

REPORT AND ACCOUNTS
FOR THE NINE MONTHS ENDED
MARCH 31, 2011

AL-ABID SILK MILLS LIMITED

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

AL-ABID SILK MILLS LIMITED

CONTENTS

| | |
|-----------------------------------------------------------|---|
| Company Information | 2 |
| Directors' Report | 3 |
| Condensed Interim Balance Sheet | 4 |
| Condensed Interim Profit & Loss Account | 6 |
| Condensed Interim Cash Flow Statement | 7 |
| Condensed Interim Statement of Changes in Equity | 8 |
| Notes to the Condensed Interim Financial Statements | 9 |

AL-ABID SILK MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

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

SECRETARY

Mr. S.M. Jawed Azam

AUDIT COMMITTEE

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

AUDITORS

Muniff Ziauddin Junaidy & Co.
Chartered Accountants

REGISTRARS

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

BANKERS

Allied Bank Limited
Bank Islami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

REGISTERED OFFICE

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

MILLS

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

AL-ABID SILK MILLS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors takes immense pleasure and pride in presenting the condensed financial statements of the company for the nine months ended March 31, 2011.

During the period under review sales touched to PKR 7.46 billion as against PKR 7.82 billion of the corresponding period of last year. The net profit of the company during the period under review registered at PKR 52.61 million as compared to PKR 179.10 million of the corresponding period of last year.

It is pertinent to mention here that the last three quarters witnessed the worst ever time in the textile industry where phenomenal increase in the prices of raw cotton, steep rise in the ERF markup rates by the State Bank of Pakistan caused due to high rate of inflation, sizeable increase in the utility prices coupled with shortage in the supply of gas to the industrial sector took place thus slowing down the overall supply of the processed and manufactured items of textile goods. Furthermore, the overseas buyers due to depressed economic conditions prevailing in their countries as well and lower demand of the products did not consider enough to increase their prices matching with the world wide cotton prices. The uncertain economic conditions and frequent outburst of law and order situation in our areas of operation also contributed in the lower production and dispatch of the merchandise, as per our planned strategic schedule.

FUTURE OUTLOOK

Slowly and gradually our buyers having depleted in their inventory have started showing their great interest in placing fresh orders at prices in commensuration with the prevailing market prices of cotton. As a consequence, our sales have already started showing upward trend. It is sincere endeavor of your Directors that notwithstanding the inflationary pressure on all input costs and other issues as outlined above, is to sufficiently increase in sales so as to meet our objectives and to significantly improve the profitability of the company. We are optimistic that the ensuing periods will show significant improvement in sales and profitability.

In the end your Directors are pleased to appreciate for the services rendered by the workers, staff and executives of the Company and look forward to their continued efforts and dedication. We also acknowledge with thanks the cooperation extended by our banks and financial institutions. At the same time we sincerely thank all our well wishers and our valued shareholders for their understanding and continued support.

Thanks to all of you.

For and on behalf of the
Board of Directors

April 28, 2011

(NASEEM A. SATTAR)
Chairman & Chief Executive

AL-ABID SILK

CONDENSED INTERIM BALANCE SHEET

| | Un-audited March 2011 Rupees | Audited June 2010 Rupees |
|-------------------------------------------------------------------|------------------------------------|--------------------------------|
| EQUITY & LIABILITIES | | |
| SHARE CAPITAL AND RESERVES | | |
| Authorised capital 20,000,000 Ordinary Shares of Rs. 10/- each | <u>200,000,000</u> | <u>200,000,000</u> |
| Issued, subscribed and paid-up capital | 134,095,500 | 95,782,500 |
| Reserves | | |
| Capital reserve | 372,834,000 | 257,895,000 |
| Unappropriated profit | 735,872,773 | 702,423,220 |
| | <u>1,108,706,773</u> | <u>960,318,220</u> |
| | 1,242,802,273 | 1,056,100,720 |
| Surplus on revaluation of fixed assets | 5 514,699,488 | 554,724,488 |
| LIABILITIES | | |
| NON- CURRENT LIABILITIES | | |
| Loan from director - unsecured | 50,000,000 | 98,861,281 |
| Long term loans from banks | 32,986,227 | 49,479,345 |
| Liabilities against assets subject to finance lease | 47,192,256 | 57,780,347 |
| Deferred liabilities | 55,701,163 | 49,981,271 |
| | 185,879,646 | 256,102,244 |
| CURRENT LIABILITIES AND PROVISIONS | | |
| Trade and other payables | 3,720,347,435 | 3,881,969,994 |
| Accrued markup | 56,360,714 | 46,659,404 |
| Current maturity of long term loans and finances | 43,846,280 | 62,649,743 |
| Short term finances | 3,386,646,081 | 2,889,283,046 |
| | 7,207,200,510 | 6,880,562,187 |
| CONTINGENCIES AND COMMITMENTS | | |
| | 6 - | - |
| | <u>9,150,581,917</u> | <u>8,747,489,639</u> |

