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AUDITORS' REPORT TO THE MEMBERS

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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. 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 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 the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

M. Yousuf Adil Saleem
Chartered Accountants

Engagement Partner:
Talat Javed

Lahore

Dated: October 06, 2011

AHMAD HASSAN TEXTILE MILLS LIMITED

BALANCE SHEET

AS AT JUNE 30, 2011

	Note	*2011* Rupees	*2010* Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,600,881,140	1,665,879,959
Long term investments	4	259,480	259,584
Long term deposits		4,582,497	4,582,497
		1,605,723,117	1,670,722,040
Current assets			
Stores, spares and loose tools	5	37,956,824	48,119,305
Stock in trade	6	499,145,437	614,809,359
Trade debts	7	373,370,269	199,997,799
Loans and advances	8	172,277,077	29,165,801
Tax refunds due from government	9	2,270,199	7,190,068
Other receivables	10	2,392,532	1,904,045
Current portion of long term investments	4	104	104
Cash and bank balances	11	5,469,621	1,080,356
		1,092,882,063	902,266,837
Non-current assets classified as held for sale	12	-	258,835,446
Total Assets		2,698,605,180	2,831,824,323

AHMAD HASSAN TEXTILE MILLS LIMITED

BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	**13**	144,082,488	144,082,488
Share premium	**14**	32,746,284	32,746,284
Unappropriated profit		402,081,637	119,076,578
		578,910,409	295,905,350
Surplus on revaluation of property, plant and equipment	**15**	433,226,784	544,014,548
Non-current liabilities			
Long term financing	**16**	362,486,586	528,669,489
Subordinated loan	**17**	105,000,000	105,000,000
Liabilities against assets subject to finance lease	**18**	2,927,290	19,142,525
Deferred taxation	**19**	130,105,365	104,257,744
		600,519,241	757,069,758
Current liabilities			
Trade and other payables	**20**	252,297,912	217,777,647
Accrued markup	**21**	37,576,189	52,825,354
Short term borrowings	**22**	597,209,539	774,492,145
Current portion of non-current liabilities	**23**	160,668,374	169,310,070
Provision for taxation	**24**	38,196,732	20,429,451
		1,085,948,746	1,234,834,667
Contingencies and commitments	**25**		
Total equity and liabilities		2,698,605,180	2,831,824,323

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHAIRMAN ***CHIEF EXECUTIVE OFFICER*** ***DIRECTOR*** ***CHIEF FINANCIAL OFFICER***

AHMAD HASSAN TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales	26	3,991,815,274	3,311,019,662
Cost of goods sold	27	(3,409,318,660)	(2,900,126,491)
Gross profit		582,496,614	410,893,171
Other operating income	28	4,565,228	4,342,182
Profit on trading	29	1,834,320	9,083,798
		588,896,162	424,319,151
Distribution cost	30	(136,513,923)	(111,597,898)
Administrative expenses	31	(27,231,347)	(24,153,472)
Other operating expenses	32	(12,493,362)	(4,174,800)
Finance cost	33	(176,763,159)	(226,557,855)
Profit before taxation		235,894,371	57,835,126
Provision for taxation	34	(63,677,076)	877,352
Profit after taxation		172,217,295	58,712,478
Other comprehensive income for the year- net of tax		-	-
Total comprehensive income for the year- net of tax		172,217,295	58,712,478
Earnings per share-basic and diluted	35	11.95	4.07

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHAIRMAN	***CHIEF EXECUTIVE OFFICER***	***DIRECTOR***	***CHIEF FINANCIAL OFFICER***

AHMAD HASSAN TEXTILE MILLS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
A. CASH FLOWS FROM OPERATING ACTIVITIES	***Rupees***	***Rupees***
Profit before taxation	235,894,371	57,835,126
Adjustments for:		
Depreciation on property, plant and equipment	87,720,645	101,271,074
Provision for staff retirement benefits- gratuity	7,855,723	5,400,000
(Gain)/ loss on sale of property, plant and equipment	(584,584)	260
Gain on sale of non-current assets classified as held for sale	(1,164,554)	
Finance cost	176,763,159	226,557,855
	270,590,389	333,229,189
Operating cash flows before movements in working capital	506,484,760	391,064,315
(Increase) / decrease in current assets		
Stores, spares and loose tools	10,162,481	5,585,464
Stock in trade	115,663,922	73,749,488
Trade debts	(173,372,470)	33,833,545
Loans and advances (excluding advance income tax)	(128,471,542)	(3,196,546)
Tax refunds due from government	4,919,869	3,786,715
Other receivables	(488,487)	2,596,573
Increase / (decrease) in current liabilities		
Trade and other payables	29,625,264	45,252,171
	(141,960,963)	161,607,410
Cash generated from operations	364,523,797	552,671,725
Income taxes paid	(34,701,908)	(26,237,157)
Staff retirement benefits- gratuity paid	(2,960,722)	(13,650,441)
Net cash from operating activities	326,861,167	512,784,127
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(26,556,209)	(26,473,823)
Proceeds on disposal of property, plant and equipment	4,418,967	21,600
Proceeds on disposal of non-current assets classified as held for sale	260,000,000	-
Redemption of long term investment	104	104
Net cash from / (used in) investing activities	237,862,862	(26,452,119)

	2011	2010
	Rupees	*Rupees*
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	-	50,000,000
Repayment of long term financing	(176,011,346)	(49,909,151)
Repayment of principal portion of finance lease	(15,028,488)	(18,628,402)
Short term borrowings - net	(177,282,606)	(229,378,591)
Finance cost paid	(192,012,324)	(239,116,211)
Net cash used in financing activities	(560,334,764)	(487,032,355)
Net increase / (decrease) in cash and bank balances during the year	4,389,265	(700,347)
Cash and bank balances at the beginning of the year	1,080,356	1,780,703
Cash and bank balances at the end of the year	5,469,621	1,080,356

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHAIRMAN ***CHIEF EXECUTIVE OFFICER*** ***DIRECTOR*** ***CHIEF FINANCIAL OFFICER***

AHMAD HASSAN TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share Capital	Reserves		
		Capital	Revenue	
	Issued, subscribed and paid up capital	Share premium	Unappropriated profits	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2009	144,082,488	32,746,284	37,093,063	213,921,835
Profit for the year	-	-	58,712,478	58,712,478
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year ended June 30, 2010	-	-	58,712,478	58,712,478
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	23,271,037	23,271,037
Balance at June 30, 2010	**144,082,488**	**32,746,284**	**119,076,578**	**295,905,350**
Profit for the year	-	-	172,217,295	172,217,295
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year ended June 30, 2011	-	-	172,217,295	172,217,295
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	17,869,717	17,869,717
Revaluation surplus relating to disposal of non-current assets classified as held for sale	-	-	92,918,047	92,918,047
Balance at June 30, 2011	**144,082,488**	**32,746,284**	**402,081,637**	**578,910,409**

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHAIRMAN ***CHIEF EXECUTIVE OFFICER*** ***DIRECTOR*** ***CHIEF FINANCIAL OFFICER***

AHMAD HASSAN TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. STATUS AND ACTIVITIES

1.1 Ahmed Hassan Textile Mills Limited (the Company) was incorporated in Pakistan on December 03, 1989 as a Public Limited Company under the Companies Ordinance 1984. Its shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the manufacturing and sale of yarn and fabric. The registered office of the Company is situated in Multan. The mill is located at District Muzaffargarh.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (the IASB) as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

2.2 Standards, interpretation and amendment adopted during the year

In the current year, the Company has adopted all new standards issued by the IASB and as notified by the SECP that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2010.

