



54th Annual Report

of

Allawasaya Textile & Finishing Mills Limited

for the year ended June 30, 2011



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MISSION STATEMENT

The mission of Allawasaya Textile and Finishing Mills Limited is to contribute positively to the Socio-Economic growth of Pakistan through business and industrial pursuits endeavoring to achieve excellence in all spheres of such activity with effective and efficient management.

VISION STATEMENT

Allawasaya Textile and Finishing Mills Limited becomes a truly professional organization, achieve higher quality standards, utilize maximum capacity, capture expansion opportunities and become a least cost operator amongst its competitors.

We will strive to continue as a successful Company, make profit and thus create value for our shareholders without high risk to them, our Customers or employees.

QUALITY AND ENVIRONMENTAL POLICY

Our aim is to achieve the leadership of textile and spinning industry through quality products according to customer satisfaction. We thrive to achieve the above through the following measures:

- 1) Acquisition of quality raw material.
- 2) Manufacturing of high quality yarn as per customer satisfaction.
- 3) Continuous training and guidance to employees regarding quality and environment.
- 4) Continuous improvement, close watch and control in production process and environment.
- 5) Follow up of the system, regarding international quality and environmental laws.
- 6) Control of pollution discharge from industrial process.



COMPANY PROFILE

BOARD OF DIRECTORS

- | | | |
|----|----------------------------------|-------------------|
| 1. | Mian Muhammad Jamil | - Chairman |
| 2. | Mian Tanvir Ahmad Sheikh | - Chief Executive |
| 3. | Mrs. Nusrat Jamil | - Director |
| 4. | Mian Anis Ahmad Sheikh | - Director |
| 5. | Mian Sarfraz Ahmad Sheikh | - Director |
| 6. | Mian Tauqir Ahmad Sheikh | - Director |
| 7. | Mian Muhammad Bilal Ahmad Sheikh | - Director |
| 8. | Mian Muhammad Alamgir Jamil Khan | - Director |

AUDIT COMMITTEE

- | | |
|----------------------------------|------------|
| Mian Muhammad Jamil | - Chairman |
| Mian Tanvir Ahmad Sheikh | - Member |
| Mian Muhammad Alamgir Jamil Khan | - Member |

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Muhammad Ismail

AUDITORS

M. Yousuf Adil Saleem & Company,
Chartered Accountants, Lahore.

LEGAL ADVISOR

Sheikh Muhammad Farooq - Advocate
5-Nusrat Road, Multan Cantt.

BANKERS

M/s Habib Bank Limited
M/s Bank Al Habib Limited
M/s Habib Metropolitan Bank Limited
M/s United Bank Limited

REGISTERED OFFICE

Allawasaya Square,
Mumtazabad Industrial Area,
Vehari Road, Multan.

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Limited
H.M. House, 7-Bank Square, Lahore.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 54th Annual General Meeting of the Company will be held at 3:30 PM on Monday the 31st day of October 2011 at its registered office, Allawasaya Square, Mumtazabad Industrial Area, Vehari Road, Multan to transact the following business:

1. To confirm the Minutes of the 53rd Annual General Meeting of the Company held on Tuesday the 26th October 2010.
2. To receive, consider and approve the Directors' Report, Auditors' Report and Audited Accounts of the Company for the year ended June 30, 2011.
3. To consider and approve the distribution of 102.50% Dividend (Rs. 10.25 per share) as recommended by the Board of Directors of the Company to its shareholders, out of the profit for the year ended June 30, 2011.
4. To appoint auditors for the year 2011-2012 till next Annual General Meeting of the Company and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
(MUHAMMAD ISMAIL)
COMPANY SECRETARY

Place: Multan

Dated: 06.10.2011

NOTES:

- 1- The Shares Transfer Books of the Company will remain closed from 25-10-2011 to 31-10-2011 (both dates inclusive).
- 2- Shares Transfers received at the Company's Shares Registrar's Office, M/S Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on 24-10-2011 will be treated in time.
- 3- A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote instead of him/her. A proxy must be a member. Proxies in order to be valid must be received at the Registered Office of the Company not less than 48 hours before the time of meeting.
- 4- Any individual beneficial owners of CDC, entitled to attend and vote at this meeting must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.
- 5- Members are requested to communicate to the Company immediately, any change in their addresses.
- 6- Members who have not yet submitted attested photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest.



DIRECTORS' REPORT

In the name of Allah the Most Beneficent & the Merciful

Dear Shareholders,

Your Directors are pleased to present before you their 54th Annual Report on the affairs of your Company along with the Audited Accounts for the financial year ended June 30, 2011.

PERFORMANCE

By the grace of Almighty Allah, the performance of your Company was satisfactory during the year under report. The Mills produced Polyester-Cotton blended yarn throughout the year. The total sales for the year amounted to Rs. 2,195,228,720 (7,666,171.13 Kgs) as compared to Rs. 1,464,364,667 (7,899,761.52 Kgs) last year. The gross profit for the year was Rs. 182,164,140 and the Net Profit after providing for Tax amounted to Rs. 32,497,322. The financial results for the year ended June 30, 2011 along with the comparative figures of the last year are summarized under the respective heads of Accounts below:

ACCOUNTS:

	For the year ended June 30, 2011 Rupees	For the year ended June 30, 2010 Rupees
Sales	2,195,228,720	1,464,364,667
Cost of goods sold	(2,013,064,580)	(1,303,841,961)
Gross Profit	182,164,140	160,522,706
Other Operating Income	3,226,400	1,040,958
	185,390,540	161,563,664
Distribution cost-Commission	(7,607,098)	(3,775,493)
Administrative Expenses	(36,716,699)	(32,876,381)
Other Operating Expenses	(4,785,084)	(5,875,466)
Finance Cost	(59,821,339)	(44,461,861)
Profit before Taxation	76,460,320	74,574,463
Provision for Taxation	(43,962,998)	(35,246,267)
Profit for the year	32,497,322	39,328,196
Other comprehensive income for the year - net of tax	-	-
Total comprehensive income for the year - net of tax	32,497,322	39,328,196
Earnings per share- basic and diluted	40.62	49.16



BMR AND FUTURE OUT LOOK

The Company is in continuous process of BMR and is considering replacement of Ring Spinning Frames along with allied machines. Your Directors hope that the Cotton Crop this year will Inshallah be good both quantitatively and qualitatively. The prices of Cotton are still stabilizing and it is hoped that the Yarn prices will adjust accordingly. We hope that the performance of the Company will remain satisfactory.

DIVIDEND

To share the profit of the Company with the shareholders, your Directors propose distribution of a final cash dividend @ 102.50% (Rs. 10.25 per share) to the shareholders of the Company, out of the profit earned for the year ending June 30, 2011.

ISO 9001:2008 QMS AND ISO 14001:2004 EMS CERTIFICATION

Your Directors are pleased to report that your Company is quite successfully maintaining its ISO 9001:2008 Certification for Quality Management System and the ISO 14001:2004 Certification for Environmental Management System.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

Your Directors are pleased to report that the Company is complying with the requirements of the Code of Corporate Governance as introduced by the Securities and Exchange Commission of Pakistan. The various statements, as required by the code, are given below:

PRESENTATION OF FINANCIAL STATEMENTS:

The financial statements, prepared by the Company, fairly present its state of affairs, the results of operations, cash flows, and changes in equity;

BOOKS OF ACCOUNTS:

The Company has maintained proper books of accounts;

ACCOUNTING POLICIES:

Appropriate accounting polices have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS):

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;



INTERNAL CONTROL SYSTEM:

The system of internal control is sound in design and has been effectively implemented and monitored;

ON GOING CONCERN:

The Company's financial position is sound enough to ensure its continuity as an on going concern;

NO OUTSTANDING STATUTORY DUES:

There are no outstanding statutory dues on account of taxes, levies and charges except of normal and routine nature;

FINANCIAL HIGHLIGHTS:

Key operating and financial data of the last six years is given in Annex 1.

