



*57<sup>th</sup> Annual Report*

*of*

**Allwasaya Textile & Finishing Mills Limited**

*for the year ended June 30, 2014*

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## **VISION STATEMENT**

The vision 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.

## **MISSION STATEMENT**

Allawasaya Textile and Finishing Mills Limited becomes a truly professional organization, achieve higher quality standards, utilize maximum capacity, capture expansion opportunities and becomes 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, customers, suppliers and 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 / M.D. |
| 3. | Mrs. Nusrat Jamil                | - Director               |
| 4. | Mian Anis Ahmad Sheikh           | - Director               |
| 5. | Mian Tauqir Ahmad Sheikh         | - Director               |
| 6. | Mian Muhammad Bilal Ahmad Sheikh | - Director               |
| 7. | Mian Muhammad Alamgir Jamil Khan | - Director               |
| 8. | Mian Muhammad Umar Farooq Sheikh | - Director               |

### **AUDIT COMMITTEE**

- |                                  |               |
|----------------------------------|---------------|
| Mrs. Nusrat Jamil                | - Chairperson |
| Mian Anis Ahmad Sheikh           | - Member      |
| Mian Muhammad Alamgir Jamil Khan | - Member      |

### **HUMAN RESOURCE & REMUNERATION COMMITTEE (HR&R)**

- |                        |            |
|------------------------|------------|
| Mian Muhammad Jamil    | - Chairman |
| Mian Anis Ahmad Sheikh | - Member   |
| Mrs. Nusrat Jamil      | - Member   |

### **CHIEF FINANCIAL OFFICER**

Sohail Nadeem

### **COMPANY SECRETARY**

Muhammad Ismail

### **HEAD OF INTERNAL AUDIT**

Ch. Javed Akhtar

### **AUDITORS**

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

### **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  
M/s BankIslami Pakistan 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 57<sup>th</sup> Annual General Meeting of the Company will be held at 03:30 p.m. on Friday 31<sup>st</sup> October 2014 at its registered office, Allawasaya Square, Mumtazabad Industrial Area, Vehari Road, Multan to transact the following business:

### ORDINARY BUSINESS

1. To confirm the Minutes of the last Annual General Meeting of the Company held on Thursday 31<sup>st</sup> October 2013.
2. To receive, consider and approve the Directors' Report, Auditors' Report and Audited Accounts of the Company for the year ended June 30, 2014.
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, 2014.
4. To appoint auditors for the year 2014-2015 till next Annual General Meeting of the Company and to fix their remuneration.

### OTHER BUSINESS

5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-

(MUHAMMAD ISMAIL)

COMPANY SECRETARY

Multan, September 29, 2014

### **NOTES:**

- (i) The Shares Transfer Books of the Company will remain closed from 25-10-2014 to 31-10-2014 (both days inclusive).
- (ii) 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, 2014 will be treated in time.
- (iii) 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.
- (iv) 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.
- (v) **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.**

### **6. E-mailing of Annual Report along with Notice of Annual General Meeting**

Pursuant to SRO No. 787(I)/2014 issued by SECP Islamabad dated September 08, 2014. The Members willing to get soft copy of Annual Report along with Notice of Annual General Meeting instead of hard copy are requested to send their e-mail addresses to the Company Secretary at the following postal and e-mail address:

**M/s Allawasaya Textile and Finishing Mills Limited,  
Allawasaya Square, Mumtazabad Industrial Area,  
Vehari Road, Multan, Pakistan.**

**Phone Nos. 0092614233624-26 (3 Lines)**

**Fax No. 0092616525202**

**E-mail: [secretary@allawasaya.com](mailto:secretary@allawasaya.com)**

## DIRECTORS' REPORT

**In the name of Allah the Most Beneficent and the Merciful**

Dear Shareholders,

Your Directors are pleased to present before you their 57<sup>th</sup> Annual Report on the affairs of your Company along with the Audited Accounts for the financial year ended June 30, 2014.

### PERFORMANCE

By the grace of Almighty Allah, the performance of your Company remained satisfactory during the year under report in spite of the excessive load-shedding of electricity as well as gas. The Mills produced Polyester-Cotton blended yarn throughout the year. The total production of yarn at 20's count basis was 12,056,349 Kgs as compared to 11,703,986 Kgs last year. The total sales for the year amounted to Rs. 2,167,183,350 (7,617,486.24 Kgs) as compared to Rs. 2,038,914,882 (7,292,663.28 Kgs) last year. Though there was an increase in total sales amount, the gross profit for the year was Rs. 141,258,633 as compared to Rs. 218,850,085 last year. The decrease in Gross Profit is attributed to the increased average cost of cotton, substantial increase in the cost of Fuel & Power and above all the international economic melt-down which adversely effected the sale prices of yarn. The Net Profit after providing for Tax amounted to Rs. 36,934,904 as compared to Rs. 87,194,366 last year. The financial results of the Company were achieved due to better Marketing and Financial management inspite of the energy crisis which hampered the overall affairs.

The financial results for the year ended June 30, 2014 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, 2014 Rupees	For the year ended June 30, 2013 Rupees
Sales	2,167,183,350	2,038,914,882
Cost of goods sold	(2,025,924,717)	(1,820,064,797)
Gross Profit	141,258,633	218,850,085
Other Income	108,574	395,655
	141,367,207	219,245,740
Distribution Cost-Commission	(12,382,082)	(8,231,473)
Administrative Expenses	(66,259,722)	(53,920,895)
Other Operating Expenses	(3,615,248)	(9,473,598)
Finance Cost	(20,375,593)	(26,153,313)
Profit before Taxation	38,734,562	121,466,461
Provision for Taxation	(1,799,658)	(34,272,095)
Profit for the year	36,934,904	87,194,366
Other comprehensive income	-	-
Total comprehensive income for the year	36,934,904	87,194,366
Earnings per share- basic and diluted	46.17	108.99

**FUTURE OUTLOOK**

The management of the Company is of the view that if the prices of fuel and power keep on increasing, it will be a big set back for the whole industry including Textiles. Further the textile sector should be exempted from load shedding and be compensated through a separate tariff for electricity and gas, so that it can work more efficiently and effectively.

Moreover, the company is engaged in continuous process of BMR of its Mills. The Company plans to upgrade its existing production facilities by replacing the older machinery to improve the quality of yarn produced. Your Directors believe that with the replacement and up-gradation of machinery not only the quality improves but the production will also increase leading to better viability of your Mills.

**DIVIDEND**

To share the profit of the Company with the shareholders, your Directors have proposed 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, 2014.

