Allawasaya

Textile & Finishing Mills Limited

56th Annual Report

for the year ended June 30, 2013

56th Annual Report

of

Allawasaya Textile & Finishing Mills Limited

for the year ended June 30, 2013

CONTENTS

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 become a least cost operator amongst its competitors.

We will strive to continue as a successful Company, make profit and thus create value for our shareholders, 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 Sarfraz Ahmad Sheikh	- Director
6.	Mian Tauqir Ahmad Sheikh	- Director
7.	Mian Muhammad Bilal Ahmad Sheikh	- Director
8.	Mian Muhammad Alamgir Jamil Khan	- Director

AUDIT COMMITTEE

Mrs. Nusrat Jamil	- Chairwoman
Mian Tanvir 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

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 56th Annual General Meeting of the Company will be held at 3:30 p.m. on Thursday 31st October 2013 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 Wednesday 31st October 2012.
2. To receive, consider and approve the Directors' Report, Auditors' Report and Audited Accounts of the Company for the year ended June 30, 2013.
3. To consider and approve the distribution of 202.50% Dividend (Rs.20.25 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, 2013.
4. To appoint auditors for the year 2013-2014 till next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, with or without modification, approve increase in remuneration of the Chairman, Chief Executive Officer and two full time Working Directors of the Company in addition to other perquisites/ benefits already allowed and to pass the following Resolution as Ordinary Resolution in terms of Section 191 of the Companies Ordinance, 1984 and Article 89 & 90 of the Articles of Association of the Company:

"RESOLVED THAT the revision/ increase in remuneration of the Chairman, Chief Executive Officer/ Managing Director and two full time Working Directors of the Company with effect from 1st July 2013 as detailed below be and is hereby approved in addition to the other perquisites as before:

Remuneration of Chairman & CEO/ M.D.	- Rs.250,000/- each per month
Remuneration of two Working Directors	- Rs.200,000/- each per month

FURTHER RESOLVED that Mian Muhammad Jamil, Chairman of the Company, Mian Tanvir Ahmad Sheikh, Chief Executive Officer/ Managing Director of the Company, Mian Anis Ahmad Sheikh, Director of the Company and Mian Muhammad Alamgir Jamil Khan, Director of the Company be and are hereby authorized to take necessary steps for implementation of increase in remuneration of the Chairman, Chief Executive Officer/ Managing Director and two full time Working Directors of the Company with effect from 1st July 2013."

OTHER BUSINESS

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

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
(MUHAMMAD ISMAIL)
COMPANY SECRETARY

Place: Multan
Dated: 26-09-2013

NOTES:

1- The Shares Transfer Books of the Company will remain closed from 25-10-2013 to 31-10-2013 (both days inclusive).

2- Shares Transfers received at the Company's Shares Registrar's Office, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on October 24, 2013 will be treated in time.

3- A member entitled to attend and vote at this meeting is entitled to appoint any other member as a proxy to attend, speak and vote instead of him/her. **A proxy must be a member.** Proxies duly stamped with Rs.5/- revenue stamp, signed and witnessed, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.

4- Any individual beneficial owners of CDC, entitled to attend and vote at this meeting must bring his/her CNIC or Passport to prove his/ her identity and in case of proxy must enclose an attested copy of his/ her CNIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.

5- Members are requested to submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP requirement, if not provided earlier and also communicate to the Company immediately of any change in their addresses.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 - REGARDING THE SPECIAL BUSINESS:

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Thursday 31st October 2013.

The increase in remuneration of the Chairman, Chief Executive Officer/ Managing Director and two full time Working Directors of the Company in addition to the other perquisites/ benefits already allowed will be approved by the shareholders in the forth coming Annual General Meeting. Therefore, the Directors of the Company have moved the Special Resolution for approval from the shareholders of the Company.

The Chairman, Chief Executive Officer/ Managing Director and two full time Working Directors are interested in passing the Resolution to the extent of their remuneration.

DIRECTORS' REPORT

In the name of Allah the Most Beneficent and the Merciful

Dear Shareholders,

Your Directors are pleased to present before you their 56th Annual Report on the affairs of your Company along with the Audited Accounts for the financial year ended June 30, 2013.

