-in-trade		(227,559,564)	(59,785,013)
Trade debts		(77,373,612)	(52,299,819)
Loans and advances		(17,311,431)	(1,048,200)
Trade deposits and short-term prepayments		1,327,738	899,022
Other receivables		(1,168,833)	(225,712)
Other financial assets		(200,000)	51,498
Sales tax refundable		5,421,755	(750,279)
Decrease in current liabilities			
Trade and other payables		(35,906,269)	(30,456,697)
Cash generated from operations		118,583,119	221,721,822
Gratuity and leave encashment paid		(9,042,126)	(5,227,580)
Interest paid		(94,429,324)	(86,048,498)
Income taxes paid		(54,601,891)	(28,418,921)
Net cash (used in) / from operating activities		(39,490,222)	102,026,823
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(241,477,463)	(57,875,656)
Long-term loans		91,982	(253,579)
Long-term deposits		(24,764,499)	(892,400)
Interest received		2,668,539	294,834
Net cash used in investing activities		(263,481,441)	(58,726,801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds / repayment of long-term financing		275,717,483	(48,785,840)
Dividend paid		(42,742,553)	(18,953,056)
Net cash from / (used in) financing activities		232,974,930	(67,738,896)
Net (decrease) in cash and cash equivalents		(69,996,733)	(24,438,874)
Cash and cash equivalents at July 1		(386,743,206)	(362,304,332)
Cash and cash equivalents at June 30	32	(456,739,939)	(386,743,206)

The annexed notes from 1 to 40 form an integral part of these financial statements.

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

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

	Note	Share capital	Revenue Reserves: General reserve	Revenue Reserves: Unappropriated profit	Total
		………………	……………… Rupees	………………	………………
Balance at June 30, 2009		96,600,000	150,000,000	93,307,832	339,907,832
Comprehensive income					
Profit after taxation for the year ended June 30, 2010		-	-	107,795,380	107,795,380
Other comprehensive income - net of tax		-	-	-	-
Total comprehensive income		-	-	107,795,380	107,795,380
Transferred from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation (net of deferred taxation)	5	-	-	5,954,299	5,954,299
Transferred to general reserve		-	50,000,000	(50,000,000)	-
Transactions with owners					
Final Dividend for the year ended June 30, 2009 @ Rs. 2 per share		-	-	(19,320,000)	(19,320,000)
Balance at June 30, 2010		96,600,000	200,000,000	137,737,511	434,337,511
Comprehensive income					
Profit after taxation for the year ended June 30, 2011		-	-	204,734,369	204,734,369
Other comprehensive income - net of tax		-	-	-	-
Total comprehensive income		-	-	204,734,369	204,734,369
Transferred from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation (net of deferred taxation)	5	-	-	5,859,914	5,859,914
Transferred to general reserve		-	70,000,000	(70,000,000)	-
Transactions with owners					
Final Dividend for the year ended June 30, 2010 @ Rs. 4.5 per share		-	-	(43,470,426)	(43,470,426)
Balance at June 30, 2011		96,600,000	270,000,000	234,861,368	601,461,368

The annexed notes from 1 to 40 form an integral part of these financial statements.

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

1. GENERAL INFORMATION

1.1 Shahtaj Textile Limited (the Company) is limited by shares, incorporated in Pakistan on January 24, 1990 under the Companies Ordinance, 1984, as a public limited Company. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The principal business of the Company is to manufacture and sale of textile goods. The registered office of the Company is situated at 100-B/3, M.M. Alam Road, Gulberg-3, Lahore - 54660 and the manufacturing facilities of the Company are located at 46 K.K. Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, Distt. Kasur in the province of Punjab, however, the Head Office is located at Shahnawaz Building, 19 - Dockyard Road, West Wharf, Karachi - 74000.

1.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2010 and are enumerated as follows:

2.1 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 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 provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost basis modified by:-

- revaluation of certain property, plant and equipment

- financial instruments at fair value

- recognition of certain staff retirement benefits at present value

2.3 New, revised and amended standards and IFRIC interpretations to the existing standards that are not yet effective and have not been early adopted by the Company.

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements;

Standard or Interpretation	**Effective date (accounting periods beginning on or after)**
IFRS 7 - Financial Instruments: Disclosures (Amendment)	January 1, 2011
IFRS 7 - Financial Instruments: Disclosures (Amendment)	July 1, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	January 1, 2011
IAS 12 - Income Taxes (Amendment)	January 1, 2012
IAS 24 - Related Party Disclosures (Revised)	January 1, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 1, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 1, 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)	January 1, 2011

2.4 The principal accounting policies adopted are set out below:

2.4.1 Defined benefit plan - staff gratuity

The Company operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at June 30, 2011 using the "Project unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's obligations is amortized over the average expected remaining working lives of the employees.

Details of the scheme are given in note 7.1 to these financial statements.

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.4.2 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or turnover at the specified rate whichever is higher. Charge for current tax also includes adjustments ,where necessary, relating to prior years which arise from assessment framed / finalized during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.4.3 Trade and other payables

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

2.4.4 Provisions

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

2.4.5 Property, plant and equipment

Property, plant and equipment, except plant and machinery are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on Revaluation of Property, Plant and Equipment'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

Depreciation is charged to profit and loss account applying the reducing balance method at the rate specified in note 12.1, whereby the cost of the asset is written over its useful life. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of Property, Plant and Equipment have different useful lives, they are recognized as separate items of Property Plant and Equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the financial year in which they are incurred.

Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Capital work-in-progress

Capital work-in-progress and stores held for capital expenditure are stated at cost less any recognized impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

2.4.6 Stores, spares and loose tools

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

Net realizable value signifies the estimated selling price in the ordinary course of business less cost to be incurred for its sale.

2.4.7 Stock-in-trade

These are valued at lower of cost and net realizable value. Methods used for determining costs are as follows:

Raw and packing materials	Moving average cost.
Work-in-process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Raw material-in-transit are valued at cost comprising of C&F value plus other charges incurred thereon upto the balance sheet date.

Average cost in relation to work-in-process and finished goods signifies average manufacturing cost including a portion of related direct overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and cost necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognized. A reversal of NRV is recognized in profit and loss account.

2.4.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value and short-term running finance under mark-up arrangements.

2.4.10 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.4.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and liabilities is taken to profit and loss account directly.

2.4.12 Derivatives

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit and loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for into profit and loss account under 'Other Operating Expenses / Income'.