BOARD MEETINGS:

During the year ended June 30, 2011 four (4) meetings of the Board of Directors were held.

Attendance of each Director is given below:

Director's Name	Meeting Attended
Mian Muhammad Jamil	3
Mian Tanvir Ahmad Sheikh	4
Mrs. Nusrat Jamil	3
Mian Anis Ahmad Sheikh	4
Mian Sarfraz Ahmad Sheikh	4
Mian Tauqir Ahmad Sheikh	3
Mian Muhammad Bilal Ahmad Sheikh	4
Mian Muhammad Alamgir Jamil Khan	4

AUDITORS

Your Company's Auditors M/S M. Yousuf Adil Saleem & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment for the next year.

PATTERN OF SHAREHOLDING

Pattern of Shareholding of the Shareholders of the Company as on June 30, 2011 as required under Section 236 (2) (d) of the Companies Ordinance, 1984 is annexed.



RELATIONS WITH LABOUR AND STAFF

Your Directors are happy to report that relations with labour and staff of the Company remained cordial throughout the year.

ACKNOWLEDGMENT

Your Directors acknowledge the best cooperation as usual enjoyed by your Company from M/S Habib Bank Limited, M/S Bank Al Habib Limited, M/S Habib Metropolitan Bank Limited and M/S United Bank Limited and wish to record their sincere appreciation for the same and hope the Bankers will continue their support to us in future.

The dedicated hard work of all employees of the Company is also acknowledged.

On behalf of the Board of Directors

Sd/-
MIAN MUHAMMAD JAMIL
CHAIRMAN

Place: MULTAN
Dated: 06.10.2011



STATEMENT OF ETHICS AND BUSINESS PRACTICES

Introduction:

Allawasaya Textile and Finishing Mills Limited is committed to all round excellence in the sphere of business activity. As in the past, we strive to maintain sound ethical, business, and legal standards. Allawasaya Textile affirm to observe all prevailing and applicable laws & regulations of the country.

Code of Conduct:

Allawasaya Textile and Finishing Mills Limited steadfastly adheres to implementing transparent, ethical and professional lines of conduct in all business interfaces with our stakeholders which include government departments, textile manufacturing associations, stockists and traders, and so forth.

Employees:

Allawasaya Textile and Finishing Mills Limited has a historical track record of outstanding employees management relations. In the past over thirty years, there has never been any incident of Employees-Management tension. The Company is committed to provide a safe, secure, and congenial working environment to all its employees, regardless of rank, caste, or creed, thereby maximizing the employees' output and the Company's prosperity.

Community:

Allawasaya Textile and Finishing Mills Limited observes and pursues good community relations. The Company provides Staff Residence within the Mills premises.

Quality Assurance:

Allawasaya Textile and Finishing Mills Limited produces good quality "Gumbad" brand (Yarn, 10 Count to 40 Count) which conforms to the high standards and quality. Our product is backed up with over 47 years of yarn manufacturing experience and continuous process of BMR.

Financial Reporting:

Our accounting practices and finance policies are guided by prevailing corporate regulations, Companies Ordinance, 1984 and the Code of Corporate Governance. Further, we aim to fully comply with International Accounting Standard (IAS) in the preparation of financial statements. Departure if any from the standards is adequately disclosed.

Conclusion:

Allawasaya Textile and Finishing Mills Limited shall ensure that this statement of ethics and business practices is understood and implemented by all concerned in letter and spirit.



SIX YEARS KEY OPERATING AND FINANCIAL DATA

	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
BALANCE SHEET						
Authorized Capital	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Issued, Subscribed & Paid up Capital	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Reserves	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746
Unappropriated Profit/ (Loss)	59,565,634	28,354,130	(16,022,861)	6,791,445	33,260,329	34,135,379
Total Equity	150,234,380	119,022,876	74,645,885	97,460,191	123,929,075	124,804,125
Surplus on Revaluation of property, plant & equipment	38,785,445	43,299,627	48,348,422	-	-	-
Long Term Liabilities	80,566,934	67,647,816	89,584,948	72,957,240	-	-
Deferred Liabilities	65,230,435	45,597,210	17,672,766	11,472,700	21,786,615	20,630,378
Short Term Liabilities	324,806,600	198,414,081	340,284,335	370,870,659	130,432,926	167,077,265
Total Liabilities	470,603,969	311,659,107	447,542,049	455,300,599	152,219,541	187,707,643
Total Equity & Liabilities	659,623,794	473,981,610	570,536,356	552,760,790	276,148,616	312,511,768
Fixed Assets	274,479,790	247,039,589	264,021,156	208,983,329	98,825,055	102,771,109
Long Term Deposits	3,206,689	4,322,881	4,323,785	4,294,789	4,285,993	3,766,897
Current Assets	381,937,315	222,619,140	302,191,415	339,482,672	173,037,568	205,973,762
Total Assets	659,623,794	473,981,610	570,536,356	552,760,790	276,148,616	312,511,768
PROFIT & LOSS ACCOUNT						
Turnover	2,195,228,720	1,464,364,667	1,067,019,585	865,664,977	827,379,882	787,883,859
Gross Profit	182,164,140	160,522,706	53,478,983	17,469,324	37,972,195	39,615,900
Profit / (Loss) before Taxation	76,460,320	74,574,463	(39,392,947)	(31,045,397)	6,427,864	7,462,141
Profit / (Loss) after Taxation	32,497,322	39,328,196	(25,938,569)	(25,468,884)	2,124,950	9,337,858
DISTRIBUTION						
Cash Dividend %	102.50	72.50	-	-	12.50	37.50
RATIOS						
Break up value per share (Rs.)	187.79	148.78	93.31	121.83	154.91	156.00
Earning/(Loss) per share (Rs)	40.62	49.16	(32.42)	(31.84)	2.66	11.67
Current Ratio	1.18:1	1.12:1	0.89:1	0.92:1	1.33	1.23
Debt/equity ratio	38:62	36:64	47:53	43:57	0:100	0:100
CAPACITY & PRODUCTION						
No. of Spindles Installed	30,592	28,828	28,828	28,672	28,672	28,672
Capacity of Yarn at 20's Count (Kgs)	12,490,669	12,112,806	13,543,818	12,990,815	13,553,818	14,557,544
Actual Production of Yarn at 20's Count (Kgs)	12,417,636	11,443,456	11,030,315	10,777,391	11,077,370	11,067,971



STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented by the Board of Directors (the Board) of Allawasaya Textile and Finishing Mills Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Regulation No. 35 (Chapter XI) of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Regulation No. 35 (Chapter XI) of the Listing Regulation of the Islamabad Stock Exchange (Guarantee) Limited of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board of Directors of the Company comprises of eight Directors including the Chief Executive Officer. The number of executive Directors on the Board is three (3).
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Institution and none of them is member of any stock exchange.
4. There has been no casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and key employees of the Company.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer and other Executive Directors.
8. The related party transactions have been reviewed and approved by the Board and are carried out on normal / agreed terms and conditions.
9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Directors of the Company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984, Listing Regulations, Code of Corporate Governance, Company's Memorandum & Articles of Association and other relevant laws and regulations of Stock Exchanges. The Directors are also encouraged to attend the workshops and seminars on the subject of Corporate Governance.



11. The Board has approved appointment, remuneration and terms and conditions of the employment of Company Secretary including remuneration as determined by the Chief Executive Officer. There was no appointment of Chief Financial Officer and Head of Internal Audit during the year.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee comprising of three members.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set up an effective internal audit function headed by the Head of Internal Audit. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guide lines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

FOR AND ON BEHALF OF BOARD

Sd/-
MIAN MUHAMMAD JAMIL
CHAIRMAN

Place: MULTAN
Dated: 06.10.2011



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ALLAWASAYA TEXTILE & FINISHING MILLS LIMITED (the Company) to comply with the respective Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report, if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transaction by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

Engagement Partner:
Talat Javed

Lahore
Dated: 06.10.2011



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLAWASAYA TEXTILE & FINISHING 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 the Company's business and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.



- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts 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 Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

Engagement Partner:
Talat Javed

Lahore
Dated: 06.10.2011

**BALANCE SHEET AS AT JUNE 30, 2011**

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	274,479,790	247,039,589
Long term investments	4	1,097,452	2,254,644
Long term deposits		2,109,237	2,068,237
		<u>277,686,479</u>	<u>251,362,470</u>
CURRENT ASSETS			
Stores, spares and loose tools	5	15,061,519	7,733,222
Stock in trade	6	222,908,812	91,979,000
Trade debts	7	105,689,215	107,430,801
Loans and advances	8	22,569,050	9,962,962
Trade deposits and prepayments	9	1,012,190	503,272
Other receivables	10	86,061	86,095
Sales tax refundable		6,924,669	4,450,914
Current portion of long term investments	4	1,157,192	904
Cash and bank balances	11	6,528,607	471,970
		<u>381,937,315</u>	<u>222,619,140</u>
Total assets		<u><u>659,623,794</u></u>	<u><u>473,981,610</u></u>
EQUITY AND LIABILITIES			
<i>Share capital and reserves</i>			
Share capital	12	8,000,000	8,000,000
Reserves	13	82,668,746	82,668,746
Unappropriated profits		59,565,634	28,354,130
		<u>150,234,380</u>	<u>119,022,876</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14	38,785,445	43,299,627
NON-CURRENT LIABILITIES			
Long term financing	15	80,566,934	67,647,816
Deferred tax	16	65,230,435	45,597,210
		<u>145,797,369</u>	<u>113,245,026</u>
CURRENT LIABILITIES			
Trade and other payables	17	70,963,389	56,295,054
Accrued markup	18	13,343,006	7,763,773
Short term borrowings	19	183,935,786	105,096,299
Current portion of long term financing	15	34,612,132	21,937,132
Provision for taxation	20	21,952,287	7,321,823
		<u>324,806,600</u>	<u>198,414,081</u>
CONTINGENCIES AND COMMITMENTS	21	–	–
Total equity and liabilities		<u><u>659,623,794</u></u>	<u><u>473,981,610</u></u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

Sd/- Mian Muhammad Jamil Chairman	Sd/- Mian Tanvir Ahmad Sheikh Chief Executive	Sd/- Mian Anis Ahmad Sheikh Director	Sd/- Mian Muhammad Alamgir Jamil Khan Director	Sd/- Muhammad Ismail Chief Financial Officer
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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales	22	2,195,228,720	1,464,364,667
Cost of goods sold	23	(2,013,064,580)	(1,303,841,961)
Gross profit		182,164,140	160,522,706
Other operating income	24	3,226,400	1,040,958
		185,390,540	161,563,664
Distribution cost - commission		(7,607,098)	(3,775,493)
Administrative expenses	25	(36,716,699)	(32,876,381)
Other operating expenses	26	(4,785,084)	(5,875,466)
Finance cost	27	(59,821,339)	(44,461,861)
		(108,930,220)	(86,989,201)
Profit before taxation		76,460,320	74,574,463
Provision for taxation	28	(43,962,998)	(35,246,267)
Profit for the year		32,497,322	39,328,196
Other comprehensive income for the year - net of tax		—	—
Total comprehensive income for the year - net of tax		32,497,322	39,328,196
Earnings per share - basic and diluted	29	40.62	49.16

The annexed notes from 1 to 37 form an integral part of these financial statements.

Sd/-
Mian Muhammad Jamil
Chairman

Sd/-
Mian Tanvir Ahmad Sheikh
Chief Executive

Sd/-
Mian Anis Ahmad Sheikh
Director

Sd/-
Mian Muhammad Alamgir Jamil Khan
Director

Sd/-
Muhammad Ismail
Chief Financial Officer



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	76,460,320	74,574,463
Adjustments for:		
Depreciation on property, plant and equipment	30,722,022	28,324,991
Gain on sale of property, plant and equipment	(2,806,278)	(317,181)
Provision for staff retirement benefits - gratuity	5,671,900	7,687,700
Finance cost (excluding interest on workers' profit participation fund)	59,450,463	44,461,861
Profit on term finance certificates	(248,775)	(253,148)
Workers' welfare fund	704,270	1,852,970
Workers' profit participation fund	4,080,814	4,022,496
Operating cash flows before movement in working capital	174,034,736	160,354,152
Decrease / (increase) in current assets		
Stores, spares and loose tools	(7,328,297)	1,575,222
Stock in trade	(130,929,812)	92,231,000
Trade debts	1,741,586	(13,530,472)
Loans and advances (excluding advance income tax)	991,322	(2,111,112)
Trade deposits and prepayments	(508,918)	(237,338)
Sales tax refundable	(2,473,755)	3,663,314
Decrease in current liabilities		
Trade and other payables (excluding workers' profit participation fund and workers' welfare fund)	16,386,278	10,999,841
	(122,121,596)	92,590,455
Cash generated from operations	51,913,140	252,944,607
Income taxes paid	(23,296,719)	(5,421,751)
Staff retirement benefits - gratuity paid	(8,152,363)	(1,928,472)
Finance cost paid	(53,871,230)	(54,306,620)
Workers' profit participation fund paid	(4,022,564)	–
Net cash (used in)/ from operating activities	(37,429,736)	191,287,764



	2011 Rupees	2010 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(59,162,462)	(11,811,243)
Proceeds on disposal of property, plant and equipment	3,806,517	785,000
Redemption of long term investments	904	904
Profit on long term investments	248,809	253,183
Long term deposits	(41,000)	—
Net cash used in investing activities	(55,147,232)	(10,772,156)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	50,700,000	(20,100,711)
Long term financing repaid	(25,105,882)	—
Short term borrowings - net	78,839,487	(163,817,605)
Dividend paid	(5,800,000)	(699)
Net cash used in financing activities	98,633,605	(183,918,985)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	6,056,637	(3,403,377)
Cash and cash equivalents at beginning of the year	471,970	3,875,347
Cash and cash equivalents at end of the year	6,528,607	471,970

The annexed notes from 1 to 37 form an integral part of these financial statements.

Sd/-
Mian Muhammad Jamil
Chairman

Sd/-
Mian Tanvir Ahmad Sheikh
Chief Executive

Sd/-
Mian Anis Ahmad Sheikh
Director

Sd/-
Mian Muhammad Alamgir Jamil Khan
Director

Sd/-
Muhammad Ismail
Chief Financial Officer



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	Reserves				Total
	Share Capital	Capital	Revenue		
		Other reserve	General reserve	Accumulated profits / (loss)	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance at July 01, 2009	8,000,000	2,668,746	80,000,000	(16,022,861)	74,645,885
Profit for the year	-	-	-	39,328,196	39,328,196
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	39,328,196	39,328,196
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation (net of deferred tax)	-	-	-	5,048,795	5,048,795
Balance at July 01, 2010	8,000,000	2,668,746	80,000,000	28,354,130	119,022,876
Profit for the year	-	-	-	32,497,322	32,497,322
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	32,497,322	32,497,322
Dividend for the year ended June 30, 2010 at Rs. 7.25/= share	-	-	-	(5,800,000)	(5,800,000)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation (net of deferred tax)	-	-	-	4,514,182	4,514,182
Balance at June 30, 2011	8,000,000	2,668,746	80,000,000	59,565,634	150,234,380

The annexed notes from 1 to 37 form an integral part of these financial statements.