**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 policies 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, 2014 five (5) meetings of the Board of Directors were held. Attendance of each Director is given below:

<u>Director's Name</u>	<u>Meeting Attended</u>
Mian Muhammad Jamil	5
Mian Tanvir Ahmad Sheikh	4
Mrs. Nusrat Jamil	5
Mian Anis Ahmad Sheikh	4
Mian Tauqir Ahmad Sheikh	5
Mian Muhammad Bilal Ahmad Sheikh	5
Mian Muhammad Alamgir Jamil Khan	5
Mian Muhammad Umar Farooq Sheikh	2

**AUDITORS**

Your Company's Auditors M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, Multan 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, 2014 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, M/s United Bank Limited and M/s BankIslami Pakistan Limited and wish to record their appreciation for the same and hope the Bankers will continue their support to the company in future as well.

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

Multan, September 29, 2014



## SIX YEARS KEY OPERATING AND FINANCIAL DATA

Year Ended June 30,	2014	2013	2012	2011	2010	2009
<b>BALANCE SHEET</b>						
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
Un-appropriated Profit/(Loss)	216,023,031	180,946,420	96,956,670	59,565,634	28,354,130	(16,022,861)
Total Equity	306,691,777	271,615,166	187,625,416	150,234,380	119,022,876	74,645,885
Surplus on Revaluation of Property, Plant & Equipment	471,395,262	485,736,969	34,771,550	38,785,445	43,299,627	48,348,422
Long Term Liabilities	-	11,342,670	45,954,802	80,566,934	67,647,816	89,584,948
Deferred Liabilities	131,437,931	152,131,668	58,852,470	65,230,435	45,597,210	17,672,766
Short Term Liabilities	199,186,565	192,769,321	230,337,137	324,806,600	198,414,081	340,284,335
Total Liabilities	802,019,758	841,980,628	335,144,409	470,603,969	311,659,107	447,542,049
Total Equity & Liabilities	1,108,711,535	1,113,595,794	557,541,375	659,623,794	473,981,610	570,536,356
Fixed Assets	793,848,822	812,267,882	254,327,265	274,479,790	247,039,589	264,021,156
Long Term Deposits	2,223,997	2,627,781	2,627,989	3,206,689	4,322,881	4,323,785
Current Assets	312,638,716	298,700,131	300,586,121	381,937,315	222,619,140	302,191,415
Total Assets	1,108,711,535	1,113,595,794	557,541,375	659,623,794	473,981,610	570,536,356
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Turnover	2,167,183,350	2,038,914,882	2,066,231,736	2,195,228,720	1,464,364,667	1,067,019,585
Gross Profit	141,258,633	218,850,085	162,755,672	182,164,140	160,522,706	53,478,983
Profit/ (Loss) before Taxation	38,734,562	121,466,461	64,633,272	76,460,320	74,574,463	(39,392,947)
Profit/ (Loss) after Taxation	36,934,904	87,194,366	41,577,141	32,497,322	39,328,196	(25,938,569)
<b>DISTRIBUTION</b>						
Cash Dividend %	102.50	202.50	102.50	102.50	72.50	-
<b>RATIOS</b>						
Break up value Per share (Rs.)	383.36	339.52	234.53	187.79	148.78	93.31
Earning / (Loss) per Share (Rs)	46.17	108.99	51.97	40.62	49.16	(32.42)
Current Ratio	1.57:1	1.55:1	1.30:1	1.18:1	1.12:1	0.89:1
Debt/ equity ratio	01:99	06:94	27:73	38:62	36:64	47:53
<b>CAPACITY &amp; PRODUCTION</b>						
No. of spindle installed	30,592	30,592	30,592	30,592	28,828	28,828
Capacity of Yarn at 20's Count (Kgs)	12,314,067	11,922,889	12,745,580	12,490,669	12,112,806	13,543,818
Actual Production of Yarn at 20's Count (Kgs)	12,056,349	11,703,986	12,907,697	12,417,636	11,443,456	11,030,315

## **Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 (Chapter XI) of the Karachi, Lahore and Islamabad Stock Exchanges 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 independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

<b>Names</b>	<b>Category</b>
• 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 Tauqir Ahmad Sheikh	Non-Executive Director
• Mian Muhammad Bilal Ahmad Sheikh	Non-Executive Director
• Mian Muhammad Umar Farooq 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the board on 21<sup>st</sup> December 2013 which was filled up by the directors within 20 days.
5. The company has prepared a "Code of Conduct" for Board of Directors and Senior Management and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, the company is in process of preparation of "Code of Conduct" for other employees also.
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 board arranged Director's Training Program as required by SECP under CCG 2012 for one of Company's Director namely Mian Muhammad Alamgir Jamil Khan. He got certification under Directors' Training Program organized by the Executive Development Center (EDC) of the University of Lahore, one of the approved institutions of SECP to offer Directors' Training Program in Pakistan

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
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. It comprises of three members, of whom two are executive directors and the chairperson of the committee is a non-executive director, instead of all non-executive directors which is in the process of compliance.
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 has formed an HR and Remuneration Committee. It comprises of three members, of whom one is non-executive director and the chairman of the committee is an executive director, instead of majority of members comprising of non-executive directors which is in the process of compliance.
18. The board has set up an effective internal audit function headed by the Head of Internal Audit. The staff is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and are 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 exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. The board is in the process of developing mechanism for the annual evaluation of the board's own performance.
24. We confirm that the material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

Sd/-  
MIAN MUHAMMAD JAMIL  
CHAIRMAN

Multan, September 29, 2014

## Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Allawasaya Textile & Finishing Mills Limited (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No 35 (Chapter XI) of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

<b>S. No</b>	<b>Note No.</b>	<b>Non compliance</b>
1.	15.	The board has formed an Audit Committee. It comprises of three members being two of them are executive directors instead of all three should be non executive directors.
2.	17.	The board has formed an HR & R Committee. It comprises of three members, two are executive directors and one is non-executive director, instead of majority of members comprising of non-executive directors.
3.	23.	The board is in the process of developing mechanism for an annual evaluation of the board's own performance. This mechanism should have been put in place within two years of coming in force of Code of Corporate Governance 2012.