PERFORMANCE

By the grace of Almighty Allah, the performance of your Company was satisfactory during the year under report. The Mills produced Polyester-Cotton blended yarn throughout the year. The total sales for the year amounted to **Rs. 2,038,914,882 (7,292,663.28 Kgs)** as compared to **Rs. 2,066,231,736 (8,302,376.88 Kgs)** last year. The gross profit for the year was **Rs. 218,850,085** and the Net Profit after providing for Tax amounted to **Rs. 87,194,366.** The so far excellent financial results of the Company was achieved due to the best efforts of your Directors in respect of better Marketing and Financial management inspite of the energy crisis which hampered the overall production. The financial results for the year ended June 30, 2013 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, 2013 Rupees	For the year ended June 30, 2012 Rupees
Sales	2,038,914,882	2,066,231,736
Cost of goods sold	(1,820,064,797)	(1,903,476,064)
Gross Profit	218,850,085	162,755,672
Other Income	395,655	2,609,681
	219,245,740	165,365,353
Distribution cost-Commission	(8,231,473)	(6,586,048)
Administrative Expenses	(53,920,895)	(37,545,774)
Other Operating Expenses	(9,473,598)	(5,008,183)
Finance Cost	(26,153,313)	(51,592,076)
Profit before Taxation	121,466,461	64,633,272
Provision for Taxation	(34,272,095)	(23,056,131)
Profit for the year	87,194,366	41,577,141
Other comprehensive income	-	-
Total comprehensive income for the year	87,194,366	41,577,141
Earnings per share- basic and diluted	108.99	51.97

REVALUATION OF FIXED ASSETS

Revaluation of the assets of the Power House of the Company was carried out on December 24, 2008, and to reflect the fair value of entire Fixed Assets of the Company, revaluation has been carried out which was conducted by the independent valuer i.e., M/s KG Traders (Pvt.) Limited, Lahore as on June 29, 2013 on the basis of market value. The Revaluation increase arising on this Revaluation has been credited to "Surplus on Revaluation of Property, Plant and Equipment".

FUTURE OUTLOOK

The management of the Company is of the view that if the prices of electricity and gas keep on increasing, it will be a big set back for the whole industry including Textiles. The management is of the view that 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.

DIVIDEND

To share the profit of the Company with the shareholders, your Directors have proposed distribution of a final cash dividend @202.50% (Rs.20.25 per share) to the shareholders of the Company, out of the profit earned for the year ending June 30, 2013.

REVISION IN REMUNERATION OF CHAIRMAN, CHIEF EXECUTIVE AND TWO FULL TIME WORKING DIRECTORS OF THE COMPANY

The Directors of the Company in the Board Meeting held on September 26, 2013, passed the Resolution recommending the revision in remuneration of the Chairman, Chief Executive and two full time Working Directors with effect from 1st July 2013 in addition to other perquisites/ benefits already allowed as before as per following detail:

Remuneration of Chairman & Chief Executive	-	PKR:250,000/- each per month
Remuneration of two full time Working Directors	-	PKR:200,000/- each per month

The above is being put up before the Annual General Meeting for its final approval.

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

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

PRESENTATION OF FINANCIAL STATEMENTS:

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

BOOKS OF ACCOUNTS:

The Company has maintained proper books of accounts;

ACCOUNTING POLICIES:

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

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS):

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

INTERNAL CONTROL SYSTEM:

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

ON GOING CONCERN:

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

NO OUTSTANDING STATUTORY DUES:

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

FINANCIAL HIGHLIGHTS:

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

BOARD MEETINGS:

During the year ended June 30, 2013 four (4) meetings of the Board of Directors were held. Attendance of each Director is given below:

Director's Name	Meeting Attended
Mian Muhammad Jamil	3
Mian Tanvir Ahmad Sheikh	4
Mrs. Nusrat Jamil	4
Mian Anis Ahmad Sheikh	2
Mian Sarfraz Ahmad Sheikh	4

Mian Tauqir Ahmad Sheikh	3
Mian Muhammad Bilal Ahmad Sheikh	1
Mian Muhammad Alamgir Jamil Khan	3

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, 2013 as required under Section 236 (2) (d) of the Companies Ordinance, 1984 is annexed.

RELATIONS WITH LABOUR AND STAFF

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

ACKNOWLEDGEMENT

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

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

On behalf of the Board of Directors

Sd/-
MIAN MUHAMMAD JAMIL
CHAIRMAN

Place: MULTAN
Dated: 26-09-2013

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Introduction:

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

Code of Conduct:

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

Employees:

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

Community:

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

Quality Assurance:

Allawasaya Textile and Finishing Mills Limited produces good quality "Gumbad" brand (Yarn, 10 Count to 40 Count) which conforms to the high standards and quality. Our product is backed up with over 49 years of yarn manufacturing experience and continuous process of BMR.