Sd/- Mian Muhammad Jamil Chairman	Sd/- Mian Tanvir Ahmad Sheikh Chief Executive	Sd/- Mian Anis Ahmad Sheikh Director	Sd/- Mian Muhammad Alamgir Jamil Khan Director	Sd/- Muhammad Ismail Chief Financial Officer
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Allawasaya Textile & Finishing Mills Limited (the Company) was incorporated in Pakistan on December 03, 1958 as a private limited company. It was converted into a public limited company in 1965 under the Companies, Act 1913 (now Companies Ordinance, 1984). Its shares are quoted on all stock exchanges in Pakistan. It is principally engaged in the manufacturing and sale of yarn. The registered office and mill of the Company is situated in Multan in the province of Punjab.

Finishing plant of the Company was closed in 1978 due to its obsolete machinery.

- 1.2 These 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 July 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 the historical cost convention modified by:

- revaluation of certain property, plant and equipment
- financial instrument at fair value

2.5 *Critical judgments and accounting estimates in applying the accounting policies*

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 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 following:

- useful life of depreciable assets;
- provision for doubtful receivables.
- provision for tax and deferred tax.

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.

2.6 The principal accounting policies adopted are set out below.

2.6.1 Property, plant and equipment

Property, plant and equipment except freehold land, power house and capital work in progress are stated at cost less accumulated depreciation and impairment, if any. Freehold land and capital work in progress are stated at cost. Cost includes borrowing cost as referred to in note 2.6.13 borrowing cost.

Power house is stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date, this is due on company in next year. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on revaluation of property, plant and equipment'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit on an annual basis.

Depreciation is charged to income applying reducing balance method to write-off the cost over the estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Rates of depreciation are stated in note 3. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

Gains / losses on disposal of operating assets, if any, are recognized in profit and loss account, as and when incurred.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and assets



replaced, if any, other than those kept as stand-by, are retired.

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.

2.6.2 *Investments*

Held-to-maturity

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

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

2.6.3 *Stores, spares and loose tools*

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.6.4 *Stock-in-trade*

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

<u>Particulars</u>	<u>Mode of valuation</u>
Raw material	
- At mills	At weighted average cost.
- In transit	Cost accumulated to the balance sheet date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.
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.

2.6.5 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.

2.6.6 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.

2.6.7 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.

2.6.8 Taxation

Current

The charge for current taxation is based on the taxable income for the year determined in accordance with the prevailing law of taxation of income. The charge for the current taxation is calculated using prevailing tax rates applicable to the profit for the year after taking into account available tax credits and brought forward losses, if any, or minimum tax on turnover, whichever is higher.

Deferred

Deferred tax is provided for using balance sheet liability method for all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used. In this regard, the effect 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 liabilities are recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is

charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.6.9 *Dividend distribution*

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.6.10 *Impairment*

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where 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.

The 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.

2.6.11 *Foreign currency translation*

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in

foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction.

Gains and losses on retranslation are included in profit or loss for the period.

2.6.12 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.

- Direct local sales are recorded when significant risks and reward are transferred which coincides with delivery of goods to customers.
- Sales through agents are booked on intimation from the agents.
- Profit from investment is recognized on time apportioned basis using effective rate of interest.

2.6.13 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 capitalisation.

All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

2.6.14 Provisions

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

2.6.15 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.



2.6.16 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is 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.

2.6.17 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.



3. PROPERTY, PLANT AND EQUIPMENT
Year ended June 30, 2011

Particulars	Cost / revaluation		
	At July 01, 2010	Addition / (disposal)	At June 30, 2011
..... Rupees			
Owned			
Land - Freehold	787,834	–	787,834
Building on freehold land	24,555,444	–	24,555,444
Plant and machinery	262,871,723	55,435,446 (9,799,179)	308,507,990
Power house			
- Building on freehold land	10,363,298	–	10,363,298
- Generators	156,272,395	–	156,272,395
- Electric Installation	23,303,137	–	23,303,137
	189,938,830	–	189,938,830
Tube Well	106,006	–	106,006
Electric installation	3,131,366	–	3,131,366
Workshop equipment	160,909	–	160,909
Tools and equipment	151,401	–	151,401
Laboratory equipment	3,732,266	100,000	3,832,266
Weighing scales	701,508	9,000	710,508
Arms and ammunition	264,057	–	264,057
Office equipment	2,371,021	183,000	2,554,021
Furniture and fixtures	956,518	117,500	1,074,018
Vehicles	16,422,201	3,317,516 (1,321,040)	18,418,677
Total	506,151,084	59,162,462 (11,120,219)	554,193,327



Depreciation			Book value	Rate
At July 01, 2010	For the year / (on disposal)	At June 30, 2011	At June 30, 2011	
R u p e e s				%
-	-	-	787,834	0
14,732,210	982,323	15,714,533	8,840,911	10
189,370,064	11,507,754 (9,152,457)	191,725,361	116,782,629	10
1,888,298	847,500	2,735,798	7,627,500	10
27,473,582	12,879,881	40,353,463	115,918,932	10
6,200,606	2,565,380	8,765,986	14,537,151	15
35,562,486	16,292,761	51,855,247	138,083,583	
103,597	241	103,838	2,168	10
2,265,797	129,835	2,395,632	735,734	15
154,399	651	155,050	5,859	10
140,923	1,048	141,971	9,430	10
2,255,104	149,383	2,404,487	1,427,779	10
563,605	14,540	578,145	132,363	10
32,046	23,201	55,247	208,810	10
1,151,906	203,255	1,355,161	1,198,860	15
683,857	38,516	722,373	351,645	10
12,095,501	1,378,514 (967,523)	12,506,492	5,912,185	20
259,111,495	30,722,022 (10,119,980)	279,713,537	274,479,790	



For comparative period

Particulars	Cost / revaluation		
	At July 01, 2009	Addition / (disposal)	At June 30, 2010
	R u p e e s		
Land - freehold	787,834	–	787,834
Building on freehold land	24,555,444	–	24,555,444
Plant and machinery	257,728,414	10,801,777 (5,658,468)	262,871,723
Power house			
- Building on freehold land	10,363,298	–	10,363,298
- Generators	156,272,395	–	156,272,395
- Electric Installation	23,303,137	–	23,303,137
	189,938,830	–	189,938,830
Tube well	106,006	–	106,006
Electric installation	2,906,366	225,000	3,131,366
Workshop equipment	160,909	–	160,909
Tools and equipment	151,401	–	151,401
Laboratory equipment	3,732,266	–	3,732,266
Weighing scales	687,588	13,920	701,508
Arms and ammunition	64,057	200,000	264,057
Office equipment	1,982,975	388,046	2,371,021
Furniture and fixtures	774,018	182,500	956,518
Vehicles	16,442,066	–	16,422,201
		(19,865)	
	500,018,174	11,811,243 (5,678,333)	506,151,084

Asset pertaining to Power house are stated at "Revalued Amount" as a result of revaluation carried out as on December 24, 2008 by an independent valuer M/s Ghaznavi & Co. (Pvt.) Limited, on the basis of market value.

