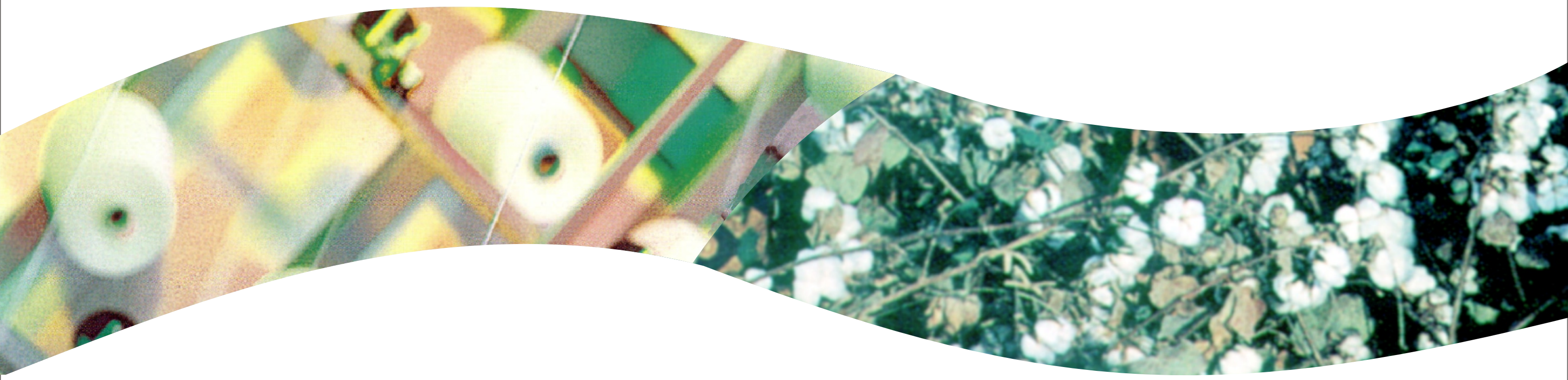


55th Annual Report

of

Allawasaya Textile & Finishing Mills Limited

for the year ended June 30, 2012

55th Annual Report

of

Allawasaya Textile & Finishing Mills Limited

for the year ended June 30, 2012

CONTENTS

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

HUMAN RESOURCE & REMUNERATION COMMITTEE (HR&R)

Mian Muhammad Jamil	- Chairman
Mian Tanvir Ahmad Sheikh	- Member
Mrs. Nusrat Jamil	- 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 55th Annual General Meeting of the Company will be held at 3:30 PM on Wednesday 31st October 2012 at its registered office, Allawasaya Square, Mumtazabad Industrial Area, Vehari Road, Multan to transact the following business:

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on Thursday 3rd May 2012.
2. To receive, consider and approve the Directors' Report, Auditors' Report and Audited Accounts of the Company for the year ended June 30, 2012.
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, 2012.
4. To appoint auditors for the year 2012-2013 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: 02.10.2012

NOTES:

1- The Shares Transfer Books of the Company will remain closed from 25-10-2012 to31-10-2012 (both days 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 October 24, 2012 will be treated in time.
3- A member entitled to attend and vote at this meeting is entitled to appoint any other member as a proxy to attend, speak and vote instead of him/her. *A proxy must be a member*. Proxies duly stamped with Rs.5/- revenue stamp, signed and witnessed, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the 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 submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP requirement, if not provided earlier and also communicate to the Company immediately of any change in their addresses.*

DIRECTORS' REPORT

In the name of Allah the Most Beneficent & the Merciful

Dear Shareholders,

Your Directors are pleased to present before you their 55th Annual Report on the affairs of your Company along with the Audited Accounts for the financial year ended June 30, 2012.

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.2,066,231,736 (8,302,376.88 Kgs) as compared to Rs.2,195,228,720 (7,666,171.13 Kgs) last year*. The gross profit for the year was *Rs.162,755,672 and the* Net Profit after providing for Tax amounted to *Rs. 41,577,141*. The financial results for the year ended June 30, 2012 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, 2012 Rupees	*For the year ended June 30, 2011 Rupees*
Sales	2,066,231,736	2,195,228,720
Cost of goods sold	(1,903,476,064)	(2,013,064,580)
Gross Profit	162,755,672	182,164,140
Other Operating Income	2,609,681	3,226,400
	165,365,353	185,390,540
Distribution Cost - commission	(6,586,048)	(7,607,098)
Administrative Expenses	(37,545,774)	(36,716,699)
Other Operating Expenses	(5,008,183)	(4,785,084)
Finance Cost	(51,592,076)	(59,821,339)
Profit before Taxation	64,633,272	76,460,320
Provision for Taxation	(23,056,131)	(43,962,998)
Profit for the year	41,577,141	32,497,322
Other comprehensive income for the year - net of tax	–	–
Total comprehensive income for the year - net of tax	41,577,141	32,497,322
Earnings per share- basic and diluted	51.97	40.62

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, 2012.

REVISION IN REMUNERATION OF CHIEF EXECUTIVE AND THREE FULL TIME WORKING DIRECTORS INCLUDING CHAIRMAN OF THE COMPANY

The Shareholders of the Company in the Extra Ordinary General Meeting held on May 3, 2012, passed the Ordinary Resolutions for revision of remuneration of the Chief Executive and three full time Working Directors including Chairman with effect from 30th May 2012 in addition to other perquisites as before as per following detail:

Salary of Chairman & Chief Executive	-	Rs. 150,000/- each per month
Salary of Production Director & Finance Director	-	Rs. 125,000/- each per month

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, 2012 five (5) meetings of the Board of Directors were held. Attendance of each Director is given below:

Director's Name	Meeting Attended
Mian Muhammad Jamil	5
Mian Tanvir Ahmad Sheikh	5
Mrs. Nusrat Jamil	5
Mian Anis Ahmad Sheikh	5
Mian Sarfraz Ahmad Sheikh	5
Mian Tauqir Ahmad Sheikh	5
Mian Muhammad Bilal Ahmad Sheikh	3
Mian Muhammad Alamgir Jamil Khan	5

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, 2012 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.