### Chartered Accountants

#### Engagement Partner:

Talat Javed

Multan

Date: 29.09.2014

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Allawasaya Textile & Finishing Mills Limited** (the Company) as at June 30, 2014 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, 2014 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. YOUSAF ADIL SALEEM & CO.  
CHARTERED ACCOUNTANTS

Engagement Partner:  
Talat Javed

Multan  
Dated: 29.09.2014



**BALANCE SHEET**  
**AS AT JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	793,848,822	812,267,882
Long term investments	4	-	518,544
Long term deposits		2,223,997	2,109,237
		<b>796,072,819</b>	<b>814,895,663</b>
<b>CURRENT ASSETS</b>			
Stores and spares	5	9,553,743	10,106,146
Stock in trade	6	140,434,939	158,713,888
Trade debts	7	136,348,008	111,376,497
Loans and advances	8	19,965,435	9,537,104
Trade deposits and prepayments	9	570,918	348,182
Sales tax refundable		3,816,858	7,895,081
Current portion of long term investments	4	518,544	208
Cash and bank balances	10	1,430,271	723,025
		<b>312,638,716</b>	<b>298,700,131</b>
<b>TOTAL ASSETS</b>		<b>1,108,711,535</b>	<b>1,113,595,794</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	11	8,000,000	8,000,000
Reserves	12	82,668,746	82,668,746
Unappropriated profits		216,023,031	180,946,420
		<b>306,691,777</b>	<b>271,615,166</b>
Surplus on revaluation of Property, Plant and Equipment	13	471,395,262	485,736,969
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	14	-	11,342,670
Deferred tax	15	131,437,931	152,131,668
		<b>131,437,931</b>	<b>163,474,338</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	89,695,312	104,443,192
Accrued markup	17	2,446,316	2,698,280
Short term borrowings	18	41,583,844	9,081,520
Current portion of long term financing	14	11,342,670	34,612,132
Provision for taxation	19	54,118,423	41,934,197
		<b>199,186,565</b>	<b>192,769,321</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,108,711,535</b>	<b>1,113,595,794</b>

**Contingencies and commitments**

20

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/- Sohail Nadeem Chief Financial Officer
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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Sales	21	<b>2,167,183,350</b>	2,038,914,882
Cost of goods sold	22	<b>(2,025,924,717)</b>	(1,820,064,797)
Gross profit		<b>141,258,633</b>	218,850,085
Other income	23	<b>108,574</b>	395,655
		<b>141,367,207</b>	219,245,740
Distribution cost- commission		<b>(12,382,082)</b>	(8,231,473)
Administrative expenses	24	<b>(66,259,722)</b>	(53,920,895)
Other operating expenses	25	<b>(3,615,248)</b>	(9,473,598)
Finance cost	26	<b>(20,375,593)</b>	(26,153,313)
		<b>(102,632,645)</b>	(97,779,279)
Profit before taxation		<b>38,734,562</b>	121,466,461
Provision for taxation	27	<b>(1,799,658)</b>	(34,272,095)
Profit for the year		<b>36,934,904</b>	87,194,366
<b>Other Comprehensive Income</b>		-	-
Total comprehensive income for the year		<b>36,934,904</b>	<b>87,194,366</b>
Earnings per share - basic and diluted	28	<b>46.17</b>	108.99

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/-  
Sohail Nadeem  
Chief Financial Officer

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	38,734,562	121,466,461
Adjustments for:		
Depreciation on property, plant and equipment	55,324,752	29,954,278
Gain on sale of property, plant and equipment	-	(324,294)
Provision for staff retirement benefits - gratuity	9,326,267	8,030,000
Finance cost (excluding interest on workers' profit participation fund)	20,115,761	24,266,327
Profit on term finance certificates	(108,574)	(71,361)
Workers' welfare fund	1,484,766	2,832,246
Workers' profit participation fund	2,130,482	6,641,352
Operating cash flows before movement in working capital	<u>127,008,016</u>	<u>192,795,009</u>
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	552,403	1,165,193
Stock in trade	18,278,949	(19,295,986)
Trade debts	(24,971,511)	6,453,803
Loans and advances (excluding advance income tax)	1,436,540	(1,836,972)
Trade deposits and prepayments	(222,736)	216,387
Sales tax refundable	4,078,223	(1,466,197)
<b>(Increase) / Decrease in current liabilities</b>		
Trade and other payables (excluding WPPF and WWF)	(11,158,476)	32,359,014
	<u>(12,006,608)</u>	<u>17,595,242</u>
Cash generated from operations	<b>115,001,408</b>	210,390,251
Income taxes paid	(22,174,040)	(10,311,627)
Staff retirement benefits - gratuity paid	(9,889,567)	(9,795,371)
Finance cost paid	(20,367,725)	(31,174,641)
Workers' profit participation fund paid	(6,641,352)	(3,413,019)
Net cash from operating activities	<u>55,928,724</u>	<u>155,695,593</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(36,905,692)	(39,094,301)
Proceeds on disposal of property, plant and equipment	-	475,000
Redemption of long term investments	208	578,700
Payment of long term deposits	(114,760)	-
Profit on long term investments	108,574	100,206
Net cash used in investing activities	<u>(36,911,670)</u>	<u>(37,940,395)</u>



<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
Long term financing repaid	<b>(34,612,132)</b>	(34,612,132)
Short term borrowings	<b>32,502,324</b>	(80,774,240)
Dividend paid	<b>(16,200,000)</b>	(8,200,000)
Net cash used in financing activities	<b>(18,309,808)</b>	(123,586,372)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	<b>707,246</b>	(5,831,174)
Cash and cash equivalents at beginning of the year	<b>723,025</b>	6,554,199
Cash and cash equivalents at end of the year	<b>1,430,271</b>	<b>723,025</b>

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/-  
Sohail Nadeem  
Chief Financial Officer



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2014**

	Reserves				Total
	Capital	Revenue		Tax holiday reserve	
		General reserve	Accumulated profit		
Share Capital	Rupees				
Balance at July 01, 2012	8,000,000	2,668,746	80,000,000	96,956,670	187,625,416
Profit for the year	-	-	-	87,194,366	87,194,366
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	87,194,366	87,194,366
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation (net of deferred tax)	-	-	-	4,995,384	4,995,384
<b>Transactions with owners</b>					
Dividend for the year ended June 30, 2012 @ Rs. 10.25/share	-	-	-	(8,200,000)	(8,200,000)
Balance at July 01, 2013	8,000,000	2,668,746	80,000,000	180,946,420	271,615,166
Profit for the year	-	-	-	36,934,904	36,934,904
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	36,934,904	36,934,904
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation (net of deferred tax)	-	-	-	14,341,707	14,341,707
<b>Transactions with owners</b>					
Dividend for the year ended June 30, 2013 @ Rs. 20.25/share	-	-	-	(16,200,000)	(16,200,000)
Balance at June 30, 2014	8,000,000	2,668,746	80,000,000	216,023,031	306,691,777

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/-  
Sohail Nadeem  
Chief Financial Officer

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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 prevail.