Financial Reporting:

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

Conclusion:

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

SIX YEARS KEY OPERATING AND FINANCIAL DATA

Year Ended June 30,	2013	2012	2011	2010	2009	2008
BALANCE SHEET						
Authorized Capital	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Issued, Subscribed& Paid up Capital	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Reserves	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746
Un-appropriated Profit/(Loss)	180,946,420	96,956,670	59,565,634	28,354,130	(16,022,861)	6,791,445
Total Equity	271,615,166	187,625,416	150,234,380	119,022,876	74,645,885	97,460,191
Surplus on Revaluation						
of Property, Plant & Equipment	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	72,957,240
Deferred Liabilities	152,131,668	58,852,470	65,230,435	45,597,210	17,672,766	11,472,700
Short Term Liabilities	192,769,321	230,337,137	324,806,600	198,414,081	340,284,335	370,870,659
Total Liabilities	841,980,628	335,144,409	470,603,969	311,659,107	447,542,049	455,300,599
Total Equity & Liabilities	1,113,595,794	557,541,375	659,623,794	473,981,610	570,536,356	552,760,790
Fixed Assets	812,267,882	254,327,265	274,479,790	247,039,589	264,021,156	208,983,329
Long Term Deposits	2,627,781	2,627,989	3,206,689	4,322,881	4,323,785	4,294,789
Current Assets	298,700,131	300,586,121	381,937,315	222,619,140	302,191,415	339,482,672
Total Assets	1,113,595,794	557,541,375	659,623,794	473,981,610	570,536,356	552,760,790
PROFIT & LOSS ACCOUNT						
Turnover	2,038,914,882	2,066,231,736	2,195,228,720	1,464,364,667	1,067,019,585	865,664,977
Gross Profit	218,850,085	162,755,672	182,164,140	160,522,706	53,478,983	17,469,324
Profit/ (Loss) before Taxation	121,466,461	64,633,272	76,460,320	74,574,463	(39,392,947)	(31,045,397)
Profit/ (Loss) after Taxation	87,194,366	41,577,141	32,497,322	39,328,196	(25,938,569)	(25,468,884)
DISTRIBUTION						
Cash Dividend %	202.50	102.50	102.50	72.50	-	-
RATIOS						
Break up value Per share (Rs.)	339.52	234.53	187.79	148.78	93.31	121.83
Earning / (Loss) per Share (Rs)	108.99	51.97	40.62	49.16	(32.42)	(31.84)
Current Ratio	1.55:1	1.30:1	1.18:1	1.12:1	0.89:1	0.92:1
Debt/ equity ratio	06:94	27:73	38:62	36:64	47:53	43:57
CAPACITY & PRODUCTION						
No. of spindle installed	30,592	30,592	30,592	28,828	28,828	28,672
Capacity of Yarn at 20's Count (Kgs)	11,922,889	12,745,580	12,490,669	12,112,806	13,543,818	12,990,815
Actual Production of Yarn at 20's Count (Kgs)	11,703,986	12,907,697	12,417,636	11,443,456	11,030,315	10,777,391

Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2013

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

The company has applied the principles contained in the CCG in the following manner:

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

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

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

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

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

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

9. The board has decided to arrange training programs for the directors during the subsequent financial year in compliance to CCG 2012.

10. The board has approved the appointment of CFO and Head of Internal Audit and their remuneration and terms and conditions of employment. There was no change in the position of Company Secretary 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 chairman of the committee is a non-executive director.

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.

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 exchange(s).

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

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

On behalf of the Board of Directors

Sd/-
MIAN MUHAMMAD JAMIL
CHAIRMAN

Multan, September 26, 2013

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Allawasaya Textile & Finishing Mills Limited** (the Company), for the year ended June 30, 2013 to comply with the relevant Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

Furthers, Listing Regulations 35(X) require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transaction by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

M. YOUSAF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

Engagement Partner:
Talat Javed

Multan.
Dated: 26.09.2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Allawasaya Textile & Finishing Mills Limited** (the Company) as at June 30, 2013 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, 2013 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: 26.09.2013