ACKNOWLEDGEMENT

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: 02.10.2012

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 48 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, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
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)	96,956,670	59,565,634	28,354,130	(16,022,861)	6,791,445	33,260,329
Total Equity	187,625,416	150,234,380	119,022,876	74,645,885	97,460,191	123,929,075
Surplus on Revaluation of property, plant & equipment	34,771,550	38,785,445	43,299,627	48,348,422	–	–
Long Term Liabilities	45,954,802	80,566,934	67,647,816	89,584,948	72,957,240	–
Deferred Liabilities	58,852,470	65,230,435	45,597,210	17,672,766	11,472,700	21,786,615
Short Term Liabilities	230,337,137	324,806,600	198,414,081	340,284,335	370,870,659	130,432,926
Total Liabilities	335,144,409	470,603,969	311,659,107	447,542,049	455,300,599	152,219,541
Total Equity & Liabilities	557,541,375	659,623,794	473,981,610	570,536,356	552,760,790	276,148,616
Fixed Assets	254,327,265	274,479,790	247,039,589	264,021,156	208,983,329	98,825,055
Long Term Deposits	2,627,989	3,206,689	4,322,881	4,323,785	4,294,789	4,285,993
Current Assets	300,586,121	381,937,315	222,619,140	302,191,415	339,482,672	173,037,568
Total Assets	557,541,375	659,623,794	473,981,610	570,536,356	552,760,790	276,148,616
PROFIT & LOSS ACCOUNT						
Turnover	2,066,231,736	2,195,228,720	1,464,364,667	1,067,019,585	865,664,977	827,379,882
Gross Profit	162,755,672	182,164,140	160,522,706	53,478,983	17,469,324	37,972,195
Profit / (Loss) before Taxation	64,633,272	76,460,320	74,574,463	(39,392,947)	(31,045,397)	6,427,864
Profit / (Loss) after Taxation	41,577,141	32,497,322	39,328,196	(25,938,569)	(25,468,884)	2,124,950
DISTRIBUTION						
Cash Dividend %	102.50	102.50	72.50	–	–	12.50
RATIOS						
Break up value per share(Rs.)	234.53	187.79	148.78	93.31	121.83	154.91
Earning/(Loss) per share (Rs)	51.97	40.62	49.16	(32.42)	(31.84)	2.66
Current Ratio	1.30:1	1.18:1	1.12:1	0.89:1	0.92:1	1.33
Debt/equity ratio	27:73	38:62	36:64	47:53	43:57	0:100
CAPACITY & PRODUCTION						
No. of Spindles Installed	30,592	30,592	28,828	28,828	28,672	28,672
Capacity of Yarn at 20's Count (Kgs)	12,745,580	12,490,669	12,112,806	13,543,818	12,990,815	13,553,818
Actual Production of Yarn at 20's Count (Kgs)	12,907,697	12,417,636	11,443,456	11,030,315	10,777,391	11,077,370

Statement of Compliance with the Code of Corporate Governance
for the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange Limited, Regulation No.35 (Chapter XI of the Listing Regulations of the Lahore Stock Exchange Limited and Regulation No.35 (Chapter XI) of the Listing Regulation of the Islamabad Stock Exchange 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 CCG in the following manner:

1. The company encourages representation of non-executive directors on its board of directors. At present the board includes:

Name	*Category*
Mian Muhammad Jamil	Executive Director (Chairman)
Mian Tanvir Ahmad Sheikh	Executive Director (CEO)
Mian Anis Ahmad Sheikh	Executive Director
Mian Muhammad Alamgir Jamil Khan	Executive Director
Mrs. Nusrat Jamil	Non-Executive Director
Mian Sarfraz Ahmad Sheikh	Non-Executive Director
Mian Tauqir Ahmad Sheikh	Non-Executive Director
Mian Muhammad Bilal Ahmad Sheikh	Non-Executive Director

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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 DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the board of directors during the year.

5. The company has prepared a “Code of Conduct” and appropriate steps will be taken to disseminate it throughout the company along with its supporting policies and procedures.

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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year one of the directors has attended a seminar, organized by SECP on E-Services and Corporatization.

10. The board has approved appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee comprising of three members all of whom are executive directors including chairman.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board is in process of forming an HR and Remuneration Committee that will comprise of three members.

18. The board is currently in the process of establishing an audit function to be headed by the Head of Internal Audit. The staff will be suitably qualified and experienced for the purpose and will be conversant with the policies and procedures of the Company and will be 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 program of the ICAP, 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 the ICAP.

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 guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-
MIAN MUHAMMAD JAMIL
CHAIRMAN

Multan, October 2, 2012

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 relevant Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange 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 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 controls covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations require 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, 2012.

We draw attention to the following paragraphs of the Statement wherein certain non-compliances have been observed:

* Paragraph 5, the Company has not placed its code of conduct on its website as required by the Code of Corporate Governance 2012.
* Paragraph 17 regarding Human Resource and Remuneration Committee which will be formed by the Board.
* Paragraph 18, regarding Internal Audit Function in the Company which will be formed by the Board.