Amendments to IFRS 2 - Share based Payment
Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
Amendments to IFRS 8 - Operating Segments
Amendments to IAS 1 - Presentation of Financial Statements
Amendments to IAS 7 - Statement of Cash Flows
Amendments to IAS 17 - Leases
Amendments to IAS 32 - Financial Instruments: Presentation
Amendments to IAS 36 - Impairment of assets
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The adoption of new standards, interpretation and amendments/improvements did not have any effect on the financial statements.

2.3 New, revised and amended standards and IFRIC interpretations that are not yet effective

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

	Effective date (accounting period beginning on or after)
IFRS 7 - Financial Instruments Disclosures (Amendment)	January 01, 2011
IFRS 7 - Financial Instruments Disclosures (Amendment)	July 01, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	July 01, 2012
IAS 12 – Income Taxes (Amendment)	January 01, 2012
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 01, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 01, 2011
IFRIC 14 - Prepayment of Minimum Funding Requirement	January 01, 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 01, 2011

2.4 Basis of preparation

These financial statements have been prepared under historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 2.5.2,
- operating assets as stated in note 2.5.3.

2.5 The principal accounting policies adopted are set out below:

2.5.1 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits rebates and exemption available, if any, or minimum tax at the rate of 1 % of turnover, whichever is higher. However, for income under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the 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.

2.5.2 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date except for those covered by forward contracts, if any. All exchange fluctuations are charged to profit and loss account.

2.5.3 *Property, plant and equipment*

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost or revalued amount less accumulated depreciation and any identified impairment in value. Freehold land is stated at revalued amount and capital work in progress is stated at cost. Borrowings costs pertaining to erection/ construction of qualifying assets are capitalized as part of the historical cost as stated in note 2.5.11.

Depreciation is charged to income applying reducing balance method to write-off the cost over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected pattern to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in note 3.1. Depreciation is charged on additions from the month in which an asset is acquired or capitalized and no depreciation is charged for the month in which asset is disposed. Gain/ loss on disposal of operating assets are taken to profit and loss account.

Surplus arising on revaluation of operating assets is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Minor repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalized and the assets so replaced, if any, other than those kept as stand-by, are retired.

Leased

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal for each period.

Depreciation is charged to income at the rates stated in note 3.1 applying reducing balance method to write-off the cost of the assets over their estimated useful life in view of certainty of ownership of the assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to current year income.

Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less any recognized impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are available for use.

2.5.4 *Impairment of assets*

The management assesses at each balance sheet date whether there is any indication that an asset except deferred tax asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

Gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

2.5.5 *Long term investments*

Held to maturity

Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method. These are investments with fixed or determinable receipts and fixed maturity.

2.5.6 *Stores, spares and loose tools*

These are valued at cost, determined on basis of moving average cost less allowance for obsolete and slow

moving items, except for items-in-transit which are valued at cost accumulated to the balance sheet date.

2.5.7 *Stock in trade*

These are determined at lower of cost and net realisable value. Cost is determined as;

Raw material at warehouse	At weighted average cost.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost and net realizable value.
Waste	Net realizable value.

Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to such sale.

2.5.8 *Trade debts and other receivables*

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

2.5.9 *Trade and other payables*

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

2.5.10 *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.

- Local sales are recorded when goods are delivered to customers and invoices are raised.
- Export sales are booked on shipment basis.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.5.11 *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 added to the cost of those 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 or loss in the period in which they are incurred.

2.5.12 Provisions

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

2.5.13 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision and payment of gratuity is made annually based on service period completed by an employee.

2.5.14 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

All purchases and sales of financial assets are recognized on the trade date when the Company become the party to the contractual provision.

2.5.15 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.5.16 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

2.5.17 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 and balances with banks.

2.5.18 Government grants

Government grants that Compensates the company for expenses incurred is recognized in the profit and loss account on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted in reporting the related expense.

2.5.19 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition within one year of the date of its classification as assets held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gain / loss on sale of assets classified as held for sale is recognized in profit and loss account.

2.5.20 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of operating 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 circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables, deferred tax and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

3. PROPERTY, PLANT AND EQUIPMENT

		2011	***2010***
		Rupees	**Rupees**
Operating assets	3.1	1,582,831,964	1,665,879,959
Capital work in progress		18,049,176	-
		1,600,881,140	1,665,879,959

4. *LONG TERM INVESTMENTS*	***Note***	***2011 Rupees***	***2010 Rupees***
Held to maturity			
Term finance certificates	4.1	259,584	259,688
Less: Current maturity shown under current assets		(104)	(104)
		259,480	259,584

4.1 The market value of these term finance certificates (TFCs) as at June 30, 2011 was Rs. 266,800 (2010: Rs. 263,379).

The Company during 2007 had purchased second tranche of TFCs of Bank Al Habib Limited having face value of Rs. 260,000 on March 07, 2007. The final maturity date of February 07, 2015. These certificates carry mark up at a rate of KIBOR+1.5% per annum and are redeemable at half yearly basis starting from August 07, 2007. First fourteen redemptions are of principal amount of Rs. 52 each and the last two Rs. 129,636 each.

5. *STORES, SPARES AND LOOSE TOOLS*			
Stores	5.1	35,204,040	44,517,723
Spares	5.1	2,752,784	3,601,582
		37,956,824	48,119,305

5.1 This includes stores in transit of Rs. 2,366,274 (2010: 3,601,582).

6. *STOCK IN TRADE*			
Raw material	6.1	268,960,874	194,251,134
Work-in-process		68,930,564	63,425,408
Finished goods		161,253,999	357,132,817
		499,145,437	614,809,359

6.1 This includes raw material in transit of Rs. 45,093,377 (2010: nil).

6.2 This includes stock costing Rs. 486,476,683 measured at net realisable value of Rs. 375,006,968.

7. *TRADE DEBTS*			
Considered good			
Foreign - secured against export bills	7.1	261,408,288	124,404,664
Local-unsecured		111,961,981	75,593,135
		373,370,269	199,997,799
Considered doubtful			
Local-unsecured		128,859	1,165,206
Provision for doubtful debts	7.2	(128,859)	(1,165,206)
		-	-
		373,370,269	199,997,799

7.1 Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

7.2 Provision for doubtful debts

Opening balance	1,165,206	1,165,206
Add: provision made during the year		-
Less: written off during the year	(1,036,347)	-

128,859	1,165,206

7.3 Balances considered bad and irrecoverable are written off.

7.4 Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, where appropriate.