2.4.13 Offsetting of financial assets and financial liabilities

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

2.4.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Revenue from sale of goods and services is recognized on dispatch of goods and rendering of services to customers, as the case may be.

- Export rebate is recognized on accrual basis at the time of making the export sale.

- Interest / markup income is accounted on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

2.4.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

2.4.16 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the appropriate authority.

2.4.17 Foreign currencies

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into reporting currency equivalents using foreign currency rates ruling on the balance sheet date. Exchange differences on foreign currency transactions are included in the income currently.

2.5 Critical judgments and estimates in applying the accounting policies

In the process of applying the Company's accounting policies, the management has not identified any area where significant judgments have been exercised which have material impact on the financial statements, except as mentioned below. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year. The Company has used significant judgment & estimates in the following areas:

- Provision for gratuity (notes 2.4.1 and 7.1)

- Provision for taxation and deferred tax (notes 2.4.2, 7.2 and 30)

- Useful lives and residual values of property, plant and equipment (notes 2.4.5 and 12)

- Net realizable value of stock in Trade (notes 2.4.7 and 16)
- Contingencies and commitments (note 11)

Estimates and judgments, if any, are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		2011	2010
Number of shares			Rupees	Rupees
		Ordinary shares of Rs.10 each fully paid		
8,400,000	8,400,000	In cash	84,000,000	84,000,000
1,260,000	1,260,000	As bonus shares	12,600,000	12,600,000
9,660,000	9,660,000		96,600,000	96,600,000

3.1 There were no movements in share capital during the reporting period.

3.2 Shahtaj Sugar Mills Limited (associated company) held 1,150,000 (2010: 1,150,000) fully paid ordinary shares of Rs. 10 each as at year end.

3.3 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

4. GENERAL RESERVE

The general reserve is used from time to time to transfer profit from unappropriated profit. There is no consistent policy of regular transfers to general reserve.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

	2011 Rupees	2010 Rupees
Surplus on revaluation of property, plant and equipment as at July 01,	74,097,337	82,330,376
Transfer to unappropriated profit on account of:		
- incremental depreciation (net of deferred taxation)	(5,859,914)	(5,954,299)
Related deferred tax liability	(1,550,020)	(2,278,740)
	(7,409,934)	(8,233,039)
Surplus on revaluation of property, plant and equipment as at June 30,	66,687,403	74,097,337
Related deferred tax liability on:		
- revaluation as at July 01,	(20,508,661)	(23,049,624)
- decrease in deferred tax for change in rate of deferred tax	5,010,462	262,223
Transfer to unappropriated profit on account of:		
- incremental depreciation (net of deferred taxation)	1,550,020	2,278,740
	6,560,482	2,540,963
	(13,948,179)	(20,508,661)
	52,739,224	53,588,676

5.1 Revaluation of plant and machinery had been carried out as on February 04, 2003 by independent valuer M/s Minhas Associates, architects, engineers, surveyors and valuators on the basis of depreciated replacement value. Revaluation of plant and machinery had again been carried out in March, 2008, by independent valuer M/s Projects (Private) Limited, on the basis of depreciated replacement value.

5.2 An amount equal to incremental depreciation net of deferred tax for the year has been transferred from "Surplus on revaluation of property, plant and equipment" account to "Unappropriated profit" for recording realization of surplus to the extent of incremental depreciation net of deferred tax charged during the year.

	Note	2011 Rupees	2010 Rupees
6. LONG-TERM FINANCING			
From banking companies - secured		533,756,246	258,038,763
Less: Current portion shown under current liabilities		(76,712,326)	(103,547,231)
	6.1	457,043,920	154,491,532

6.1 Loan-wise movement during the year is as follows:

	Habib Bank Limited DF - I	……Bank of Punjab…… DF - I	DF - II	DF - III	DF - IV	DF - V	SCB TF	2011 Total	2010 Total
	……Rupees……								
Balance at July 01	77,142,856	47,659,909	12,898,284	119,038,000	27,014,000	-	-	283,753,049	306,824,603
Obtained during the year	-	-	-	-	123,976,000	114,932,000	123,753,244	362,661,244	27,014,000
	77,142,856	47,659,909	12,898,284	119,038,000	150,990,000	114,932,000	123,753,244	646,414,293	333,838,603
Paid during the year	(77,142,856)	(19,063,908)	(3,224,283)	(13,227,000)	-	-	-	(112,658,047)	(75,799,840)
	-	28,596,001	9,674,001	105,811,000	150,990,000	114,932,000	123,753,244	533,756,246	258,038,763
Payable within next one year	-	(19,063,964)	(3,224,572)	(26,454,000)	(7,344,250)	-	(20,625,540)	(76,712,326)	(103,547,231)
Balance at June 30	-	9,532,037	6,449,429	79,357,000	143,645,750	114,932,000	103,127,704	457,043,920	154,491,532
Limit		100 million	16.123 million	132.265 million	150 million	137 million	123 million		
Mark up rate basis (per annum)		SBP rate +200 bps (2010: SBP rate + 200 bps)	SBP rate +200 bps (2010: SBP rate + 200 bps)	SBP rate +300 bps (2010: SBP rate + 300 bps)	SBP rate +250 bps (2010: SBP rate + 250 bps)	SBP rate +250 bps (2010: SBP rate + 250 bps)	6 months KIBOR-3%		
Installment repayable		Bi-annually	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Bi-annually		
Mark up payable		Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Bi-annually		
Loan period		7 years	7 years	7 years	5 years	5 years	6 years		
Grace period		2 years from last drawn date	2 years from last drawn date	2 years from last drawn date	1 year from last drawn date	1 year from last drawn date	1 year from last drawn date		
Sub-note	6.2	6.3	6.4	6.4	6.5	6.6	6.7		

6.2 The loan was repaid during the year.

6.3 The loan is secured by first pari passu fixed charge on all present and future fixed assets including land, building, plant and machinery registered with the SECP with 25% margin by way of second Supplemental Memorandum of Deposit of Title Deed dated January 20, 2009.

6.4 These loans are secured by first pari passu fixed charge on all present and future plant and machinery through first Supplemental Memorandum of Deposit of Title Deed dated April 9, 2008 duly registered with the SECP with 25% margin.

6.5 The loan is secured by way of first pari passu fixed charge over all present and future fixed assets of the Company including land, building, plant and machinery for Rs. 200 million with 25% margin by way of second suplemental memorandum of deposit of the deed dated December 30, 2010.

6.6 The loan is secured by way of first pari passu fixed charge over all present and future fixed assets of the Company including land, building, plant and machinery for Rs. 183.834 million with 25% margin.