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Naseem A. Sattar
Chairman & CEO

MILLS LIMITED

AS AT MARCH 31, 2011

| | Un-audited March 2011 Rupees | Audited June 2010 Rupees |
|---------------------------------|---------------------------------------------|-----------------------------------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 2,078,669,704 | 2,199,215,769 |
| Long term security deposit | 1,946,645 | 1,946,645 |
| CURRENT ASSETS | | |
| Stores and spares | 159,904,220 | 154,763,973 |
| Stock in trade | 6,156,142,923 | 5,761,914,678 |
| Trade debtors | 304,590,469 | 305,547,862 |
| Loans and advances | 35,690,639 | 39,975,793 |
| Trade deposits and prepayments | 33,313,451 | 18,297,163 |
| Other receivables | 240,858,531 | 129,899,995 |
| Tax refunds due from government | 79,086,651 | 72,240,817 |
| Cash and bank balances | 60,378,684 | 63,686,944 |
| | 7,069,965,568 | 6,546,327,225 |
| | <u>9,150,581,917</u> | <u>8,747,489,639</u> |

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2011

| Note | Nine Months Ended | | Quarter Ended | | |
|----------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------|
| | Jul-Mar. 2011 Rupees | Jul-Mar. 2010 Rupees | Jan-Mar. 2011 Rupees | Jan-Mar. 2010 Rupees | |
| Sales and services | 7,462,556,251 | 7,818,951,807 | 2,318,760,480 | 2,724,355,739 | |
| Cost of sales | (6,360,180,017) | (6,568,296,429) | (1,940,237,712) | (2,294,272,996) | |
| Gross Profit | 1,102,376,234 | 1,250,655,378 | 378,522,768 | 430,082,743 | |
| Operating expenses | | | | | |
| Administrative | 177,229,228 | 157,030,306 | 60,086,678 | 52,889,371 | |
| Selling and distribution | 387,587,899 | 487,706,824 | 123,515,777 | 163,142,580 | |
| | (564,817,127) | (644,737,130) | (183,602,455) | (216,031,951) | |
| Operating profit | 537,559,107 | 605,918,248 | 194,920,313 | 214,050,792 | |
| Other income | 3,269,976 | 1,830,360 | 479,705 | 453,855 | |
| | 540,829,083 | 607,748,608 | 195,400,018 | 214,504,647 | |
| Finance cost | 403,143,965 | 329,401,525 | 158,248,238 | 121,506,966 | |
| Other operating expenses | 9,448,979 | 19,102,251 | 2,549,632 | 6,382,194 | |
| | (412,592,944) | (348,503,776) | (160,797,870) | (127,889,160) | |
| Profit before taxation | 128,236,139 | 259,244,832 | 34,602,148 | 86,615,487 | |
| Taxation - current | (75,630,086) | (80,146,099) | (23,279,707) | (28,229,938) | |
| Profit after taxation | 52,606,053 | 179,098,733 | 11,322,441 | 58,385,549 | |
| Other comprehensive income | - | - | - | - | |
| Total comprehensive income | 52,606,053 | 179,098,733 | 11,322,441 | 58,385,549 | |
| Earnings per share - basic and diluted | 9 | 4.86 | 19.29 | 0.84 | 6.29 |