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

Engagement Partner:
Talat Javed

Lahore
Dated: 02.10.2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of *Allawasaya Textile & Finishing Mills Limited* (the Company) as at June 30, 2012 and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

(a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) In our opinion-

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

   (ii) the expenditure incurred during the year was for the purpose of Company's business and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) In our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 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 Central Zakat Fund established under section 7 of that Ordinance.

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

Engagement Partner:
Talat Javed

Lahore
Dated: 02.10.2012

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	254,327,265	274,479,790
Long term investments	4	518,752	1,097,452
Long term deposits		2,109,237	2,109,237
		256,955,254	277,686,479
CURRENT ASSETS			
Stores and spares	5	11,271,339	15,061,519
Stock in trade	6	139,417,902	222,908,812
Trade debts	7	117,830,300	105,689,215
Loans and advances	8	17,911,383	22,569,050
Trade deposits and prepayments	9	564,569	1,012,190
Other receivables	10	28,845	86,061
Sales tax refundable		6,428,884	6,924,669
Current portion of long term investments	4	578,700	1,157,192
Cash and bank balances	11	6,554,199	6,528,607
		300,586,121	381,937,315
Total assets		557,541,375	659,623,794
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	12	8,000,000	8,000,000
Reserves	13	82,668,746	82,668,746
Unappropriated profits		96,956,670	59,565,634
		187,625,416	150,234,380
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14	34,771,550	38,785,445
NON-CURRENT LIABILITIES			
Long term financing	15	45,954,802	80,566,934
Deferred tax	16	58,852,470	65,230,435
		104,807,272	145,797,369
CURRENT LIABILITIES			
Trade and other payables	17	67,788,967	70,963,389
Accrued markup	18	9,606,595	13,343,006
Short term borrowings	19	89,855,760	183,935,786
Current portion of long term financing	15	34,612,132	34,612,132
Provision for taxation	20	28,473,683	21,952,287
		230,337,137	324,806,600
CONTINGENCIES AND COMMITMENTS	21	–	–
Total equity and liabilities		557,541,375	659,623,794

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

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
Mian Muhammad Jamil	Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Mian Muhammad Alamgir Jamil Khan	Muhammad Ismail
Chairman	Chief Executive	Director	Director	Chief Financial Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales	22	2,066,231,736	2,195,228,720
Cost of goods sold	23	(1,903,476,064)	(2,013,064,580)
Gross profit		162,755,672	182,164,140
Other operating income	24	2,609,681	3,226,400
		165,365,353	185,390,540
Distribution cost - commission		(6,586,048)	(7,607,098)
Administrative expenses	25	(37,545,774)	(36,716,699)
Other operating expenses	26	(5,008,183)	(4,785,084)
Finance cost	27	(51,592,076)	(59,821,339)
		(100,732,081)	(108,930,220)
Profit before taxation		64,633,272	76,460,320
Provision for taxation	28	(23,056,131)	(43,962,998)
Profit for the year		41,577,141	32,497,322
Other comprehensive income for the year - net of tax		–	–
Total comprehensive income for the year - net of tax		41,577,141	32,497,322
Earnings per share - basic and diluted	29	51.97	40.62

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

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
Mian Muhammad Jamil	Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Mian Muhammad Alamgir Jamil Khan	Muhammad Ismail
Chairman	Chief Executive	Director	Director	Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	64,633,272	76,460,320
Adjustments for:		
Depreciation on property, plant and equipment	29,425,773	30,722,022
Gain on sale of property, plant and equipment	(588,983)	(2,806,278)
Provision for staff retirement benefits - gratuity	6,332,656	5,671,900
Finance cost (excluding interest on workers' profit participation fund)	51,400,460	59,450,463
Liabilities no longer payable	(1,852,970)	–
Profit on term finance certificates	(167,728)	(248,775)
Workers' welfare fund	1,595,164	704,270
Workers' profit participation fund	3,413,019	4,080,814
Operating cash flows before movement in working capital	154,190,663	174,034,736
Decrease / (increase) in current assets		
Stores, spares and loose tools	3,790,180	(7,328,297)
Stock in trade	83,490,910	(130,929,812)
Trade debts	(12,141,085)	1,741,586
Loans and advances (excluding advance income tax)	862,064	991,322
Trade deposits and prepayments	447,621	(508,918)
Sales tax refundable	495,785	(2,473,755)
Decrease in current liabilities		
Trade and other payables (excluding workers' profit participation fund, workers' welfare fund, gratuity and dividend)	(4,011,198)	16,253,181
	72,934,277	(122,254,693)
Cash generated from operations	227,124,940	51,780,043
Income taxes paid	(19,117,097)	(23,296,719)
Staff retirement benefits - gratuity paid	(3,707,300)	(8,152,363)
Finance cost paid	(55,136,871)	(53,871,230)
Workers' profit participation fund paid	(4,080,814)	(4,022,564)
Workers' welfare fund paid	(1,000,000)	–
Net cash from / (used in) operating activities	144,082,858	(37,562,833)

	2012 Rupees	2011 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(9,409,265)	(59,162,462)
Proceeds on disposal of property, plant and equipment	725,000	3,806,517
Redemption of long term investments	1,157,192	904
Profit on long term investments	224,944	248,809
Long term deposits	–	(41,000)
Net cash used in investing activities	(7,302,129)	(55,147,232)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	–	50,700,000
Long term financing repaid	(34,612,132)	(25,105,882)
Short term borrowings - net	(94,080,026)	78,839,487
Dividend paid	(8,062,979)	(5,666,903)
Net cash (used in) / from financing activities	(136,755,137)	98,766,702
Net increase / (decrease) in cash and cash equivalents (A + B + C)	25,592	6,056,637
Cash and cash equivalents at beginning of the year	6,528,607	471,970
Cash and cash equivalents at end of the year	6,554,199	6,528,607