3.1 Depreciation for the year has been allocated as under;

	Note	2011 Rupees	2010 Rupees
Cost of goods sold	23	29,078,536	27,011,883
Administrative expenses	25	1,643,486	1,313,108
		<u>30,722,022</u>	<u>28,324,991</u>



Depreciation			Book value	Rate
At July 01, 2009	For the year / (on disposal)	At June 30, 2010	At June 30, 2010	
Rupees				%
-	-	-	787,834	0
13,640,739	1,091,471	14,732,210	9,823,234	10
187,217,622	7,343,206 (5,190,764)	189,370,064	73,501,659	10
946,631	941,667	1,888,298	8,475,000	10
13,162,603	14,310,979	27,473,582	128,798,813	10
3,182,512	3,018,094	6,200,606	17,102,531	15
17,291,746	18,270,740	35,562,486	154,376,344	
103,329	268	103,597	2,409	10
2,139,520	126,277	2,265,797	865,569	15
153,676	723	154,399	6,510	10
139,759	1,164	140,923	10,478	10
2,090,975	164,129	2,255,104	1,477,162	10
549,700	13,905	563,605	137,903	10
11,822	20,224	32,046	232,011	10
965,978	185,928	1,151,906	1,219,115	15
658,630	25,227	683,857	272,661	10
11,033,522	1,081,729 (19,750)	12,095,501	4,326,700	20
235,997,018	28,324,991 (5,210,514)	259,111,495	247,039,589	



3.2 Disposal of operating assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)
<i>Plant and machinery</i>					
21 Ring Frame Rieter	9,799,179	9,152,457	646,722	3,453,000	2,806,278
<i>Vehicle</i>					
Toyota Corolla Car MLG-70	1,321,040	967,523	353,517	353,517	-
2011	11,120,219	10,119,980	1,000,239	3,806,517	2,806,278
2010	5,678,333	5,210,514	467,819	785,000	317,181



Mode of disposal	Particulars of buyers
------------------	-----------------------

Negotiation

Mr. Zulfqar, Gujranwala

Negotiation

Toyota Indus Motors Multan



- 3.3 Asset pertaining to power house are stated at revalued amount as a result of revaluation carried out as on December 24, 2008 by an independent valuer M/s. Ghaznavi and Co. (Private) Limited, on the basis of market value. The revaluation surplus has been credited to 'Surplus on revaluation of property, plant and equipment'. Had there been no revaluation the related figures of power house would have been as follows:

	Note	Carrying amount	
		2011 Rupees	2010 Rupees
<i>Power House</i>			
Building on freehold land		5,289,477	5,877,197
Generators		62,568,395	69,520,439
Electric Installation		10,509,313	12,363,897
		<u>78,367,185</u>	<u>87,761,533</u>

4. LONG TERM INVESTMENTS

Held to maturity

Term Finance Certificates of Bank Al-Habib Limited

Tranche - I	4.1	1,735,476	1,736,172
Tranche - II	4.2	519,168	519,376
		<u>2,254,644</u>	<u>2,255,548</u>
Current portion shown in current assets		<u>(1,157,192)</u>	<u>(904)</u>
		<u>1,097,452</u>	<u>2,254,644</u>

- 4.1 These certificates carry mark up at a rate of six month KIBOR+ 1.5% per annum and are redeemable at half yearly basis started from January 15, 2005 and ending on July 15, 2012.
- 4.2 These certificates carry mark up at a rate of six month KIBOR+ 1.95% per annum and are redeemable at half yearly basis starting from August 07, 2007 and ending on February 07, 2015.
- 4.3 The market value of Term Finance Certificates approximates its carrying amount. The market value of TFC as at June 30, 2011 was Rs. 2,317,320 (2010: Rs. 2,262,721).



	2011 Rupees	2010 Rupees
5. STORES, SPARES AND LOOSE TOOLS		
Stores	4,295,623	4,209,658
Spares	10,765,896	3,523,564
	<u>15,061,519</u>	<u>7,733,222</u>

5.1 The Company does not hold any stores, spares and loose tools for specific capitalization.

6. STOCK IN TRADE		
Raw materials		
- Cotton	59,204,812	30,047,000
- Polyester	15,070,000	5,718,000
- Viscose	62,000	62,000
	<u>74,336,812</u>	<u>35,827,000</u>
Work in process	15,926,000	10,060,000
Finished goods		
- Yarn	132,088,000	45,491,000
- Waste	558,000	601,000
	<u>132,646,000</u>	<u>46,092,000</u>
	<u>222,908,812</u>	<u>91,979,000</u>

6.1 Net realizable value of raw material and finished goods was lower than its cost, which resulted in writedowns of Rs. 19.469 million (2010: Nil) and Rs. 7.459 million (Rs. Nil) charged to cost of goods sold respectively.

7. TRADE DEBTS		
Local - unsecured		
Considered good	105,689,215	107,430,801
Considered doubtful	165,506	165,506
Provision for doubtful debts	(165,506)	(165,506)
	<u>105,689,215</u>	<u>107,430,801</u>

7.1 Trade receivables are non-interest bearing and are generally on 60 to 90 days terms.

7.2 The Company provides for doubtful debts on the basis of past due balances. Balances considered bad and irrecoverable are written off when identified.

7.3 Trade receivables consist of a large number of diversified customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, provision is made.



- 7.4 The fair value of trade receivables approximate their carrying amounts.
- 7.5 At year end, trade receivables of Rs.105,689,215 (2010: Rs. 92,918,510) were neither past due nor impaired.
- 7.6 As at year end, trade receivables of Rs. nil (2010: Rs. 14,512,291) were past due but not considered impaired 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. The aging of these receivables is as follows:

	2011 Rupees	2010 Rupees
Less than 3 months	–	4,388,518
3 to 6 months	–	9,796,685
Over 6 months	–	327,088
	–	14,512,291

8. **LOANS AND ADVANCES**
Considered good

Advances to employees	304,697	282,608
Advance to suppliers	1,627,851	2,641,262
Advance income tax	20,404,502	6,807,092
Advance for land	232,000	232,000
	22,569,050	9,962,962

9. **TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**

Margin deposit	5,000	5,000
Prepayments	287,639	498,272
Advance expenses on L/C	719,551	–
	1,012,190	503,272

10. **OTHER RECEIVABLES**

Profit receivable on term finance certificates	86,061	86,095
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	2011 Rupees	2010 Rupees
11. CASH AND BANK BALANCES		
Cash in hand	864,299	312,719
Cash at banks in current accounts	5,664,308	159,251
	<u>6,528,607</u>	<u>471,970</u>

12. SHARE CAPITAL

2011 Number of shares	2010 Number of shares		2011 Rupees	2010 Rupees
<u>1,000,000</u>	<u>1,000,000</u>	<i>Authorised</i> Ordinary share of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>
499,900	499,900	<i>Issued, subscribed and paid up</i> Ordinary shares of Rs. 10 each issued for cash as bonus shares	4,999,000	4,999,000
300,100	300,100		3,001,000	3,001,000
<u>800,000</u>	<u>800,000</u>		<u>8,000,000</u>	<u>8,000,000</u>

12.1 There were no movements in issued, subscribed and paid up capital during the reporting year.

12.2 The Company has only one class of ordinary shares which carry no right to fixed income.

	Note	2011 Rupees	2010 Rupees
13. RESERVES			
Capital			
Other reserve	13.1	2,668,746	2,668,746
Revenue			
General reserve		80,000,000	80,000,000
		<u>82,668,746</u>	<u>82,668,746</u>

13.1 This represents tax holiday reserve.



	Note	2011 Rupees	2010 Rupees
14. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
Opening balance		66,614,811	74,382,188
Transferred to unappropriated profit on account of Incremental depreciation Related deferred tax liability		(4,514,182) (2,430,713)	(5,048,795) (2,718,582)
		<u>(6,944,895)</u>	<u>(7,767,377)</u>
Closing balance		59,669,916	66,614,811
<i>Related deferred tax liability</i>			
Opening balance		(23,315,184)	(26,033,766)
Transferred to unappropriated profit on account of incremental depreciation		2,430,713	2,718,582
Closing balance		<u>(20,884,471)</u>	<u>(23,315,184)</u>
		<u>38,785,445</u>	<u>43,299,627</u>

14.1 Surplus on revaluation of property, plant & equipment determined as on:

December 24, 2008	<u>79,188,746</u>	<u>79,188,746</u>
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Asset pertaining to Power house are stated at revalued amount as a result of revaluation carried out as on December 24, 2008 by an independent valuer M/s. Ghaznavi and Co. (Private) Limited, on the basis of market value. The revaluation surplus has been credited to 'Surplus on revaluation of property, plant and equipment'.