6.7 The liability under cross currency SWAP is converted into six year long term loan in accordance with the Settlement and Release Agreement as disclosed in note 8.2. The loan is secured by way of first pari passu hypothetication charge over the movable fixed assets of the company for Rs. 138 million with 10 % margin.

6.8 Management considers that there is no significant non compliance of agreements with banking companies where the Company is exposed to penalties.

	Note	2011 Rupees	2010 Rupees
7. DEFERRED LIABILITIES			
Staff gratuity	7.1	26,731,074	24,810,189
Deferred taxation	7.2	83,304,191	105,368,240
Leave encashment	7.3	2,449,918	2,017,340
		112,485,183	132,195,769

7.1 Staff gratuity

7.1.1 Movement in liability

	2011 Rupees	2010 Rupees
Balance as at July 01	24,810,189	20,823,252
Charge for the year	8,329,210	8,185,037
Payments made during the year	(6,408,325)	(4,198,100)
Balance as at June 30	26,731,074	24,810,189

7.1.2 Balance sheet reconciliation as at June 30

	2011 Rupees	2010 Rupees
Present value of obligations	26,241,974	24,810,189
Unrecognized actuarial gain	489,100	-
	26,731,074	24,810,189

7.1.3 Charge for the year

	2011 Rupees	2010 Rupees
Service cost	5,351,987	5,630,817
Interest cost	2,977,223	2,554,220
	8,329,210	8,185,037

7.1.4 Principal actuarial assumptions

The Project Unit Credit Method based on the following significant assumptions was used for the valuation of the scheme. The basis of recognition are as follows:

	2011	2010
Expected rate of increase in salaries (% per annum)	13%	11%
Discount factor used (% per annum)	14%	12%
Expected average remaining working lives	6 Years	5 Years

7.1.5 Experience adjustments

	2011	2010	2009	2008	2007
	………	………	Rupees	………	………
Present value of obligations	26,241,974	24,810,189	21,285,170	20,763,247	18,143,749
Fair value of plan assets	-	-	-	-	-
Deficit	26,241,974	24,810,189	21,285,170	20,763,247	18,143,749
Actuarial gains on obligation	489,100	-	461,918	-	1,434,876

7.2 Deferred taxation

	Opening balance	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	Closing balance
	----------	---------- Rupees	----------	----------
Movement for the year ended June 30, 2011				
Deferred tax liabilities on taxable temporary differences arising in respect of :				
- property, plant and equipment - owned assets	91,726,543	(9,870,631)	-	81,855,912
- surplus on revaluation of property, plant and equipment	20,508,661	(1,550,020)	(5,010,462)	13,948,179
	112,235,204	(11,420,651)	(5,010,462)	95,804,091
Deferred tax assets on deductible temporary differences arising in respect of :				
- staff gratuity	(6,866,964)	1,275,893	-	(5,591,071)
- doubtful debts	-	(5,859,712)	-	(5,859,712)
- stores and spares	-	(857,985)	-	(857,985)
- stock-in-trade	-	(191,132)	-	(191,132)
	105,368,240	(17,053,587)	(5,010,462)	83,304,191
Movement for the year ended June 30, 2010				
Deferred tax liabilities on taxable temporary differences arising in respect of :				
- property, plant and equipment - owned assets	98,037,924	(6,311,381)	-	91,726,543
- surplus on revaluation of property, plant and equipment	23,049,624	(2,278,740)	(262,223)	20,508,661
	121,087,548	(8,590,121)	(262,223)	112,235,204
Deferred tax assets on deductible temporary differences arising in respect of :				
- staff gratuity	(5,829,654)	(1,037,310)	-	(6,866,964)
	115,257,894	(9,627,431)	(262,223)	105,368,240

		Note	2011 Rupees	2010 Rupees
7.3	**Leave encashment**			
	Balance as at July 01		2,017,340	486,848
	Provision during the year		3,066,379	2,559,972
	Paid during the year		(2,633,801)	(1,029,480)
	Balance as at June 30		2,449,918	2,017,340
8.	**TRADE AND OTHER PAYABLES**			
	Creditors - others		111,481,950	58,255,422
	- related parties		-	1,830,000
	Accrued liabilities		59,210,462	41,223,960
	Advance from customers		27,826,827	1,728,264
	Due to associated undertaking		-	6,938
	Workers' Profit Participation Fund	8.1	13,011,139	8,430,656
	Workers' Welfare Fund		4,785,316	3,643,559
	Unpaid and unclaimed dividend		4,579,817	3,851,944
	Derivative liability - cross currency SWAP	8.2	-	137,503,605
	Retention payable		1,251,635	1,305,291
	Others		1,051,385	597,288
			223,198,531	258,376,927
8.1	**Workers' Profit Participation Fund**			
	Balance as at July 01		8,430,656	5,602,604
	Interest on funds utilized in the Company's business		772,291	166,813
			9,202,947	5,769,417
	Payments made during the year		(8,784,746)	(4,538,919)
			418,201	1,230,498
	Allocation for the year		12,592,938	7,200,158
			13,011,139	8,430,656

8.2 In accordance with the Settlement and Release Agreement dated 12th May, 2010 between the Company and Standard Chartered Bank (SCB), a term finance agreement was signed on 21st December, 2010 converting the liability under cross currency swap into long term loan. The Company has paid 10% down payment and the balance of Rs. 123,753,244 is shown under long-term financing.

		Note	2011 Rupees	2010 Rupees
9.	**INTEREST ACCRUED**			
	Interest accrued on:			
	long-term financing		14,408,603	6,132,986
	short-term borrowings		18,619,303	11,282,514
			33,027,906	17,415,500

	Note	2011 Rupees	2010 Rupees
10. SHORT-TERM BORROWINGS			
Under markup arrangements - Secured			
Running finance - from banking companies	10.1	467,513,933	394,335,341

10.1 The Company can avail finance facilities from various banks aggregating to Rs. 1,084 million (2010: Rs. 880 million). The facilities are secured by second charge over present and future fixed assets by way of equitable mortgage, hypothecation of stocks and book debts. These are subject to mark-up ranging from KIBOR plus 1.25% to 2% per annum (2010: KIBOR plus 1.25% to 2.5% per annum). The unavailed facilities as at year end were Rs. 616.49 million (2010: 485.66 million).