**2.2 Standards, interpretation and amendment adopted during the year**

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements Presentation of Items of Other Comprehensive Income	Effective from accounting period beginning on or after July 01, 2013
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Amendments to IAS 16 - Property, Plant and Equipment Classification of servicing equipment	Effective from accounting period beginning on or after January 01, 2013
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Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2013
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**2.3 New accounting standards and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures except for amendments in IAS 19.

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**Amendments to IAS 19 - Employee Benefits: Effective from accounting period beginning on or after January 01, 2014**  
**Employee Contribution**

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

**Amendments to IAS 32 Financial Instruments: Effective from accounting period beginning on or after January 01, 2014**  
**Presentation - Offsetting financial assets and financial liabilities**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

**IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets**      **Effective from accounting period beginning on or after January 01, 2014**

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13); and
- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

**IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**      **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

**IFRIC 21 - Levies**      **Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 14 - Regulatory Defferal Accounts
- IFRS 15 - Revenue from Contacts with Customers

#### **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

- useful life of depreciable assets.
- provision for doubtful receivables.
- provision for tax and deferred tax.
- revaluation of assets.
- gratuity payable to employees.

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 as below.**

### **2.6.1 Property, plant and equipment**

Property, plant and equipment except freehold land 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.

Property plant & equipment are 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 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 assets are derecognized.

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 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.

### **2.6.4 Stock in trade**

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

<b>Particulars</b>	<b>Mode of valuation</b>
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 estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **2.6.5 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 rewards are transferred which coincides with
- 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 cost**

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 Staff retirement benefits*****Defined benefit plan***

The Company operates an unfunded gratuity scheme for all its eligible employees who have completed the minimum qualifying period of service i.e. one year of service. Employees successfully completing one year of service are paid with the outstanding amount which is calculated at latest drawn gross salary for the year. Charge for the year represents the amount becoming due in the year (whether paid or un-paid).

**2.6.18 Earnings Per Share**

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to share holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to share holders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

**3 PROPERTY, PLANT AND EQUIPMENT**  
 Year ended June 30, 2014

Particulars	Cost / Revaluation		Accumulated Depreciation			Book value		Rate
	At July 01, 2013	Addition / (Disposal) during the year	At June 30, 2014	At July 01, 2013	For the year / (on disposal)	At June 30, 2014	At June 30, 2014	
	----- Rupees ----- % -----							
Owned								
Land- Freehold	284,900,000	-	284,900,000	-	-	-	284,900,000	0
Building on Free-hold Land	106,715,000	-	106,715,000	934,675	11,164,930	12,099,605	94,615,395	10
Plant & Machinery	300,000,000	32,524,500	332,524,500	2,500,000	30,563,521	33,063,521	299,460,979	10
Power house								
- Building on freehold land	7,666,001	-	7,666,001	18,501	177,853	196,354	7,469,647	10
- Generators	97,000,955	-	97,000,955	808,341	9,619,261	10,427,602	86,573,353	10
- Electric Installation	7,999,044	-	7,999,044	99,988	1,184,858	1,284,846	6,714,198	15
	112,666,000	-	112,666,000	926,830	10,981,972	11,908,802	100,757,198	
Tube Well	106,006	-	106,006	104,250	176	104,426	1,580	10
Electric Installation	3,131,366	2,166,250	5,297,616	2,599,798	133,891	2,733,689	2,563,927	15
Workshop Equipments	160,909	-	160,909	156,163	475	156,638	4,271	10
Tools & Equipments	151,401	-	151,401	143,763	764	144,527	6,874	10
Laboratory Equipments	3,832,266	-	3,832,266	2,675,763	115,650	2,791,413	1,040,853	10
Weighing Scales	710,508	-	710,508	603,294	10,721	614,015	96,493	10
Arms & Ammunition	264,057	-	264,057	94,921	16,914	111,835	152,222	10
Office Equipments	2,619,021	274,000	2,893,021	1,690,282	173,561	1,863,843	1,029,178	15
Furniture & Fixture	1,074,018	153,200	1,227,218	789,186	33,590	822,776	404,442	10
Vehicles	22,618,983	1,787,742	24,406,725	13,462,728	2,128,587	15,591,315	8,815,410	20
<b>TOTAL</b>	<b>838,949,535</b>	<b>36,905,692</b>	<b>875,855,227</b>	<b>26,681,653</b>	<b>55,324,752</b>	<b>82,006,405</b>	<b>793,848,822</b>	



**3.1** Depreciation for the year has been allocated as under;

	<i>Note</i>	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
Cost of goods sold	22	52,972,100	27,593,935
Administrative expenses	24	2,352,652	2,360,343
		<u>55,324,752</u>	<u>29,954,278</u>

**3.2** Disposal of operating assets

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Gain/ (loss)</i>	<i>Mode of disposal</i>	<i>Particulars of buyer</i>
-	-	-	-	-	-	-	-
<b>2014</b>	-	-	-	-	-	-	-
<b>2013</b>	1,196,380	1,045,674	150,706	475,000	324,294	-	-

**3.3** The Company has revalued its Land-Freehold, Building on Free-hold Land, Plant & Machinery & Power house as on June 29, 2013. The revaluation carried out by M/s. K. G. Traders (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 property, plant and equipment would have been as follows:

	<i>Note</i>	<i>Carrying amount</i>	
		<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
Land- Freehold		1,635,834	1,635,834
Building on Free-hold Land		6,450,494	7,167,216
Plant & Machinery		121,258,982	99,497,781
<b>Power house</b>			
Building on freehold land		3,869,725	4,299,694
Generators		76,543,984	85,048,871
Electric Installation		6,382,913	7,509,310
		<u>216,141,932</u>	<u>205,158,706</u>

	<i>Note</i>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>4 LONG TERM INVESTMENTS</b>			
<b><i>Held to maturity</i></b>			
Term finance certificates of Bank Al-Habib Limited			
Tranche - II	4.1	518,544	518,752
		518,544	518,752
Current portion shown in current assets		(518,544)	(208)
		-	518,544
<b>4.1</b>	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.		
<b>4.2</b>	The market value of Term Finance Certificates approximates its carrying amount. The market value of TFCs as at June 30, 2014 was Rs. 0.521 million (2013: Rs. 0.525 million).		
<b>5. STORES AND SPARES</b>			
Stores		4,791,206	4,503,007
Spares		4,762,537	5,603,139
		9,553,743	10,106,146
<b>5.1</b>	The Company does not hold any stores, spares and loose tools for specific capitalization.		
		<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>6. STOCK IN TRADE</b>			
Raw materials			
- Cotton	6.1	66,002,318	101,017,260
- Polyester	6.1	21,963,902	8,984,610
		87,966,220	110,001,870
Work in process		14,715,696	13,666,196
Finished goods			
-Yarn		37,142,377	33,662,001
-Waste		610,646	1,383,821
		37,753,023	35,045,822
		140,434,939	158,713,888
<b>6.1</b>	The stock of cotton and polyester has been written down to Net Realisable Value by Rs. 8.044 million and 0.975 million respectively.		



