Contents

BOARD OF DIRECTORS	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
HUMAN RESOURCE AND REMUNERATION COMMITTE OF THE BOARD	Mr. Muner Nawaz	
	Mr. Farooq Hassan	
	Mr. M. Naeem	
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 Faysal Bank Limited HSBC Bank Middle East 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	27-C Abdalian Co-oporetive, Hosing Society, Lahore, Ph: (042) 35313891-92, 35301596-99 Fax: (042) 35301594	
FACTORY	46 K.M. Lahore/Multan Road Chunian Industrial Estate Bhai Pheru, Distt. Kasur, Punjab. Ph: (049) 4540430-32, 4540133, 4540234 Fax: (049) 4540031	
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 23rd Annual General Meeting of the Company will be held on Wednesday, the 31st October, 2012 at 11.30 A.M. at PC Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

A. ORDINARY BUSINESS:

1. To confirm the minutes of Extra Ordinary General Meeting held on 04th January, 2012.

2. To consider and adopt audited Financial Statements of the Company for the year ended June 30, 2012 together with Auditors' and Directors' Reports thereon.

3. To approve a cash Dividend @ 35% i.e. Rs.3.50 per share for the year ended June 30, 2012 as recommended by the Directors.

4. To appoint Auditors of the Company for the year 2012-2013 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.

B. SPECIAL BUSINESS:

6. To consider and if thought fit to pass with or without modification the following as a Special Resolution:

   'RESOLVED that Article 65 of the Articles of Association of the Company be amended to increase the remuneration of Directors for attending the meetings of the Board of Directors and of any Committees of the Board to Rs.25,000/- per meeting form existing Rs.10,000/-.'

By Order of the Board

(JAMIL AHMAD BUTT)
Company Secretary

Karachi: October 3, 2012

Notes:

1. The share transfer books of the Company will remain closed from 24th October to 3rd November, 2012 (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.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984:

The fee for attending the meetings of the Board and its Committees fixed in October, 2009 is due for review in line with the all around changes. The Directors are interested in this change to the extent of fees receivable by them on attending these meetings.

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 the 23rd Annual Report of the Company for the Financial Year ended June 30, 2012.

Financial Results and Prospects

By the Grace of Allah Almighty the company performed well during the year and earned an after tax profit of Rs.87.280 million with an EPS of Rs.9.04. This profit however is less then the last year for the reasons of reduced margins due to high energy and finance costs and slow down in the market conditions as was pointed out in the quarterly reports.

Investment on installation of Gas Power Generation Plant did not yield the desired savings because of delays and interrupted gas supply. On the other hand the power supply from WAPDA became costlier and suffered with longer periods of load shedding necessitating use of expensive alternates.

With the incidence of full year mark up charge on all long term loans taken for Gas Power Plant and earlier BMR programmes, the finance cost also increased.

Company is taking all possible steps to overcome these difficulties and looks forward to improved results in coming days.

Dividend

Directors are pleased to recommend a 35% cash dividend to the shareholders for this year to share the profits with the shareholders. A sum of Rs.50 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 Framework

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.

Meeting of Board of Directors

During the year 6 meetings were held and were attended as under:

Name of Director	Number of Meetings attended
Mr. Muneer Nawaz	6
Mr. M. Naeem	5
Mr. Mahmood Nawaz	5
Mr. C. M. Khalid	5
Mr. Farooq Hassan	6
Mrs. Sadia Muhammad	4
Mr. Toqueer Nawaz	4
LT. Col. (Retd) Rashiduddin Shams	1

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2012 according to the Code of Corporate Governance, 2012 is annexed.

Trading of Shareholding

During the year, Mr. Toqueer Nawaz has purchased 14,286 shares from a family member amounting to Rs.400,008/-. This said transaction has been fully disclosed to the Directors in their meeting dated October 3, 2012 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 2012-2013. Board agrees to this recommendation.

Appreciation

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

for and on behalf of the Board of Directors

Muneer Nawaz

(Muneer Nawaz)
Chairman

Karachi: October 3, 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi stock Exchange (Guarantee Ltd.) and chapter XI of Lahore Stock Exchange (Guarantee Ltd.) 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 CCG in the following manner.

1. The company encourages representation of independent non-executive directors on its board of directors. At present the board includes:

Category	Names
Executive Directors	Mr. Muhammad Naeem
	Lt. Col (Retd.) Rashiduddin Shams
Non-Executive Directors	Mr. Muneer Nawaz
	Mr. Mahmood Nawaz
	Mr. C. Muhammad Khalid
	Mr. Farooq Hassan (NIT)
	Mr. Toqueer Nawaz
	Mrs. Sadia Muhammad

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

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

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

5. The company has prepared a 'Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

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

9. The Board had arranged the orientation course of CCG for its recurring directors in the previous years to apprise them of their role and responsibilities. Six directors of the Company have minimum of 14 years of education and 15 years of experience on the board of a listed company and therefore exempted from director's training program. Further the Board is in the process of arranging again an appropriate orientation course for the directors.

10. There was no appointment of CFO, Company Secretary and Head of Internal Audit during the year.

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

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

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

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an audit committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.

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

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two including the chairman of the committee, are non-executive directors. The Human Resource and Remuneration Committee was formed subsequent to year end but before authorization of this statement.

18. The board has outsourced the internal audit function to M/s Moeed Associates who are considered suitably qualified and experienced for the purpose and are 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 program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all applicable other material principles enshrined in the CCG have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year:

    The secretary to the audit committee was neither company secretary nor Head of Internal Audit and further the Company did not appoint or designate any employee the Head of Internal Audit.

for and on behalf of the Board of Directors

(Mahmood Nawaz)
Director

(Muneer Nawaz)
Chairman

Karachi: October 3, 2012

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Shahtaj Textile Limited (the Company) to comply with the respective 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 (the 'Statement') and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of 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, 2012.

We draw attention to the following paragraphs of the Statement wherein certain non-compliances have been highlighted:

a) Paragraph 17 - the Human Resource and Remuneration Committee was not formed by the Company during the year. However, subsequent to the yearend, the Company formed the Human Resource and Remuneration Committee; and

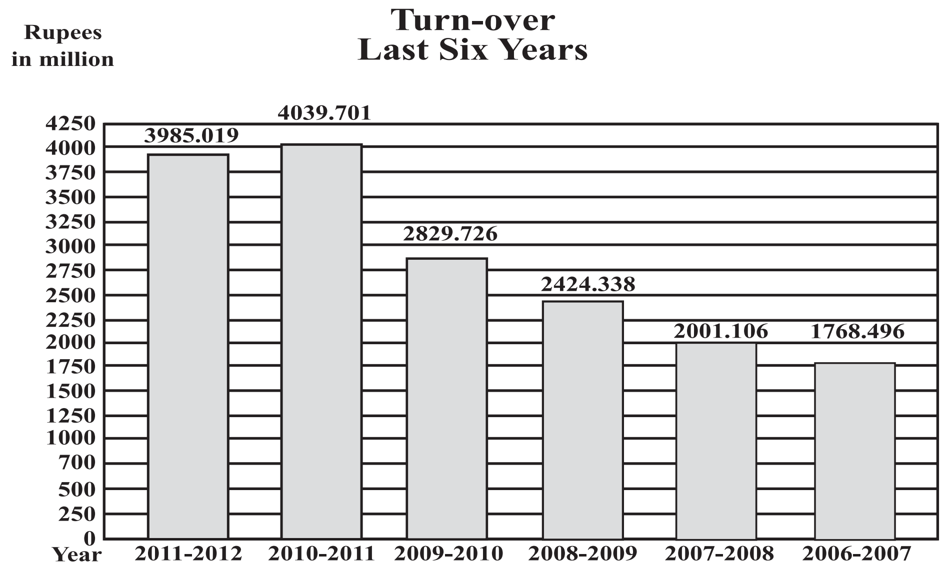
b) Paragraph 23 - the secretary to the audit committee was neither Company Secretary nor Head of Internal Audit and further the Company did not appoint or designate any employee the Head of Internal Audit.