	2011 Rupees	2010 Rupees
11. CONTINGENCIES AND COMMITMENTS		
11.1 Contingencies:		
11.1.1 Guarantees issued by banks on behalf of the Company in favor of Sui Northern Gas Pipelines Limited (SNGPL)	20,400,000	20,400,000
11.1.2 Bills discounted not matured - customer's risk	420,359,584	68,464,444
11.2 Commitments outstanding:		
11.2.1 Capital expenditure	13,401,895	19,658
11.2.2 Letters of credit other than for capital expenditure	4,027,140	-

	Note	2011 Rupees	2010 Rupees
12. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	12.1	743,696,772	652,412,131
Capital work in progress	12.5	115,343,871	32,758,946
		859,040,643	685,171,077

12.1 Operating fixed assets

	Freehold land	Buildings on freehold land: Factory building	Labour colony	Office block & others	Plant and machinery	Furniture and fixtures	Equipment and installations	Computer equipment	Vehicles	Others - arms	Total
	Rupees										
Year ending June 30, 2011											
As at July 01											
Cost / revalued	31,121,190	107,823,269	32,321,212	7,342,359	1,068,693,169	4,476,347	2,743,384	7,179,533	21,194,946	80,470	1,282,975,879
Accumulated depreciation	-	(63,882,656)	(16,230,830)	(4,430,930)	(525,734,819)	(2,712,654)	(1,440,619)	(4,718,615)	(11,347,477)	(65,148)	(630,563,748)
Net book value	31,121,190	43,940,613	16,090,382	2,911,429	542,958,350	1,763,693	1,302,765	2,460,918	9,847,469	15,322	652,412,131
Additions / transfer	-	1,038,260	998,750	-	151,086,390	217,451	277,936	820,246	4,453,505	-	158,892,538
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(4,436,161)	(1,617,361)	(145,571)	(57,961,820)	(185,851)	(143,580)	(841,463)	(2,274,558)	(1,532)	(67,607,897)
Transfers of depreciation	-	-	-	-	-	-	-	-	-	-	-
Closing net book value	31,121,190	40,542,712	15,471,771	2,765,858	636,082,920	1,795,293	1,437,121	2,439,701	12,026,416	13,790	743,696,772
As at June 30											
Cost / revalued	31,121,190	108,861,529	33,319,962	7,342,359	1,219,779,559	4,693,798	3,021,320	7,999,779	25,648,451	80,470	1,441,868,417
Accumulated depreciation	-	(68,318,817)	(17,848,191)	(4,576,501)	(583,696,639)	(2,898,505)	(1,584,199)	(5,560,078)	(13,622,035)	(66,680)	(698,171,645)
Net book value	31,121,190	40,542,712	15,471,771	2,765,858	636,082,920	1,795,293	1,437,121	2,439,701	12,026,416	13,790	743,696,772
Year ending June 30, 2010											
As at July 01											
Cost / revalued	9,455,690	107,823,269	31,482,082	7,342,359	1,058,727,063	4,377,347	2,743,384	5,652,328	16,317,681	80,470	1,244,001,673
Accumulated depreciation	-	(59,000,366)	(14,520,706)	(4,277,697)	(466,142,743)	(2,526,402)	(1,295,867)	(4,146,613)	(9,323,464)	(63,446)	(561,297,304)
Net book value	9,455,690	48,822,903	16,961,376	3,064,662	592,584,320	1,850,945	1,447,517	1,505,715	6,994,217	17,024	682,704,369
Additions / transfer	21,665,500	-	839,130	-	9,966,106	99,000	-	1,527,205	4,877,265	-	38,974,206
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(4,882,290)	(1,710,124)	(153,233)	(59,592,076)	(186,252)	(144,752)	(572,002)	(2,024,013)	(1,702)	(69,266,444)
Transfers of depreciation	-	-	-	-	-	-	-	-	-	-	-
Closing net book value	31,121,190	43,940,613	16,090,382	2,911,429	542,958,350	1,763,693	1,302,765	2,460,918	9,847,469	15,322	652,412,131
As at June 30											
Cost / revalued	31,121,190	107,823,269	32,321,212	7,342,359	1,068,693,169	4,476,347	2,743,384	7,179,533	21,194,946	80,470	1,282,975,879
Accumulated depreciation	-	(63,882,656)	(16,230,830)	(4,430,930)	(525,734,819)	(2,712,654)	(1,440,619)	(4,718,615)	(11,347,477)	(65,148)	(630,563,748)
Net book value	31,121,190	43,940,613	16,090,382	2,911,429	542,958,350	1,763,693	1,302,765	2,460,918	9,847,469	15,322	652,412,131
Depreciation rate	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	

12.2 The depreciation charge for the year has been allocated as follows:

	Note	2011 Rupees	2010 Rupees
Cost of goods sold	24	64,160,913	66,337,723
Administrative expenses	27	3,446,984	2,928,721
		67,607,897	69,266,444

12.3 The Company had its plant and machinery revalued in February 2003 and March 2008 by M/s Minhas Associates and M/s Projects (Private) Limited respectively. The revaluation surplus, net of deferred tax, is credited to 'Surplus on revaluation of property, plant and equipment'.

12.4 Had there been no revaluation, the carrying amount of the relevant plant and machinery would have been as follows:

	2011 Rupees	2010 Rupees
Cost	1,061,377,414	910,291,024
Accumulated depreciation	(491,982,096)	(441,430,011)
Written down value	569,395,318	468,861,013

12.5 Capital work in progress

	Civil work	Plant and machinery	Freehold Land	Total
	Rupees			
As at July 01, 2009	20,390	13,837,106		13,857,496
Additions	-	57,960,673	21,665,500	79,626,173
Transferred to fixed assets	-	(30,869,649)	(21,665,500)	(52,535,149)
Transferred to stores and spares	-	(2,554,178)	-	(2,554,178)
Transferred to humidification	-	(3,306,046)	-	(3,306,046)
Transferred to expense	-	(1,746,950)	-	(1,746,950)
Adjustments	-	(582,400)	-	(582,400)
As at June 30, 2010	20,390	32,738,556	-	32,758,946
Additions	2,397,759	252,672,364	-	255,070,123
Transferred to fixed assets	(2,037,011)	(150,361,449)	-	(152,398,460)
Transferred to stores and spares	-	(17,269,074)	-	(17,269,074)
Adjustments	(67,057)	(2,750,607)	-	(2,817,664)
As at June 30, 2011	314,081	115,029,790	-	115,343,871

