

## DIRECTORS' REPORT

On behalf of the board of directors, I take pleasure to present Annual Report along with the Audited Accounts of the company pertaining to the financial year ending on June 30, 2011

### **Financial highlights**

The Company made a Profit after tax of Rs.16.884 Million after charging costs, expenses and depreciation for the period.

The financial results are summarized hereunder:

	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	
Sales	1,847,895,714	1,193,372,037
Gross Profit	136,812,634	121,289,657
Operating Profit	<b>113,841,490</b>	86,988,742
Financial Expenses	(70,047,621)	(58,282,384)
Taxation	(26,909,689)	(26,666,055)
Profit after taxation	16,884,180	2,040,303
Earning per share	4.04	0.49

The year under review again badly damaged by higher rates of raw material and mark up, energy crisis and worst political situation however financial results of your company showed gross Profit at Rs.136.813 millions from Rs. 121.290 millions showing a 12.80% increase from the last year. This is made possible by improving production efficiencies and controlling of expenses. Whereas your company sales have been increased from Rs. 1193.372 million to Rs.1847.896 million showing growth of 54.85 %.

During the period under review, the international yarn market recovered from the worldwide recessionary economic scenario to a greater degree than expected. International demand for textile-related products, especially yarn, grew considerably due to probable future increases in cotton prices as well as inventory building in order to meet the next season's demand for retail-ready finished goods. Domestic retail demand in India and China has also played a major role in keeping yarn prices high.

## **COST CONTROL**

The management has instituted the cost control and efficiency approach. Cost control measures and efficiency has been a continuing pursuit of the management. However the costs have risen due to overall inflationary trend in almost all areas of overheads.

Earnings per ordinary shares amount to Rs. 4.04 in current year as compared to Rs. 0.49 in last year.

## **ADDITION TO FIXED ASSETS**

During the year under review, the following major additions have been made in the Fixed Assets of the Company.

1. Construction of one under ground Water Storage Tank having capacity of 100,000 Gallons.
2. Construction of 5 residential quarters in labour colony.
3. One Air Conditioning Plant for New Ring Department.
4. One Drawing Machine.
5. Two steps Inter Cooler System for Gas Generators.
6. One Genset Diesel Generator 20 KVA.

## **FUTURE OUTLOOK**

The future outlook appears to be uncertain due to highly rates of polyester fibre, continued energy crisis, rising trend of mark up rates and depressed prices of yarn in international market.

## **Compliance with the Code of Corporate Governance**

The Board of Directors has taken necessary steps to comply with the provisions of code of corporate governance as incorporated in the listing regulations of stock exchanges. Statement of the compliance with the code of corporate governance is annexed.

## **Statement on Corporate & Financial Reporting Framework**

The Company complies with the Code in the following manner.

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and change in equity.
- b. Proper books of account of the Company have been maintained.

- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure if any 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.
- h. Keeping in view the increased requirement of working capital due to high rates of raw material and finances required for re-payment of loans, it is considered necessary to conserve cash resources. The Directors, therefore, have decided not to recommend cash dividend. **Any how issuance of 7% Bonus Share is recommended for existing share holders.**
- i. We have prepared and circulated a statement of ethics and business strategy among directors and employees.
- j. The company operates an un-funded gratuity scheme for its employees and provision has been made in the accounts accordingly.
- k. The board of directors has adopted a mission statement and a statement of overall corporate strategy.
- l. During the year under review six meetings of the Board of Directors were held and attendance positions is hereunder:

<u>Name of Director</u>	<u>Number of Meetings attended</u>
Mr. Nauman Almas	6
Mrs. Shamim Akthar	6
Mrs. Shahmeen Almas Sheikh*	4
Mr. Mansoob A Akhtar (NIT) **	0
Mrs. Fareeha Pervaiz	5
Mrs. Shumaila Azeem	6
Mr. Waseem K. Haq	5
Mr. Shoaib A Khan ***	4
Mr. Muhammad Azhar Amin ****	2
*Retired in	March, 2011
**Resigned in	August 2010
***Appointed in	August 2010
****Elected in	March 2011

**Audit committee**

The Board of Directors in compliance of the code of corporate governance has established Audit Committee. The names of its members are given in the Company profile.

The terms of reference of the Audit Committee is based on the scope as defined by the Securities and Exchange Commission of Pakistan (SECP) and the guidelines given by the Board of Directors from time to time to improve the system and procedures.

With in the framework of terms of reference determined by the Board of Directors, the Audit Committee, among other things, will appointment of external auditors and review of periodic accounts.

**Auditors**

The present auditors Messrs Mushtaq & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

**Pattern of shareholding**

The pattern of shareholding as required by Section 236 of the Companies Ordinance 1984 and under Code of Corporate Governance is enclosed.

**Key operating and financial data**

Key operating and financial data for the preceding six years is annexed.

**Dividend**

Considering the financial requirements for re-payments of loans, no dividend is recommended for the year ended June 30, 2011.

**Statutory payments**

There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2011 except for those disclosed in the financial statements.

**Corporate restructuring and business expansion**

Company has currently no plans for corporate restructuring, business expansion and discontinuance of operations.

**Acknowledgement**

The Directors of the Company wish to thank its bankers for their continued support and wish to place on record their appreciation towards the employees for their dedicated services and hard work without which all this would have not been possible.

**For & on behalf of the Board**

NAUMAN ALMAS  
Chief Executive

Lahore,  
Dated: October 08, 2011