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

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
Mian Muhammad Jamil	Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Mian Muhammad Alamgir Jamil Khan	Muhammad Ismail
Chairman	Chief Executive	Director	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share Capital	Reserves			Total
		Capital	Revenue		
		Tax Holiday reserve	General reserve	Accumulated profits / (loss)	
	Rupees				
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 income 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 July 01, 2011	8,000,000	2,668,746	80,000,000	59,565,634	150,234,380
Profit for the year	–	–	–	41,577,141	41,577,141
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	41,577,141	41,577,141
Dividend for the year ended June 30, 2011 at Rs. 10.25/ share	–	–	–	(8,200,000)	(8,200,000)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation (net of deferred tax)	–	–	–	4,013,895	4,013,895
Balance at June 30, 2012	8,000,000	2,668,746	80,000,000	96,956,670	187,625,416

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

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
Mian Muhammad Jamil	Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Mian Muhammad Alamgir Jamil Khan	Muhammad Ismail
Chairman	Chief Executive	Director	Director	Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 (IASB) as are notified under the Companies Ordinance, 1984, and provisions of and directives issued under the Companies Ordinance 1984. In case requirements differ, the provisions or directives of the Companies Ordinance 1984 shall prevail.

2.2 Adoption of new and revised standards and interpretations :

a) The following amendments, revisions and interpretations to published accounting standard were not effective during the year and have not been early adopted by the Company:

	Effective date (annual periods beginning on or after)
IAS 1 Presentation of Financial Statement (Amendments)	July 1, 2012 & January 1, 2013
IAS 19 Employee benefits (Amendments)	January 1, 2013
IFRIC 20 Stripping Costs in the production phase of a surface mine	January 1, 2013

b) The following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of their applicability in Pakistan:

		IASB effective date (accounting period beginning on or after)
IFRS 9	Financial Instruments	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements (Revised)	January 1, 2013
IAS 28	Investments in Associates (Revised)	January 1, 2013

c) The following interpretations issued by the IASB have been waived off by the SECP, effective January 16, 2012:

IFRIC 4	Determining Whether an Arrangement Contains a
IFRIC 12	Service Concession Arrangments

2.3 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

2.4 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
- useful life of depreciable assets;
- provision for doubtful receivables.
- provision for current tax and deferred tax.
- revaluation of assets pertaining to power house

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.

2.5 The principal accounting policies adopted are set out below.

2.5.1 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. 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, the related surplus on revaluation (net of deferred taxation) is transferred directly to 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. Assets are derecognized when disposed or when no future economic benefit are expected from its use or disposal.

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.

2.5.2 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.

2.5.3 Stores and spares

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.

2.5.4 Stock in trade

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

Particulars	*Mode of valuation*
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.

2.5.5 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.

2.5.6 Cash and c ash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.5.7 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.

2.5.8 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.

2.5.9 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.

2.5.10 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.

2.5.11 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.

2.5.12 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.

2.5.13 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.

2.5.14 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.

2.5.15 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.

2.5.16 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.

3. PROPERTY, PLANT AND EQUIPMENT
Year ended June 30, 2012

Particulars	Cost / revaluation		
	At July 01, 2011	Addition / (disposal) during the year	At June 30, 2012
	Rupees		
Owned			
Land - Freehold	787,834	–	787,834
Building on freehold land	24,555,444	–	24,555,444
Plant and machinery	308,507,990	4,821,000	313,328,990
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 equipments	160,909	–	160,909
Tools and equipments	151,401	–	151,401
Laboratory equipments	3,832,266	–	3,832,266
Weighing scales	710,508	–	710,508
Arms and ammunition	264,057	–	264,057
Office equipments	2,554,021	–	2,554,021
Furniture and fixture	1,074,018	–	1,074,018
Vehicles	18,418,677	4,588,265 (1,992,400)	21,014,542
Total	554,193,327	9,409,265 (1,992,400)	561,610,192

Accumulated Depreciation			Book value	Rate
At July 01, 2011	For the year / (on disposal)	At June 30, 2012	At June 30, 2012	
Rupees				%
–	–	–	787,834	–
15,714,533	884,091	16,598,624	7,956,820	10
191,725,361	11,798,788	203,524,149	109,804,841	10
2,735,798	762,750	3,498,548	6,864,750	10
40,353,463	11,591,893	51,945,356	104,327,039	10
8,765,986	2,180,573	10,946,559	12,356,578	15
51,855,247	14,535,216	66,390,463	123,548,367	
103,838	217	104,055	1,951	10
2,395,632	110,360	2,505,992	625,374	15
155,050	586	155,636	5,273	10
141,971	943	142,914	8,487	10
2,404,487	142,778	2,547,265	1,285,001	10
578,145	13,236	591,381	119,127	10
55,247	20,881	76,128	187,929	10
1,355,161	179,829	1,534,990	1,019,031	15
722,373	35,165	757,538	316,480	10
12,506,492	1,703,683 (1,856,383)	12,353,792	8,660,750	20
279,713,537	29,425,773 (1,856,383)	307,282,927	254,327,265	

For comparative period

Particulars	Cost / revaluation		
	At July 01, 2010	Addition / (disposal) during the year	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 installations	3,131,366	–	3,131,366
Workshop equipments	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 equipments	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