	Note	2011 Rupees	2010 Rupees
13. LONG-TERM LOANS			
Considered good - unsecured			
Executives		-	18,940
Employees		1,408,386	1,468,463
		1,408,386	1,487,403
Less: Recoverable within one year shown under current assets			
Executives		-	(9,240)
Employees		(318,977)	(296,772)
	18	(318,977)	(306,012)
	13.1	1,089,409	1,181,391

13.1 Reconciliation of carrying amount of long term loans given is as follows:

	2011 Rupees	2010 Rupees
Balance as at July 1,	1,487,403	1,345,812
Disbursements during the year	292,000	650,000
	1,779,403	1,995,812
Received during the year	(371,017)	(508,409)
Balance as at June 30,	1,408,386	1,487,403
Current portion of long term loans	(318,977)	(306,012)
	1,089,409	1,181,391

13.2 Unsecured loans to executives and employees are provided for house building and settling-in purposes as per the Company's policy. These include both interest bearing and non-interest bearing loans, repayable by way of 60 equal monthly installments. Interest is charged at the rate of 10% (2010: 10%) per annum. Interest free loans to employees have not been discounted as required by IAS 39 "Financial Instruments : Recognition and Measurement" as amounts involved are deemed immaterial.

13.3 Maximum amount due from executives in respect of unsecured loans at the end of any month during the year was Rs. nil (2010: Rs. 52,500).

	Note	2011 Rupees	2010 Rupees
14. LONG-TERM DEPOSITS			
Security deposits			
Utilities		27,287,544	2,723,045
Others		265,000	65,000
		27,552,544	2,788,045

		Note	2011 Rupees	2010 Rupees
15.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		21,485,946	16,216,565
	Spares		27,636,637	21,024,017
	Loose tools		1,634,594	1,613,521
			50,757,177	38,854,103
	Provision for obsolete stores and spares		(4,102,054)	-
			46,655,123	38,854,103
16.	**STOCK-IN-TRADE**			
	Raw and packing materials		122,218,059	115,247,135
	Work-in-process		63,054,104	45,162,866
	Finished goods		242,057,626	66,435,553
			427,329,789	226,845,554
	Provision for obsolete stock in trade-(Raw material)		(913,812)	-
		16.1	426,415,977	226,845,554

16.1 At current year end, net realizable values of raw material, work-in-process and finished goods were lower than their cost, which resulted in write-downs of Rs. 9 million (2010: Rs. nil), Rs. 3.8 million (2010: Rs. nil) and Rs. 14.18 million (2010: Rs. 6.95) respectively and were charged to cost of sales.

		Note	2011 Rupees	2010 Rupees
17.	**TRADE DEBTS**			
	Secured - considered good			
	Export	17.1	14,531,290	7,113,060
	Local	17.1	-	320,551,790
			14,531,290	327,664,850
	Unsecured - considered good			
	Local		599,527,429	237,035,710
	Unsecured - considered doubtful			
	Local		28,015,453	-
	Provision for doubtful debts		(28,015,453)	-
			-	-
		17.2	614,058,719	564,700,560

17.1 These are secured against letters of credit in favor of the Company.

17.2 Trade debts are non-interest bearing and are generally on 30 days to 120 days credit terms.

	Note	2011 Rupees	2010 Rupees
18. LOANS AND ADVANCES			
Advances - considered good			
Employees		415,556	248,040
Suppliers and contractors		18,811,362	1,680,412
		19,226,918	1,928,452
Current portion of long-term loans			
Executives		-	9,240
Employees		318,977	296,772
	13	318,977	306,012
		19,545,895	2,234,464

19. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2011 Rupees	2010 Rupees
Trade deposits		
Container deposits	30,000	220,000
Short-term prepayments		
Import prepayments	20,517	111,042
Subscription	29,232	33,888
Discounting charges	244,945	1,287,502
	294,694	1,432,432
	324,694	1,652,432

20. OTHER RECEIVABLES

	Note	2011 Rupees	2010 Rupees
Export rebate		985,702	855,038
Due form associated undertaking	20.1	96,210	90,000
Others		1,180,634	148,675
		2,262,546	1,093,713

20.1 This represents amounts due from Shahtaj Sugar Mills Limited (associated company) of Rs. 96,210 (2010: 90,000) in respect of secretarial services provided by the Company.

	Note	2011 Rupees	2010 Rupees
21. OTHER FINANCIAL ASSETS			
Investment Held-to-maturity	21.1	3,600,000	3,400,000

		Note	2011 Rupees	2010 Rupees
22.	**CASH AND BANK BALANCES**			
	Cash at bank			
	- current accounts		9,741,194	7,477,297
	- saving account	22.1	982,874	85,866
	Cash in hand		49,926	28,972
			10,773,994	7,592,135

22.1 This carries mark-up rate of 5% per annum (2010: 5% per annum).

		Note	2011 Rupees	2010 Rupees
23.	**SALES - net**			
	Local		819,531,230	985,051,541
	Indirect export		2,849,983,712	1,662,075,622
	Export		385,610,889	185,199,934
			4,055,125,831	2,832,327,097
	Export rebate		259,529	82,027
			4,055,385,360	2,832,409,124
	Commission		(15,684,502)	(3,183,306)
			4,039,700,858	2,829,225,818
24.	**COST OF GOODS SOLD**			
	Raw and packing materials consumed	24.1	3,378,298,376	2,139,312,389
	Stores and spares consumed	24.2	36,223,999	19,701,515
	Manufacturing expenses			
	Salaries, wages and benefits	24.3	94,167,752	79,916,779
	Director's remuneration		2,305,400	1,896,600
	Fuel and power		204,060,710	185,013,596
	Repairs and maintenance		1,442,145	3,700,523
	Insurance		2,970,266	2,979,478
	Depreciation	12.2	64,160,913	66,337,723
	Others		1,021,739	751,684
			3,784,651,300	2,499,610,287
	Work-in-process			
	Opening stock		45,162,866	32,570,751
	Closing stock		(63,054,104)	(45,162,866)
			(17,891,238)	(12,592,115)
	Cost of goods manufactured		3,766,760,062	2,487,018,172
	Finished goods			

	Note	2011 Rupees	2010 Rupees
Opening stock		66,435,553	69,388,188
Closing stock		(242,057,626)	(66,435,553)
		(175,622,073)	2,952,635
		3,591,137,989	2,489,970,807
Outside processing charges		5,186,249	5,509,223
		3,596,324,238	2,495,480,030

24.1 Raw and packing materials consumed

	Note	2011 Rupees	2010 Rupees
Opening stock		115,247,135	72,055,665
Purchases and related expenses		3,385,269,300	2,182,503,859
		3,500,516,435	2,254,559,524
Closing stock	16	(122,218,059)	(115,247,135)
		3,378,298,376	2,139,312,389

24.2 Stores and spares consumed

	Note	2011 Rupees	2010 Rupees
Opening stock		38,854,103	33,263,279
Purchases and purchase expenses		44,025,019	25,292,339
		82,879,122	58,555,618
Closing stock	15	(46,655,123)	(38,854,103)
		36,223,999	19,701,515

24.3 Salaries, wages and benefits include Rs. 4,388,365 (2010: Rs. 5,647,676) in respect of staff gratuity.

24.4 Raw materials consumed, closing stock of work-in-process and finished goods have been adjusted for NRV write downs of Rs. 9 million (2010: Rs. nil), Rs. 3.8 million (2010: nil) and Rs. 14.18 million (2010: 6.95 million) respectively.