7.5 Trade debts include debtors with a carrying amount of Rs. nil (2010: Rs. 1.378 million) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	Note	2011 Rupees	2010 Rupees
7.6 Aging of amounts past due but not impaired			
90-120 days		-	-
120 days and above		128,859	1,378,392
		128,859	1,378,392
8. LOANS AND ADVANCES			
Loans - considered good			
To employees		986,855	1,076,547
Advance payments - considered good			
To suppliers and against expenses		142,900,899	14,323,784
Income tax		28,382,265	13,742,531
Letter of credit fee and expenses		7,058	22,939
		171,290,222	28,089,254
		172,277,077	29,165,801
9. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax refundable		2,270,199	3,457,530
Income tax refundable		-	3,732,538
		2,270,199	7,190,068
10. OTHER RECEIVABLES			
Minimum tax paid under protest	25.2	642,984	642,984
Others		1,749,548	1,261,061
		2,392,532	1,904,045
11. CASH AND BANK BALANCES			
Cash in hand		32,278	205,949
Cash at banks in current accounts		5,437,343	874,407
		5,469,621	1,080,356
12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Assets classified as held for sale			
Land		-	5,313,000
Buildings on freehold land		-	50,624,420
Plant and machinery		-	200,500,000
Equipments and others		-	2,398,026
		-	258,835,446

During the year the company executed the sale of the unit#1 for Rs. 260,000,000 to Mahmood Textile Limited.

13. SHARE CAPITAL

	Note	2011 Rupees	2010 Rupees
Authorised 20,000,000 (2010: 20,000,000) Ordinary share of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid up 14,408,248.8 (2010: 14,408,248.8) ordinary shares of Rs. 10 each issued for cash		144,082,488	144,082,488

13.1 There were no movements during the reporting years.

13.2 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.

14. SHARE PREMIUM

	2011 Rupees	2010 Rupees
Rs. 4 per share on issue of 2,989,920 ordinary shares of Rs. 10 each issued during the year 2001	11,959,680	11,959,680
Rs. 10 per share on issue of 1,138,992 ordinary shares of Rs. 10 each issued during the year 2004	11,389,920	11,389,920
Rs. 5 per share on issue of 1,879,336.8 ordinary shares of Rs. 10 each issued during the year 2007	9,396,684	9,396,684
	32,746,284	32,746,284

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2011 Rupees	2010 Rupees
Surplus on revaluation at July 01	544,014,548	527,859,828
Addition during the year		
Revaluation surplus during the year	-	49,547,922
Defer tax arising on fresh revaluation	-	(10,122,165)
Revaluation surplus net of defer tax	-	39,425,757
Less: transferred to unappropriated profit on account of:		
Incremental depreciation (net of deferred tax)	(17,869,717)	(23,271,037)
Disposal of non-current assets classified as held for sales	(92,918,047)	-
Surplus on revaluation at June 30	433,226,784	544,014,548

		Note	2011 Rupees	2010 Rupees
17.	***SUBORDINATED LOAN***			
	Unsecured- from related parties			
	Mian Muhammad Javed Anwar		27,500,000	27,500,000
	Mian Muhammad Parvez		27,500,000	27,500,000
	Dr. Muhammad Haris		35,000,000	35,000,000
	Mrs. Waheeda Parvez		15,000,000	15,000,000
			105,000,000	105,000,000

These interest free subordinated loans were obtained during the year ended June 30, 2008 and 2009 from the directors of the company. These loans are subordinated to demand finance from United Bank Limited.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE
- Secured

	2011		2010	
	Minimum lease payment	Present value	Minimum lease payment	Present value
	Rupees	Rupees	Rupees	Rupees
Within one year	18,045,444	16,041,139	19,027,482	14,854,392
After one year but not more than five years	3,007,574	2,927,290	21,025,385	19,142,525
Total minimum lease payments	21,053,018	18,968,429	40,052,867	33,996,917
Less: Amount representing finance charges	(2,084,589)	-	(6,055,950)	-
Present value of minimum lease payments	18,968,429	18,968,429	33,996,917	33,996,917
Less: Current portion	(16,041,139)	(16,041,139)	(14,854,392)	(14,854,392)
	2,927,290	2,927,290	19,142,525	19,142,525

In 2007, the Company has entered into an Ijara (lease agreement) with Meezan Bank Limited for installation of grid station. The liabilities under the Ijara are payable in monthly instalments by July 2012 and are subject to finance charges at the rates 6-M KIBOR plus 2%. During the year mark up was charged at the rates ranging from 14.50% to 15.37% (2010: 14.26% to 16.93%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of lease terms. The said facility is secured against exclusive ownership of leased asset.

The Company has made lease agreement with Bank Al Habib Limited for a vehicle in the year 2008. The liabilities under the facility were payable in half yearly instalments by August 2011 and are subject to finance charges at the rates 6-M KIBOR plus 2%. The Company discharged all its liabilities by paying the Rs. 240,917 during the year which actually had to be paid in August 2011.

		2011	2010
19.	***DEFERRED TAXATION***	***Rupees***	***Rupees***
	The deferred taxation liability comprises of temporary differences arising due to:		
	Credit balance arising in respect of		
	- Accelerated tax depreciation allowances	163,751,914	123,670,021
	- Lease finances	4,598,014	3,581,189
	- Surplus on revaluation of fixed assets	65,397,749	102,271,557
	Debit balances arising in respect of:		
	- Staff retirement benefits-gratuity	(738,892)	(901,530)
	- Provision for doubtful debts	(19,452)	(194,531)
	- Carry forward losses	(102,883,968)	(124,168,962)
		130,105,365	104,257,744

		2011	2010
20.	***TRADE AND OTHER PAYABLES***		
	Creditors	138,587,538	85,140,019
	Accrued liabilities	88,402,081	60,742,193
	Workers' profit participation fund	12,412,862	2,900,000
	Advance from customers	7,631,859	17,900,963
	Workers' welfare fund	-	1,200,000
	Unclaimed dividend	2,450,217	2,450,217
	Derivative cross currency swap	1,844,710	5,292,607
	Tax deducted at source	968,645	1,107,922
	Due to associated companies	-	38,693,726
	Earnest money against bid of held for sale asset	-	2,350,000
		252,297,912	217,777,647

		2011	2010
21.	***ACCRUED MARKUP***		
	Long term financing	17,619,816	16,764,622
	Short term borrowings	19,956,373	32,367,821
	Lease finance charges	-	46,544
	Long term morabaha	-	3,646,367
		37,576,189	52,825,354

		2011	2010
22.	***SHORT TERM BORROWINGS***		
	From banking companies - Secured		
	Running finance	171,507,586	178,074,346
	Cash finance	91,530,251	382,625,846
	Finance against export documents (FE-25)	191,974,260	136,836,020
	Finance against imported merchandise (FIM)	142,197,442	76,955,933
		597,209,539	774,492,145

22.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs. 962.1 million (2010: Rs. 1,077 million) and US$ 1.9 million (2010: US$ 3.24) of which facilities aggregating Rs. 686.9 million (2010: Rs. 519 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 12.89% to 15.55% (2010: 13.53% to 17%) calculated on daily product basis. The aggregate facilities are secured against pledge, hypothecation of stock in trade, on book debts, lien on export bills, lien on title documents and personal guarantees of all the working directors of the company.