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**812,267,882**	254,327,265
Long term investments	4	**518,544**	518,752
Long term deposits		**2,109,237**	2,109,237
		814,895,663	256,955,254
CURRENT ASSETS			
Stores and spares	5	**10,106,146**	11,271,339
Stock in trade	6	**158,713,888**	139,417,902
Trade debts	7	**111,376,497**	117,830,300
Loans and advances	8	**9,537,104**	17,911,383
Trade deposits and prepayments	9	**348,182**	564,569
Other receivables	10	**-**	28,845
Sales tax refundable		**7,895,081**	6,428,884
Current portion of long term investments	4	**208**	578,700
Cash and bank balances	11	**723,025**	6,554,199
		298,700,131	300,586,121
TOTAL ASSETS		**1,113,595,794**	557,541,375
EQUITY AND LIABILITIES			
SAHRE CAPITAL AND RESERVES			
Share capital	12	**8,000,000**	8,000,000
Reserves	13	**82,668,746**	82,668,746
Unappropriated profits		**180,946,420**	96,956,670
		271,615,166	187,625,416
Surplus on revaluation of Property, Plant and Equipment	14	**485,736,969**	34,771,550
NON-CURRENT LIABILITIES			
Long term financing	15	**11,342,670**	45,954,802
Deferred tax	16	**152,131,668**	58,852,470
		163,474,338	104,807,272
CURRENT LIABILITIES			
Trade and other payables	17	**104,443,192**	67,788,967
Accrued markup	18	**2,698,280**	9,606,595
Short term borrowings	19	**9,081,520**	89,855,760
Current portion of long term financing	15	**34,612,132**	34,612,132
Provision for taxation	20	**41,934,197**	28,473,683
		192,769,321	230,337,137
TOTAL EQUITY AND LIABILITIES		**1,113,595,794**	**557,541,375**
Contingencies and commitments	21		

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

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

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	22	**2,038,914,882**	2,066,231,736
Cost of goods sold	23	**(1,820,064,797)**	(1,903,476,064)
Gross profit		**218,850,085**	162,755,672
Other income	24	**395,655**	2,609,681
		219,245,740	165,365,353
Distribution cost- commission		**(8,231,473)**	(6,586,048)
Administrative expenses	25	**(53,920,895)**	(37,545,774)
Other operating expenses	26	**(9,473,598)**	(5,008,183)
Finance cost	27	**(26,153,313)**	(51,592,076)
		(97,779,279)	(100,732,081)
Profit before taxation		**121,466,461**	64,633,272
Provision for taxation	28	**(34,272,095)**	(23,056,131)
Profit for the year		**87,194,366**	41,577,141
Other Comprehensive Income		-	-
Total comprehensive income for the year		**87,194,366**	**41,577,141**
Earnings per share - basic and diluted	29	**108.99**	51.97

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

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**121,466,461**	64,633,272
Adjustments for:		
Depreciation on property, plant and equipment	**29,954,278**	29,425,773
Gain on sale of property, plant and equipment	**(324,294)**	(588,983)
Provision for staff retirement benefits - gratuity	**8,030,000**	6,332,656
Finance cost (excluding interest on workers' profit participation fund)	**24,266,327**	51,400,460
Liabilities no longer payable	**-**	(1,852,970)
Profit on term finance certificates	**(71,361)**	(167,728)
Workers' welfare fund	**2,832,246**	1,595,164
Workers' profit participation fund	**6,641,352**	3,413,019
Operating cash flows before movement in working capital	**192,795,009**	154,190,663
Decrease / (increase) in current assets		
Stores, spares and loose tools	**1,165,193**	3,790,180
Stock in trade	**(19,295,986)**	83,490,910
Trade debts	**6,453,803**	(12,141,085)
Loans and advances (excluding advance income tax)	**(1,836,972)**	862,064
Trade deposits and prepayments	**216,387**	447,621
Sales tax refundable	**(1,466,197)**	495,785
Decrease in current liabilities		
Trade and other payables (excluding WPPF and WWF)	**32,359,014**	(4,011,198)
	17,595,242	72,934,277
Cash generated from operations	**210,390,251**	227,124,940
Income taxes paid	**(10,311,627)**	(19,117,097)
Staff retirement benefits - gratuity paid	**(9,795,371)**	(3,707,300)
Finance cost paid	**(31,174,641)**	(55,136,871)
Workers' profit participation fund paid	**(3,413,019)**	(4,080,814)
Workers' welfare fund paid	**-**	(1,000,000)
Net cash from operating activities	**155,695,593**	144,082,858
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	**(39,094,301)**	(9,409,265)
Proceeds on disposal of property, plant and equipment	**475,000**	725,000
Redemption of long term investments	**578,700**	1,157,192
Profit on long term investments	**100,206**	224,944
Net cash used in investing activities	**(37,940,395)**	(7,302,129)