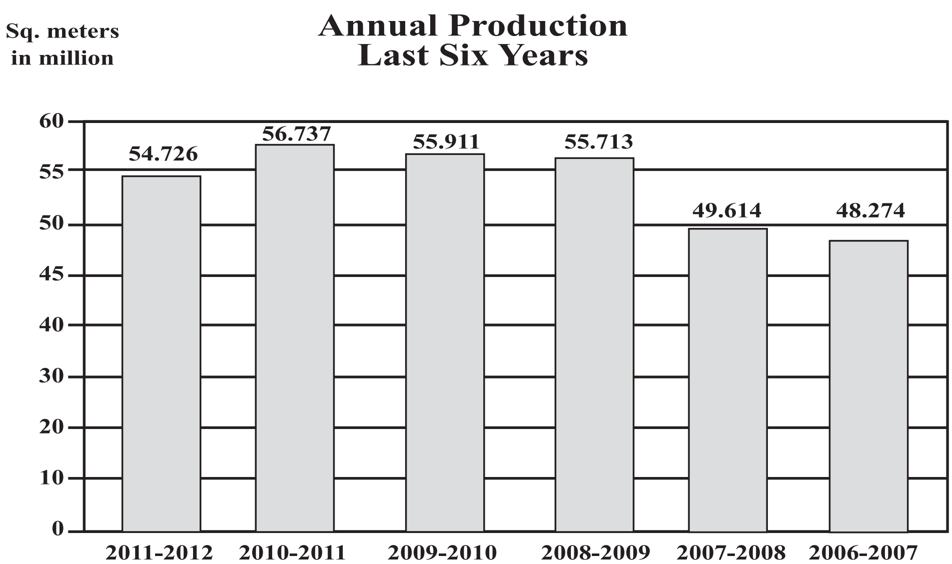
M. Yousuf Adil Saleem & Co.

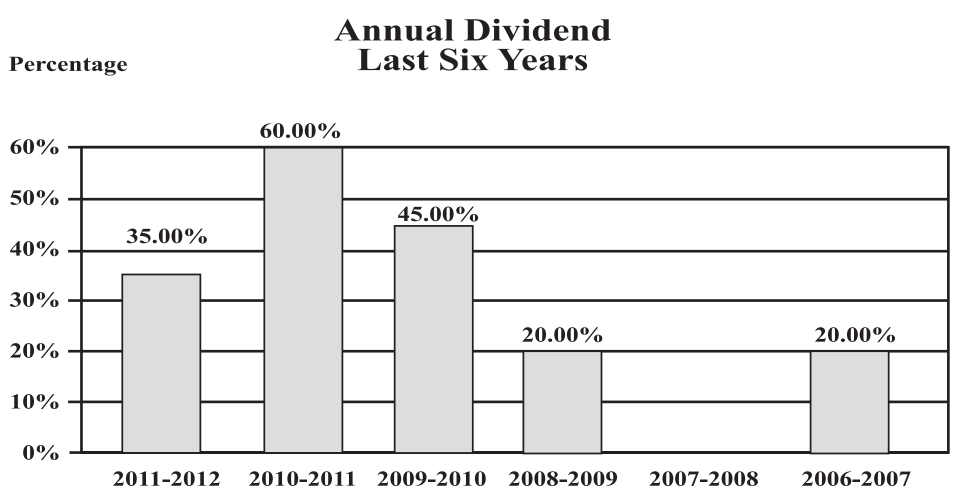
M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: October 3, 2012

	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
	All figures are in Tousand Rupees other than where percentages and ratio sign appear.					
PROFIT & LOSS ACCOUNT						
Net turnover	3985.019	4039.701	2841.3	2432.058	2001.106	1768.496
Gross profit	332.672	443.376	333.746	270.479	131.645	162.158
Operating profit	381.876	344.522	215.158	153.235	82.816	105.874
Profit before tax	91.596	234.480	133.328	50.432	15.593	38.487
Profit after tax	87.280	204.734	107.795	38.886	(0.345)	29.960
Earnings per share (Rs.)	9.04	21.19	11.16	4.03	(0.04)	3.10
Cash dividend	35%	60%	45%	20%	-	20%
Dividend payment ratio	38%	28%	40%	50%	-	64%
Cash distribution per share in Rupees	3.50	6.00	4.50	2.00	-	2.00
BALANCE SHEET						
Shareholders funds	96.600	96.600	96.600	96.600	96.600	96.600
Reserves	540.186	504.861	337.737	243.308	195.865	178.574
Property plant and equipment	884.750	859.041	685.171	696.562	758.279	717.543
Long term liabilities	336.986	457.044	154.491	256.739	269.965	211.418
Net current assets / liabilities	198.173	336.047	85.473	93.111	8.397	40.951
INVESTORS INFORMATION						
Gross profit ratio	8.84%	10.97%	11.75%	11.12%	6.58%	9.17%
Profit before tax ratio	2.30%	5.80%	4.71%	2.08%	0.78%	2.18%
Inventory turnover ratio	12.60	9.47	12.44	12.03	10.95	11.15
Fixed asset turnover ratio	4.50	4.70	4.11	3.34	2.71	2.40
Return on capital employed	12.63%	31.19%	22.09%	9.74%	(0.78%)	7.21%
Debt equity ratio	33:67	41:59	24 : 76	39:69	42:58	35:65
Current ratio	1.27:1	1.42:1	1.11 : 1	1.14:1	1.01:1	1.08:1
Interest cover ratio	2.74	4.03	2.63	1.49	1.23	1.57
STATEMENT OF VALUE ADDED DISTRIBUTION						
Employees remuneration	159.379	137.811	113.541	104.236	91.011	84.952
Government as taxes	4.316	29.746	25.532	11.545	18.493	8.527
Shareholders as dividends	33.810	57.960	43.470	19.320	-	19.320
Retained with in business	53.470	146.774	64.325	19.567	6.508	22.395
Financial charges to providers of finance	121.261	110.042	81.831	102.803	67.223	67.387


Turn-over
Last Six Years
Rupees in million
4250
4000
3750
3500
3250
3000
2750
2500
2250
2000
1750
1500
1250
1000
700
500
250
0
Year
3985.019
4039.701
2829.726
2424.338
2001.106
1768.496
2011-2012
2010-2011
2009-2010
2008-2009
2007-2008
2006-2007


Annual Production
Last Six Years
Sq. meters in million
60
55
50
45
40
30
20
10
0
54.726
56.737
55.911
55.713
49.614
48.274
2011-2012
2010-2011
2009-2010
2008-2009
2007-2008
2006-2007


Annual Dividend
Last Six Years
Percentage
60%
50%
40%
30%
20%
10%
0%
35.00%
60.00%
45.00%
20.00%
20.00%
2011-2012
2010-2011
2009-2010
2008-2009
2007-2008
2006-2007

Pattern of Holding of the shares held by shareholders as at June 30, 2012 is as under.

Serial Number	Number of Shareholders	Shareholdings From		To	Total Number of Shares Held
1	196	1	-	100	9,555
2	161	101	-	500	56,876
3	635	501	-	1000	375,091
4	140	1001	-	5000	319,165
5	32	5001	-	10000	218,782
6	18	10001	-	15000	208,039
7	4	15001	-	20000	70,825
8	2	20001	-	25000	46,000
9	4	25001	-	30000	106,133
10	1	30001	-	35000	30,600
11	2	45001	-	50000	95,286
12	3	50001	-	55000	156,946
13	1	75001	-	80000	79,566
14	1	90001	-	95000	95,000
15	1	100001	-	105000	103,068
16	2	110001	-	115000	227,500
17	1	115001	-	120000	118,000
18	1	135001	-	140000	137,154
19	2	220001	-	225000	444,806
20	1	235001	-	240000	239,771
21	1	240001	-	245000	241,700
22	1	255001	-	260000	256,335
23	1	260001	-	265000	263,950
24	1	275001		280000	275,160
25	1	290001	-	295000	294,821
26	1	305001	-	310000	306,172
27	1	335001	-	340000	335,200
28	1	395001	-	400000	396,750
29	1	475001	-	480000	475,726
30	1	505001	-	510000	506,000
31	1	525001	-	530000	529,670
32	1	655001	-	660000	657,782
33	1	830001	-	835000	832,571
34	1	**1145001**	-	1150000	1,150,000
	1222				**9,660,000**

The slabs with nil holding have been omitted.