25. OTHER OPERATING INCOME

	Note	2011 Rupees	2010 Rupees
Net income from trading	25.1	5,348,350	1,500,948
Scrap sales		18,713,425	17,151,621
Interest on bank deposits		375,951	294,834
Exchange (loss) / gain		(257,195)	1,163,649
		24,180,531	20,111,052

		Note	2011 Rupees	2010 Rupees
25.1	**Net income from trading**			
	Sales			
	Local		39,477,225	3,769,919
	Indirect export		-	8,242,317
	Export		-	62,028
			39,477,225	12,074,264
	Cost			
	Purchases and related expenses		(34,128,875)	(10,573,316)
			5,348,350	1,500,948
26.	**DISTRIBUTION COST**			
	Export related			
	Ocean freight		8,398,798	3,284,961
	Insurance		26,621	13,039
	Forwarding		56,710	42,000
	Export duty		1,072,941	361,092
	Entertainment		17,233	5,040
	Postage and courier		85,692	82,301
	Fees and subscription		39,170	24,180
	Travelling and conveyance		1,444,047	778,977
	Other expenses		407,157	105,696
			11,548,369	4,697,286
	Local			
	Salaries and benefits	26.1	8,656,035	5,736,482
	Local freight		2,130,390	2,687,060
	Travelling and conveyance		972,241	409,857
	Sales promotion		580,904	362,808
	Marketing office		2,450,895	2,448,194
	Insurance		14,484	14,124
	Other expenses		107,147	153,015
			14,912,096	11,811,540
			26,460,465	16,508,826

26.1 Salaries and benefits include Rs. 750,198 (2010: Rs. 572,952) in respect of staff gratuity.

		Note	2011 Rupees	2010 Rupees
27.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits	27.1	29,256,937	22,691,008
	Director's remuneration		3,410,000	3,300,000
	Provision for doubtful debts		28,015,453	-
	Travelling and conveyance		2,381,273	1,025,388
	Vehicles running and maintenance		3,688,765	2,773,968

	Note	2011 Rupees	2010 Rupees
Telephone and fax		785,578	657,195
Postage and courier		292,681	216,099
Printing and stationery		1,784,363	1,676,609
Computer expenses		633,880	1,221,924
Rent, rates and taxes		400,032	98,460
Repairs and maintenance		1,159,923	682,040
Insurance		808,165	778,851
Auditors' remuneration	27.2	624,357	620,725
Legal and professional charges		221,528	698,369
Advertising		17,600	41,550
Entertainment		151,182	132,882
Fees and subscription		1,090,197	635,155
Donations	27.3	100,000	1,500,000
Depreciation	12.2	3,446,984	2,928,721
Share registrar services		127,591	129,727
Other expenses		799,717	756,688
		79,196,206	42,565,359

27.1 Salaries and benefits include Rs. 3,190,647 (2010: Rs. 1,964,409) in respect of staff gratuity and are net of Rs. 360,000 (2010: Rs. 360,000) charged for secretarial services provided to Shahtaj Sugar Mills Limited, an associated undertaking.

27.2 Auditor's remuneration

	2011 Rupees	2010 Rupees
Audit fee	500,000	500,000
Half yearly review fee	50,000	50,000
Out of pocket expenses	74,357	70,725
	624,357	620,725

27.3 No director or his / her spouse had any interest in the donee institutions.

28. OTHER OPERATING EXPENSES

	2011 Rupees	2010 Rupees
Workers' Profit Participation Fund	12,592,938	7,200,158
Workers Welfare Fund	4,785,316	3,325,333
Loss on cross currency swap	-	69,098,728
	17,378,254	79,624,219

	Note	2011 Rupees	2010 Rupees
29. FINANCE COST			
Mark-up on:			
Long-term financing		32,093,629	24,783,530
Short-term borrowings		73,970,573	47,304,024
Discounting charges		1,760,078	7,560,537
Interest on Workers' Profit Participation Fund		772,291	166,813
Bank charges and commission		1,445,159	2,015,866
		110,041,730	81,830,770
30. TAXATION			
Current			
for the year		42,636,023	39,653,146
for prior years		4,163,691	(4,493,429)
Deferred		(17,053,587)	(9,627,431)
	30.1	29,746,127	25,532,286

30.1 Relationship between tax expense and accounting profit

	2011 Rupees	2010 Rupees
Accounting profit before tax	234,480,496	133,327,666
Tax rate %	35%	35%
Tax on accounting profit	82,068,174	46,664,683
Effect of additional tax surcharge	1,815,072	-
Income tax for prior years	4,163,691	(4,493,429)
Effect of tax under final tax regime	32,281,764	18,426,603
Effect of reversal of deferred tax liability	(17,053,587)	(9,627,431)
Effect of expense that are not deductible	(73,528,987)	(25,537,612)
Others	-	99,472
Tax charge for the year	29,746,127	25,532,286

30.2 "The return of income for the tax year 2010, has been filed as per the provision of section 120 of the Income Tax Ordinance, 2001. Under this section when a complete return of income is filed with the Commissioner, it results in deemed assessment of taxable income / loss and tax payable / refundable on the date return is filed.

30.3 "The Company received an amended order during the year under section 122 (1) read with section 177 of the Income Tax Ordinance 2001, pertaining to the tax year 2009, from Deputy Commissioner Inland Revenue raising additional demand of Rs. 49.79 million. The additional demand was raised due to disallowance of brought forward loss and loss on cross currency SWAP by tax authorities. The Company has filed an appeal to the Commissioner Income Tax (Appeal) against said order, the decision of which is pending till the approval of financial statements from BOD. The Company has recorded an amount of Rs. 4.98 million, while no provision has been made against the remaining balance of Rs. 44.81 million based on tax advisor's opinion who expects favorable outcome upon decision.

31. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company which is based on:

		2011 Rupees	2010 Rupees
Profit for the year	Rupees	204,734,369	107,795,380
Weighted average number of ordinary shares in issue	Number	9,660,000	9,660,000
Earnings per share - basic and diluted	Rupees	21.19	11.16

32. CASH AND CASH EQUIVALENTS

		2011	2010
Cash and bank balances	22	10,773,994	7,592,135
Short-term borrowings	10	(467,513,933)	(394,335,341)
		(456,739,939)	(386,743,206)

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	Rupees					
Remuneration	1,320,000	1,152,000	4,820,828	1,320,000	952,800	3,530,894
Bonus	220,000	144,100	602,600	220,000	110,100	407,600
Ex-gratia	220,000	288,000	1,205,205	220,000	238,200	1,081,754
House rent	600,000	346,800	1,446,208	600,000	285,840	1,060,127
Retirement benefits	330,000	144,100	602,600	220,000	119,100	449,600
Medical	360,000	115,200	482,082	360,000	95,280	353,089
Utilities	360,000	115,200	482,082	360,000	95,280	353,089
Leave encashment	-	-	214,999	-	-	111,333
	3,410,000	2,305,400	9,856,604	3,300,000	1,896,600	7,347,486
Number of persons	1	1	6	1	1	5

33.1 In addition, the Chief Executive is provided with Company's owned and maintained car for personal and official use.

33.2 In addition, the Director and Executives are provided with Company's owned and maintained car for official use.

33.3 In addition to above, fee paid to other non-executive directors during the year amounted to Rs. 320,000 (2010: Rs. 240,000).

34. TRANSACTIONS WITH RELATED PARTIES

"The related parties comprise associated undertakings, key management personnel and post employment benefit plans. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties have been disclosed in the notes to the financial statement as follows:

- Due from associated undertakings under other receivables in note 20

- Due to associated undertakings under payables in note 8,

- Remuneration of key management personnel is disclosed in note 33.

Other significant transactions with related parties are as follows:

Relationship with the Company	Name	Nature of transactions	2011 Rupees	2010 Rupees
Associated Undertakings	Shahtaj Sugar Mills Limited	Services rendered	360,000	360,000
	Shahnawaz Textiles Limited	Purchase of yarn	45,404,000	20,378,050
		Sale of Cloth	-	6,750
	Shahnawaz (Private) Limited	Computers, miscellaneous computer supplies and others purchased	612,100	2,498,312
		Services received for office facility	739,032	398,460
		Services received for vehicle repair and other computer related	417,451	133,789
	Shezan International Limited	Purchase of goods	266,108	181,756

35. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

Subsequent to year end, the directors propose to pay cash dividend of Rs.6.00 (2010: Rs. 4.50) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been reflected as a liability in these financial statements, which will be accounted for subsequently after the approval of shareholders.

36. FINANCIAL RISK MANAGEMENT

36.1 The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized in the following paragraphs:

36.2 The Company's operations expose it to a variety of financial risks: market risk (including price risk, currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

36.3 Market Risk Management

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. The exposure to these risks and their management is explained below.

36.3.1 Interest Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities based on both variable and fixed interest / mark-up rates. The Company has to manage the related finance cost on variable financial instruments, which exposes it to the risk of six months KIBOR and SBP's rate plus 200 bps to 250 bps. Since the impact on interest rate exposure is significant to the Company, management analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account other financing options available.

36.3.1.1 Interest Rate Sensitivity

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company’s profit for the year ended June 30, 2011 would increase / decrease by Rs. 10.02 million (2010: Rs. 6.52 million). This is mainly attributable to Company's exposure to interest rates on its variable rate borrowings, calculated on the variable rates applicable for the subsequent period.

36.3.1.2 The exposure of the Company's borrowings to interest rate changes and the contractual reprising dates at the balance sheet dates are as follows:

	2011 Rupees	2010 Rupees
6 months or less		
- Short-term borrowings	467,513,933	394,335,341
- Long-term loans including current portion	533,756,246	258,038,763

36.3.2 Foreign currency risk management

Currency risk arises mainly where receivables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2011, the total foreign currency risk exposure was Rs. 14.5 million (2010: Rs. 7.1 million) in respect of trade debts.

36.3.2.1 Foreign currency sensitivity analysis

At June 30, 2011, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 1.45 million (2010: Rs. 0.71 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts.

36.3.3 Equity price risk management

Equity price risk represents the risk that the fair value on 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 not exposed to any such equity price risk as at year end.

36.4 Credit risk and concentration of credit risk

"Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to customers from any single country or single customer.

Credit risk of the Company arises mainly from the trade debts, long-term deposits, and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2011 Rupees	2010 Rupees
Long-term loans	1,089,409	1,181,391
Long-term deposits	27,552,544	2,788,045
Trade debts	614,058,719	564,700,560
Loans and advances	734,533	554,052
Trade deposits	30,000	220,000
Interest accrued	487,519	2,780,107
Other receivables	1,276,844	238,675
Other financial assets	3,600,000	3,400,000
Bank balances	10,724,068	7,563,163
	659,553,636	583,425,993

36.4.1 Credit risk related to receivables

The Company's main credit exposure is with trade receivables. The Company has adopted a policy of only dealing with creditworthy counterparties and majority of the transactions are made through post dated cheques. Further, the Company's credit exposure is continuously monitored and the aggregate value of transactions are spread amongst approved counterparties, and overdue counterparties are pursued efficiently by the management for recovery. 2% (2010: 58%) of the credit exposure of the Company at year end is secured against letters of credit.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The Company has major credit exposure with Al Abid Silk Mills Limited, Joes Fashion Export (Private) Limited and Sadaqat Textile which is 74% of the total trade receivables as at year end.

