

REPORT AND ACCOUNTS
FOR THE FIRST QUARTER ENDED
SEPTEMBER 30, 2011

AL-ABID SILK MILLS LIMITED

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

AL-ABID SILK MILLS LIMITED

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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
Pak Oman Investment Company Limited
Pak Kuwait Investment Company (Private) 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 is pleased to present the condensed interim financial statements for the first quarter ended September 30, 2011.

During the quarter ended the sales stood at the previous level i.e. Rs. 2.74 billion. The net profit of the company decreased from Rs. 22.18 million to Rs 17.77 million, as compared to corresponding period of the last financial year.

During the quarter under review the margins remained under pressure due to threefold increase in cotton prices during last year coupled with the significant increase in gas tariff and ERF rate. The net profit would have increased correspondingly if the scheme of Draw Back of Local Taxes and Levies had not been abandoned by the Government of Pakistan.

FUTURE OUTLOOK

As current year have been showing a little transition from economic recession to recovery, although it is slow but after having witnessed significant drop and steady trend of cotton prices, both locally and globally, reduction in markup rates, our Company would be in a better position to compete in international market enabling us to accomplish our sales target of Rs. 15 billion for the current financial year.

Towards the end your Directors are pleased to appreciate the services rendered by its workers, staff and executives of the Company and look forward to their continued hard work with full dedication. We also acknowledge with thanks the cooperation extended by our banks and financial institutions towards achieving the results. At the same time we thank our well wishers and our valued shareholders for their reposing confidence in us.

With profound regards,

October 29, 2011

For and on behalf of the
Board of Directors

(NASEEM A. SATTAR)
Chairman & Chief Executive

AL-ABID SILK

CONDENSED INTERIM BALANCE SHEET

| | September 30, 2011 Rupees (Un Audited) | June 30, 2011 Rupees (Audited) |
|-------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------|
| 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 | 134,095,500 |
| Reserves | | |
| Capital reserve | <u>372,834,000</u> | 372,834,000 |
| Unappropriated profit | <u>778,831,820</u> | 761,057,832 |
| | 1,151,665,820 | 1,133,891,832 |
| Shareholder's equity | | |
| | <u>1,285,761,320</u> | 1,267,987,332 |
| Surplus on revaluation of fixed assets | 514,699,488 | 514,699,488 |
| LIABILITIES | | |
| NON- CURRENT LIABILITIES | | |
| Loan from director - unsecured | <u>50,000,000</u> | 50,000,000 |
| Long term loan from banks | <u>21,990,815</u> | 27,488,521 |
| Liabilities against assets subject to finance lease | <u>36,859,574</u> | 42,108,142 |
| Retirement benefits | <u>60,444,865</u> | 57,156,177 |
| | 169,295,254 | 176,752,840 |
| CURRENT LIABILITIES AND PROVISIONS | | |
| Trade and other payables | <u>3,290,856,153</u> | 3,638,014,135 |
| Accrued markup | <u>71,565,660</u> | 81,848,565 |
| Current maturity of long term loans - and Lease Liability | <u>42,774,171</u> | 43,215,321 |
| Short term finances | <u>3,407,294,784</u> | 3,373,595,170 |
| | 6,812,490,768 | 7,136,673,191 |
| CONTINGENCIES AND COMMITMENTS | | |
| | <u>-</u> | - |
| | 8,782,246,830 | <u>9,096,112,851</u> |

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

Naseem A. Sattar
Chairman & CEO

MILLS LIMITED

AS AT SEPTEMBER 30, 2011

| | September 30, 2011 | June 30, 2011 |
|---------------------------------|--------------------------------|-----------------------------|
| | Rupees (Un Audited) | Rupees (Audited) |
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 2,048,468,732 | 2,053,145,834 |
| Long term security deposit | 1,946,645 | 1,946,645 |
| CURRENT ASSETS | | |
| Stores and spares | 160,076,679 | 161,040,428 |
| Stock in trade | 5,813,526,063 | 6,104,611,202 |
| Trade debts | 236,411,233 | 313,196,248 |
| Loans and advances | 37,018,035 | 16,979,095 |
| Trade deposits and prepayments | 54,793,278 | 22,966,451 |
| Other receivables | 316,398,003 | 317,038,844 |
| Tax refunds due from government | 71,536,792 | 67,722,615 |
| Cash and bank balances | 42,071,370 | 37,465,489 |
| | 6,731,831,453 | 7,041,020,372 |
| | <u>8,782,246,830</u> | <u>9,096,112,851</u> |