PATTERN OF SHAREHOLDING
AS ON JUNE 30' 2012

		Shareholder's Category	Number of Share Held	Percentage of Shareholding (%)
i		**Associated Companies, undertaking & related parties**		
		Shahtaj Sugar Mills Limited	**1,150,000**	**11.91**
ii		**Mutal Funds**	-	
iii		**Directors, their spouses, and minor children**		
	1	Mr. Mahmood Nawaz	294,821	
		Mr. Mahmood Nawaz (CDC)	118,000	
		Mrs. Bushra Mahmood Nawaz	115,000	
		Mrs. Bushra Mahmood Nawaz (CDC)	17,825	

PATTERN OF SHAREHOLDING
AS ON JUNE 30' 2012

		Shareholder's Category	Number of Share Held	Percentage of Shareholding (%)
		Directors, their spouses, and minor children		
	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	
		Mrs. Amtul Bari Naeem	506,000	
		Mrs. Amtul Bari Naeem (CDC)	529,670	
	5	Lt. Col. (Retd.) Rashiduddin Shams	3,450	
	6	Sadia Taqi (CDC)	2,500	
	7	Toqueer Nawaz	275,160	
		Toqueer Nawaz (CDC)	54,000	
			3,744,921	**38.77**
iv		**Executives**		
	1	Mr. Jamil Ahmad Butt	575	
	2	Ms. Tasneem Syed	5,750	
	3	Mr. Younus Tanvir	575	
	4	Mr. Muhammad Anwar Rahi	1150	
	5	Mr. Hayat Khan	575	
	6	Mr. Ali Shah	575	
	7	Mr. Muhammad Akram	575	
	8	Mr. Haji Ahmed	575	
	9	Mr. Gul Munawar	575	
	10	Mr. Bashir Uddin Jamal	1,725	
			12,650	**0.13**
v		**Public Sector Companies & Corporations**		
		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**
vi		**Banks, Development Financial Institutions, Non Banking Financial Institutions, insurance companies, takaful, modarabas and pension funds**		
		Habib Bank Limited (CDC)	75	
		National Bank of Pakistan(CDC)	45,286	
		NIB Bank Limited (CDC)	14,500	
		Progressive Investment Management (Pvt)Ltd., (CDC)	500	
		H.M. Investment (Pvt) Ltd., (CDC)	230	
		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	
		ACE Securities (Private) Limited (CDC)	2,300	
		S.H Bukhari Securities (Private) Limited (CDC)	575	
		Y.S Securities & Services (Private) Limited (CDC)	3,075	
		Darson Securities (Private) Limited (CDC)	209	
		Fair Deal Securities (Private) Limited (CDC)	425	
		Highlink Capital (Private) Limited (CDC)	100	
		Pearl Capital Management (Private) Limited (CDC)	1	
			67,626	**0.70**
vii		**Share holders holding 5% or more voting rights**		
		Mr. Ahmed Naeem	**1,087,982**	**11.26**
viii		**General Public**		
	a.	Local	1,100,680	
	b.	Local (CDC)	2,008,090	
	c.	Foreign	-	
			3,108,770	**32.18**
			9,660,000	**100.00**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SHAHTAJ TEXTILE LIMITED (the Company) as at June 30, 2012 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, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

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

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner
Nadeem Yousuf Adil

Karachi: October 3, 2012

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 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	**420,000,000**	270,000,000
Unappropriated profit		**120,186,009**	234,861,368
		636,786,009	601,461,368
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax	5	**54,043,106**	52,739,224
NON-CURRENT LIABILITIES			
Long-term financing	6	**336,986,413**	457,043,920
Deferred liabilities	7	**83,094,525**	112,485,183
		420,080,938	569,529,103
CURRENT LIABILITIES			
Trade and other payables	8	**160,781,705**	223,198,531
Interest accrued	9	**27,142,918**	33,027,906
Short-term borrowings	10	**424,423,083**	467,513,933
Current portion of long-term financing	6	**127,215,292**	76,712,326
		739,562,998	800,452,696
CONTINGENCIES AND COMMITMENTS	11		
		1,850,473,051	2,024,182,391

	Note	2012 Rupees	2011 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	12	**884,750,166**	859,040,643
Long-term loans	13	**676,939**	1,089,409
Long-term deposits	14	**27,310,337**	27,552,544
		912,737,442	887,682,596
CURRENT ASSETS			
Stores, spares and loose tools	15	**42,295,212**	46,655,123
Stock-in-trade	16	**316,211,773**	426,415,977
Trade debts	17	**510,382,408**	614,058,719
Loans and advances	18	**1,946,707**	19,545,895
Trade deposits and short-term prepayments	19	**1,263,883**	324,694
Interest accrued		**21,156**	487,519
Other receivables	20	**11,590,217**	2,262,546
Taxation - net		**20,776,878**	828,616
Sales tax refundable		**18,076,050**	11,546,712
Other financial assets	21	**4,400,000**	3,600,000
Cash and bank balances	22	**10,771,325**	10,773,994
		937,735,609	1,136,499,795
		1,850,473,051	2,024,182,391

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

(Mahmood Nawaz)
Director

(Muneer Nawaz)
Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	23	**3,985,019,360**	4,039,700,858
Cost of goods sold	24	**(3,652,347,232)**	(3,596,324,238)
Gross profit		**332,672,128**	443,376,620
Other operating income	25	**19,538,900**	24,437,726
		352,211,028	467,814,346
Distribution cost	26	**(46,687,207)**	(26,460,465)
Administrative expenses	27	**(79,716,034)**	(79,196,206)
Other operating expenses	28	**(12,950,893)**	(17,635,449)
Finance cost	29	**(121,260,912)**	(110,041,730)
		(260,615,046)	(233,333,850)
Profit before taxation		**91,595,982**	234,480,496
Taxation	30	**(4,316,130)**	(29,746,127)
Profit after taxation		**87,279,852**	204,734,369
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**87,279,852**	204,734,369
Earnings per share - basic and diluted	31	**9.04**	21.19