Accumulated Depreciation			Book value	Rate
At July 01, 2010	For the year / (on disposal)	At June 30, 2011	At June 30, 2011	
Rupees				%
–	–	–	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	

3.1 Depreciation for the year has been allocated as under;

	Note	2012 Rupees	2011 Rupees
Cost of goods sold	23	27,486,215	29,078,536
Administrative expenses	25	1,939,558	1,643,486
		29,425,773	30,722,022

3.2 Disposal of operating assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)
Vehicles					
Honda Accord	800,000	776,544	23,456	300,000	276,544
Toyota Corolla	1,192,400	1,079,839	112,561	425,000	312,439
2012	1,992,400	1,856,383	136,017	725,000	588,983
2011	11,120,219	10,119,980	1,000,239	3,806,517	2,806,278

Mode of disposal	Particulars of buyer
Negotiation	Muhammad Hafeez Shah, Multan
Negotiation	Qazi Muhammad Zeeshan Ali, 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 2012 Rupees	2011 Rupees
Power House			
Building on freehold land		4,760,530	5,289,477
Generators		56,311,555	62,568,395
Electric Installation		8,932,916	10,509,313
		70,005,001	78,367,185

4. *LONG TERM INVESTMENTS*

	Note	2012 Rupees	2011 Rupees
Held to maturity			
Term Finance Certificates of Bank Al-Habib			
Tranche - I	4.1	578,492	1,735,476
Tranche - II	4.2	518,960	519,168
		1,097,452	2,254,644
Current portion shown in current assets		(578,700)	(1,157,192)
		518,752	1,097,452

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, 2012 was Rs. 1,097,790 (2011: Rs. 2,317,320).

		2012 Rupees	2011 Rupees
5.	*STORES AND SPARES*		
	Stores	4,759,886	4,295,623
	Spares	6,511,453	10,765,896
		11,271,339	15,061,519

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

		2012 Rupees	2011 Rupees
6.	*STOCK IN TRADE*		
	Raw materials		
	- Cotton	85,821,728	59,204,812
	- Polyester	9,973,066	15,070,000
	- Viscose	–	62,000
		95,794,794	74,336,812
	Work in process	11,893,896	15,926,000
	Finished goods		
	- Yarn	30,266,187	132,088,000
	- Waste	1,463,025	558,000
		31,729,212	132,646,000
		139,417,902	222,908,812

		2012 Rupees	2011 Rupees
7.	*TRADE DEBTS*		
	Local - unsecured		
	Considered good	117,830,300	105,689,215
	Considered doubtful	165,506	165,506
	Provision for doubtful debts	(165,506)	(165,506)
		117,830,300	105,689,215

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 vale of trade receivables approximate their carrying amounts.

7.5 At year end, trade receivables of Rs.115,626,119 (2011: Rs. 105,689,215) were neither past due nor impaired.

7.6 As at year end, trade receivables of Rs. 2,204,181 (2011: Rs. nil) 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:

	2012 Rupees	2011 Rupees
Less than 3 months	16,642	–
3 to 6 months	2,170,000	–
Over 6 months	17,539	–
	2,204,181	–

8. LOANS AND ADVANCES

Considered good

Advances to employees	370,589	304,697
Advance to suppliers	699,895	1,627,851
Advance income tax	16,608,899	20,404,502
Advance for land	232,000	232,000
	17,911,383	22,569,050

9. TRADE DEPOSITS AND PREPAYMENTS

Margin deposit	5,000	5,000
Prepayments	559,569	287,639
Advance expenses on L/C	–	719,551
	564,569	1,012,190

10. OTHER RECEIVABLES

Profit receivable on term finance certificates	28,845	86,061

		2012 Rupees	2011 Rupees
11.	*CASH AND BANK BALANCES*		
	Cash in hand	888,642	864,299
	Cash at banks in current accounts	5,665,557	5,664,308
		6,554,199	6,528,607

12. *SHARE CAPITAL*

2012 Number of shares	2011 Number of shares		2012 Rupees	2011 Rupees
		Authorised		
1,000,000	1,000,000	Ordinary share of Rs. 10 each	10,000,000	10,000,000
		Issued, subscribed and paid up		
		Ordinary shares of Rs. 10 each		
499,900	499,900	issued for cash	4,999,000	4,999,000
300,100	300,100	as bonus shares	3,001,000	3,001,000
800,000	800,000		8,000,000	8,000,000

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.

		2012 Rupees	2011 Rupees
13.	*RESERVES*		
	Capital		
	Tax holiday reserve	2,668,746	2,668,746
	Revenue		
	General reserve	80,000,000	80,000,000
		82,668,746	82,668,746

	Note	2012 Rupees	2011 Rupees
14. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
Opening balance		59,669,916	66,614,811
Transferred to unappropriated profit on account of			
Incremental depreciation		(4,013,895)	(4,514,182)
Related deferred tax liability		(2,161,328)	(2,430,713)
		(6,175,223)	(6,944,895)
Closing balance		53,494,693	59,669,916
Related deferred tax liability			
Opening balance		(20,884,471)	(23,315,184)
Transferred to unappropriated profit on account of:			
- incremental depreciation		2,161,328	2,430,713
Closing balance		(18,723,143)	(20,884,471)
		34,771,550	38,785,445

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

December 24, 2008	79,188,746	79,188,746

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

Secured - from banking company

	Note	2012 Rupees	2011 Rupees
Habib Bank Limited			
- Demand Finance (Limit Rs. 80 million)	15.1	29,182,896	43,774,344
United Bank Limited			
- Demand Finance (Limit Rs. 90 million)	15.2	16,527,788	23,873,472
Bank Al Habib Limited			
- Term Finance (Limit Rs. 51 million)	15.3	34,856,250	47,531,250
		80,566,934	115,179,066
Current portion shown under current liabilities		(34,612,132)	(34,612,132)
		45,954,802	80,566,934

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. 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 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 3 month KIBOR +1.75%. Principal is to be repaid in 16 equal quarterly installments. The loan is secured against 1st mortgage charge for Rs. 68.00 million over fixed assets of the company over land, building, and machinery installed and to be installed at its 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:

	2012 Rupees	2011 Rupees
- long-term financings	80,566,934	115,179,066
- short-term financings	89,855,760	183,935,786
	170,422,694	299,114,852

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.