C. CASH FLOWS FROM FINANCING ACTIVITIES	2013 Rupees	2012 Rupees
Long term financing repaid	**(34,612,132)**	(34,612,132)
Short term borrowings - net	**(80,774,240)**	(94,080,026)
Dividend paid	**(8,200,000)**	(8,062,979)
Net cash used in financing activities	**(123,586,372)**	(136,755,137)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(5,831,174)**	25,592
Cash and cash equivalents at beginning of the year	**6,554,199**	6,528,607
Cash and cash equivalents at end of the year	**723,025**	6,554,199

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Reserves			Total
		Capital	Revenue		
		Tax holiday reserve	General reserve	Accumulated profit	
	------------	------------	Rupees	------------	------------
Balance at July 01, 2011	8,000,000	2,668,746	80,000,000	59,565,634	150,234,380
Profit for the year	-	-	-	41,577,141	41,577,141
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	41,577,141	41,577,141
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation (net of deferred tax)	-	-	-	4,013,895	4,013,895
Transactions with owners					
Dividend for the year ended June 30, 2011 @ Rs. 10.25/share	-	-	-	(8,200,000)	(8,200,000)
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 profit 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
Transactions with owners					
Dividend for the year ended June 30, 2012 @ Rs. 10.25/share	-	-	-	(8,200,000)	(8,200,000)
Balance at June 30, 2013	8,000,000	2,668,746	80,000,000	180,946,420	271,615,166

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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, 2012

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

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.

Amendments to IAS 1 - Presentation of Financial Statements Clarification of Requirements for Comparative information	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment Classification of servicing equipment	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 19 - Employee Benefits	**Effective from accounting period beginning on or after January 01, 2013**

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendements to IAS 19 would not impact the financial statements of the Company as it has no un-recognised acturial gain / (loss).

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

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

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.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	**Effective from accounting period beginning on or after January 01, 2013**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	**Effective from accounting period beginning on or after January 01, 2013**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entitys financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	**'Effective from accounting period beginning on or after January 01, 2013**

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

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 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 (Revised 2011) Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

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

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, this is due on company in next year. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on revaluation of property, plant and equipment'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit on an annual basis.

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

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

Particulars	***Mode of valuation***
Raw material	
- At mills	At weighted average cost.
- In transit	Cost accumulated to the balance sheet date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.
Waste	Net realizable value.

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

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

2.6.5 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 Companys shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Companys shareholders.

2.6.10 Impairment

Financial assets

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

Non-financial assets

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

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

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

2.6.11 Foreign currency translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction.

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

2.6.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Direct local sales are recorded when significant risks and reward are transferred which coincides with delivery
- 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).

3 PROPERTY, PLANT AND EQUIPMENT
Year ended June 30, 2013

Particulars	Cost / Revaluation					Accumulated Depreciation				Book value	Rate
	At July 01, 2012	Surplus on revaluation / (reversal)	Addition / (Disposal) during the year	Revaluation adjustments	At June 30, 2013	At July 01, 2012	For the year / (on disposal)	Revaluation adjustments	At June 30, 2013	At June 30, 2013	
	Rupees										%
Land- Freehold	787,834	283,264,166	848,000	-	284,900,000	-	-		-	284,900,000	0
Building on Free-hold Land	24,555,444	54,176,916	-	(17,327,999)	61,404,361	16,598,624	1,241,077	(17,327,999)	511,702	60,892,659	10
Plant & Machinery	313,328,990	199,666,103	615,000	(213,610,093)	300,000,000	203,524,149	12,585,944	(213,610,093)	2,500,000	297,500,000	10
Power house											
- Building on freehold land	10,363,298	46,741,157	-	(4,127,816)	52,976,639	3,498,548	1,070,741	(4,127,816)	441,473	52,535,166	10
- Generators	156,272,395	(32,238,540)	34,765,480	(61,798,380)	97,000,955	51,945,356	10,661,365	(61,798,380)	808,341	96,192,614	10
- Electric Installation	23,303,137	(2,658,504)	-	(12,645,589)	7,999,044	10,946,559	1,799,018	(12,645,589)	99,988	7,899,056	15
	189,938,830	11,844,113	34,765,480	(78,571,785)	157,976,638	66,390,463	13,531,124	(78,571,785)	1,349,802	156,626,836	
Tube Well	106,006	-	-	-	106,006	104,055	195	-	104,250	1,756	10
Electric Installation	3,131,366	-	-	-	3,131,366	2,505,992	93,806	-	2,599,798	531,568	15
Workshop Equipments	160,909	-	-	-	160,909	155,636	527	-	156,163	4,746	10
Tools & Equipments	151,401	-	-	-	151,401	142,914	849	-	143,763	7,638	10
Laboratory Equipments	3,832,266	-	-	-	3,832,266	2,547,265	128,500	-	2,675,763	1,156,503	10
Weighing Scales	710,508	-	-	-	710,508	591,381	11,913	-	603,294	107,214	10
Arms & Ammunition	264,057	-	-	-	264,057	76,128	18,793	-	94,921	169,136	10
Office Equipments	2,554,021	-	65,000	-	2,619,021	1,534,990	155,292	-	1,690,282	928,739	15
Furniture & Fixture	1,074,018	-	-	-	1,074,018	757,538	31,648	-	789,186	284,832	10
Vehicles	21,014,542	-	2,800,821	-	22,618,983	12,353,792	2,154,610	-	13,462,728	9,156,255	20
			(1,196,380)				(1,045,674)				
TOTAL	**561,610,192**	**548,951,298**	**39,094,301**	**(292,181,878)**	**838,949,534**	**307,282,927**	**29,954,278**	**(309,509,877)**	**26,681,652**	**812,267,882**	
			(1,196,380)				**(1,045,674)**				