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

(Mahmood Nawaz)
Director

(Muneer Nawaz)
Chairman

CASH FLOW STAEMENT
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2012 Rupees	2011 Rupees
Profit before taxation		**91,595,982**	234,480,496
Adjustments for:			
Depreciation	12.2	**75,244,705**	67,607,897
Finance cost	29	**121,260,912**	110,041,730
Gain on disposal of property, plant and equipment		**(1,071,703)**	-
Provision for gratuity and leave encashment		**13,570,283**	11,395,589
Provision for doubtful debts	17.3	**23,015,453**	28,015,453
Provision for obsolete stores and spares	15	**-**	4,102,054
Provision for obsolete raw material	16	**-**	913,812
Property, plant and equipment written off	28	**351,716**	-
Stores and spares written off	28	**2,849,771**	-
Net realizable value charges on stock-in-trade	16.1	**-**	27,075,329
Interest income	25	**(456,372)**	(375,951)
Operating cash flows before movements in working capital		**326,360,747**	483,256,409
(Increase) / decrease in current assets			
Stores, spares and loose tools		**1,510,140**	(11,903,074)
Stock-in-trade		**110,204,204**	(227,559,564)
Trade debts		**80,660,858**	(77,373,612)
Loans and advances		**17,599,188**	(17,311,431)
Trade deposits and short-term prepayments		**(939,189)**	1,327,738
Other receivables		**(9,327,671)**	(1,168,833)
Other financial assets		**(800,000)**	(200,000)
Sales tax refundable		**(6,529,338)**	5,421,755
Decrease in current liabilities			
Trade and other payables		**(63,500,968)**	(35,906,269)
Cash generated from operations		**455,237,971**	118,583,119
Gratuity and leave encashment paid		**(7,918,736)**	(9,042,126)
Interest paid		**(127,145,900)**	(94,429,324)
Income taxes paid		**(51,997,926)**	(54,601,891)
Net cash from / (used in) operating activities		**268,175,409**	(39,490,222)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(102,373,058)**	(241,477,463)
Proceeds from disposal of property, plant and equipment		**2,138,820**	-
Long-term loans		**412,470**	91,982
Decrease / (Increase) in long-term deposits		**242,207**	(24,764,499)
Interest received		**922,735**	2,668,539
Net cash used in investing activities		**(98,656,826)**	(263,481,441)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) / Proceeds of long-term financing		**(76,708,541)**	275,717,483
Long term financing obtained		**7,154,000**	-
Dividend paid		**(56,875,861)**	(42,742,553)
Net cash from / (used in) financing activities		**(126,430,402)**	232,974,930
Net increase / (decrease) in cash and cash equivalents		**43,088,181**	(69,996,733)
Cash and cash equivalents at July 1		**(456,739,939)**	(386,743,206)
Cash and cash equivalents at June 30	32	**(413,651,758)**	(456,739,939)

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

(Mahmood Nawaz)
Director

Muneer Nawaz

(Muneer Nawaz)
Chairman

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Note	Share capital	Revenue Reserves: General reserve	Revenue Reserves: Unappropriated profit	Total
		………………………… Rupees …………………………			
Balance as 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 as at June 30, 2011		**96,600,000**	**270,000,000**	**234,861,368**	**601,461,368**
Comprehensive income					
Profit after taxation for the year ended June 30, 2012		-	-	87,279,852	87,279,852
Other comprehensive income - net of tax		-	-	-	-
Total comprehensive income		-	-	87,279,852	87,279,852
Transferred from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation net of deferred taxation	5	-	-	6,004,789	6,004,789
Transferred to general reserve		-	150,000,000	(150,000,000)	-
Transactions with owners					
Final Dividend for the year ended June 30, 2011 @ Rs. 6.00 per share		-	-	(57,960,000)	(57,960,000)
Balance as at June 30, 2012		**96,600,000**	**420,000,000**	**120,186,009**	**636,786,009**

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

(Mahmood Nawaz)
Director

(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 KM. 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, 2011 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 net present value

2.3 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective; however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standard or Interpretation	Effective for periods beginning on or after
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2011
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 01, 2011
IFRS 7 - Disclosures – Transfer of Financial Assets (Amendment)	July 01, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 01, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

2.3.1 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 are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July1,2012
Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2012
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. However, management has not performed detailed analysis of the impact of the application of the amendments and hence yet not quantified the extent of the impact.

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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 Investment

Regular way purchase or sale of investments

All purchases and sales of investments are recognized using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Company.

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.4.7 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.

2.4.8 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.

2.4.9 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.

2.4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents 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.

2.4.11 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.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.4.12 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.

2.4.13 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'.

2.4.14 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.

2.4.15 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 where risks and rewards are transferred to the customers 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 proportionate basis, by reference to the principal outstanding and at the applicable effective interest rate.

2.4.16 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.

2.4.17 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.

2.4.18 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 2.4.8 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

2012	2011		2012	2011
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 (2011: 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

	2012 Rupees	2011 Rupees
Surplus on revaluation of property, plant and equipment as at July 01,	**66,687,403**	74,097,337
Transfer to unappropriated profit on account of:		
- incremental depreciation - net of deferred tax	**(6,004,789)**	(5,859,914)
Related deferred tax liability	**(663,951)**	(1,550,020)
	(6,668,740)	(7,409,934)
Surplus on revaluation of property, plant and equipment as at June 30,	**60,018,663**	66,687,403
Related deferred tax liability on:		
- revaluation as at July 01,	**(13,948,179)**	(20,508,661)
- decrease in deferred tax for change in rate of deferred tax	**7,308,671**	5,010,462
Transfer to unappropriated profit on account of: - incremental depreciation - net of deferred tax	**663,951**	1,550,020
	7,972,622	6,560,482
	(5,975,557)	(13,948,179)
	54,043,106	52,739,224

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.

6 LONG-TERM FINANCING

	Note	2012 Rupees	2011 Rupees
From banking companies - secured		**464,201,705**	533,756,246
Less: Current portion shown under current liabilities		**(127,215,292)**	(76,712,326)
	6.1	**336,986,413**	457,043,920

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

	DF - I	DF - II	DF - III	DF - IV	DF - V	SCB TF	2012 Total	2011 Total
	Rupees							
Balance at July 01	28,596,001	9,674,001	105,811,000	150,990,000	114,932,000	123,753,244	**533,756,246**	283,753,049
Obtained during the year	-	-	-	-	7,154,000	-	**7,154,000**	362,661,244
	28,596,001	9,674,001	105,811,000	150,990,000	122,086,000	123,753,244	**540,910,246**	646,414,293
Paid during the year	(19,064,000)	(3,224,000)	(26,454,000)	(7,344,000)	-	(20,622,541)	**(76,708,541)**	(112,658,047)
	9,532,001	6,450,001	79,357,000	143,646,000	122,086,000	103,130,703	**464,201,705**	533,756,246
Payable within next one year	(9,532,001)	(3,224,000)	(26,454,000)	(37,750,000)	(29,629,750)	(20,625,541)	**(127,215,292)**	(76,712,326)
Balance at June 30	-	3,226,001	52,903,000	105,896,000	92,456,250	82,505,162	**336,986,413**	457,043,920

Limit	100 million	16.123 million	132.265 million	150 million	122.089 million	123 million
Mark up rate (per annum)	SBP rate +200 bps (2011: SBP rate +200 bps)	SBP rate +200 bps (2011: SBP rate +200 bps)	SBP rate +300 bps (2011: SBP rate +300 bps)	SBP rate +250 bps (2011: SBP rate +250 bps)	SBP rate +250 bps (2011: SBP rate +250 bps)	6 months KIBOR-3% (2011: 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	6.3	6.4	6.5	6.6

6.2 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.

6.3 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.

6.4 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.

6.5 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. 183.834 million with 25% margin.

6.6 The liability under cross currency SWAP is converted into six year long term loan in accordance with the Settlement and Release Agreement. 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.