Facilities available for opening letters of credit and guarantee aggregate Rs. 142 million (2010: Rs. 200 million) and are secured against shipping documents and personal guarantees of all the working directors of the company.

These includes foreign currency balances aggregated $ 3.89 million (2010: $ 1.226) which have been converted into Pak rupees at the exchange rate of Rs. 85.85 (2010: Rs. 85.6) prevailing on the balance sheet date.

	Note	*2011* *Rupees*	*2010* *Rupees*
23. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	16	144,627,235	154,455,678
Liabilities against assets subject to finance lease	18	16,041,139	14,854,392
		160,668,374	169,310,070

24. PROVISION FOR TAXATION

	Note	2011 Rupees	2010 Rupees
Opening balance		20,429,451	13,303,230
Add: Provision made during the year	34	37,829,455	19,903,742
Less: Prior year adjustment		(158,432)	-
Payments / adjustments against completed assessments		(19,903,742)	(12,777,521)
		38,196,732	20,429,451

24.1 Income tax return of the Company have been filed completed up to the Tax Year 2010 and deemed assessed

25. CONTINGENCIES AND COMMITMENTS

Contingencies

25.1 Excise and Taxation Department Karachi has imposed excise duty of Rs. 7.1 million on account of machinery imported by the Company. The Company has not accepted it and filed a suit in Sindh High Court Karachi against said levy. The Honourable High Court issued order " Till the next date, the respondent may not recover impugned levy upon the appellants furnishing bank guarantee for the amount demanded" The decision of the Court is still pending. The management of the Company is very confident that decision will be made in their favour. A bank guarantee amounting to Rs. 7.1 million has been given by Bank Al-Habib Limited on behalf of the Company in favour of the Director Excise and Taxation Karachi .

25.2 The Company, in view of the Supreme Court of Pakistan's Judgment dated June 04, 1997, was not liable to pay Minimum Tax under section 80- D of the Repealed Income Tax Ordinance, 1979 up to September 30, 1999. Accordingly, Minimum Tax paid up to September 30, 1999 has been accounted for as receivable from the income tax department (Note 10).

25.3 Foreign bills discounted outstanding as at June 30, 2011 aggregated Rs. 22.03 million (2010: 37.52 million)

21.3 Through the Finance Act, 2006 an amendment was made in section 2(i) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'total income' has been amended, the effect of the amendment is that the term "total income" for the purposes of the WWF Ordinance is deemed to be 'profit before taxation' as per the accounts or ‘declared income’ as per the return whichever is higher.

Based on the legal advice and judgment of High Court of Sindh in a similar case it is ascertained that under section 4(1) of the WWF Ordinance the incidence of WWF is not just on "total income" but on the total income which is "assessable" under the Income Tax Ordinance, 2001 (the Tax Ordinance), and the term "assessable" under the Tax Ordinance means “income which is given the benefit of depreciation, brought forward/carry forward losses and excludes income falling under the Final Tax Regime (FTR) i.e. declared income”. Since the Company’s total income falls under the FTR and is fully exempt against WWF liability.

Further, through Finance Act, 2008 amendments were made where in mainly section 4(5) the term "assessed income" has been substituted with the term "total income" this means that purportedly the WWF is to be charged at 2% of the "total income", as defined and amended in section 2(i) through Finance Act, 2006.

Subsequent to the year end, Lahore High Court vide its judgment on a similar case has declared the amendments introduced vide Finance Act, 2006 and Finance Act, 2008 in the WWF Ordinance as unconstitutional and therefore struck down on the basis that the contribution paid towards the fund under the WWF Ordinance is a fee and not a tax.

In view of the afore mentioned grounds submitted, the management now believes that there is no compelling reason to record provision on account of WWF contribution in the financial statements. Further, the management also expects that the petition against the applicability of WWF pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the petitioner. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 4,716,887.

26. *Sales*

	Note	2011 Rupees	2010 Rupees
Local:			
Yarn		496,967,597	798,762,001
Fabric		870,906,281	458,540,365
Waste		123,058,401	110,383,578
		1,490,932,279	1,367,685,944
Export:			
Yarn		1,020,043,481	1,044,790,414
Fabric		1,477,849,936	898,543,304
Waste		2,989,578	-
		2,500,882,995	1,943,333,718
		3,991,815,274	3,311,019,662

27. *COST OF GOODS SOLD*

	Note	2011 Rupees	2010 Rupees
Raw materials consumed	27.1	2,550,844,455	2,306,177,438
Salaries, wages and benefits	27.2	135,190,510	156,132,176
Stores consumed		62,549,845	42,035,890
Packing materials consumed		23,434,908	40,082,016
Chemicals consumed		37,531,654	27,635,754
Processing charges		5,282,573	3,375,795
Power and fuel		291,936,515	351,170,223
Repair and maintenance		9,848,509	5,773,171
Insurance		8,101,265	6,916,617
Depreciation	3.1.1	85,142,526	98,941,605
Others		9,082,238	5,819,296
		3,218,944,998	3,044,059,981
Adjustment of work in process			
Opening stock		63,425,408	35,523,496
Closing stock		(68,930,564)	(63,425,408)
		(5,505,156)	(27,901,912)
Cost of goods manufactured		3,213,439,842	3,016,158,069
Adjustment of finished goods			
Opening stock		357,132,817	241,101,239
Closing stock		(161,253,999)	(357,132,817)
		195,878,818	(116,031,578)
Cost of goods sold		3,409,318,660	2,900,126,491

27.1 Raw material consumed

	2011 Rupees	2010 Rupees
Opening stock	194,251,134	411,934,112
Purchases including direct expenses	2,625,554,195	2,088,494,460
	2,819,805,329	2,500,428,572
Less: Closing stock	(268,960,874)	(194,251,134)
	2,550,844,455	2,306,177,438