The total exposure of the Company in trade debts is Rs. 614.05 million (2010: Rs. 564.7 million), which has been discussed as follows:

The Company has the policy to grant credit of 30 days to 120 days to their customers. The exposure of the Company in trade receivables, which are neither overdue nor impaired, is Rs. 438.13 million (2010: Rs. 488.4 million)

Trade receivables, which have crossed their credit days limits, amounting to Rs. 203.94 million (2010: Rs. 76.3 million) for which the company has provided Rs. 28 million and the remaining amounts are still considered recoverable

The aging of such overdue but not impaired trade receivables is as follows:

	2011 Rupees	2010 Rupees
Less than 1 month	52,829,280	52,312,850
1 - 3 months	91,636,748	10,992,314
3 - 6 months	90,147	97,075
6 months - 1 year	23,903,162	-
1 - 3 years	7,425,709	12,862,629
More than 3 years	42,223	26,143
	175,927,269	76,291,011

36.4.2 Credit risk related to cash and bank balances

Cash is held with reputable banks with high quality credit ratings assigned by approved credit rating agencies. The names and credit rating of major banks where the Company maintains its bank balances are as follows:

Name of bank	Rating agency	Credit rating Short-term	Credit rating Long-term
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
Bank of Punjab	PACRA	A1+	AA-
Bank Al-falah Limited	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA

36.5 Liquidity Risk Management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large customers by securing them against letters of credit.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and long-term loans. 54% of the Company's long-term and short-term debt will mature in less than one year at June 30, 2011 (2010: 40.22%) based on the carrying value of borrowings as given below. However, the Company has an un-availed aggregated short-term and long-term borrowings facilities of Rs. 859 million (2010: Rs. 817.8 million) and Rs. 36.4 million un-discounted letter of credits at June 30, 2011, which can be utilized to encounter unseen liquidity problems.

36.5.1 Liquidity and Interest Risk Table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2011				
	Long-term financing	**Short-term borrowings**	**Trade and other payables**	**Interest accrued**	**Total**
	……………………… Rupees ………………………				
With in 1 year	76,712,326	467,513,933	177,575,249	33,027,906	754,829,414
1 - 5 years	356,685,247	-	-	-	356,685,247
More than 5 years	100,358,673	-	-	-	100,358,673
	533,756,246	467,513,933	177,575,249	33,027,906	1,211,873,334
Weighted average effective rate of interest	9.67%	13.44%			

	2010				
	Long-term financing	**Short-term borrowings**	**Trade and other payables**	**Interest accrued**	**Total**
	……………………… Rupees ………………………				
With in 1 year	103,547,231	394,335,341	244,574,448	17,415,500	759,872,520
1 - 5 years	154,491,532	-	-	-	154,491,532
	258,038,763	394,335,341	244,574,448	17,415,500	914,364,052
Weighted average effective rate of interest	8.65%	13.75%			

36.6 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except fixed rate long-term financing whose fair value as at June 30, 2011 amounts to Rs.533.7 million (2010: Rs.258 million) approximately.

36.7 Financial Instruments by Category

The accounting policies for financial instruments have been applied for line items below:

	2011			2010		
	Held to maturity	**Loans and receivables**	**Total**	**Held to maturity**	**Loans and receivables**	**Total**
Assets as per balance sheet	……………………… Rupees ………………………					
Long-term loans	-	1,089,409	1,089,409	-	1,181,391	1,181,391
Long-term deposits	-	27,552,544	27,552,544	-	2,788,045	2,788,045
Trade debts	-	614,058,719	614,058,719	-	564,700,560	564,700,560
Loans and advances	-	734,533	734,533	-	554,052	554,052
Trade deposits	-	30,000	30,000	-	220,000	220,000

Interest accrued	-	2,780,107	2,780,107	-	2,780,107	2,780,107
Other receivables	-	1,276,844	1,276,844	-	238,675	238,675
Other financial assets	3,600,000	-	3,600,000	3,400,000	-	3,400,000
Cash and bank balances	-	10,773,994	10,773,994	-	7,592,135	7,592,135

	2011		2010	
	Financial liabilities measured at amortized cost	Total	Financial liabilities measured at amortized cost	Total
Liabilities as per balance sheet	……………… Rupees ………………			
Long-term financing	533,756,246	533,756,246	258,038,763	258,038,763
Trade and other payables	177,575,249	177,575,249	244,574,448	244,574,448
Interest accrued	33,027,906	33,027,906	17,415,500	17,415,500
Short-term borrowings	467,513,933	467,513,933	394,335,341	394,335,341

37. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital, reserves and unappropriated profit and debts consist of short-term borrowings and long-term financing. The Company manages its capital structure by monitoring return on total capital employed and makes adjustments to it in the light of changes in economic conditions and monitoring its gearing ratio. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders, issue new shares or adjust its debts. The Company's overall strategy is to reduce the gearing ratio gradually. The gearing ratio analysis is as follows:

	2011 Rupees	2010 Rupees
Total borrowings	1,001,270,179	652,374,104
Less: Cash and bank balances	(10,773,994)	(7,592,135)
Net debt	990,496,185	644,781,969
Total equity	601,461,368	434,337,511
Total capital employed	1,591,957,553	1,079,119,480
Gearing ratio	62%	60%

The Company is not subject to any externally imposed capital requirements.

	Note	2011 Rupees	2010 Rupees
38. PLANT CAPACITY AND ACTUAL PRODUCTION			
Number of looms installed		188	162
Number of looms worked	38.1	188	162
100% Plant capacity at 60 picks (Sq. Meters)		69,430,650	57,141,872
Actual production converted to 60 picks (Sq. Meters)	38.2	56,737,187	55,910,916
Shifts per day		3	3
Number of days worked during the year		365	365

38.1 6 looms were commissioned in September 2010, while 20 new looms in May 2011.

38.2 Calculation of rated capacity is based on a fixed fabric width and looms speed. In actual these factors vary with the ever changing qualities under production. Further, 100% efficiency level is notional and in practice elusive. Hence, actual production figure is less than the rated capacity.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 30, 2011.

40. GENERAL

Figures have been rounded off to the nearest rupee.

(M. Naeem)
Chief Executive

(Muneer Nawaz)
Chairman

SHAHTAJ TEXTILE LTD.

PROXY FORM

Please quote

Folio No.	**Shares Held**

I/We ______________________________ of ______________________

in the district of ______________________ being a member of SHAHTAJ TEXTILE LIMITED

hereby appoint ______________________ of ______________________

as my/our proxy to vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company to be held on 31st October, 2011 and at any adjournment thereof.

As withessed given under my/our hand(s) this ______________ day of ________ 2011.

Wtiness Signature

Name: ______________________

C.N.I.C. No. ______________________

Applicable Revenue Stamp

Member's Signature

Notes:

1. This form of Proxy must be deposited duly completed, at the company's Registered Office, not less than 48 hours before the meeting
2. A Proxy of individual members must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the company
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders/corporates in addition to the above following requirements have to be met:

   i) Attested copy of C.N.I.C. or the passport of the beneficial owner shall be provided with proxy form.

   ii) Proxy shall produce his/her original C.N.I.C. or original passport at the time of meeting.