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

		Note	2012 Rupees	2011 Rupees
7	**DEFERRED LIABILITIES**			
	Staff gratuity	7.1	**31,619,766**	26,731,074
	Deferred taxation	7.2	**48,261,986**	83,304,191
	Leave encashment	7.3	**3,212,773**	2,449,918
			83,094,525	112,485,183
7.1	**Staff gratuity**			
7.1.1	**Movement in liability**			
	Balance as at July 01		**26,731,074**	24,810,189
	Charge for the year		**9,775,142**	8,329,210
	Payments made during the year		**(4,886,450)**	(6,408,325)
	Balance as at June 30		**31,619,766**	26,731,074
7.1.2	**Balance sheet reconciliation as at June 30**			
	Present value of obligations		**31,130,666**	26,241,974
	Unrecognized actuarial gain		**489,100**	489,100
			31,619,766	26,731,074
7.1.3	**Charge for the year**			
	Service cost		**6,101,266**	5,351,987
	Interest cost		**3,673,876**	2,977,223
			9,775,142	8,329,210

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:

	2012	2011
Expected rate of increase in salaries (% per annum)	**13%**	13%
Discount factor used (% per annum)	**12.5%**	14%
Expected average remaining working lives	**6 Years**	6 Years

7.1.5 Experience adjustments

	2012	2011	2010	2009	2008
	……………………………… Rupees ………………………………				
Present value of obligations	**31,130,666**	26,241,974	24,810,189	21,285,170	20,763,247
Fair value of plan assets	**-**	-	-	-	-
Deficit	**31,130,666**	26,241,974	24,810,189	21,285,170	20,763,247
Actuarial gains on obligation	**489,100**	489,100	-	461,918	-

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, 2012				
Deferred tax liabilities on taxable temporary differences arising in respect of :				
- property, plant and equipment - owned assets	**81,855,912**	**(34,129,910)**	**-**	**47,726,002**
- surplus on revaluation of property, plant and equipment	**13,948,179**	**(663,951)**	**(7,308,671)**	**5,975,557**
	95,804,091	**(34,793,861)**	**(7,308,671)**	**53,701,559**
Deferred tax assets on deductible temporary differences arising in respect of :				
- staff gratuity	**(5,591,071)**	**2,442,955**	**-**	**(3,148,116)**
- doubtful debts	**(5,859,712)**	**3,568,255**	**-**	**(2,291,457)**
- stores and spares	**(857,985)**	**857,985**	**-**	**-**
- stock-in-trade	**(191,132)**	**191,132**	**-**	**-**
	83,304,191	**(27,733,534)**	**(7,308,671)**	**48,261,986**
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

		Note	2012 Rupees	2011 Rupees
7.3	**Leave encashment**			
	Balance as at July 01		**2,449,918**	2,017,340
	Provision during the year		**3,795,141**	3,066,379
	Paid during the year		**(3,032,286)**	(2,633,801)
	Balance as at June 30		**3,212,773**	2,449,918
8	**TRADE AND OTHER PAYABLES**			
	Creditors - others		**65,593,289**	111,481,950
	Accrued liabilities		**63,922,290**	59,210,462
	Advance from customers		**14,281,032**	27,826,827
	Due to associated undertaking	8.1	**420,000**	-
	Workers' Profit Participation Fund	8.2	**4,919,484**	13,011,139
	Workers' Welfare Fund		**1,869,404**	4,785,316
	Unpaid and unclaimed dividend		**5,663,959**	4,579,817
	Retention payable		**2,719,957**	1,251,635
	Others		**1,392,290**	1,051,385
			160,781,705	223,198,531

8.1 This represents payable to Shahnawaz (Private) Limited on account of software modification charges.

		Note	2012 Rupees	2011 Rupees
8.2	**Workers' Profit Participation Fund**			
	Balance as at July 01		**13,011,139**	8,430,656
	Interest on funds utilized in the Company's business		**1,459,425**	772,291
			14,470,564	9,202,947
	Payments made during the year		**(14,470,564)**	(8,784,746)
			-	418,201
	Allocation for the year		**4,919,484**	12,592,938
	Balance as at June 30		**4,919,484**	13,011,139
9	**INTEREST ACCRUED**			
	Interest accrued on:			
	long-term financing		**14,609,481**	14,408,603
	short-term borrowings		**12,533,437**	18,619,303
			27,142,918	33,027,906

			2012	2011
			Rupees	Rupees
10	**SHORT-TERM BORROWINGS**			
	Under markup arrangements - Secured			
	Running finance - from banking companies	10.1	**424,423,083**	467,513,933

10.1 The Company can avail finance facilities from various banks aggregating to Rs. 1010 million (2011: Rs. 1,084 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 (2011: KIBOR plus 1.25% to 2% per annum). The unavailed facilities as at year end were Rs. 585.57 million (2011: 616.49 million).

			2012	2011
			Rupees	Rupees
11	**CONTINGENCIES AND COMMITMENTS**			
	Contingencies			
	Guarantees issued by banks on behalf of the Company in favor of Sui Northern Gas Pipelines Limited (SNGPL)		**20,400,000**	20,400,000
	Bills discounted not matured - customer's risk		**293,542,382**	420,359,584
	Tax contingency has been disclosed in note 30.3 to the financial statements.			
	Commitments outstanding			
	Capital expenditure		**-**	13,401,895
	Letters of credit other than for capital expenditure		**5,228,435**	4,027,140
	Sales contracts to be executed		**225,669,696**	343,574,566
12	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	12.1	**884,750,166**	743,696,772
	Capital work in progress	12.6	**-**	115,343,871
			884,750,166	859,040,643

12.1 Operating fixed assets

	Freehold land	Buildings on freehold land: Factory building	Buildings on freehold land: Labour colony	Buildings on freehold land: Office block & others	Plant and machinery	Furniture and fixtures	Equipment and installations	Computer equipment	Vehicles	Others - arms	Total
	…………	…………	…………	…………	…………	Rupees	…………	…………	…………	…………	…………
Year ending June 30, 2012											
As at July 01											
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**
Additions / transfer	**-**	**49,230,257**	**63,928**	**13,034,075**	**141,633,960**	**196,982**	**1,536,286**	**672,266**	**11,349,175**	**-**	**217,716,929**
Disposals / write off	**-**	**-**	**-**	**-**	**-**	**(69,334)**	**(505,628)**	**(2,583,779)**	**(4,706,034)**	**-**	**(7,864,775)**
Depreciation charge for the year	**-**	**(4,464,523)**	**(1,547,710)**	**(192,602)**	**(64,836,241)**	**(184,755)**	**(154,076)**	**(852,100)**	**(3,011,319)**	**(1,379)**	**(75,244,705)**
Transfers of depreciation	**-**	**-**	**-**	**-**	**-**	**47,913**	**290,758**	**2,416,380**	**3,690,894**	**-**	**6,445,945**
Closing net book value	**31,121,190**	**85,308,446**	**13,987,989**	**15,607,331**	**712,880,639**	**1,786,099**	**2,604,461**	**2,092,468**	**19,349,132**	**12,411**	**884,750,166**
As at June 30											
Cost / revalued	**31,121,190**	**158,091,786**	**33,383,890**	**20,376,434**	**1,361,413,519**	**4,821,446**	**4,051,978**	**6,088,266**	**32,291,592**	**80,470**	**1,651,720,571**
Accumulated depreciation	**-**	**(72,783,340)**	**(19,395,901)**	**(4,769,103)**	**(648,532,880)**	**(3,035,347)**	**(1,447,517)**	**(3,995,798)**	**(12,942,460)**	**(68,059)**	**(766,970,405)**
Net book value	**31,121,190**	**85,308,446**	**13,987,989**	**15,607,331**	**712,880,639**	**1,786,099**	**2,604,461**	**2,092,468**	**19,349,132**	**12,411**	**884,750,166**
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**
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	2012 Rupees	2011 Rupees
Cost of goods sold	24	**70,986,767**	64,160,913
Administrative expenses	27	**4,257,938**	3,446,984
		75,244,705	67,607,897

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:

	2012 Rupees	2011 Rupees
Cost	**1,203,011,372**	1,061,377,414
Accumulated depreciation	**(550,149,396)**	(491,981,897)
Written down value	**652,861,976**	569,395,517

12.5 Disposal of property, plant and equipment

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Mode of Disposal	Name
Vehicle	373,970	240,578	133,392	200,000	Negotiation	Muhammad Toufiq
Vehicle	617,000	420,087	196,913	297,500	Company's policy	Tahir Ahmad (Staff)
Vehicle	1,031,300	874,017	157,283	328,000	Company's policy	Munawar Iqbal (Staff)
Vehicle	527,850	296,628	231,222	335,270	Company's policy	Tanvir Afzal (Staff)
Vehicle	1,045,267	910,697	134,570	296,400	Company's policy	Khalid Waquar (Staff)
Vehicle	1,044,950	910,081	134,869	620,000	Negotiation	Kamil Ghulam.
Motor Cycle	65,700	38,806	26,894	31,650	Company's policy	Baseer Ahmad (Staff)
Office Equipment	108,696	56,722	51,974	30,000	Negotiation	Noor Impex
June 30,2012	**4,814,733**	**3,747,616**	**1,067,117**	**2,138,820**		