27.2 These include Rs.7,855,723 (2010: Rs. 5,400,000) in respect of staff retirement benefits - gratuity.

	2011	2010
	Rupees	Rupees

28. OTHER OPERATING INCOME

	2011	2010
- Income from financial assets		
Profit on bank deposits	75,132	39,756
Exchange fluctuation gain	1,707,415	3,216,509
	1,782,547	3,256,265
- Income from non financial assets		
Export rebate on packing materials	118,749	1,086,176
Gain / (loss) on sales of property, plant and equipment	1,749,138	(259)
Others	914,794	-
	2,782,681	1,085,917
	4,565,228	4,342,182

29. PROFIT ON TRADING

	2011	2010
Yarn		
Local	38,192,420	34,092,456
Export	7,202,715	18,301,237
Less; purchase and purchase expenses	(42,483,715)	(46,515,219)
	2,911,420	5,878,474
Fabric		
Export	10,763,506	28,739,262
Less; purchase and purchase expenses	(11,840,606)	(25,533,938)
	(1,077,100)	3,205,324
	1,834,320	9,083,798

30. DISTRIBUTION COST

	2011	2010
Commission	87,973,217	51,192,453
Freight, forwarding and others	38,989,104	47,530,561
Export development surcharge	4,871,633	4,961,674
Export expenses	4,679,969	7,913,210
	136,513,923	111,597,898

	Note	2011 Rupees	2010 Rupees
31. ADMINISTRATIVE EXPENSES			
Directors' meeting fee		3,000	4,500
Staff salaries and benefits		13,950,191	10,353,019
Vehicles running and maintenance		2,724,613	2,365,964
Utilities		548,880	494,293
Travelling and conveyance		621,225	1,151,937
Printing and stationery		299,571	198,693
Communication		1,844,758	2,356,935
Rent, rates and taxes		606,567	81,567
Repair and maintenance		685,128	359,767
Entertainment		1,233,413	832,352
Fees and subscription		550,635	1,182,644
Advertisement		107,150	140,420
Depreciation	3.1.1	2,578,119	2,329,469
Auditors' remuneration	31.1	650,000	550,000
Legal and professional		140,000	92,000
Provision for doubtful debts		-	1,165,206
Others		688,097	494,706
		27,231,347	24,153,472

31.1 Auditor's remuneration

Annual audit		500,000	500,000
Half yearly accounts review		150,000	50,000
		650,000	550,000

32. OTHER OPERATING EXPENSES

Workers' profit participation fund		12,412,862	2,900,000
Workers' welfare fund		-	1,200,000
Charity and donation	32.1	80,500	74,800
		12,493,362	4,174,800

32.1 No director or his spouse had any interest in the donee instituitions.

33. FINANCE COST

Mark-up on:			
long term financing		71,971,202	58,331,121
lease finance charges		3,978,390	5,693,249
long term morabaha		-	13,850,341
short term borrowings		98,471,077	135,013,131
Bank charges		8,328,361	13,670,013
Gain on cross currency swap		(5,985,871)	-
		176,763,159	226,557,855

34. TAXATION

Current		37,829,455	19,903,742
Deferred		25,847,621	(20,781,094)
		63,677,076	(877,352)

34.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 or falls under final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001.

35. EARNINGS PER SHARE

35.1 Basic

		2011	***2010***
Profit after taxation	***Rupees***	172,217,295	58,712,478
Weighted average of number of ordinary shares	***Number***	14,408,248.8	14,408,248.8
Earnings per share	***Rupees***	11.95	4.07

35.2 Dilutive

There is no dilutive effect on the basic earnings per share of the company.

36. RELATED PARTY TRANSACTIONS

The related parties comprised of an associated company, directors and key management personnel.

36.1 The company, during the year, purchased goods aggregating Rs. 12,562,574 (2010: Rs. 221,892,972).

36.2 Maximum aggregate amount due to the associated company (Ahmad Cotton Industries (Private) Limited) at any month-end during the year was Rs. 18,693726 (2010: Rs. 38,693,726).

36.3 No interest was charged on the associated Company's balances during the year as these arose due to normal trade dealings.

36.4 Remuneration and benefits to key management personnel under the term of their employment as disclosed in note 39.

37 *FINANCIAL RISK MANAGEMENT*

The Company’s principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company’s operations. The Company has loan and advances, trade and other receivables, and cash and short term deposits that arise directly from its operations. The Company also holds investment held to maturity investment.

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s senior management oversees the management of these risks. The Board of Directors reviews these policies periodically.

37.1 *Credit risk and concentration of credit risk*

The Company is exposed to credit risk from its operating activities (primarily for trade receivables, advances and loan) and from its financing activities, including deposits with banks.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fails to perform as contracted. Out of the total financial assets of Rs.529,326,331/- (2010 : Rs.222,604,671/-), the financial assets which are subject to credit risk amounted to Rs.523,856,710/- (2010 : Rs.221,524,315/-). The Company believe that it is not exposed to major concentration of credit risk. The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

The maximum exposure to credit risk as at June 30, 2011 is tabulated below:

Financial assets

	2011	***2010***
	Rupees	***Rupees***
Long term investments	259,584	259,688
Long term deposits	4,582,497	4,582,497
Trade debts	373,370,269	199,997,799
Loans and advances	143,894,812	15,423,270
Other receivables	1,749,548	1,261,061
Cash and bank balances	5,469,621	1,080,356
	529,326,331	**222,604,671**

37.1 .1 *Credit risk related to receivables*

Customer credit risk is managed by each business unit subject to the Company’s established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on past experience with the customer. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit.

At June 30, 2011, the Company has approximately 17 customers (2010: 5 customers) that owed more than Rs. 7 million each and accounted for approximately 47% (2010: 69%) of all trade debt. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Note 7.

The Company does not hold collateral as security.

37.1 .2 *Credit risk related to financial instruments and cash deposits*

Credit risk on balances with banks is managed by management in accordance with the Company’s policy. Excess funds are placed in deposits with reputable banks and financial institutions.

37.2 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 individual customer.

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 22.1 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Financial Liabilities in accordance with their contractual maturities are presented as follows

	Interest/markup bearing			*Non-Interest/markup bearing*			*Total*
	Maturity within 1 year	*Maturity after 1 year*	*Sub-total*	*Maturity within 1 year*	*Maturity after 1 year*	*Sub-total*	
June 30, 2011	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Financial liabilities							
Long term financing	144,627,235	362,486,586	507,113,821	-	-	-	507,113,821
Liabilities against assets subject to finance lease	16,041,139	2,927,290	18,968,429	-	-	-	18,968,429
Subordinated loan	-	-	-	-	105,000,000	105,000,000	105,000,000
Trade and other payables	-	-	-	229,802,974	-	229,802,974	229,802,974
Accrued markup	-	-	-	37,576,189	-	37,576,189	37,576,189
Short term borrowings	597,209,539	-	597,209,539	-	-	-	597,209,539
	757,877,913	365,413,876	1,123,291,789	267,379,163	105,000,000	372,379,163	1,495,670,952
June 30, 2010							
Financial liabilities							
Long term financing	154,455,678	528,669,489	683,125,167	-	-	-	683,125,167
Liabilities against assets subject to finance lease	14,854,392	19,142,525	33,996,917	-	-	-	33,996,917
Subordinated loans	-	-	-	-	105,000,000	105,000,000	105,000,000
Trade and other payables	-	-	-	193,326,467	-	193,326,467	193,326,467
Accrued markup	-	-	-	52,825,354	-	52,825,354	52,825,354
Short-term borrowings	774,492,145	-	774,492,145	-	-	-	774,492,145
	943,802,215	547,812,014	1,491,614,229	246,151,821	105,000,000	351,151,821	1,842,766,050

37.3 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.