	<i>Note</i>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>7. TRADE DEBTS</b>			
<b>Local - unsecured</b>			
Considered good		136,348,008	111,376,497
Considered doubtful		165,506	165,506
Provision for doubtful debts		(165,506)	(165,506)
		<u>136,348,008</u>	<u>111,376,497</u>
<b>7.1</b>	Trade receivables are non-interest bearing and are generally on 60 to 90 days terms.		
<b>7.2</b>	The Company provides for doubtful debts on the basis of past due balances. Balances considered bad and irrecoverable are written off when identified.		
<b>7.3</b>	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.		
<b>7.4</b>	The fair value of trade receivables approximate their carrying amounts.		
<b>7.5</b>	At year end, trade receivables of Rs. 136.339 million (2013: Rs. 108.307 million) were neither past due nor impaired.		
<b>7.6</b>	As at year end, trade receivables of Rs. 0.008 million (2013: Rs. 3.069 million ) 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:		
Less than 3 months		3,472	-
3 to 6 months		2,932	203,873
Over 6 months		2,428	2,865,697
		<u>8,832</u>	<u>3,069,570</u>
<b>8. LOANS AND ADVANCES</b>			
<b>Considered good</b>			
Advances to employees		481,416	198,967
Advance to suppliers		1,221,500	1,656,416
Advance income tax		18,262,519	6,397,648
Advance against letter of credit		-	1,284,073
		<u>19,965,435</u>	<u>9,537,104</u>



	<i>Note</i>	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
<b>9. TRADE DEPOSITS AND PREPAYMENTS</b>			
Margin deposit		5,000	5,000
Prepayments		565,918	343,182
		<u>570,918</u>	<u>348,182</u>
<b>10. CASH AND BANK BALANCES</b>			
Cash in hand		808,171	201,030
Cash at banks in current accounts		622,100	521,995
		<u>1,430,271</u>	<u>723,025</u>

**11. SHARE CAPITAL**

	<b>2014</b> <b>Number of shares</b>	<b>2013</b> <b>Number of shares</b>		<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
			<b>Authorised</b>		
	<u>1,000,000</u>	<u>1,000,000</u>	Ordinary share of Rs. 10 each.	<u>10,000,000</u>	<u>10,000,000</u>
			<b>Issued, subscribed and paid up</b>		
			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
	<u>800,000</u>	<u>800,000</u>		<u>8,000,000</u>	<u>8,000,000</u>

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

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

	<i>Note</i>	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
<b>12. RESERVES</b>			
<b>Capital</b>			
Other reserve	12.1	2,668,746	2,668,746
<b>Revenue</b>			
General reserve		80,000,000	80,000,000
		<u>82,668,746</u>	<u>82,668,746</u>

**12.1** This represents tax holiday reserve.

13. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2014 Rupees	2013 Rupees
Opening balance		594,760,787	53,494,693
Addition during the year		-	548,951,299
Transferred to unappropriated profit on account of Incremental depreciation - net of deferred tax		(14,341,707)	(4,995,384)
Related deferred tax liability		(16,827,443)	(2,689,821)
		<u>(31,169,150)</u>	<u>(7,685,205)</u>
Closing balance		563,591,637	594,760,787
<b>Related deferred tax liability</b>			
Opening balance		(109,023,818)	(18,723,143)
Addition during the year		-	(92,990,496)
Transferred to profit & loss account: - incremental depreciation		16,827,443	2,689,821
Closing balance		<u>(92,196,375)</u>	<u>(109,023,818)</u>
		<u>471,395,262</u>	<u>485,736,969</u>

**13.1** Surplus on revaluation of property, plant and equipment determined as on:

June 29, 2013	-	548,951,299
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The Company has revalued its Land-Freehold, Building on Free-hold Land, Plant & Machinery & Power house as on June 29, 2013. The revaluation carried out by M/s. K. G. Traders (Private) Limited on the basis of market value. The revaluation surplus has been credited to 'Surplus on revaluation of property, plant and equipment'.

**14. LONG TERM FINANCING**

**Secured - from banking company**

Habib Bank Limited

- Demand Finance (Limit Rs. 80 million)	14.1	-	14,591,448
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United Bank Limited

- Demand Finance (Limit Rs. 13 million)	14.2	1,836,420	9,182,104
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Bank Al-Habib Limited

- Term Finance (Limit Rs. 34.856 million)	14.3	9,506,250	22,181,250
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Current portion shown under current liabilities

11,342,670	45,954,802
<u>(11,342,670)</u>	<u>(34,612,132)</u>
<u>-</u>	<u>11,342,670</u>

**14.1.** 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.

**14.2.** This finance has been obtained for expansion in the spinning unit of the Company and retirement of LCs. It is repayable within a period of 5 years including one year grace period in 20 equal quarterly installments of Rs. 1.84 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.

**14.3.** The finance has been obtained for retiring the shipping documents under the LC. It carried markup at the rate of 3 month average KIBOR (ask) + 1.75% 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. 49 million (inclusive of 25 % margin) over fixed assets of the company (duly registered with SECP), installed at the 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).

**14.4.** The exposure of the Company's borrowings to interest rate changes and contractual repricing dates at the balance sheet date are as follows:

<i>Note</i>	<b>2014</b> <i>Rupees</i>	<b>2013</b> <i>Rupees</i>
- long term financing	11,342,670	45,954,802
- short term financing	41,583,844	9,081,520
	<u>52,926,514</u>	<u>55,036,322</u>

**14.5.** Management considers that there is no significant non compliance of agreements with financial institutions, where the Company is exposed to further penalties.

**14.6.** The fair value of current borrowings approximate its carrying amounts because the mark up rate is market based.