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.

Year ended June 30, 2012

Particulars	Cost / Revaluation			Accumulated Depreciation			Book value	Rate
	At July 01, 2011	Addition / (Disposal) during the year	At June 30, 2012	At July 01, 2011	For the year / (on disposal)	At June 30, 2012	At June 30, 2012	Rate
	Rupees							%
Owned								
Land- Freehold	787,834	-	787,834	-	-	-	787,834	0
Building on Free-hold Land	24,555,444	-	24,555,444	15,714,533	884,091	16,598,624	7,956,820	10
Plant & Machinery	308,507,990	4,821,000	313,328,990	191,725,361	11,798,788	203,524,149	109,804,841	10
Power house								
- Building on freehold land	10,363,298	-	10,363,298	2,735,798	762,750	3,498,548	6,864,750	10
- Generators	156,272,395	-	156,272,395	40,353,463	11,591,893	51,945,356	104,327,039	10
- Electric Installation	23,303,137	-	23,303,137	8,765,986	2,180,573	10,946,559	12,356,578	15
	189,938,830	-	189,938,830	51,855,247	14,535,216	66,390,463	123,548,367	
Tube Well	106,006	-	106,006	103,838	217	104,055	1,951	10
Electric Installation	3,131,366	-	3,131,366	2,395,632	110,360	2,505,992	625,374	15
Workshop Equipments	160,909	-	160,909	155,050	586	155,636	5,273	10
Tools & Equipments	151,401	-	151,401	141,971	943	142,914	8,487	10
Laboratory Equipments	3,832,266	-	3,832,266	2,404,487	142,778	2,547,265	1,285,001	10
Weighing Scales	710,508	-	710,508	578,145	13,236	591,381	119,127	10
Arms & Ammunition	264,057	-	264,057	55,247	20,881	76,128	187,929	10
Office Equipments	2,554,021	-	2,554,021	1,355,161	179,829	1,534,990	1,019,031	15
Furniture & Fixture	1,074,018	-	1,074,018	722,373	35,165	757,538	316,481	10
Vehicles	18,418,677	4,588,265	21,014,542	12,506,492	1,703,683	12,353,792	8,660,750	20
		(1,992,400)			(1,856,383)			
TOTAL	**554,193,327**	**9,409,265**	**561,610,192**	**279,713,537**	**29,425,773**	**307,282,927**	**254,327,265**	
		(1,992,400)			**(1,856,383)**			

3.1 Depreciation for the year has been allocated as under;

	Note	2013 Rupees	2012 Rupees
Cost of goods sold	23	27,593,935	27,486,215
Administrative expenses	25	2,360,343	1,939,558
		29,954,278	29,425,773

3.2 Disposal of operating assets

Particulars	Cost	Accumulated depreciaiton	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyer
Vehicles	Rupees						
Toyota Corolla	1,196,380	1,045,674	150,706	475,000	324,294	Negotiation	Altaf Hussain, Multan
2013	1,196,380	1,045,674	150,706	475,000	324,294		
2012	1,992,400	1,856,383	136,017	725,000	588,983		

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:

		Carrying amount	
		2013	***2012***
	Note	***Rupees***	***Rupees***
Land- Freehold		1,635,834	-
Building on Free-hold Land		7,167,216	-
Plant & Machinery		99,497,781	-
Power house			
Building on freehold land		4,299,694	4,760,530
Generators		85,048,871	56,311,555
Electric Installation		7,509,310	8,932,916
		205,158,706	70,005,001

4 LONG TERM INVESTMENTS

	Note	***2013 Rupees***	***2012 Rupees***
Held to maturity			
Term finance certificates of Bank Al-Habib Limited			
Tranche - I	4.1	-	578,492
Tranche - II	4.2	518,752	518,960
		518,752	1,097,452
Current portion shown in current assets		(208)	(578,700)
		518,544	518,752

4.1 These certificates carry mark up at a rate of six month KIBOR+1.5% per annum and are redeemable at half yearly basis started from January 15, 2005 and ended on July 15, 2012.