37.3 .1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations having floating interest rates.

37.3 .2 Interest rate sensitivity

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company’s profit before taxation for the year ended June 30, 2011 would decrease by Rs. 5,521,617 (2010: Rs. 7,458,071). This is mainly attributable to the Company’s exposure to interest rates on its variable rate borrowings.

The Company’s sensitivity to interest rates has decreased during the current year mainly due to the decrease in borrowings and variable rate debts.

37.3 .3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2011, the total foreign currency risk exposure was Rs. 261,408,288 (2010: Rs. 124,404,664) in respect of foreign trade debts. However, Rs. 192,042,984 (2010: Rs. 138,274,716) were payable in respect of foreign currency borrowing.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

37.3 .4 Foreign currency sensitivity analysis

At June 30, 2011, if the Rupee had strengthen/weakened by 5% against the US dollar and Euro with all other variables held constant, profit before taxation for the year would have been (decrease) / increase by Rs. 346,826/- (2010: Rs.693,503) mainly as a result of foreign exchange gains on translation of US dollar-denominated trade receivables and foreign exchange losses on translation of US dollar short term borrowings. Profit is less sensitive to movement in Rupee/US dollar and Rupee/Euro exchange rates in 2011 than 2010.

37.3 .5 Equity price risk management

The Company is not exposed to equity price risks arising from equity investments as the Company has no such investment are held for trading purpose.

37.4 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.

37.5 Fair value estimation

IFRS 7 requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measured fair value of financial instruments.

- Level 1; Quoted prices (unadjusted) in active market for identical assets or liabilities

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. drive from prices). The Company has no items to report in this level.

- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

The Company has not financial assets measured at above mentioned levels.

37.6 Financial instruments by category

The Company finance its operation through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimise risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

	2011	***2010***
	Rupees	***Rupees***
Financial assets as per balance sheet		
Loan and receivable		
Long-term deposits	4,582,497	4,582,497
Trade debts	373,370,269	199,997,799
Loans and advances	143,894,812	15,423,270
Other receivables	1,749,548	1,261,061
Cash and bank balances	5,469,621	1,080,356
Held to maturity investments		
Other financial assets	259,584	259,688
	529,326,331	222,604,671

Financial liabilities as per balance sheet		
Financial liabilities measured at amortised cost		
Long term financing	507,113,821	683,125,167
Liabilities against assets subject to finance lease	18,968,429	33,996,917
Subordinated loans	105,000,000	105,000,000
Trade and other payables	229,802,974	193,326,467
Accrued markup	37,576,189	52,825,354
Short term borrowings	597,209,539	774,492,145
	1,495,670,952	1,842,766,050

38 CAPITAL DISCLOSURE

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.
- The Company’s objectives when managing capital are to safeguard the company’s ability to continue as a going concern in order to provide returns for shareholders and benifits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e., share capital and unappropriated profit).
- The debt-to-adjusted capital ratios at June 30, 2011 and June 30, 2010 were as follows:

	2011	***2010***
	Rupees	***Rupees***
Total debt	1,228,291,789	1,596,614,229
Less: Cash and cash equivalents	(5,469,621)	(1,080,356)
Net debt	1,222,822,168	1,595,533,873
Total equity	578,910,409	295,905,350
Adjusted capital	1,801,732,577	1,891,439,223
Debt-to-adjusted capital ratio	0.68	0.84

39. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Directors Rupees	Chief executive Rupees	2011 Rupees	2010 Rupees
Managerial remuneration	2,835,000	1,056,000	3,891,000	2,580,000
No. of persons	3	1	4	4

39.1 Meeting fee amounting to Rs. 3,000 (2010: Rs. 4,500) was paid to one (2010: one) non- working directors. The chief executive officer and the directors are also provided with the Company maintained cars. The chief executive officer and some of the directors are also provided with telephone at their residences.

40. CAPACITY AND PRODUCTION

Yarn		***2011***	***2010***
Number of spindles installed		20,760	38,400
Number of spindles worked		20,760	38,400
Number of shifts worked		1,095	1,095
Installed capacity after conversion			
into 20's count (1095 shifts)	Kgs	7,820,907	12,988,309
Actual production of yarn after			
conversion into 20's count	Kgs	7,793,214	11,837,245

Fabric			
Number of looms installed		130	130
Number of looms worked		130	130
Installed capacity after	Sq. mtrs	41,538,600	41,538,600
conversion into 60 picks			
Actual production of fabric after			
conversion into 60 picks	Sq. mtrs	37,813,546	32,489,499

It is difficult to describe precisely the production capacity in Spinning/ Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year.

The number of spindles has been decreased as a result of sale of unit#1 during the year having 17,640 spindles.

41. RECLASSIFICATION

41.1 Following reclassification has been made in the financial statements to give better presentation:

Previous classification	***Current classification***	***Rupees***
Sales	Profit on trading (Note-29)	81,132,955
Cost of sales	Profit on trading (Note-29)	(72,049,157)