15. LONG TERM FINANCING <i>Secured - from banking company</i>			
Habib Bank Limited			
- Demand Finance (Limit Rs. 80 million)	15.1	43,774,344	58,365,792
United Bank Limited			
- Demand Finance (Limit Rs. 90 million)	15.2	23,873,472	31,219,156
Bank Al Habib Limited			
- Term Finance (Limit Rs. 51 million)	15.3	47,531,250	–
		<u>115,179,066</u>	<u>89,584,948</u>
Current portion shown under current liabilities		<u>(34,612,132)</u>	<u>(21,937,132)</u>
		<u>80,566,934</u>	<u>67,647,816</u>



- 15.1 This finance has been obtained for purchase of Gas generator. It carried markup at rate of 3 months KIBOR + 100bps and is repayable in 10 half yearly installments, commencing from August 6, 2009 i.e. eighteen months after the 1st disbursement date. The loan is secured against specific charge on 3 gas generator sets of Rs 120 million and personal guarantees of the Company's directors.
- 15.2 This finance has been obtained for expansion in the spinning unit of the Company. It is repayable within a period of 5 years including one year grace period in 20 equal quarterly principal installments of Rs. 4.5 million each. It carries mark up at the rate of 3 months KIBOR + 2% per annum. It is secured against specific charge over the machinery and personal guarantees of all the sponsoring directors.
- 15.3 The finance has been obtained for retiring the shipping documents under the LC. It carried markup rate of 1.75% + Base rate i.e. 03- month Avg. KIBOR(ASK) prevailing on the date of drawdown and Principal is to be repaid in 16 equal quarterly installments, however markup will be serviced on quarterly basis. The loan is secured against 1st mortgage charge for Rs. 68.00 million over fixed assets of the company (to be registered with SECP) over land, building, and machinery (Installed /to be installed) at their mills premises, situated at Vehari Road ,Multan excluding the machinery under specific charge of HBL and UBL (registered on 10-09-2007 & 25-08-2008 respectively).
- 15.4 The exposure of the Company's borrowings to interest rate changes and contractual repricing dates at the balance sheet date are as follows:

	2011 Rupees	2010 Rupees
6 months or less:		
- long-term financings	67,647,816	89,584,948
- short-term financings	183,935,786	105,096,299
	<u>251,583,602</u>	<u>194,681,247</u>

- 15.5 Management considers that there is no significant non compliance of agreements with financial institutions, where the Company is exposed to further penalties.
- 15.6 The fair value of current borrowings approximate its carrying amounts because the mark up rate is market based.
- 15.7 The carrying amounts of the Company's borrowings are denominated in Pak Rupees.



	Note	2011 Rupees	2010 Rupees
16. DEFERRED TAX			
This comprises of the following:			
Deferred tax liability on taxable temporary difference arising in respect of:			
Property, plant and equipment		43,477,802	35,528,815
Surplus on revaluation of property, plant and equipment		20,884,471	23,315,184
Deferred tax asset on deductible temporary difference arising in respect of:			
Provision for gratuity		868,162	(2,015,730)
Assessed taxable loss		–	(11,231,059)
		<u>65,230,435</u>	<u>45,597,210</u>
17. TRADE AND OTHER PAYABLES			
Creditors		26,232,732	12,250,477
Accrued liabilities		23,234,624	18,193,473
Advance payments		2,168,219	7,353,980
Unclaimed dividend		458,096	324,999
Tax deducted at source		538,086	37,363
Workers' profit participation fund	17.1	4,080,814	4,022,564
Workers' Welfare Fund	21.3	2,557,240	1,852,970
Gratuity payable	17.2	3,278,765	5,759,228
Bonus payable		7,638,989	6,500,000
Other payables		775,824	–
		<u>70,963,389</u>	<u>56,295,054</u>
17.1 Workers' Profit Participation Fund			
Opening balance		4,022,564	68
Interest on amounts utilized in Company's business	27	370,876	–
Payment during the year		(4,393,440)	–
Allocation for the year		4,080,814	4,022,496
		<u>4,080,814</u>	<u>4,022,564</u>

17.2 The Company has paid the whole amount of liability relating to gratuity subsequent to balance sheet date.



	Note	2011 Rupees	2010 Rupees
18. ACCRUED MARKUP			
Long term financing		3,774,628	2,294,947
Short term borrowings		9,568,378	5,468,826
		<u>13,343,006</u>	<u>7,763,773</u>
19. SHORT TERM BORROWINGS			
<i>Secured</i>			
Running finance - under markup arrangement		160,935,786	105,096,299
Cash finance		23,000,000	–
		<u>183,935,786</u>	<u>105,096,299</u>

19.1 Short term borrowing facilities available from commercial banks under mark up arrangements aggregate to Rs. 304 million (2010: Rs. 580 million) of which facilities remained un-utilized at the year end amounted to Rs. 120 million (2010: Rs. 475 million). These facilities carry mark up at the rates ranging from 14.31 % to 16.01 % per annum (2010: 13.39 % to 15.01 % per annum). Facilities available for opening letters of credit and guarantee aggregate to Rs. 22.2 million (2010: Rs. 218 million) of which facilities remained un-utilized at the year end amounted to Rs. 145 million (2010: Rs. 138 million). These facilities are secured against pledge / hypothecation of stock in trade, stores and spares, lien on documents of title to goods, charge on stocks of the Company and personal guarantees of the directors. These facilities expire on various dates by December 31, 2011.

	Note	2011 Rupees	2010 Rupees
20. PROVISION FOR TAXATION			
Opening balance		7,321,823	–
Provision made during the year			
- Current	28	21,952,287	7,321,823
- Prior		(79,818)	–
		21,872,469	7,321,823
Less: Adjustment of advance tax against completed assessments		(7,242,005)	–
		<u>21,952,287</u>	<u>7,321,823</u>



21. CONTINGENCIES AND COMMITMENT

Contingencies

- 21.1 The Company has filed a writ petition against WASA Multan regarding special notice dated December 22, 2004 in which the authority has demanded a sum of Rs. 0.967 million of the arrears of water effluent discharge. The Company is of opinion that it is a spinning mill and has not undertaken a job of weaving and finishing so there is no effluent discharge of water from the unit. The Lahore High Court through order no. C.M.No.2 of 2004 had ordered that impugned notice shall remain suspended till further order.
- 21.2 The Company has made an appeal before the Social Security Court Lahore under section 59 of Provincial Employees Social Security Ordinance 1965, regarding complaint under section 57 of the said ordinance in which the institution has demanded a sum of Rs. 1.5 million of social security contribution for period from January 2001 to June 2003. The Company is of the opinion that there is no change in the capacity of the mill and the number of employees has not increased, therefore the increase in social security contribution is not justifiable.
- 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. 846,439.

Commitments

21.4 Guarantees issued by commercial banks on behalf of the Company outstanding as at June 30, 2011 were for Rs. 145 million (2010: Rs. 80 million).