4.2 These certificates carry mark up at a rate of six month KIBOR+1.95% per annum and are redeemable at half yearly basis starting from August 07, 2007 and ending on February 07, 2015.

4.3 The market value of Term Finance Certificates approximates its carrying amount. The market value of TFCs as at June 30, 2013 was Rs. 0.525 million (2012: Rs.1,098 million).

5. STORES AND SPARES

Stores	4,503,007	4,759,886
Spares	5,603,139	6,511,453
	10,106,146	11,271,339

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

		2013 Rupees	2012 Rupees
6.	***STOCK IN TRADE***		
	Raw materials		
	- Cotton	101,017,260	85,821,728
	- Polyester	8,984,610	9,973,066
		110,001,870	95,794,794
	Work in process	13,666,196	11,893,896
	Finished goods		
	-Yarn	33,662,001	30,266,187
	-Waste	1,383,821	1,463,025
		35,045,822	31,729,212
		158,713,888	139,417,902
7.	***TRADE DEBTS***		
	Local - unsecured		
	Considered good	111,376,497	117,830,300
	Considered doubtful	165,506	165,506
	Provision for doubtful debts	(165,506)	(165,506)
		111,376,497	117,830,300

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

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

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

7.4 The fair vale of trade receivables approximate their carrying amounts.

7.5 At year end, trade receivables of Rs. 108.307 million (2012: Rs. 115.626 million) were neither past due nor impaired.

7.6 As at year end, trade receivables of Rs. 3.069 million (2012: Rs. 2.204 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:

	2013 Rupees	2012 Rupees
Less than 3 months	-	16,642
3 to 6 months	203,873	2,170,000
Over 6 months	2,865,697	17,539
	3,069,570	2,204,181

8.	*LOANS AND ADVANCES*	**2013**	**2012**
		Rupees	**Rupees**
	Considered good		
	Advances to employees	198,967	370,589
	Advance to suppliers	1,656,416	699,895
	Advance income tax	6,397,648	16,608,899
	Advance for land	-	232,000
	Advance against letter of credit	1,284,073	-
		9,537,104	17,911,383

9.	*TRADE DEPOSITS AND PREPAYMENTS*		
	Margin deposit	5,000	5,000
	Prepayments	343,182	559,569
		348,182	564,569

10.	*OTHER RECEIVABLES*		
	Profit receivable on term finance certificates	-	28,845

11.	*CASH AND BANK BALANCES*		
	Cash in hand	201,030	888,642
	Cash at banks in current accounts	521,995	5,665,557
		723,025	6,554,199

12. ***SHARE CAPITAL***

2013	**2012**		**2013**	**2012**
Number of shares			**Rupees**	**Rupees**
		Authorised		
1,000,000	1,000,000	Ordinary share of Rs. 10 each.	10,000,000	10,000,000
		Issued, subscribed and paid up		
		Ordinary shares of Rs. 10 each		
499,900	499,900	issued for cash	4,999,000	4,999,000
300,100	300,100	as bonus shares	3,001,000	3,001,000
800,000	800,000		8,000,000	8,000,000

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

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

13. RESERVES

	Note	2013 Rupees	2012 Rupees
Capital			
Other reserve	13.1	2,668,746	2,668,746
Revenue			
General reserve		80,000,000	80,000,000
		82,668,746	82,668,746

13.1 This represents tax holiday reserve.

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

		2013 Rupees	2012 Rupees
Opening balance		53,494,693	59,669,916
Addition during the year		548,951,299	-
Transferred to unappropriated profit on account of			
Incremental depreciation - net of deferred tax		(4,995,384)	(4,013,895)
Related deferred tax liability		(2,689,821)	(2,161,328)
		(7,685,205)	(6,175,223)
Closing balance		594,760,787	53,494,693
Related deferred tax liability			
Opening balance		(18,723,143)	(20,884,471)
Addition during the year		(92,990,496)	-
Transferred to unappropriated profit on account of:			
- incremental depreciation		2,689,821	2,161,328
Closing balance		(109,023,818)	(18,723,143)
		485,736,969	34,771,550

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

June 29, 2013		548,951,299	79,188,746

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'.