**15. DEFERRED TAX**

	<u>Deferred tax recognised in</u>			Closing balance
	Opening balance	Profit & loss account	Surplus on revaluation of assets	
<b><i>Movement for the year ended June 30, 2014</i></b>				
Deferred tax liabilities on taxable temporary differences arising in respect of:				
- property, plant and equipment	44,556,413	(4,140,591)	-	40,415,822
- Surplus on revaluation of assets	109,023,818	(16,827,443)	-	92,196,375
Deferred tax assets on deductible temporary differences arising in respect of:				
- staff gratuity	(1,448,563)	274,297	-	(1,174,266)
	<u>152,131,668</u>	<u>(20,693,737)</u>	<u>-</u>	<u>131,437,931</u>



	Deffered tax recognised in			Closing balance
	Opening balance	Profit & loss account	Surplus on revaluation of assets	
<b>Movement for the year ended June 30, 2013</b>				
Deferred tax liabilities on taxable temporary differences arising in respect of:				
- property, plant and equipment	41,048,202	3,508,211	-	44,556,413
- Surplus on revaluation of assets	18,723,143	(2,689,821)	92,990,496	109,023,818
Deferred tax assets on deductible temporary differences arising in respect of:				
- staff gratuity	(918,875)	(529,688)	-	(1,448,563)
	<u>58,852,470</u>	<u>288,702</u>	<u>92,990,496</u>	<u>152,131,668</u>

		<b>2014</b>	<b>2013</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>16.</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	18,087,277	20,762,910
	Accrued liabilities	38,264,388	40,828,952
	Advance payments	7,226,734	2,921,600
	Unclaimed dividend	958,091	663,032
	Tax deducted at source	25,380	33,494
	Workers' profit participation fund	16.1	2,130,482
	Workers' welfare fund		5,616,446
	Gratuity payable	16.2	3,575,450
	Bonus payable		13,614,252
	Other payables		196,812
		<u>89,695,312</u>	<u>104,443,192</u>
<b>16.1</b>	<b>Workers' Profit Participation Fund</b>		
	Opening balance	6,641,352	3,413,019
	Interest on amounts utilized in Company's business	26	259,832
	Payment during the year		(6,901,184)
	Allocation for the year		2,130,482
		<u>2,130,482</u>	<u>6,641,352</u>
<b>16.2</b>	The Company has paid the whole amount of liability relating to gratuity subsequent to balance sheet date.		
<b>17.</b>	<b>ACCRUED MARKUP</b>		
	Long term financing	364,489	1,147,034
	Short term borrowings	2,081,827	1,551,246
		<u>2,446,316</u>	<u>2,698,280</u>
<b>18.</b>	<b>SHORT TERM BORROWINGS</b>		
	<b>Secured</b>		
	Running finance- under markup arrangement	41,583,844	9,081,520
		<u>41,583,844</u>	<u>9,081,520</u>

**18.1** Short term borrowing facilities available from commercial banks under mark up arrangements aggregate to Rs. 750 million (2013: Rs. 579 million) of which facilities remained un-utilized at the year end amounted to Rs. 708.42 million (2013: Rs. 569 million). These facilities carry mark up at the rates ranging from 10.52% to 11.94% per annum (2013: 10.69% to 13.99% per annum). Facilities available for opening letters of credit and guarantee aggregate to Rs. 50 million (2013: Rs.50 million) of which facilities remained un utilized at the year end amounted to Rs. 23.97 million (2013: Rs.28.5 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, 2014.

<b>19. PROVISION FOR TAXATION</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Opening balance		41,934,197	28,473,683
Provision made during the year			
- Current	27	22,493,395	41,934,197
- Prior		-	(7,950,803)
		22,493,395	33,983,394
Less: Adjustment of advance tax against completed assessments		(10,309,169)	(20,522,880)
		<b>54,118,423</b>	<b>41,934,197</b>

## **20. CONTINGENCIES AND COMMITMENTS**

### **Contingencies**

**20.1** 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.

**20.2** 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.

### **20.3 Commitments**

Guarantees issued by commercial banks on behalf of the Company outstanding as at June 30, 2014 were for Rs. 30 million (2013: Rs. 50 million).

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>21. SALES - Net</b>			
Local			
- Yarn		2,156,970,020	2,026,529,267
- Waste		10,095,730	11,240,415
- Polyester		117,600	1,145,200
		<u>2,167,183,350</u>	<u>2,038,914,882</u>
<b>22. COST OF GOODS SOLD</b>			
Raw materials consumed	22.1	1,482,958,687	1,378,305,647
Salaries, wages and benefits	22.2	159,609,647	143,484,487
Stores and spares consumed		28,104,310	39,580,288
Packing materials consumed		26,628,166	21,913,039
Fuel and power		272,316,521	199,934,570
Repairs and maintenance		2,048,429	10,058,772
Insurance		5,043,558	4,282,969
Depreciation	3.1	52,972,100	27,593,935
		<u>2,029,681,418</u>	<u>1,825,153,707</u>
<b>Adjustment of work in process</b>			
Opening stock		13,666,196	11,893,896
Closing stock		(14,715,696)	(13,666,196)
		<u>(1,049,500)</u>	<u>(1,772,300)</u>
Cost of goods manufactured		2,028,631,918	1,823,381,407
<b>Finished goods</b>			
Opening stock		35,045,822	31,729,212
Closing stock	22.3	(37,753,023)	(35,045,822)
		<u>(2,707,201)</u>	<u>(3,316,610)</u>
<b>Cost of goods sold</b>		<u>2,025,924,717</u>	<u>1,820,064,797</u>
<b>22.1 Raw materials consumed / sold</b>			
Opening stock		110,001,870	95,794,794
Purchases (including direct expenses) - Net		1,459,603,671	1,391,224,354
		<u>1,569,605,541</u>	<u>1,487,019,148</u>
Closing stock		(87,966,220)	(110,001,870)
		<u>1,481,639,321</u>	<u>1,377,017,278</u>
Cotton cess		1,319,366	1,288,369
		<u>1,482,958,687</u>	<u>1,378,305,647</u>