	Note	2012 Rupees	2011 Rupees
16. *DEFERRED TAX*			
This comprises of the following:			
Deferred tax liability on taxable temporary difference arising in respect of			
Property, plant and equipment		41,048,202	43,477,802
Surplus on revaluation of property, plant and equipment		18,723,143	20,884,471
Deferred tax asset on deductible temporary difference arising in respect of			
Provision for gratuity		(918,875)	868,162
		58,852,470	65,230,435

17. *TRADE AND OTHER PAYABLES*

	Note	2012 Rupees	2011 Rupees
Creditors		17,847,394	26,232,732
Accrued liabilities		25,693,272	23,234,624
Advance payments		1,687,597	2,168,219
Unclaimed dividend		595,117	458,096
Tax deducted at source		205,243	538,086
Workers' profit participation fund	17.1	3,413,019	4,080,814
Workers' Welfare Fund		1,299,434	2,557,240
Gratuity payable	17.2	5,904,121	3,278,765
Bonus payable		9,788,146	7,638,989
Other payables		1,355,624	775,824
		67,788,967	70,963,389

17.1 *Workers' Profit Participation Fund*

	Note	2012 Rupees	2011 Rupees
Opening balance		4,080,814	4,022,564
Interest on amounts utilized in Company's business	27	191,616	370,876
Payment during the year		(4,272,430)	(4,393,440)
Allocation for the year		3,413,019	4,080,814
		3,413,019	4,080,814

17.2 Gratuity is payable on the basis of one month salary to eligible staff (employees who have completed one year of service as at the balance sheet date). The Company has paid the whole amount of liability relating to gratuity subsequent to balance sheet date.

	Note	2012 Rupees	2011 Rupees
18. ACCRUED MARKUP			
Long term financing		2,389,243	3,774,628
Short term borrowings		7,217,352	9,568,378
		9,606,595	13,343,006

19. SHORT TERM BORROWINGS

Secured

Running finance under markup arrangement	89,855,760	160,935,786
Cash finance	–	23,000,000
	89,855,760	183,935,786

19.1 Short term borrowing facilities available from commercial banks under mark up arrangements aggregate to Rs. 619 million (2011: Rs. 304 million) of which facilities remained un-utilized at the year end amounted to Rs. 529 million (2011: Rs. 120 million). These facilities carry mark up at the rates ranging from 13.36% to 15.56 % per annum (2011: 14.31 % to 16.01 % per annum). Facilities available for opening letters of credit and guarantee aggregate to Rs. 86 million (2011: Rs. 22.2 million) of which facilities remained un-utilized at the year end amounted to Rs. 65 million (2011: Rs. 145 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, 2012.

20. PROVISION FOR TAXATION

	Note	2012 Rupees	2011 Rupees
Opening balance		21,952,287	7,321,823
Provision made during the year			
- Current	28	28,473,683	21,952,287
- Prior		960,413	(79,818)
		29,434,096	21,872,469
Less: Adjustment of advance tax against completed assessments		(22,912,700)	(7,242,005)
		28,473,683	21,952,287

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 A worker of the company has filed petition against the company in March 2009, claiming his unpaid wages and compensation for delayed wages for the month of October 2007.Petition is filed under section(2) of section 15 of payment of wages act, 1936. The claimant prays that a direction should be issued under section(3) of section 15 for payment of his delayed wages of Rs. 4,280 and compensation amounting to Rs. 151,420. The Company has not recognized any liability in this regard as the chance of deciding this case against the Company is very remote.

21.4 *Commitments*

Guarantees issued by commercial banks on behalf of the Company outstanding as at June 30, 2012 are Rs. 86 million (2011: Rs. 145 million).

	Note	2012 Rupees	2011 Rupees
22. SALES - Net			
Local			
- Yarn		2,037,792,083	2,178,030,420
- Cotton		13,943,693	–
- Waste		13,283,760	16,475,375
- Polyester		1,212,200	722,925
		2,066,231,736	2,195,228,720
23. COST OF GOODS SOLD			
Raw materials consumed	23.1	1,435,026,813	1,761,452,130
Salaries, wages and benefits	23.2	99,619,581	95,591,398
Stores and spares consumed		29,653,946	39,377,467
Packing materials consumed		20,824,390	20,381,853
Fuel and power		171,809,195	140,357,203
Repairs and maintenance		1,666,578	8,495,530
Insurance		3,974,188	4,250,463
Bonus expenses		8,466,266	6,500,000
Depreciation	3.1	27,486,215	29,078,536
		1,798,527,172	2,105,484,580
Adjustment of work in process			
Opening stock		15,926,000	10,060,000
Closing stock		(11,893,896)	(15,926,000)
		4,032,104	(5,866,000)
Cost of goods manufactured		1,802,559,276	2,099,618,580
Finished goods			
Opening stock		132,646,000	46,092,000
Closing stock	23.3	(31,729,212)	(132,646,000)
		100,916,788	(86,554,000)
Cost of goods sold		1,903,476,064	2,013,064,580