	2011 Rupees	2010 Rupees
22. SALES - Net		
Local		
- Yarn	2,178,030,420	1,443,682,879
- Cotton	–	8,502,331
- Waste	16,475,375	9,503,668
- Polyester	722,925	2,675,789
	<u>2,195,228,720</u>	<u>1,464,364,667</u>



	Note	2011 Rupees	2010 Rupees
23. COST OF GOODS SOLD			
Raw materials consumed	23.1	1,761,452,130	973,093,690
Salaries, wages and benefits	23.2	95,591,398	87,199,404
Stores and spares consumed		39,377,467	28,149,803
Packing materials consumed		20,381,853	15,972,298
Fuel and power		140,357,203	113,964,269
Repairs and maintenance		8,495,530	6,728,044
Insurance		4,250,463	3,434,570
Bonus expenses		6,500,000	5,800,000
Depreciation	3.1	29,078,536	27,011,883
		<u>2,105,484,580</u>	<u>1,261,353,961</u>
Work in process			
Opening stock		10,060,000	8,583,000
Closing stock		(15,926,000)	(10,060,000)
		<u>(5,866,000)</u>	<u>(1,477,000)</u>
Cost of goods manufactured		<u>2,099,618,580</u>	<u>1,259,876,961</u>
Finished goods			
Opening stock		46,092,000	90,057,000
Closing stock	23.3	(132,646,000)	(46,092,000)
		<u>(86,554,000)</u>	<u>43,965,000</u>
Cost of goods sold		<u><u>2,013,064,580</u></u>	<u><u>1,303,841,961</u></u>
23.1 Raw materials consumed / sold			
Opening stock		35,827,000	85,570,000
Purchases (including direct expenses) - Net		<u>1,799,395,683</u>	<u>922,820,564</u>
		<u>1,835,222,683</u>	<u>1,008,390,564</u>
Closing stock		<u>(74,336,812)</u>	<u>(35,827,000)</u>
		<u>1,760,885,871</u>	<u>972,563,564</u>
Cotton cess		<u>566,259</u>	<u>530,126</u>
		<u><u>1,761,452,130</u></u>	<u><u>973,093,690</u></u>

23.1.1 This includes raw material sold during the year amounting to Rs. 8.219 million.

23.2 Salaries, wages and benefits include Rs. 4,941,900 (2010: Rs. 6,378,500) in respect of gratuity.

23.3 It includes waste stock amounting to Rs. 558,000 (2010: Rs. 601,000).



	Note	2011 Rupees	2010 Rupees
24. OTHER OPERATING INCOME			
<i>Income from financial assets</i>			
Profit on term finance certificates		248,775	253,148
<i>Income from assets other than financial assets</i>			
Gain on sale of property, plant and equipment		2,806,278	317,181
Liabilities no longer payable		81,347	405,629
Others		90,000	65,000
		<u>3,226,400</u>	<u>1,040,958</u>
25. ADMINISTRATIVE EXPENSES			
Directors' remuneration		3,901,708	2,837,216
Salaries and benefits	25.1	12,157,498	11,009,469
Vehicles running and maintenance		4,557,553	4,219,281
Traveling and conveyance	25.2	2,058,398	2,486,534
Printing and stationery		858,007	765,129
Communication		1,591,568	1,505,474
Rent, rates and taxes		1,430,094	1,488,804
Electricity and gas		–	–
Repair and maintenance		1,556,472	1,314,160
Subscription		221,002	224,963
Advertisement		79,275	26,800
Entertainment		458,040	307,886
Donation	25.3	105,000	–
Depreciation	3.1	1,643,486	1,313,108
Auditors' remuneration	25.4	650,000	580,000
Legal and professional		412,577	483,043
Provision for doubtful trade debts		–	–
Marketing expenses		2,216,900	3,561,765
Bonus expenses		1,000,000	700,000
Fines and penalties		91,225	–
Others		1,727,896	52,749
		<u>36,716,699</u>	<u>32,876,381</u>

25.1 Salaries and benefits include Rs. 730,000 (2010: Rs. 1,309,200) in respect of gratuity.

25.2 This includes directors' travelling Rs. 1,932,162 (2010: Rs. 2,448,121).

25.3 None of the directors or their spouse had any interest in the donee's fund.



	Note	2011 Rupees	2010 Rupees
25.4	Auditors' remuneration		
	- Statutory audit fee	500,000	500,000
	- Half yearly review	100,000	50,000
	- Tax services	50,000	30,000
		<u>650,000</u>	<u>580,000</u>
26.	<i>OTHER OPERATING EXPENSES</i>		
	Workers' profit participation fund	4,080,814	4,022,496
	Workers' welfare fund	21.3 704,270	1,852,970
		<u>4,785,084</u>	<u>5,875,466</u>
27.	<i>FINANCE COST</i>		
	Mark up on		
	- Long term financing	17,325,131	13,596,151
	- Short term borrowings	39,527,901	29,777,506
	Bank and other charges	2,366,738	974,410
	Interest on workers' profit participation fund	17.1 370,876	-
	Bank guarantee commission	230,693	113,794
		<u>59,821,339</u>	<u>44,461,861</u>
28.	<i>PROVISION FOR TAXATION</i>		
	Current		
	- for the year	21,952,287	7,321,823
	- prior year	2,377,485	-
	Deferred tax	19,633,226	27,924,444
		<u>43,962,998</u>	<u>35,246,267</u>

28.1 The relationship between tax expense and accounting profit has not been presented as the total income of the Company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001.

28.2 The income of the Company is not liable to tax due to heavy brought forward losses. Tax has been charged u/s 113. Income tax assessment of the Company is complete up to tax year 2010.



		2011	2010
29. EARNINGS PER SHARE			
Profit for the year	Rupees	<u>32,497,322</u>	<u>39,328,196</u>
Weighted average number of ordinary shares	Number	<u>800,000</u>	<u>800,000</u>
Basic earnings per share	Rupees	<u>40.62</u>	<u>49.16</u>

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

30. FINANCIAL RISK MANAGEMENT

30.1 The Company's principal financial liabilities comprise long term financing, short term borrowing, interest / markup accrued on loans and 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 bank balances 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, 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.

30.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 116,977,461 (2010: Rs. 112,600,259), the financial assets which are subject to credit risk amounted to Rs. 116,113,162 (2010: Rs. 112,287,540). The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

Credit risk of the Company arises principally from the trade debts, loans and advances and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:



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

Financial assets

	2011 Rupees	2010 Rupees
Long term investments	2,254,644	2,255,548
Deposits	2,114,237	2,073,237
Trade debts	105,689,215	107,430,801
Loans and advances	304,697	282,608
Other receivables	86,061	86,095
Bank balances	5,664,308	159,251
	<u>116,113,162</u>	<u>112,287,540</u>

30.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of diversified customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, provision is made. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

30.2.2 Credit risk related to bank balances

In respect of bank balances, credit risk on bank balances is limited as they are placed with local banks having good credit ratings assigned by credit rating agencies.

30.3 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 19.1 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.



30.3.1 Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

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

	Weighted Average effective rate of interest	Less than 1 month Rupees	1 - 3 months Rupees	3 months - 1 year Rupees	1 -5 years Rupees	more than 5 years Rupees	Total Rupees
June 30, 2011							
Financial liabilities							
Interest bearing							
Long term financing	13.10% to 14.60%	–	–	34,612,132	80,566,934	–	115,179,066
Short-term borrowings	14.31% to 16.01%	–	–	183,935,786	–	–	183,935,786
Non interest bearing							
Accrued markup		13,343,006	–	–	–	–	13,343,006
Trade and other payables		–	–	70,963,389	–	–	70,963,389
		13,343,006	–	289,511,307	80,566,934	–	383,421,247

	Weighted Average effective rate of interest	Less than 1 month Rupees	1 - 3 months Rupees	3 months - 1 year Rupees	1 -5 years Rupees	more than 5 years Rupees	Total Rupees
June 30, 2010							
Financial liabilities							
Interest bearing							
Long term financing	11.35% to 17.50%	–	–	21,937,132	67,647,816	–	89,584,948
Short-term borrowings	12.87% to 18.0%	–	–	105,096,299	–	–	105,096,299
Non interest bearing							
Accrued markup		7,763,773	–	–	–	–	7,763,773
Trade and other payables		–	–	56,295,054	–	–	56,295,054
		7,763,773	–	183,328,485	67,647,816	–	258,740,074

30.4 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.

30.4.1 Interest rate risk management

Interest / markup rate risk arises from the possibility that changes in interest / markup rates will affect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / markup rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 3 months and 6 months KIBOR. Since the impact on interest rate exposure is significant to the Company, management is considering the alternative arrangement to manage interest rate exposure in future.

30.4.2 Interest rate sensitivity

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2011 would increase / decrease by Rs. 2.991 million (2010: Rs. 1.947 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

30.4.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not exposed to foreign currency risk on assets and liabilities as it does not have foreign debtors or creditors.