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2011

| | Jul-Mar 2011 Rupees | Jul-Mar 2010 Rupees |
|-----------------------------------------------------------------|------------------------|------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 128,236,139 | 259,244,832 |
| Adjustments for: | | |
| Depreciation | 125,376,580 | 127,975,421 |
| Provision for gratuity | 11,680,245 | 10,696,912 |
| (Gain) on disposal of property plant and equipment | (1,748,969) | (1,047,893) |
| | 135,307,856 | 137,624,440 |
| (Increase) / decrease in current assets: | | |
| Stores and spares | (5,140,247) | 573,900 |
| Stock in trade | (394,228,245) | (466,801,412) |
| Trade debtors | 957,393 | (213,883,704) |
| Loan and advances | 4,285,154 | (1,189,991) |
| Trade deposits and prepayments | (15,016,288) | (9,982,514) |
| Other receivables | (110,958,536) | (115,150,218) |
| Tax refunds due from government | (6,497,914) | (52,975,872) |
| | (526,598,683) | (859,409,811) |
| Increase / (decrease) in current liabilities: | | |
| Trade and other payables | (161,622,559) | 510,621,811 |
| Accrued mark-up | 9,701,310 | (8,072,001) |
| Short term finance | 497,363,035 | 241,657,326 |
| | 345,441,786 | 744,207,136 |
| Cash generated from operations | 82,387,098 | 281,666,597 |
| Taxes paid | (75,978,006) | (76,265,902) |
| Staff gratuity paid | (5,960,353) | (3,389,499) |
| Net cash generated from operations | 448,739 | 202,011,196 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (46,163,546) | (101,098,624) |
| Proceeds from disposal of fixed assets | 3,057,000 | 2,656,000 |
| Net cash used in investing activities | (43,106,546) | (98,442,624) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from obligation under finance lease | 9,517,000 | 30,049,000 |
| Proceeds of loan from director | 50,000,000 | - |
| Repayment of loan from director | (98,861,281) | - |
| Proceeds from issue of ordinary share capital | 134,095,500 | - |
| Payments of obligation under finance lease | (25,336,119) | (42,755,513) |
| Payment of long term loans | (30,065,553) | (85,077,520) |
| Dividends paid | - | (7,183,688) |
| Net cash outflow from financing activities | 39,349,547 | (104,967,721) |
| Net (Decrease) / in cash and cash equivalents | (3,308,260) | (1,399,149) |
| Cash and cash equivalents at the beginning of the period | 63,686,944 | 36,468,570 |
| Cash and cash equivalents at the end of the period | 60,378,684 | 35,069,421 |

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2011

| | Share Capital | Capital Reserve | Unappropriated Profit | Total |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------|
| | Rupees | | | |
| Balance as at June 30, 2009 | 95,782,500 | 257,895,000 | 610,977,152 | 964,654,652 |
| Total comprehensive income for the nine months ended March 31, 2010 | - | - | 179,098,733 | 179,098,733 |
| Transaction with owners | | | | |
| Final dividend @ Rs. 0.75 per share for the year ended June 30, 2009 | - | - | (7,183,688) | (7,183,688) |
| Balance as at March 31, 2010 | 95,782,500 | 257,895,000 | 782,892,197 | 1,136,569,697 |
| Total comprehensive loss for the period | - | - | (80,468,977) | (80,468,977) |
| Balance as at June 30, 2010 | 95,782,500 | 257,895,000 | 702,423,220 | 1,056,100,720 |
| Total comprehensive income for the nine months ended March 31, 2011 | - | - | 52,606,053 | 52,606,053 |
| Transaction with owners | | | | |
| Right Shares @ 20% | 19,156,500 | 114,939,000 | - | 134,095,500 |
| Bonus Shares @ 20% | 19,156,500 | - | (19,156,500) | - |
| Balance as at March 31, 2011 | 134,095,500 | 372,834,000 | 735,872,773 | 1,242,802,273 |

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2011

1. STATUS AND ACTIVITIES

The company is domiciled in Pakistan and was incorporated in the year 1968 as a Private Limited Company. It was converted into Public Limited Company on 24th December, 1987 under the Companies Ordinance, 1984. The Company is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and other textile made-ups. The registered office of the company is situated at A-39, S.I.T.E., Manghopir Road, Karachi.

2. BASIS FOR PREPARATION

These condensed interim financial information have been prepared in accordance with the requirements of the IAS-34 "Interim Financial Reporting" and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

These condensed interim financial information comprise of the balance sheet as at March 31, 2011 and profit and loss account, cash flow statement and statement of changes in equity for the nine months ended March 31, 2011.

The comparative balance sheet presented in these condensed interim financial information as at June 30, 2010 has been extracted from the audited financial statements of the Company for the year ended June 30, 2010, whereas the comparative profit and loss account, cash flow statement and statement of changes in equity are stated from un-audited condensed interim financial statements for the nine months ended March 31, 2011.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these condensed interim financial information are same as those published in the annual financial statements for the year ended June 30, 2010.