12.6 Capital work in progress

	Civil work	Plant and machinery	Total
	.... Rupees		
As at July 1, 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**
Additions	62,207,486	25,679,851	**87,887,337**
Transferred to fixed assets	(62,519,704)	(140,658,857)	**(203,178,561)**
Adjustments	(1,863)	(50,784)	**(52,647)**
As at June 30, 2012	-	-	-

	Note	2012 Rupees	2011 Rupees
13 LONG-TERM LOANS			
Considered good - unsecured			
Employees		**968,935**	1,408,386
Less: Recoverable within one year shown under current assets			
Employees	18	**(291,996)**	(318,977)
	13.1	**676,939**	1,089,409

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

	2012 Rupees	2011 Rupees
Balance as at July 1,	**1,408,386**	1,487,403
Disbursements during the year	**250,000**	292,000
	1,658,386	1,779,403
Received during the year	**(689,451)**	(371,017)
Balance as at June 30,	**968,935**	1,408,386
Current portion of long term loans	**(291,996)**	(318,977)
	676,939	1,089,409

13.2 Unsecured loans to 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% (2011: 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.

			2012 Rupees	2011 Rupees
14	**LONG-TERM DEPOSITS**			
	Security deposits			
	Utilities		**27,223,944**	27,287,544
	Others		**86,393**	265,000
			27,310,337	27,552,544
15	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**16,767,142**	21,485,946
	Spares		**23,803,216**	27,636,637
	Loose tools		**1,724,854**	1,634,594
			42,295,212	50,757,177
	Provision for obsolete stores and spares			
	Balance as at July 01		**(4,102,054)**	-
	Provision made during the year		**-**	(4,102,054)
	Written off during the year		**4,102,054**	-
	Balance as at June 30		**-**	(4,102,054)
			42,295,212	46,655,123
16	**STOCK-IN-TRADE**			
	Raw and packing materials		**115,041,157**	122,218,059
	Work-in-process		**53,262,873**	63,054,104
	Finished goods		**147,907,743**	242,057,626
			316,211,773	427,329,789
	Provision for obsolete stock in trade-(Raw material)			
	Balance as at July 01		**(913,812)**	-
	Provision made during the year		**-**	(913,812)
	Written off during the year		**913,812**	-
	Balance as at June 30		**-**	(913,812)
		16.1	**316,211,773**	426,415,977

16.1 At current year end, net realizable values of raw material, work-in-process and finished goods were lower than there cost, which resulted in write-downs of Rs. Nil (2011: Rs.9 million), Rs. Nil (2011: Rs.3.8 million) and Rs. Nil (2011: Rs. 14.18 million) respectively and were charged to cost of sales.

17 TRADE DEBTS	**Note**	**2012 Rupees**	**2011 Rupees**
Secured - considered good			
Export	17.1	**17,765,111**	14,531,290
Unsecured - considered good			
Local		**492,617,297**	599,527,429
Unsecured - considered doubtful			
Local		**23,015,453**	28,015,453
Provision for doubtful debts	17.3	**(23,015,453)**	(28,015,453)
		-	-
	17.2	**510,382,408**	614,058,719

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 7 days to 120 days credit terms.

17.3 Movement of provision for doubtful debts	**2012 Rupees**	**2011 Rupees**
Balance as at July 01	**28,015,453**	-
Provision made during the year	**23,015,453**	28,015,453
Written off during the year	**(28,015,453)**	-
Balance as at June 30	**23,015,453**	28,015,453

18 LOANS AND ADVANCES	Note	2012	2011
Advances - considered good			
Employees		**237,185**	415,556
Suppliers and contractors		**1,417,526**	18,811,362
		1,654,711	19,226,918
Current portion of long-term loans			
Employees	13	**291,996**	318,977
		1,946,707	19,545,895

		Note	2011 Rupees	2010 Rupees
19	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Trade deposits			
	Container deposits		**55,000**	30,000
	Short-term prepayments			
	Import prepayments		**12,169**	20,517
	Subscription		**50,760**	29,232
	Discounting charges		**1,145,954**	244,945
			1,208,883	294,694
			1,263,883	324,694

		Note		
20	**OTHER RECEIVABLES**			
	Export rebate		**2,514,477**	985,702
	Due from associated undertaking	20.1	**-**	96,210
	Others		**9,075,740**	1,180,634
			11,590,217	2,262,546

20.1 This represents amounts due from Shahtaj Sugar Mills Limited (associated company) of Rs. Nil (2011: Rs. 96,210) in respect of secretarial services provided by the Company.

		Note	2012 Rupees	2011 Rupees
21	**OTHER FINANCIAL ASSETS**			
	Investment Held-to-maturity	21.1	**4,400,000**	3,600,000

21.1 This represents investment made in Term Deposit Receipts held for a period of 1 months with a mark-up rate of 9.75% per annum (2011: 11.4% per annum).

		Note	2012 Rupees	2011 Rupees
22	**CASH AND BANK BALANCES**			
	Cash at bank			
	- current accounts		**10,247,087**	9,741,194
	- saving account	22.1	**131,021**	982,874
	Cash in hand		**393,217**	49,926
			10,771,325	10,773,994

22.1 This carries mark-up rate of 5% per annum (2011: 5% per annum).

		Note	2012 Rupees	2011 Rupees
23	**SALES - net**			
	Local		**1,214,275,951**	819,531,230
	Indirect export		**2,031,873,883**	2,849,983,712
	Export		**752,937,197**	385,610,889
			3,999,087,031	4,055,125,831
	Export rebate		**1,528,775**	259,529
			4,000,615,806	4,055,385,360
	Commission		**(15,596,446)**	(15,684,502)
			3,985,019,360	4,039,700,858
24	**COST OF GOODS SOLD**			
	Raw and packing materials consumed	24.1	**3,035,678,194**	3,378,298,376
	Stores and spares consumed	24.2	**39,445,629**	36,223,999
	Manufacturing expenses			
	Salaries, wages and benefits	24.3	**110,641,243**	94,167,752
	Director's remuneration		**3,163,800**	2,305,400
	Fuel and power		**253,492,924**	204,060,710
	Repairs and maintenance		**4,273,629**	1,442,145
	Insurance		**3,610,029**	2,970,266
	Depreciation	12.2	**70,986,767**	64,160,913
	Others		**429,457**	1,021,739
			3,521,721,672	3,784,651,300
	Work-in-process			
	Opening stock		**63,054,104**	45,162,866
	Closing stock		**(53,262,873)**	(63,054,104)
			9,791,231	(17,891,238)
	Cost of goods manufactured		**3,531,512,903**	3,766,760,062
	Finished goods			
	Opening stock		**242,057,626**	66,435,553
	Closing stock		**(147,907,743)**	(242,057,626)
			94,149,883	(175,622,073)
			3,625,662,786	3,591,137,989
	Outside processing charges		**26,684,446**	5,186,249
			3,652,347,232	3,596,324,238

		Note	2012 Rupees	2011 Rupees
24.1	**Raw and packing materials consumed**			
	Opening stock		**122,218,059**	115,247,135
	Purchases and related expenses		**3,028,501,292**	3,385,269,300
			3,150,719,351	3,500,516,435
	Closing stock	16	**(115,041,157)**	(122,218,059)
			3,035,678,194	3,378,298,376
24.2	**Stores and spares consumed**			
	Opening stock		**46,655,123**	38,854,103
	Purchases and purchase expenses		**35,085,718**	44,025,019
			81,740,841	82,879,122
	Closing stock	15	**(42,295,212)**	(46,655,123)
			39,445,629	36,223,999

24.3 Salaries, wages and benefits include Rs. 6,112,078 (2011: Rs. 4,388,365) in respect of staff gratuity.

24.4 Raw materials consumed, work-in-process and finished goods have been adjusted for NRV write downs of Rs. Nil (2011: Rs. 9 million), Rs. Nil (2011: Rs. 3.8 million) and Rs. Nil (2011: Rs. 14.18 million) respectively.