Azim Ahmed
Director

AL-ABID SILK MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

| | Jul-Sep 11 Rupees | Jul-Sep 10 Rupees |
|-----------------------------------------------|----------------------|--------------------------|
| Sales and services | 2,739,627,651 | 2,740,038,740 |
| Cost of sales | 2,365,496,273 | 2,421,754,802 |
| Gross profit | 374,131,378 | 318,283,938 |
| Operating expenses | | |
| Distribution cost | 89,737,406 | 88,612,430 |
| Administrative expenses | 79,199,203 | 65,361,280 |
| Other operating expenses | 3,379,912 | 3,714,760 |
| | 172,316,521 | 157,688,470 |
| | 201,814,857 | 160,595,468 |
| Other income | 2,141,320 | 2,022,144 |
| Profit from operations | 203,956,177 | 162,617,612 |
| Finance cost | 158,085,941 | 112,203,011 |
| Profit before taxation | 45,870,236 | 50,414,601 |
| Taxation - current | 28,096,248 | 28,233,535 |
| Profit after taxation | 17,773,988 | 22,181,066 |
| Other comprehensive income | - | - |
| Total Comprehensive income for the period | 17,773,988 | 22,181,066 |
| Earnings per share - basic and diluted | 7 | Restated 2.39 |
| | 1.33 | |

The annexed notes 1 to 10 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 CASH FLOW STATEMENT (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

| | Jul-Sep 11 Rupees | Jul-Sep 10 Rupees |
|-----------------------------------------------------------------|----------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 45,870,236 | 50,414,601 |
| Adjustments for: | | |
| Depreciation | 39,505,801 | 40,760,647 |
| Provision for gratuity | 4,282,757 | 3,893,415 |
| Gain on disposal of property, plant and equipment | (1,675,099) | (1,607,102) |
| | 42,113,459 | 43,046,960 |
| (Increase) / decrease in current assets: | | |
| Stores and spares | 963,749 | (8,587,586) |
| Stock in trade | 291,085,139 | (14,781,332) |
| Trade debts | 76,785,015 | (139,018,586) |
| Loan and advances | (20,038,940) | (5,341,585) |
| Trade deposits and prepayments | (31,826,827) | (26,733,157) |
| Other receivables | 640,841 | (43,293,771) |
| Tax refunds due from government | (6,128,968) | (17,087,680) |
| | 311,480,009 | (254,843,697) |
| Increase / (decrease) in current liabilities: | | |
| Trade and other payable | (347,157,982) | 145,293,148 |
| Accrued mark-up | (10,282,905) | (3,992,326) |
| Short term finance | 33,699,614 | 56,746,593 |
| | (323,741,273) | 198,047,415 |
| Cash generated from operations | 75,722,431 | 36,665,279 |
| Taxes paid | (25,781,458) | (28,789,409) |
| Staff gratuity paid | (994,069) | (1,489,884) |
| Net cash generated from operations | 48,946,904 | 6,385,986 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (37,162,241) | (20,844,889) |
| Proceeds from disposal of fixed assets | 4,008,642 | 2,097,000 |
| Net cash used in investing activities | (33,153,599) | (18,747,889) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payments of obligation under finance lease | (5,689,718) | (13,696,780) |
| Payment of long term loans | (5,497,706) | (8,890,815) |
| Net cash outflow from financing activities | (11,187,424) | (22,587,595) |
| Net increase/(decrease) in cash and cash equivalents | 4,605,881 | (34,949,498) |
| Cash and cash equivalents at the beginning of the period | 37,465,489 | 63,686,944 |
| Cash and cash equivalents at the end of the period | 42,071,370 | 28,737,446 |