**22.1.1** This includes raw material sold during the year amounting to Rs. 0.117 million (2013: Rs. 1.145 million).

**22.2** Salaries, wages and benefits include Rs. 8.042 million (2013: Rs. 7.157 million) in respect of gratuity.

**22.3** It includes waste stock amounting to Rs. 0.610 million (2013: Rs. 1.383 million).

<b>23. OTHER INCOME</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Income from financial assets</b>			
Profit on term finance certificates		108,574	71,361
<b>Income from assets other than financial assets</b>			
Gain on sale of property, plant and equipment		-	324,294
		<u>108,574</u>	<u>395,655</u>
<b>24. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration and meeting fee		10,800,000	6,910,275
Salaries and benefits	24.1	25,142,752	20,272,740
Vehicles running and maintenance		5,900,149	7,390,017
Traveling and conveyance	24.2	7,101,009	6,097,670
Printing and stationery		530,891	1,045,565
Communication		2,336,505	1,559,285
Rent, rates and taxes		354,142	1,390,262
Repairs and maintenance		2,683,120	1,473,180
Subscription		677,969	666,404
Advertisement		2,775,543	40,125
Entertainment		2,020,235	1,467,686
Donation	24.3	5,000	-
Depreciation	3.1	2,352,652	2,360,343
Auditors' remuneration	24.4	674,434	801,842
Legal and professional		719,095	953,777
Others		2,186,226	1,491,724
		<u>66,259,722</u>	<u>53,920,895</u>
<b>24.1</b> Salaries and benefits include Rs. 1.284 million (2013: Rs. 0.872 million) in respect of gratuity.			
<b>24.2</b> This includes directors' travelling amounting to 2.987 million (2013: Rs. 1.255 million).			
<b>24.3</b> None of the directors or their spouse had any interest in the donee's fund.			
<b>24.4 Auditors' remuneration</b>			
- Statutory audit fee		500,000	500,000
- Half yearly review		100,000	100,000
- Tax services		-	67,500
-Out of pocket expenses		74,434	134,342
		<u>674,434</u>	<u>801,842</u>
<b>25. OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund		2,130,482	6,641,352
Workers' welfare fund		1,484,766	2,832,246
		<u>3,615,248</u>	<u>9,473,598</u>



	<i>Note</i>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>26. FINANCE COST</b>			
Mark up on			
- Long term financing		3,057,065	7,410,484
- Short term borrowings		16,118,950	16,052,351
Bank and other charges		740,623	604,913
Interest on workers' profit participation fund	16.1	259,832	1,886,986
Bank guarantee commission		199,123	198,579
		<u>20,375,593</u>	<u>26,153,313</u>
<b>27. PROVISION FOR TAXATION</b>			
Current			
- for the year		22,493,395	41,934,196
- prior year		-	(7,950,803)
Deferred tax		(20,693,737)	288,702
		<u>1,799,658</u>	<u>34,272,095</u>

**27.1 Relationship between tax expense and accounting profit**

	<b>2014</b>	<b>2013</b>
Applicable tax rate	34%	35%
	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Tax on accounting profit before tax	13,169,751	42,513,261
Tax effect of previously unrecognized temporary differences	(11,370,093)	(290,363)
Prior year tax adjustment	-	(7,950,803)
Current year provision	<u>1,799,658</u>	<u>34,272,095</u>

**27.2** The Company has filed Income Tax Return upto tax year 2013 which is deemed assessed as per Income Tax Ordinance, 2001.

		<b>2014</b>	<b>2013</b>
<b>28. EARNINGS PER SHARE</b>			
Profit for the year	<i>Rupees</i>	<u>36,934,904</u>	<u>87,194,366</u>
Weighted average number of ordinary shares	<i>Number</i>	<u>800,000</u>	<u>800,000</u>
Basic earnings per share	<i>Rupees</i>	<u>46.17</u>	<u>108.99</u>

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

**29. FINANCIAL RISK MANAGEMENT**

**29.1.** 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.

**29.2. 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. 142.794 million (2013: Rs. 123.314 million), the financial assets which are subject to credit risk amounted to Rs.140.199 million (2013: Rs. 114.730 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:

The maximum exposure to credit risk as at June 30, 2014 is tabulated below:

**Financial assets**

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Long term investments	518,544	518,752
Deposits	2,228,997	2,114,237
Trade debts	136,348,008	111,376,497
Loans and advances	481,416	198,967
Bank balances	622,100	521,995
	<b>140,199,065</b>	<b>114,730,448</b>

**29.2.1 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 Company of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

**29.2.2 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.

### 29.3. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 29.3.1 below sets out details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

#### 29.3.1 Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. 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. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	<b>Weighted Average effective rate</b>	<b>Less than 1 month</b>	<b>1 - 3 months</b>	<b>3 months - 1 years</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
		<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>June 30, 2014</b>							
<b>Financial liabilities</b>							
<b>Interest bearing</b>							
Long term financing	10.03% to 12.17%	-	-	11,342,670	-	-	11,342,670
Short term borrowings	10.52% to 11.94%	-	-	41,583,844	-	-	41,583,844
<b>Non interest bearing</b>							
Accrued markup	0%	2,446,316	-	-	-	-	2,446,316
Trade and other payables	0%	-	-	81,923,004	-	-	81,923,004
		<b>2,446,316</b>	<b>-</b>	<b>134,849,518</b>	<b>-</b>	<b>-</b>	<b>137,295,834</b>

	<b>Weighted Average effective rate</b>	<b>Less than 1 month</b>	<b>1 - 3 months</b>	<b>3 months - 1 years</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
		<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>June 30, 2013</b>							
<b>Financial liabilities</b>							
<b>Interest bearing</b>							
Long term financing	10.24% to 13.99%	-	-	34,612,132	11,342,670	-	45,954,802
Short term borrowings	10.69% to 13.99%	-	-	9,081,520	-	-	9,081,520
<b>Non interest bearing</b>							
Accrued markup	0%	2,698,280	-	-	-	-	2,698,280
Trade and other payables	0%	-	-	93,636,666	-	-	93,636,666
		<b>2,698,280</b>	<b>-</b>	<b>137,330,318</b>	<b>11,342,670</b>	<b>-</b>	<b>151,371,268</b>

### 29.3.2 Financing facilities

Secured bank loan facilities with various maturity dates through to 2014 and which may be extended by mutual agreement:

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
- amount used	52,926,514	55,036,322
- amount un-used	708,420,000	624,036,322

### 29.4. 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.

#### 29.4.1 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's management is considering the alternative arrangement to manage interest rate exposure in future.

#### 29.4.2 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, 2014 would increase / decrease by Rs. 0.529 million (2013: Rs. 0.814 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss therefore, a change in interest rate would not affect profit or loss.