3.1 Operating assets

PARTICULARS	COST / REVALUATION: At July 01, 2010	Addition during the year	Disposals / transfer	At June 30, 2011	DEPRECIATION: At July 01, 2010	For the year	Accumulated depreciation on disposal / transfer	At June 30, 2011	Book value: At June 30, 2011	Rate %
	Rupees				Rupees					
Owned assets										
Land - freehold	41,167,502	-	-	41,167,502	-	-	-	-	41,167,502	
Building on freehold land		-								
- Factory	237,443,728	-	-	237,443,728	59,461,075	8,899,133	-	68,360,208	169,083,520	5%
- Residential	52,774,691	-	-	52,774,691	12,373,059	2,020,082	-	14,393,141	38,381,550	5%
	290,218,419	-	-	290,218,419	71,834,134	10,919,215	-	82,753,349	207,465,070	
Plant and machinery	1,758,901,710	109,496	-	1,759,011,206	441,165,255	65,889,023	-	507,054,278	1,251,956,928	5%
Generator	14,867,784	-	(9,041,943)	5,825,841	10,713,011	231,057	(7,197,742)	3,746,326	2,079,515	10%
Electric installations	43,698,201	-	-	43,698,201	26,409,699	2,593,266	-	29,002,965	14,695,236	15%
Factory equipments	33,449	-	-	33,449	10,152	2,330	-	12,482	20,967	10%
Office equipment	3,984,370	220,040	(1,663,673)	2,540,737	1,485,194	185,661	(900,771)	770,084	1,770,653	10%
Telephone installation	397,224	-	-	397,224	308,343	8,888	-	317,231	79,993	10%
Furniture and fixtures	1,133,836	-	-	1,133,836	563,209	57,063	-	620,272	513,564	10%
Arms and ammunition	27,800	-	-	27,800	13,861	1,650	-	15,511	12,289	10%
Weighing scale	210,000	-	-	210,000	123,974	8,603	-	132,577	77,423	10%
Tube well	345,649	-	(300,649)	45,000	265,776	1,992	(240,698)	27,070	17,930	10%
Fire extinguishing equipment	263,497	-	(263,497)	-	187,070	-	(187,070)	-	-	10%
Vehicles	16,683,949	8,177,497	(2,283,570)	23,809,876	8,421,336	2,294,728	(1,192,668)	10,262,911	13,546,965	20%
			1,232,000				739,515			
	2,171,933,390	8,507,033	(12,321,332)	2,168,119,091	561,501,014	82,193,476	(8,979,434)	634,715,056	1,533,404,035	
Leased										
Grid station	64,747,312	-	-	64,747,312	9,827,391	5,491,992	-	15,319,383	49,427,929	10%
Vehicles	1,232,000	-	(1,232,000)	-	704,338	35,177	(739,515)	-	-	20%
	65,979,312	-	(1,232,000)	64,747,312	10,531,729	5,527,169	(739,515)	15,319,383	49,427,929	
	2,237,912,702	**8,507,033**	**(13,553,332)**	**2,232,866,403**	**572,032,743**	**87,720,645**	**(9,718,949)**	**650,034,439**	**1,582,831,964**	

3.1.1 Depreciation for the year has been allocated as under:

	Note	2011 Rupees	2010 Rupees
Cost of sales	27	85,142,526	98,941,605
Administrative expenses	30	2,578,119	2,329,469
		87,720,645	**101,271,074**

3.1.2 During the year, vehicles costing to Rs. 1,232,000 leased from Bank Al-Habib Limited has been transferred to owned assets upon payment of liability.

3.1.3 Revaluation of buildings on freehold land, plant and machinery, and generator was carried out as on June 30, 2008 by an independent valuer M/s Consultancy Support & Services, Multan on the basis of evaluated present values. Revaluation surplus has been credited to surplus on revaluation of fixed assets

3.1.4 Revaluation of freehold land, building, and plant and machinery has been carried out on June 22, 2010. It has been revalued by M/s Pirsons Associates Multan on the basis of evaluated present values. Revaluation surplus has been credited to surplus on revaluation of fixed assets.

3.1.5 Had there been no revaluation the related figures of freehold land, building, plant and machinery and generator at June 30, 2011 would have been as follows:

	Carrying Value 2011 Rupees	2010 Rupees
Freehold land	2,577,758	2,577,758
Buildings on freehold land	114,200,482	120,211,034
Plant and machinery	1,005,575,245	1,058,500,258
Generator	3,645,950	4,051,055
	1,125,999,435	**1,185,340,105**

3.1.6 ***The following assets were disposed off during***

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Particulars of buyer
Generator	9,041,943	7,197,742	1,844,201	2,267,361	H.H.Enterprises
Office equipment	1,663,673	900,771	762,902	751,112	H.H.Enterprises
Tube well	300,649	240,698	59,951	60,451	H.H.Enterprises
Fire extinguishing equipment	263,497	187,070	76,427	75,242	H.H.Enterprises
Vehicles					
Honda Civic	1,506,200	824,996	681,204	800,000	Khurram Shahzad
Suzuki Cultus	667,370	322,472	344,898	400,000	Sohail Nadeem
2 Honda motorcycles	110,000	45,200	64,800	64,801	M Nafees And Abdul Wahab
2011	13,553,332	9,718,949	3,834,383	4,418,967	
2010	36,500	14,641	21,859	21,600	

For comparative period

PARTICULARS	COST / REVALUATION						DEPRECIATION					WDV	Rate %
	At July 01, 2009	*Addition during the year*	*Revaluation (loss) / surplus*	*Disposals / transfer*	*Classified as held for sale*	*At June 30, 2010*	*At July 01, 2009*	*For the year*	*Accumulated depreciation on disposal / transfer*	*Accumulated depreciation on held for sale assets*	*At June 30, 2010*	*At June 30, 2010*	
	Rupees						*Rupees*						
Owned assets													
Land - freehold	57,562,500	-	(11,081,998)	-	(5,313,000)	41,167,502	-	-	-	-	-	41,167,502	
Building on freehold land													
- Factory	394,411,659	-	(66,351,651)	-	(90,616,280)	237,443,728	86,069,488	14,877,047	-	(41,485,460)	59,461,075	177,982,653	5%
- Residential	86,028,024	-	(22,325,583)	-	(10,927,750)	52,774,691	18,545,202	3,262,007	-	(9,434,150)	12,373,059	40,401,632	5%
	480,439,683	-	(88,677,234)	-	(101,544,030)	290,218,419	104,614,690	18,139,054	-	(50,919,610)	71,834,134	218,384,285	
Plant and machinery	1,943,970,963	25,756,233	149,307,154	129,544,779	(489,677,419)	1,758,901,710	604,677,922	68,007,910	57,656,842	(289,177,419)	441,165,255	1,317,736,455	5%
Generator	14,867,784	-	-	-	-	14,867,784	10,255,284	457,727	-	-	10,713,011	4,154,773	10%
Electric installations	56,747,010		-	-	(13,048,809)	43,698,201	34,597,737	3,264,367	-	(11,452,405)	26,409,699	17,288,502	15%
Factory equipments	479,199	-	-	-	(445,750)	33,449	212,806	24,615	-	(227,269)	10,152	23,297	10%
Office equipment	3,331,380	652,990	-	-	-	3,984,370	1,268,945	216,249	-	-	1,485,194	2,499,176	10%
Telephone installation	397,224	-	-	-	-	397,224	298,551	9,792	-	-	308,343	88,881	10%
Furniture and fixtures	2,716,867	-	-	-	(1,583,031)	1,133,836	1,545,982	112,126	-	(1,094,899)	563,209	570,627	10%
Arms and ammunition	27,800	-	-	-	-	27,800	12,325	1,536	-	-	13,861	13,939	10%
Weighing scale	643,982	-	-	-	(433,982)	210,000	443,880	19,066	-	(338,972)	123,974	86,026	10%
Tube well	345,649	-	-	-	-	345,649	256,977	8,799	-	-	265,776	79,873	10%
Fire extinguishing equipment	263,497	-	-	-	-	263,497	178,650	8,420	-	-	187,070	76,427	10%
Vehicles	16,655,849	64,600	-	(36,500)	-	16,683,949	6,415,262	2,020,715	(14,641)	-	8,421,336	8,262,613	20%
	2,578,449,387	26,473,823	49,547,922	129,508,279	(612,046,021)	2,171,933,390	764,779,011	92,290,376	57,642,201	(353,210,574)	561,501,014	1,610,432,376	
Leased.													
Grid station	64,747,312	-	-	-	-	64,747,312	3,776,927	6,050,464	-	-	9,827,391	54,919,921	10%
Plant and machinery	129,544,779	-	-	(129,544,779)		-	54,856,013	2,800,829	(57,656,842)		-	-	5%
Vehicles	1,232,000	-	-	-	-	1,232,000	574,933	129,405	-	-	704,338	527,662	20%
	195,524,091	-	-	(129,544,779)	-	65,979,312	59,207,873	8,980,698	(57,656,842)	-	10,531,729	55,447,583	
	2,773,973,478	**26,473,823**	**49,547,922**	**(36,500)**	**(612,046,021)**	2,237,912,702	**823,986,884**	**101,271,074**	**(14,641)**	**(353,210,574)**	572,032,743	1,665,879,959	