The annexed notes 1 to 10 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 THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

| | Share Capital | Capital Reserve | Unappropriated Profit | Total |
|---------------------------------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------|
| | Rupees | | | |
| Balance as at June 30, 2010 (Audited) | 95,782,500 | 257,895,000 | 702,423,220 | 1,056,100,720 |
| Total comprehensive income for the three months period ended September 30, 2010 | - | - | 22,181,066 | 22,181,066 |
| Balance as at September 30, 2010 (Unaudited) | 95,782,500 | 257,895,000 | 724,604,286 | 1,078,281,786 |
| Transactions with owners | | | | |
| Issue of Capital - Right Shares | 19,156,500 | 114,939,000 | - | 134,095,500 |
| Bonus shares issued during the year in the ratio of 01 share for every 05 shares held | 19,156,500 | - | (19,156,500) | - |
| Total comprehensive income for the nine months period ended June 30, 2011 | - | - | 55,610,046 | 55,610,046 |
| Balance as at June 30, 2011 (Audited) | 134,095,500 | 372,834,000 | 761,057,832 | 1,267,987,332 |
| Total comprehensive income for the three months period ended September 30, 2011 | - | - | 17,773,988 | 17,773,988 |
| Balance as at September 30, 2011 (Unaudited) | 134,095,500 | 372,834,000 | 778,831,820 | 1,285,761,320 |

The annexed notes 1 to 10 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 THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2011

1 LEGAL STATUS AND OPERATIONS

Al-Abid Silk Mills Limited (the Company) was incorporated as a private limited company in the year 1968, later on it was converted into public limited company as on December 24, 1987 under Companies Ordinance, 1984. Currently, the shares of the Company are listed on Karachi and Lahore Stock Exchanges. The registered office is located at A-39, S.I.T.E., Manghopir Road, Karachi. The Company is principally engaged in manufacturing and processing of various kinds of fabrics and export of printed and dyed cloth, bed sets and other textile made-ups. The manufacturing facilities of the Company are located at Karachi.

2 BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Company for the three months period ended September 30, 2011 is unaudited and being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984 (the Ordinance) and the listing regulations of the Karachi and Lahore stock exchanges and has been prepared in accordance with the requirements of the International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the ordinance. Where ever the requirements of IAS 34 differ from the requirements of the ordinance or directives issued by the SECP, the ordinance and the said directives have been followed.
- 2.2 The Condensed interim financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2011.
- 2.3 These condensed interim financial statements are presented in Pak Rupees, which is the functional currency of the Company. All the financial information presented in Pak Rupee has been rounded off to the nearest rupee.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and the method of computation followed in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements of the Company for the year ended June 30, 2011.
- 3.2 The following standards, amendments and interpretations to existing standards by the International Financial Reporting Interpretations Committee (IFRIC) have been published and are mandatory for accounting periods beginning on or after July 1, 2011 or later periods. The new amendments is not expected to have a material impact on the Company's condensed interim financial statements;

IAS 1 (Amendment) 'Presentation of Financial Statements',
IAS 24 (Revised) 'Related Party Disclosures',
IFRS 7 (Amendment) 'Financial Instruments: Disclosures',
IFRIC 14 (Amendment) 'Prepayments of minimum funding requirement'
IFRIC 19 (Amendment) 'Extinguishing financial liabilities with equity instruments'

AL-ABID SILK MILLS LIMITED

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 4.1 The estimates / judgments and associated assumptions used in the preparation of the condensed interim financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.
- 4.2 In the preparation of these condensed interim financial statements, the significant judgment made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to annual audited financial statements of the Company for the year ended June 30, 2011.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies:

There is no significant change in contingencies from the preceding annual published financial statements of the Company for the year ended June 30, 2011.