#### 29.4.3 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.

#### 29.4.4 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.

### 29.5. 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.

**29.6. 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 no financial assets measured at above mentioned levels.

**29.7. Financial instruments by category**

The Company finances 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:

<b>June 30, 2014</b>	<b>Loans and receivables Rupees</b>	<b>Held to maturity Rupees</b>	<b>Total June 30, 2014 Rupees</b>
<b>Assets as per balance sheet</b>			
Long term investments	-	518,544	518,544
Deposits	2,228,997	-	2,228,997
Trade debts	136,348,008	-	136,348,008
Loans and advances	1,702,916	-	1,702,916
Cash and bank balances	1,430,271	-	1,430,271
	<b>141,710,192</b>	<b>518,544</b>	<b>142,228,736</b>
		<b>Financial Liabilities measured at amortized cost</b>	<b>Total June 30, 2014</b>
<b>Liabilities as per balance sheet</b>			
		<b>Rupees</b>	<b>Rupees</b>
Long term financing		11,342,670	11,342,670
Short term borrowings		41,583,844	41,583,844
Trade and other payables		81,923,004	81,923,004
Interest and mark-up accrued on loans		2,446,316	2,446,316
		<b>137,295,834</b>	<b>137,295,834</b>



June 30, 2013

	<i>Loans and receivables Rupees</i>	<i>Held to maturity Rupees</i>	<i>Total Rupees</i>
<b>Assets as per balance sheet</b>			
Long term investments	-	518,752	518,752
Deposits	2,114,237	-	2,114,237
Trade debts	111,376,497	-	111,376,497
Loans and advances	198,967	-	198,967
Cash and bank balances	723,025	-	723,025
	<u>114,412,726</u>	<u>518,752</u>	<u>114,931,478</u>

	<i>Financial Liabilities measured at amortized cost Rupees</i>	<i>Total June 30, 2013 Rupees</i>
<b>Liabilities as per balance sheet</b>		
Long term financing	45,954,802	45,954,802
Short term borrowings	9,081,520	9,081,520
Trade and other payables	93,636,666	93,636,666
Interest and mark-up accrued on loans	2,698,280	2,698,280
	<u>151,371,268</u>	<u>151,371,268</u>

**30. 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, 2014 and June 30, 2013 were as follows:

	<i>2014 Rupees</i>	<i>2013 Rupees</i>
Total debt	52,926,514	55,036,322
Less: Cash and cash equivalents	<u>(1,430,271)</u>	<u>(723,025)</u>
Net debt	51,496,243	54,313,297
Total equity	<u>306,691,777</u>	<u>271,615,166</u>
Adjusted capital	<u>358,188,020</u>	<u>325,928,463</u>
Debt-to-adjusted capital ratio	14.38%	16.66%

**31. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

<i>Particulars</i>	<i>Chief Executive</i>		<i>Directors</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	----- Rupees -----			
Managerial remuneration	2,068,966	1,241,379	5,379,310	3,310,345
House rent	931,034	558,621	2,420,690	1,489,655
Utilities	-	-	552,361	554,255
Travelling	-	-	2,987,681	1,255,156
	<u>3,000,000</u>	<u>1,800,000</u>	<u>11,340,042</u>	<u>6,609,411</u>
No. of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>

**31.1.** No meeting fee was paid during the year.

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

**32. 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 31. Other significant transactions with related party are as follows:

<i>Relationship with the party</i>	<i>Nature of transactions</i>	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
Maqbool Textile Mills Limited	Purchase of Machinery	32,500,000	-
Allawasaya Spinning Mills (pvt) Limited	Sale of Waste	-	203,873

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

**33. PRODUCTION CAPACITY**

	<i>2014</i>	<i>2013</i>
Number of spindles installed and worked	30,592	30,592
Number of shifts worked	975	971
Capacity of yarn at 20's count		
on the basis of utilization	<i>Kgs</i> 12,314,067	11,922,889
Production of yarn at 20's count	<i>Kgs</i> 12,056,349	11,703,986

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

Total number of employees employed at the year end were 812 (2013: 887) and average number of employees during the year were 857 (2013: 856).

#### 34. RECLASSIFICATION

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant reclassifications are as follows:

From	To	Reason	Rupees
Entertainment Expenses	Audit fee - Out of Pocket expenses	For better presentation	134,342
Property, Plant & Equipment - Powerhouse Building	Property, Plant & Equipment - Factory Building	For better presentation	45,310,639

#### 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 @ Rs. 10.25 (2013: Rs. 16.2 million @ Rs. 20.25) 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 September 29, 2014.

#### 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/-  
Sohail Nadeem  
Chief Financial Officer



## PATTERN OF SHAREHOLDING OF THE SHAREHOLDERS OF THE COMPANY AS ON JUNE 30, 2014

Number of Shareholders	Shareholding		Total Shares held	Percentage of Total Capital
	From	To		
109	1	100	5,485	0.69
23	101	500	5,598	0.70
9	501	1,000	7,748	0.97
7	1,001	5,000	21,670	2.71
8	5,001	10,000	72,776	9.10
1	10,001	15,000	10,064	1.26
7	15,001	20,000	126,112	15.76
2	20,001	25,000	40,240	5.03
5	25,001	30,000	135,586	16.95
2	30,001	35,000	64,316	8.04
1	35,001	40,000	35,560	4.45
2	40,001	45,000	88,006	11.00
0	45,001	50,000	0	0.00
3	50,001	75,000	186,839	23.35
<b>179</b>			<b>800,000</b>	<b>100.00</b>

Serial Number	Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	172	799,320	99.92
2	Joint Stock Companies	2	150	0.02
3	Investment Companies	2	100	0.01
4	Others	3	430	0.05
		<b>179</b>	<b>800,000</b>	<b>100</b>

## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2014

### ADDITIONAL INFORMATION

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, Undertaking and Related Parties		Nil
Central Depository Company of Pakistan Limited	31	2,501
NIT and ICP		
Investment Corporation of Pakistan	2	100
<b>DIRECTORS</b>		
Mian Muhammad Jamil	1	61,000
Mian Tarvir Ahmad Sheikh	1	20,070
Mrs. Nusrat Jamil	1	65,376
Mian Anis Ahmad Sheikh	1	35,560
Mian Tauqir Ahmad Sheikh	1	34,166
Mian Muhammad Bilal Ahmad Sheikh	1	44,156
Mian Muhammad Alamgir Jamil Khan	1	60,463
Mian Muhammad Umar Farooq Sheikh	1	43,850
<b>CHIEF EXECUTIVE OFFICERS</b>		
Mian Tarvir Ahmad Sheikh	1	20,070
Directors' / C.E.O's Spouses	11	172,696
Executives		Nil
Public Sector Companies and Corporation		Nil
Shareholders holding 5% or more voting interest		
Mian Muhammad Jamil	1	61,000
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, 2014**

Number of Shareholders	Shareholding		Total Shares held
	From	To	
26	1	100	578
4	101	500	973
1	501	1,000	950
<b>31</b>			<b>2,501</b>

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	25	1,920	76.77
Joint Stock Companies	2	150	6.00
Others	4	431	17.23
	<b>31</b>	<b>2501</b>	<b>100</b>



## 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 / an 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 ..... 2014

Signed by the said

Five Rupees  
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.