30.4.4 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.

30.5 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.

30.6 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. derive 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.

30.7 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.

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

<i>June 30, 2011</i>	Loans and receivables Rupees	Held to maturity Rupees	Total June 30, 2011 Rupees
<i>Assets as per balance sheet</i>			
Long term investments	–	2,254,644	2,254,644
Deposits	2,114,237	–	2,114,237
Trade debts	105,689,215	–	105,689,215
Loans and advances	304,697	–	304,697
Other receivables	86,061	–	86,061
Cash and bank balances	6,528,607	–	6,528,607
	114,722,817	2,254,644	116,977,461
		Financial Liabilities measured at amortized cost Rupees	Total June 30, 2011 Rupees
<i>Liabilities as per balance sheet</i>			
Long term financing		115,179,066	115,179,066
Short term borrowings		183,935,786	183,935,786
Trade and other payables		70,963,389	70,963,389
Interest and mark-up accrued on loans		13,343,006	13,343,006
		383,421,247	383,421,247



<i>June 30, 2010</i>	Loans and receivables Rupees	Held to maturity Rupees	Total June 30, 2010 Rupees
<i>Assets as per balance sheet</i>			
Long term investments	–	2,255,548	2,255,548
Deposits	2,073,237	–	2,073,237
Trade debts	107,430,801	–	107,430,801
Loans and advances	282,608	–	282,608
Other receivables	86,095	–	86,095
Cash and bank balances	471,970	–	471,970
	<u>110,344,711</u>	<u>2,255,548</u>	<u>112,600,259</u>
		Financial Liabilities measured at amortized cost Rupees	Total June 30, 2010 Rupees
<i>Liabilities as per balance sheet</i>			
Long term financing		89,584,948	89,584,948
Short term borrowings		105,096,299	105,096,299
Trade and other payables		56,295,054	56,295,054
Interest and mark-up accrued on loans		7,763,773	7,763,773
		<u>258,740,074</u>	<u>258,740,074</u>

31. CAPITAL MANAGEMENT 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 benefits 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 Rupees	2010 Rupees
Total debt	299,114,852	194,681,247
Less: Cash and cash equivalents	(6,528,607)	(471,970)
Net debt	292,586,245	194,209,277
Total equity	150,234,380	119,022,876
Adjusted capital	442,820,625	313,232,153
Debt-to-adjusted capital ratio	66.07%	62.00%

32. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	Chief Executive		Directors	
	2011	2010	2011	2010
 Rupees			
Managerial remuneration	755,172	537,931	1,686,206	1,282,759
House rent	339,828	215,172	758,794	513,103
Utilities	-	26,897	442,998	261,354
	1,095,000	780,000	2,887,998	2,057,216
No. of persons	1	1	3	3

32.1 No meeting fee was paid during the year.

32.2 The Chief Executive and directors are also provided with the Company owned and maintained cars and telephones at their residences.

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Remuneration of directors and key management personnel is disclosed in note 32. There were no other significant transactions with related party during the current year.

Relationship with the party	Nature of transactions	2011 Rupees	2010 Rupees
Associated undertaking	Purchase of goods	-	29,048,340



	2011	2010
34. PRODUCTION CAPACITY		
Number of spindles installed and worked	30,592	28,828
Number of shifts worked	1,038	1,051
Capacity of yarn at 20's count		
on the basis of utilization	Kgs 12,490,669	12,112,806
Production of yarn at 20's count	Kgs 12,417,636	11,443,456

It is difficult to describe precisely the production capacity in spinning mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

35. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

In respect of current year, the directors proposed to pay cash dividend of Rs. 8.2 million (2010: Rs. 5.8 million) @ Rs. 10.25 (2010: Rs. 7.25) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of payment.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on October 6, 2011.

37. GENERAL

Figures in the financial statements have been rounded-off to the nearest rupee except stated otherwise.

Sd/- Mian Muhammad Jamil Chairman	Sd/- Mian Tanvir Ahmad Sheikh Chief Executive	Sd/- Mian Anis Ahmad Sheikh Director	Sd/- Mian Muhammad Alamgir Jamil Khan Director	Sd/- Muhammad Ismail Chief Financial Officer
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PATTERN OF SHAREHOLDING OF THE SHAREHOLDERS OF THE COMPANY AS ON JUNE 30, 2011

Number of Shareholders	Shareholding		Total Shares held
	From	To	
109	1	100	5,833
21	101	500	5,250
9	501	1,000	7,748
7	1,001	5,000	21,670
8	5,001	10,000	72,776
1	10,001	15,000	10,064
7	15,001	20,000	122,477
5	20,001	25,000	105,848
2	25,001	30,000	54,624
1	30,001	35,000	34,166
3	35,001	40,000	106,026
0	40,001	45,000	0
1	45,001	50,000	47,209
2	50,001	75,000	125,839
0	75,001	80,000	0
1	80,001	85,000	80,470
<hr/> 177			<hr/> 800,000

Categories of Shareholders	Number	Shares	Percentage
		held	
Individuals	167	799,246	99.91
Joint Stock Company	2	150	0.02
Financial Institutions	3	31	0.00
Investment Corporation of Pakistan	2	100	0.01
Others	–	–	–
Corporate Law Authority	1	1	0.00
Deputy Administrator Abandoned Properties	1	425	0.05
Mutual Fund	1	47	0.01
	<hr/> 177	<hr/> 800,000	<hr/> 100



PATTERN OF SHAREHOLDING AS ON JUNE 30, 2011

ADDITIONAL INFORMATION

<i>Shareholders' Category</i>	<i>Number of Shareholders</i>	<i>Number of Shares Held</i>
Associated Companies, Undertaking & Related Parties		NIL
Central Depository Company of Pakistan Limited	28	4,524
NIT and ICP		
Investment Corporation of Pakistan	2	100
National Investment Trust Limited	1	1
DIRECTORS		
Mian Muhammad Jamil	1	80,470
Mian Tanvir Ahmad Sheikh	1	20,070
Mrs. Nusrat Jamil	1	65,376
Mian Anis Ahmad Sheikh	1	35,560
Mian Sarfraz Ahmad Sheikh	1	47,209
Mian Tauqir Ahmad Sheikh	1	34,166
Mian Muhammad Bilal Ahmad Sheikh	1	35,156
Mian Muhammad Alamgir Jamil Khan	1	60,463
CHIEF EXECUTIVE OFFICERS		
Mian Tanvir Ahmad Sheikh	1	20,070
Directors' / C.E.O's Spouses	14	228,935
Executives	NIL	
Public Sector Companies and C.L.A.	1	1
Deputy Administrator Abandoned Properties	1	425
Shareholders holding 10% or more voting interest	1	80,470



**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2011**

Number of Shareholders	Shareholding		Total Shares held
	From	To	
24	1	100	875
2	101	500	625
1	501	1,000	950
1	1,001	5,000	2,074
<hr/> 28 <hr/>			<hr/> 4,524 <hr/>

Categories of Shareholders	Number	Shares held	Percentage
Mutual Fund	1	47	1.04
Joint Stock Companies	2	150	3.32
Individuals	21	3,871	85.57
Others	1	425	9.39
Financial Institutions	3	31	0.69
	<hr/> 28 <hr/>	<hr/> 4,524 <hr/>	<hr/> 100 <hr/>



FORM OF PROXY

I,

.....

of

being a member of ALLAWASAYATEXTILE & FINISHING MILLS LIMITED, hereby
appoint.....

of

as my proxy in my absence to attend and vote for me and on my behalf at the
(Ordinary or / and Extraordinary as the case may be) General Meeting of the
Company to be held on the and at any adjournment
thereof

As witness my hand this

day of 2011

Signed by the said

Five Rupee
Revenue Stamp

IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's
Registered office at Allawasaya Square, Mumtazabad Industrial Area, Vehari
Road, Multan not less than 48 hours before the time for holding the meeting.