| | September 30,2011 Rupees (Unaudited) | June 30,2011 Rupees (Audited) |
|----------------------------------------------------------|--------------------------------------------|-------------------------------------|
| 5.2 Commitments: | | |
| Commitments under LCs for raw materials and spares parts | <u>8,098,047</u> | <u>44,588,906</u> |

6 PROPERTY, PLANT AND EQUIPMENT

| | 2,048,468,732 | 2,053,145,834 |
|------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| | Jul-Sep 11 Rupees (Unaudited) | Jul-Sep 10 Rupees (Unaudited) |
| Operating Fixed Assets | | |
| 6.1 The fixed capital expenditures during the period as follows: | | |
| Owned assets: | | |
| Building on lease hold land | 4,947,952 | 937,901 |
| Plant, machinery and equipments | 17,144,847 | 2,218,784 |
| Furniture & fixture | 6,413,191 | 1,792,601 |
| Electric, gas and other installations | 2,050,951 | 88,843 |
| Vehicles | 6,605,300 | 6,324,580 |
| | <u>37,162,241</u> | <u>11,362,709</u> |
| 6.2 The disposals during the period as follows: | | |
| Owned assets: | | |
| Plant, machinery and equipments | 6,377,519 | - |
| Vehicles | 3,145,000 | 2,837,400 |
| | <u>9,522,519</u> | <u>2,837,400</u> |

AL-ABID SILK MILLS LIMITED

| | | | | |
|------------|-------------------------------------------------|--------|--------------------|--------------------|
| 7 | EARNINGS PER SHARE - BASIC & DILUTED | | Jul-Sep 11 | Jul-Sep 10 |
| | | | (Unaudited) | (Unaudited) |
| 7.1 | Basic and diluted earnings per share | | | |
| | Total comprehensive income for the period | Rupees | <u>17,773,988</u> | <u>22,181,066</u> |
| | Weighted average number of shares | Number | <u>13,409,550</u> | <u>9,282,446</u> |
| | | | | Restated |
| | Basic and diluted earnings per share | Rupees | <u>1.33</u> | <u>2.39</u> |

8 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| | | | |
|----------------------------------------------------------------------|------------------------------|--------------------|--------------------|
| | | Jul-Sep 11 | Jul-Sep 10 |
| | | Rupees | Rupees |
| | | (Unaudited) | (Unaudited) |
| <u>Al-Abid Exports (Private) Limited (Associated Company)</u> | | | |
| | Processing services rendered | <u>197,316</u> | <u>-</u> |
| | Rent expense | <u>6,984,000</u> | <u>6,984,000</u> |

Al-Abid Silk Mills Limited

| | | | |
|--|----------------------------------------------------|------------------|------------------|
| | Key management personnel - Remuneration & Benefits | <u>3,975,000</u> | <u>3,975,000</u> |
|--|----------------------------------------------------|------------------|------------------|

| | | |
|--|---------------------------|----------------------|
| | September 30, 2011 | June 30, 2011 |
| | Rupees | Rupees |
| | (Unaudited) | (Audited) |

Al-Abid Exports (Private) Limited (Associated Company)

| | | | |
|--|-------------------------------|--------------------|--------------------|
| | Outstanding balance - payable | <u>(2,130,684)</u> | <u>(2,328,000)</u> |
|--|-------------------------------|--------------------|--------------------|

The outstanding balance as at the balance sheet date is secured and the settlement terms are against the payments/receipts through normal banking channels for the transactions during the period.

9 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorized for issue in the Board of Directors' meeting held on October 29, 2011.

10 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. Significant reclassifications include:

| Statement | Nature of item | Reclassification from | Reclassification to | Rupees |
|-------------------------|----------------|--------------------------|-------------------------|------------|
| Profit and loss account | Expense | Research and development | Cost of sales | 41,251,981 |
| Profit and loss account | Expense | Research and development | Distribution cost | 43,908,471 |
| Profit and loss account | Expense | Research and development | Administrative expenses | 8,552,036 |

Naseem A. Sattar
Chairman & CEO

Azim Ahmed
Director

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Registrars:

Adam Patel & Company

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