16. *LONG TERM FINANCING*

Banking companies-secured

Name of the Bank	Type of facility	2011 Rupees	2010 Rupees	Total no. of instalments	Remaining no. of instalments	Frequency of payment	Repayment commenced from	Rate of markup
Habib Bank Limited	EOP DF-4	1,077,501	1,795,833	10	3	Half yearly	06/Feb/08	SBP rate + 2%
Habib Bank Limited	DF-5	181,267,497	217,267,497	64	48	Monthly	31/Mar/10	6 M-KIBOR + 0.75%
Habib Bank Limited	DF-6	46,666,668	50,000,000	60	56	Monthly	31/Mar/11	6 M-KIBOR + 0.75%
		229,011,666	269,063,330					
Allied Bank Limited	DF	34,000,000	55,000,000	12	4	Half yearly	30/Mar/07	6 M-KIBOR + 1.75%
Allied Bank Limited	LTF-EOP	81,946,026	100,441,998	12	9	Half yearly	25/Dec/08	SBP rate + 2%
		115,946,026	155,441,998					
Faysal bank Limited	TF	4,716,079	7,074,119	8	4	Half yearly	31/Dec/09	6 M-KIBOR + 2%
Faysal bank Limited	LTF-EOP	26,593,437	35,458,000	8	6	Half yearly	17/Oct/09	SBP rate + 2%
Faysal bank Limited	TF	4,739,639	14,218,920	6	1	Half yearly	01/Aug/10	6 M-KIBOR + 2%
Faysal bank Limited	LTF-EOP	46,666,663	93,333,334	8	3	Half yearly	01/Jul/09	SBP rate + 2%
		82,715,818	150,084,373					
United Bank Limited	DF	63,750,000	85,000,000	8	6	Half yearly	01/Jul/10	3 M-KIBOR + 2.5%
Bank Al Habib Limited	TF-3	15,690,311	23,535,466	9	4	Half yearly	14/Feb/09	6 M-KIBOR + 1.5%
		507,113,821	683,125,167					
Current portion grouped under current liabilities		(144,627,235)	(154,455,678)					
		362,486,586	**528,669,489**					

Securities

Finance facility form Bank Al-Habib Limited, Habib Bank Limited, United Bank Limited and Faysal Bank Limited are secured against parri-passu charge with each other over land, building and plant and machinery. Finance facility under LTF-EOP Faysal Bank Limited is secured against ownership of leased assets, specific charge over machinery imported and personal guarantee of working directors. Effective rate of mark up on long term loans ranges from 7% to 15.78% (2010: 5.5% to 15.10%) per annum.

16. ***LONG TERM FINANCING***

Banking companies-secured

Name of the Bank	*Type of facility*	*2011 Rupees*	*2010 Rupees*	*Total no. of instalments*	*Remaining no. of instalments*	*Frequency of payment*	*Repayment commenced from*	*Rate of markup*
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		82,715,818	150,084,373					
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Ahmad Hassan Textile Mills Limited
Workers' profit participation fund and interest calculation
For the year ended on 30-6-11

		24/08/2011
Working prepared by auditors		**2011**
Gross profit		582,496,614
Distribution cost		(136,513,923)
Administrative expenses		(27,231,347)
Other operating expenses excluding WPPF and WWF		(80,500)
Finance cost excluding interest on WPPF		(176,763,159)
Other operating income		6,399,548
		(334,189,381)
		248,307,233
WPPF	**5%**	**12,415,362**
		235,891,871.35
Workers' welfare fund	**2%**	**4,717,837**

Calculation of interest on WPPF

Rate of dividend+2.5% OR Average rate of financing

Total Dividend		5,800,000
Total issued capital		8,000,000
Rate of dividend		72.5%
Add		2.5%
Total	**A**	**75.0%**

OR

Average rate of Financing

Finance cost excluding interest on WPPF		176,763,159
Total Borrowings (Average)		246,898,050
Average reate of Borrowing	**B**	72%
Rate whichever is higher amongst A&B		75.0%
Opening balance		4,022,564

Interest per day	8,265.54
No. of days of outstanding	210
Amount to be Expensed out	**1,735,764**
Client amount	370,876
Difference	1,364,888

AHMAD HASSAN TEXTILE MILLS LIMITED.

TAX DEPRECIATON SCHEDULE

30-Jun-10

PARTICULARS.	WDV as at June 30, 2009	Additions Eligible for Initial Dep.	Additions Others.	Total Additions.	Disposals during the Period.	Total available for Depreciation.	Initial dep. Rate.	Normal Rate.	TAX DEPRECIATION Initial Depreciation	For the Period.	Total Depriciation.	WDV as at June 30, 2010
Building	90,203,180	-	-	-	-	90,203,180	50	10	-	9,020,318	9,020,318	**81,182,862**
Plant & Machinery.	440,833,016	25,756,240	-	25,756,240	-	466,589,256	50	15	12,878,120	68,056,670	80,934,790	**385,654,466**
Office Equipment.	1,304,220	652,990	-	652,990	-	1,957,210	50	15	326,495	244,607	571,102	**1,386,108**
Furniture & Fixtures.	1,094,872	-	-	-	-	1,094,872		15	-	164,231	164,231	**930,641**
Vehicles.	6,545,747	64,600	-	64,600	25,087	6,585,260		15	-	987,789	987,789	**5,597,471**
	539,981,035	**26,473,830**	**-**	**26,473,830**	**25,087**	**566,429,778**			**13,204,615**	**78,473,615**	**91,678,230**	**474,751,548**