	2012 Rupees	2011 Rupees
23.1 Raw materials consumed / sold		
Opening stock	74,336,812	35,827,000
Purchases (including direct expenses) - net	1,455,936,208	1,799,395,683
	1,530,273,020	1,835,222,683
Closing stock	(95,794,794)	(74,336,812)
	1,434,478,226	1,760,885,871
Cotton cess	548,587	566,259
	1,435,026,813	1,761,452,130

23.1.1 This includes raw material sold during the year costing Rs. 15.155 million (2011: nil).

23.2 Salaries, wages and benefits include Rs. 5.386 million (2011: Rs. 4.941 million) in respect of gratuity.

23.3 It includes waste stock amounting to Rs. 1.463 million (2011: Rs. 0.558 million).

24. OTHER OPERATING INCOME

	2012 Rupees	2011 Rupees
Income from financial assets		
Profit on term finance certificates	167,728	248,775
Income from assets other than financial assets		
Gain on sale of property, plant and equipment	588,983	2,806,278
Liabilities no longer payable	1,852,970	81,347
Others	–	90,000
	2,609,681	3,226,400

	Note	2012 Rupees	2011 Rupees

25. ADMINISTRATIVE EXPENSES

	Note	2012 Rupees	2011 Rupees
Directors' remuneration and meeting fee		4,457,225	3,901,708
Salaries and benefits	25.1	13,591,935	12,157,498
Vehicles running and maintenance		5,852,530	4,557,553
Traveling and conveyance	25.2	1,563,533	2,058,398
Printing and stationery		1,011,161	858,007
Communication	25.3	1,628,230	1,591,568
Rent, rates and taxes		1,587,135	1,430,094
Repair and maintenance		1,252,881	1,556,472
Subscription		351,672	221,002
Advertisement		231,975	79,275
Entertainment		506,077	458,040
Donation	25.4	650,000	105,000
Depreciation	3.1	1,939,558	1,643,486
Auditors' remuneration	25.5	650,000	650,000
Legal and professional		907,708	412,577
Marketing expenses		–	2,216,900
Bonus expenses		1,316,118	1,000,000
Fines and penalties		–	91,225
Others		48,036	1,727,896
		37,545,774	36,716,699

25.1 Salaries and benefits include Rs.0.947 million (2011: Rs. 0.730 million) in respect of gratuity.

25.2 This includes directors' travelling Rs. 1.416 million (2011: Rs. 1.932 million).

25.3 This includes an amount of Rs. 0.220 million (2011: Rs. 0.081 million) paid for Director's communication.

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

25.5 Auditors' remuneration

	2012 Rupees	2011 Rupees
- Statutory audit fee	500,000	500,000
- Half yearly review	100,000	100,000
- Tax services	50,000	50,000
	650,000	650,000

		Note	2012 Rupees	2011 Rupees
26.	*OTHER OPERATING EXPENSES*			
	Workers' profit participation fund		3,413,019	4,080,814
	Workers' welfare fund		1,595,164	704,270
			5,008,183	4,785,084
27.	*FINANCE COST*			
	Mark up on			
	- Long term financing		13,700,337	17,325,131
	- Short term borrowings		36,621,340	39,527,901
	Bank and other charges		898,198	2,366,738
	Interest on workers' profit participation fund	17.1	191,616	370,876
	Bank guarantee commission		180,585	230,693
			51,592,076	59,821,339
28.	*PROVISION FOR TAXATION*			
	Current			
	- for the year	28.1	28,473,683	21,952,287
	- prior year		960,413	2,377,485
	Deferred tax		(6,377,965)	19,633,226
			23,056,131	43,962,998

28.1 *Relationship between tax expense and accounting profit*

	2012
Applicable tax rate	35%

	2012 Rupees
Tax on accounting profit before tax	22,621,645
Tax effect of expenses that are not deductible for tax purposes	5,852,038
Current year provision	28,473,683

28.2 Comparative information has not been presented as the Company was liable to minimum tax under section 113 of Income Tax Ordinance, 2001 in last year.

28.3 The Company has filed Income Tax Return upto tax year 2011 which is deemed assessed as per Income tax Ordinance, 2001.

			2012	2011
29.	*EARNINGS PER SHARE*			
	Profit for the year	Rupees	41,577,141	32,497,322
	Weighted average number of ordinary shares	Number	800,000	800,000
	Basic earnings per share	Rupees	51.97	40.62

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. 144.926 million (2011: Rs. 116.977 million), the financial assets which are subject to credit risk amounted to Rs. 127.107 million (2011: Rs. 116.113 million). 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:

Financial assets

	2012 Rupees	2011 Rupees
Long term investments	1,097,452	2,254,644
Deposits	2,114,237	2,114,237
Trade debts	117,830,300	105,689,215
Loans and advances	370,589	304,697
Other receivables	28,845	86,061
Bank balances	5,665,557	5,664,308
	127,106,980	116,113,162

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, 2012							
Financial liabilities							
Interest bearing							
Long term financing	12.85% to 15.54%	–	–	34,612,132	45,954,802	–	80,566,934
Short term borrowings	13.36% to 15.56%	–	–	89,855,760	–	–	89,855,760
Non interest bearing							
Accrued markup		9,606,595	–	–	–	–	9,606,595
Trade and other payables		–	–	67,788,967	–	–	67,788,967
		9,606,595	–	192,256,859	45,954,802	–	247,818,256
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