In April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are made in the following standards:

IFRS 5 - Non-Current Assets Held for Sales and Discontinued Operation
IFRS 8 - Operating Segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash Flow
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 39 - Financial Instruments: Recognition and measurement.

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the condensed interim financial statements of the Company.

4. ESTIMATES

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

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

AL-ABID SILK MILLS LIMITED

| | Unaudited March 31, 2011 Rupees | Audited June 30, 2010 Rupees |
|------------------------------------------------------|------------------------------------------------|------------------------------------|
| 5. SURPLUS ON REVALUATION OF FIXED ASSETS | | |
| Opening balance | 554,724,488 | 554,724,488 |
| Deficit on revaluation carried out during the period | (40,025,000) | - |
| | <u>514,699,488</u> | <u>554,724,488</u> |

The Company has updated the revaluation of Leasehold land on August 31, 2010. The valuation has been determined by the independent valuer M/s. Anjum Adil & Associates on the basis of prevailing market rates. The earlier valuation was carried out by the same independent valuer on August 31, 2007 on the basis of prevailing market rates at that time. Had the revaluation not been carried out the carrying amount of Leasehold land, would have been lower by Rs. 514,699,488.

| | Unaudited March 31, 2011 Rupees | Audited June 30, 2010 Rupees |
|-----------------------------------------|------------------------------------------------|------------------------------------|
| 6. CONTINGENCIES AND COMMITMENTS | | |
| 6.1 Contingencies: | | |
| Bank guarantee | <u>69,432,037</u> | <u>69,432,037</u> |

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

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

| | Unaudited March 31, 2011 Rupees | Audited June 30, 2010 Rupees |
|-----------------------------------------|------------------------------------------------|------------------------------------|
| 6.3 Commitments: | | |
| Commitments under LCs for raw materials | <u>189,599,227</u> | <u>115,132,953</u> |

| | Unaudited Jul-Mar. 2011 Rupees | Unaudited Jul-Mar. 2010 Rupees |
|------------------------|-----------------------------------------------|--------------------------------------|
| 7. FIXED ASSETS | | |

- 7.1** The fixed capital expenditures during the period are as follows:

Property, plant & equipment

Owned assets:

| | | |
|----------------------------------------------|-------------------|-------------------|
| Buildings on leasehold land | 49,264,605 | 3,986,966 |
| Plant, machinery & equipment | 5,927,697 | 32,794,738 |
| Furniture, fixtures and ancillary equipments | 6,143,456 | 2,082,495 |
| Office equipment | 160,000 | - |
| Electric, gas & other installations | 1,176,373 | 381,846 |
| Vehicles | 9,872,900 | 5,998,955 |
| | <u>72,545,031</u> | <u>45,245,000</u> |

Leased assets

| | | |
|------------------------------|-------------------|-------------------|
| Plant, machinery & equipment | 5,870,000 | 30,049,000 |
| Vehicles | 3,647,000 | 7,835,000 |
| | <u>9,517,000</u> | <u>37,884,000</u> |
| | <u>82,062,031</u> | <u>83,129,000</u> |

- 7.2 Capital work in progress**

| | | |
|--|---|------------|
| | - | 17,969,624 |
|--|---|------------|

- 7.3 Disposals during the period are as follows:**

Property, plant & equipment

Owned assets:

| | | |
|-----------------------------|------------------|------------------|
| Buildings on leasehold land | - | 3,335,304 |
| Vehicles | 3,797,400 | 2,030,830 |
| | <u>3,797,400</u> | <u>5,366,134</u> |

AL-ABID SILK MILLS LIMITED

11. CORRESPONDING FIGURE

For the purpose of better presentation, the following reclassification have been made:

'Accrued markup' was previously included under the head of 'Creditors, accrued charges and other liabilities'. From the current year the same has been shown separately. Consequently, the comparatives have also been reclassified accordingly.

'Trade deposits and prepayments' was previously included under the head of 'Advances, deposits and prepayments'. From the current year the same has been shown separately. Consequently, the comparatives have also been reclassified accordingly.

12. DATE OF AUTHORIZATION OF ISSUE

These condensed interim financial information were approved and authorised for issue in the Board of directors' meeting held on April 28, 2011.

13. GENERAL

Figures have been rounded off to the nearest rupee.

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

BOOK POST
Printed Matter

UNDER POSTAL CERTIFICATE

If undelivered please return to :

AL-ABID SILK MILLS LIMITED

Registrars:

Adam Patel & Company

34/2-F, Block-5, Clifton, Karachi.