		Note	2012 Rupees	2011 Rupees
25	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Interest on bank deposits		**456,372**	375,951
	Income from other than financial assets			
	Net income from trading	25.1	**73,054**	5,348,350
	Scrap sales		**17,937,771**	18,713,425
	Gain on sale of fixed assets		**1,071,703**	-
			19,538,900	24,437,726
25.1	**Net income from trading**			
	Sales - Local		**1,363,500**	39,477,225
	Cost - Purchases and related expenses		**(1,290,446)**	(34,128,875)
			73,054	5,348,350

26 DISTRIBUTION COST

	Note	2012 Rupees	2011 Rupees
Export related			
Ocean freight		**23,277,154**	8,398,798
Insurance		**477,136**	26,621
Forwarding		**133,000**	56,710
Export duty		**2,202,531**	1,072,941
Entertainment		**5,650**	17,233
Postage and courier		**266,310**	85,692
Fees and subscription		**339,400**	39,170
Travelling and conveyance		**2,346,564**	1,444,047
Other expenses		**986,724**	407,157
		30,034,469	11,548,369
Local			
Salaries and benefits	26.1	**11,036,387**	8,656,035
Local freight		**1,694,210**	2,130,390
Travelling and conveyance		**538,330**	972,241
Sales promotion		**863,196**	580,904
Marketing office		**2,480,046**	2,450,895
Insurance		**14,621**	14,484
Other expenses		**25,948**	107,147
		16,652,738	14,912,096
		46,687,207	26,460,465

26.1 Salaries and benefits include Rs. 1,308,340 (2011: Rs. 750,198) in respect of staff gratuity.

27 ADMINISTRATIVE EXPENSES

	Note	2012 Rupees	2011 Rupees
Salaries and benefits	27.1	**29,479,218**	29,256,937
Director's remuneration		**5,060,000**	3,410,000
Provision for doubtful debts		**23,015,453**	28,015,453
Travelling and conveyance		**1,460,455**	2,381,273
Vehicles running and maintenance		**5,006,915**	3,688,765
Telephone and fax		**903,844**	785,578
Postage and courier		**481,607**	292,681
Printing and stationery		**1,990,425**	1,784,363
Computer expenses		**1,184,636**	633,880
Rent, rates and taxes		**340,212**	400,032
Repairs and maintenance		**1,299,085**	1,159,923
Insurance		**1,012,668**	808,165
Auditors' remuneration	27.2	**605,470**	624,357
Legal and professional charges		**681,085**	221,528
Advertising		**93,487**	17,600

	Note	2012 Rupees	2011 Rupees
Entertainment		**258,975**	151,182
Fees and subscription		**1,074,313**	1,090,197
Donations	27.3	**300,000**	100,000
Depreciation	12.2	**4,257,938**	3,446,984
Share registrar services		**138,084**	127,591
Other expenses		**1,072,164**	799,717
		79,716,034	79,196,206

27.1 Salaries and benefits include Rs. 2,354,724 (2011: Rs. 3,190,647) in respect of staff gratuity.

27.2 Auditors' remuneration

	2012 Rupees	2011 Rupees
Audit fee	**500,000**	500,000
Half yearly review fee	**50,000**	50,000
Out of pocket expenses	**55,470**	74,357
	605,470	624,357

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

28 OTHER OPERATING EXPENSES

	2012 Rupees	2011 Rupees
Workers' Profit Participation Fund	**4,919,484**	12,592,938
Workers Welfare Fund	**1,869,404**	4,785,316
Exchange loss	**2,960,518**	257,195
Property, plant and equipment written off	**351,716**	-
Stores and spares written off	**2,849,771**	-
	12,950,893	17,635,449

29 FINANCE COST

	2012 Rupees	2011 Rupees
Mark-up on:		
Long-term financing	**52,484,570**	32,093,629
Short-term borrowings	**63,849,820**	73,970,573
Discounting charges	**-**	1,760,078
Interest on Workers' Profit Participation Fund	**1,459,425**	772,291
Bank charges and commission	**3,467,097**	1,445,159
	121,260,912	110,041,730

		Note	2012 Rupees	2011 Rupees
30	**TAXATION**			
	Current			
	for the year		**40,175,542**	42,636,023
	for prior years		**(8,125,878)**	4,163,691
	Deferred		**(27,733,534)**	(17,053,587)
		30.1	**4,316,130**	29,746,127
30.1	**Relationship between tax expense and accounting profit**			
	Accounting profit before tax		**91,595,982**	234,480,496
	Tax rate %		**35%**	35%
	Tax on accounting profit		**32,058,594**	82,068,174
	Effect of additional tax surcharge		**-**	1,815,072
	Income tax for prior years		**(8,125,878)**	4,163,691
	Effect of income subject to final tax regime		**(19,767,641)**	(58,300,810)
	Effect of income subject to minimum tax		**151,055**	-
	Tax charge for the year		**4,316,130**	29,746,127

30.2 The return of income for the tax year 2011, 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 124 of the Income Tax Ordinance 2001, pertaining to the tax year 2009, from Deputy Commissioner Inland Revenue raising additional demand of Rs. 28.36 million amending the original demand of Rs. 49.79 million. The Company has filed an appeal to the Income Tax Appellate Tribunal (ITAT) for rectification of the said order the decision of which is pending till the approval of financial statements from BOD. The Company has recorded and paid an amount of Rs. 5 million while no provision has been made against the remaining balance of Rs. 23.36 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:

		2012	2011
Profit after taxation for the year	**Rupees**	**87,279,852**	204,734,369
Weighted average number of ordinary shares in issue	**Number**	**9,660,000**	9,660,000
Earnings per share - basic and diluted	**Rupees**	**9.04**	21.19

		Note	2012 Rupees	2011 Rupees
32	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	22	**10,771,325**	10,773,994
	Short-term borrowings	10	**(424,423,083)**	(467,513,933)
			(413,651,758)	(456,739,939)

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	Rupees					
Remuneration	**1,980,000**	**1,352,400**	**7,572,966**	1,320,000	1,152,000	4,820,828
Bonus	**220,000**	**144,100**	**765,050**	220,000	144,100	602,600
Retirement benefits	**440,000**	**321,400**	**1,772,145**	220,000	288,000	1,205,205
House rent	**900,000**	**406,320**	**2,271,641**	600,000	346,800	1,446,208
Ex-gratia	**440,000**	**169,100**	**946,600**	330,000	144,100	602,600
Medical	**540,000**	**135,240**	**757,297**	360,000	115,200	482,082
Utilities	**540,000**	**135,240**	**757,297**	360,000	115,200	482,082
Performance reward	**-**	**500,000**	**2,850,000**	-	-	-
Leave encashment	**-**	**-**	**365,092**	-	-	214,999
	5,060,000	**3,163,800**	**18,058,088**	3,410,000	2,305,400	9,856,604
Number of persons	**1**	**1**	**9**	1	1	6

33.1 In addition, the Chief Executive is provided with Company 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 cars for official use.

33.3 In addition to above, fee paid to other non-executive directors during the year amounted to Rs. 350,000 (2011: Rs. 320,000).