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, 2012 would increase / decrease by Rs. 1.704 million (2011: Rs. 2.991 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. drive from prices). The Company has no items to report in this level.
- Level 3: Inputs for asset or liabilitity 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:

June 30, 2012	Loans and receivables Rupees	Held to maturity Rupees	Total June 30, 2012 Rupees
Assets as perbalance sheet			
Long term investments	–	1,097,447	1,097,447
Deposits	2,114,237	–	2,114,237
Trade debts	117,804,013	–	117,804,013
Loans and advances	370,589	–	370,589
Other receivables	28,845	–	28,845
Cash and bankbalances	6,554,199	–	6,554,199
	126,871,883	1,097,447	127,969,330

	Financial Liabilities measured at amortized Rupees	Total June 30, 2012 Rupees
Liabilities as perbalance sheet		
Long term financing	80,566,934	80,566,934
Short term borrowings	89,855,760	89,855,760
Trade and otherpayables	67,788,967	67,788,967
Interest and mark-upaccrued on loans	9,606,595	9,606,595
	247,818,256	247,818,256

June 30, 2011	Loans and receivables Rupees	Held to maturity Rupees	Total Rupees
Assets as per balance sheet			
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 Rupees	Total June 30, 2011 Rupees
Liabilities as per balance sheet		
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

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, 2012 and June 30, 2011 were as follows:

	2012 Rupees	2011 Rupees
Total debt	170,422,694	299,114,852
Less: Cash and cash equivalents	(6,554,199)	(6,528,607)
Net debt	163,868,495	292,586,245
Total equity	187,625,416	150,234,380
Adjusted capital	351,493,911	442,820,625
Debt-to-adjusted capital ratio	46.62%	66.07%

32. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	Chief Executive		Directors	
	2012	2011	2012	2011
	Rupees			
Managerial remuneration	864,293	755,172	1,952,837	1,686,206
House rent	388,932	339,828	878,776	758,794
Utilities	–	–	592,487	442,998
Traveling	–	–	1,416,065	1,932,165
	1,253,225	1,095,000	4,840,165	4,820,163
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. Other significant transactions with related party are as follows:

Relationship with the party	Nature of transactions	2012 Rupees	2011 Rupees
Associated undertaking	Purchase of Cotton	18,565,052	–
	Sale of Cotton	13,943,692	–

All transactions with related parties have been carried out on commercial terms and conditions.

		2012	2011
34. *PRODUCTION CAPACITY*			
Number of spindles installed and worked		30,592	30,592
Number of shifts worked		1,038	1,038
Capacity of yarn at 20's count on the basis of utilization	Kgs	12,745,580	12,490,669
Production of yarn at 20's count	Kgs	12,907,697	12,417,636

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 (2011: Rs. 8.2 million) @ Rs. 10.25 (2011: 10.25) 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 financials 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 2, 2012.

37. *GENERAL*

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

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
Mian Muhammad Jamil	Mian Tanvir Ahmad Sheikh	Mian Anis Ahmad Sheikh	Mian Muhammad Alamgir Jamil Khan	Muhammad Ismail
Chairman	Chief Executive	Director	Director	Chief Financial Officer

PATTERN OF SHAREHOLDING OF THE SHAREHOLDERS OF THE COMPANY AS ON JUNE 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Total Shares held
104	1	100	5,495
23	101	500	5,588
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
8	15,001	20,000	141,947
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
3	50,001	75,000	186,839
0	75,001	80,000	0
0	80,001	85,000	0
175			800,000

Categories of Shareholders	Number	Shares held	Percentage
Individuals	168	799,319	99.91
Joint Stock Company	2	150	0.02
Financial Institutions	1	5	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
	175	800,000	100

PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2012

ADDITIONAL INFORMATION

Shareholders' Category	*Number of Shareholders*	*Number of Shares Held*
Associated Companies, Undertaking & Related Parties		NIL
Central Depository Company of Pakistan Limited	26	4,574
NIT and ICP		
Investment Corporation of Pakistan	2	100
DIRECTORS		
Mian Muhammad Jamil	1	61,000
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	15	248,405
Executives		NIL
Public Sector Companies and C.L.A.	1	1
Deputy Administrator Abandoned Properties	1	425
Shareholders holding 5% or more voting interest		
Mian Muhammad Jamil	1	61,000
Mian Sarfraz Ahmad Sheikh	1	47,209
Mrs. Nusrat Jamil	1	65,376
Mian Muhammad Alamgir Jamil Khan	1	60,463

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Total Shares held
20	1	100	587
4	101	500	963
1	501	1,000	950
1	1,001	5,000	2,074
26			4,574

Categories of Shareholders	Number	Shares held	Percentage
Financial Institution	1	5	0.11
Individuals	22	3,994	87.32
Joint Stock Companies	2	150	3.28
Others	1	425	9.29
	26	4,574	100.00

FORM OF PROXY

I, …………………………………………………………………………………………

…………………………………………………………………………………………

of ………………………………………………………………………………………

being a member of ALLAWASAYA TEXTILE & 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

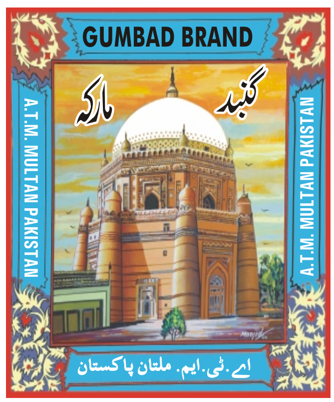
day of ……………………………… 2012

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.



GUMBAD BRAND ™

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