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	2012 Rupees	2011 Rupees
Associated Undertakings	Shahtaj Sugar Mills Limited	Services rendered	**360,000**	360,000
	Shahnawaz Textiles Limited	Purchase of yarn	**-**	45,404,000
	Shahnawaz (Private) Limited	Computers, miscellaneous computer supplies and others purchased	**500,566**	612,100
		Services received for office facility	**673,212**	739,032
		Software development charges	**845,000**	-
		Purchase of vehicle	**1,850,000**	-
		Services received for vehicle repair and other computer related	**178,687**	417,451
	Shezan International Limited	Purchase of goods	**341,581**	266,108

35 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

Subsequent to year end, the directors propose to pay cash dividend of Rs.3.50 (2011: Rs. 6.00) 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, 2012 would increase / decrease by Rs. 5.28 million (2011: Rs. 10.02 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 repricing dates at the balance sheet dates are as follows:

	2012 Rupees	2011 Rupees
6 months or less		
- Short-term borrowings	**424,423,083**	467,513,933
- Long-term loans including current portion	**103,130,703**	123,753,244

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, 2012, the total foreign currency risk exposure was Rs. 17.8 million (2011: Rs. 14.5 million) in respect of trade debts.

36.3.2.1 Foreign currency sensitivity analysis

At June 30, 2012, 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. 1.78 million (2011: Rs. 1.45 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:

	2012 Rupees	2011 Rupees
Long-term loans	**676,939**	1,089,409
Long-term deposits	**27,310,337**	27,552,544
Trade debts	**510,382,408**	614,058,719
Loans and advances	**529,181**	734,533
Trade deposits	**55,000**	30,000
Interest accrued	**21,156**	487,519
Other receivables	**9,075,740**	1,276,844
Other financial assets	**4,400,000**	3,600,000
Bank balances	**10,378,108**	10,724,068
	562,828,869	659,553,636

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. 4% (2011: 2%) 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, Sadaqat Textile and Madina Enterprises which is 72% of the total trade receivables as at year end.

The total exposure of the Company in trade debts is Rs. 510.38 million (2011: Rs. 614.05 million), which has been discussed as follows:

The Company has the policy to grant credit of 7 days to 120 days to their customers. The exposure of the Company in trade receivables, which are neither overdue nor impaired, is Rs. 248.51 million (2011: Rs. 438.13 million)

Trade receivables, which have crossed their credit days limits, amounting to Rs. 261.87 million (2011: Rs. 203.94 million) for which the company has provided Rs. 23 million (2011: 28 million) and the remaining amounts are still considered recoverable.

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

	2012 Rupees	2011 Rupees
Less than 1 month	**95,058,000**	52,829,280
1 - 3 months	**63,973,895**	91,636,748
3 - 6 months	**65,824,143**	90,147
6 months - 1 year	**8,053,373**	23,903,162
1 - 3 years	**5,151,467**	7,425,709
More than 3 years	**796,248**	42,223
	238,857,126	175,927,269

The aging of overdue and impaired trade receivables is as follows:

	2012	2011
1 - 3 years	**23,015,453**	28,015,453

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
Habib Bank Limited	JCR-VIS	AA+	A-1+
United Bank Limited	JCR-VIS	AA+	A-1+
Faysal Bank Limited	JCR-VIS	AA	A-1+
Bank of Punjab	PACRA	AA-	A-1+
Bank Alfalah Limited	PACRA	AA	A-1+
Allied Bank Limited	PACRA	AA+	A-1+
MCB Bank Limited	PACRA	AA+	A-1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A-1+

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. 67% of the Company’s long-term and short-term debt will mature in less than one year at June 30, 2012 (2011: 47%) 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. 525 million (2011: Rs. 859 million) 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.

	2012				
	Long-term financing	Short-term borrowings	Trade and other payables	Interest accrued	Total
	……… Rupees ………				
With in 1 year	**171,819,672**	**424,423,083**	**139,711,785**	**27,142,918**	**763,097,458**
1 - 5 years	**382,931,240**	**-**	**-**	**-**	**382,931,240**
More than 5 years	**-**	**-**	**-**	**-**	**-**
	554,750,912	**424,423,083**	**139,711,785**	**27,142,918**	**1,146,028,698**
Weighted average effective rate of interest	**10.44%**	**14.26%**			

	2011				
	Long-term financing	Short-term borrowings	Trade and other payables	Interest accrued	Total
	……… Rupees ………				
With in 1 year	128,532,113	46,751,933	177,575,249	33,027,906	385,887,201
1 - 5 years	444,929,001	-	-	-	444,929,001
More than 5 years	102,213,425	-	-	-	102,213,425
	675,674,539	46,751,933	177,575,249	33,027,906	933,029,627
Weighted average effective rate of interest	9.67%	13.44%			

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, 2012 amounts to Rs. 464.2 million (2011: Rs. 533.7 million) approximately.

36.7 Financial Instruments by Category

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

	2012			2011		
	Held to maturity	Loans and receivables	Total	Held to maturity	Loans and receivables	Total
Assets as per balance sheet	……… Rupees ………					
Long-term loans	**-**	**676,939**	**676,939**	-	1,181,391	1,181,391
Long-term deposits	**-**	**27,310,337**	**27,310,337**	-	2,788,045	2,788,045
Trade debts	**-**	**510,382,408**	**510,382,408**	-	564,700,560	564,700,560
Loans and advances	**-**	**529,181**	**529,181**	-	554,052	554,052
Trade deposits	**-**	**55,000**	**55,000**	-	30,000	30,000
Interest accrued	**-**	**27,142,918**	**27,142,918**	-	2,780,107	2,780,107
Other receivables	**-**	**9,075,740**	**9,075,740**	-	1,276,844	1,276,844
Other financial assets	**4,400,000**	**-**	**4,400,000**	3,600,000	-	3,600,000
Cash and bank balances	**-**	**10,771,325**	**10,771,325**	-	10,773,994	10,773,994
	4,400,000	**585,943,849**	**590,343,849**	3,600,000	584,084,993	587,684,993

	2012		2011	
	Financial liabilities measured at amortized cost	Total	Financial liabilities measured at amortized cost	Total
Liabilities as per balance sheet	………… Rupees …………			
Long-term financing	**464,201,705**	**464,201,705**	533,756,246	533,756,246
Trade and other payables	**139,711,785**	**139,711,785**	177,575,249	177,575,249
Interest accrued	**27,142,918**	**27,142,918**	33,027,906	33,027,906
Short-term borrowings	**424,423,083**	**424,423,083**	467,513,933	467,513,933
	1,055,479,491	**1,055,479,491**	1,211,873,334	1,211,873,334

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:

	2012 Rupees	2011 Rupees
Total borrowings	**888,624,788**	1,001,270,179
Less: Cash and bank balances	**(10,771,325)**	(10,773,994)
Net debt	**877,853,463**	990,496,185
Total equity	**636,786,009**	601,461,368
Total capital employed	**1,514,639,472**	1,591,957,553
Gearing ratio	**58%**	62%

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

38 PLANT CAPACITY AND ACTUAL PRODUCTION

		2012	2011
Number of looms installed		**188**	188
Number of looms worked		**188**	188
100% Plant capacity at 60 picks (Sq. Meters)		**69,430,650**	69,430,650
Actual production converted to 60 picks (Sq. Meters)	38.1	**54,726,446**	56,737,187
Shifts per day		**3**	3
Number of days worked during the year		**366**	365

38.1 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 AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 03,2012.

40 GENERAL

Figures have been rounded off to the nearest rupee.

(Mahmood Nawaz)
Director

(Muneer Nawaz)
Chairman

Statement under section 241 (2) of the Companies Ordinance 1984.

The Chief Executive is out of Pakistan and in his absence these accounts have been signed by two Directors as required under section 241 (2) of the companies, Ordinance, 1984.

(Mahmood Nawaz)
Director

(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 23rd Annual General Meeting of the Company to be held on 31st October, 2012 and at any adjournment thereof.

As withessed given under my/our hand(s) this ________________ day of __________ 2012.

Applicable Revenue Stamp

Wtiness Signature

Name: ________________________

C.N.I.C. No. ________________________

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.