15. LONG TERM FINANCING

	Note	2013 Rupees	2012 Rupees
Secured - from banking company			
Habib Bank Limited			
- Demand Finance (Limit Rs. 80 million)	15.1	14,591,448	29,182,896
United Bank Limited			
- Demand Finance (Limit Rs. 13 million)	15.2	9,182,104	16,527,788
Bank Al-Habib Limited			
- Term Finance (Limit Rs. 34.856 million)	15.3	22,181,250	34,856,250
		45,954,802	80,566,934
Current portion shown under current liabilities		(34,612,132)	(34,612,132)
		11,342,670	45,954,802

15.1 This finance has been obtained for purchase of Gas generator. It carried markup at rate of 3 months KIBOR + 100bps and is repayable in 10 half yearly installments, commencing from August 6, 2009 i.e. eighteen months after the 1st disbursement date. The loan is secured against specific charge on 3 gas generator sets of Rs. 120 million and personal guarantees of the Company`s directors.

15.2 This finance has been obtained for expansion in the spinning unit of the Company 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.

15.3 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).

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

	Note	2013 Rupees	2012 Rupees
- long term financings		45,954,802	80,566,934
- short term financings		9,081,520	89,855,760
		55,036,322	170,422,694

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

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

16. DEFERRED TAX

	Opening balance	Deffered tax recognised in: Profit & loss account	Deffered tax recognised in: Surplus on revaluation of assets	Closing balance
Movement for the year ended June 30, 2013				
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 deductable temporary differences arising in respect of:				
- staff gratuity	(918,875)	(529,688)	-	(1,448,563)
	58,852,470	288,702	92,990,496	152,131,668

	Opening balance	Deffered tax recognised in: Profit & loss account	Deffered tax recognised in: Surplus on revaluation of assets	Closing balance
Movement for the year ended June 30, 2012				
Deferred tax liabilities on taxable temporary differences arising in respect of:				
- property, plant and equipment	43,477,802	(2,429,600)	-	41,048,202
- Surplus on revaluation of assets	20,884,471	(2,161,328)	-	18,723,143
Deferred tax assets on deductable temporary differences arising in respect of:				
- staff gratuity	868,162	(1,787,037)	-	(918,875)
	65,230,435	(6,377,965)	-	58,852,470

17.	TRADE AND OTHER PAYABLES	Note	2013 Rupees	2012 Rupees
	Creditors		20,762,910	17,847,394
	Accrued liabilities		40,828,952	25,693,272
	Advance payments		2,921,600	1,687,597
	Unclaimed dividend		663,032	595,117
	Tax deducted at source		33,494	205,243
	Workers' profit participation fund	17.1	6,641,352	3,413,019
	Workers' welfare fund	21.3	4,131,680	1,299,434
	Gratuity payable	17.2	4,138,750	5,904,121
	Bonus payable		23,361,349	9,788,146
	Other payables		960,073	1,355,624
			104,443,192	67,788,967

17.1 *Workers' Profit Participation Fund*

	Note	2013 Rupees	2012 Rupees
Opening balance		3,413,019	4,080,814
Interest on amounts utilized in Company's business	27	1,886,986	191,616
Payment during the year		(5,300,005)	(4,272,430)
Allocation for the year		6,641,352	3,413,019
		6,641,352	3,413,019

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

18. ACCRUED MARKUP

	2013 Rupees	2012 Rupees
Long term financing	1,147,034	2,389,243
Short term borrowings	1,551,246	7,217,352
	2,698,280	9,606,595

19. SHORT TERM BORROWINGS

	2013 Rupees	2012 Rupees
Secured		
Running finance- under markup arrangement	9,081,520	89,855,760
	9,081,520	89,855,760

19.1 Short term borrowing facilities available from commercial banks under mark up arrangements aggregate to Rs. 579 million (2012: Rs. 619 million) of which facilities remained un-utilized at the year end amounted to Rs. 569 million (2012: Rs. 529 million). These facilities carry mark up at the rates ranging from 10.69% to 13.99 % per annum (2012: 13.36 % to 15.56 % per annum). Facilities available for opening letters of credit and guarantee aggregate to Rs. 50 million (2012: Rs. 86 million) of which facilities remained un-utilized at the year end amounted to Rs. 28.5 million (2012: Rs. 65 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, 2013.

			2013	2012
20.	***PROVISION FOR TAXATION***		***Rupees***	***Rupees***
	Opening balance		28,473,683	21,952,287
	Provision made during the year			
	- Current	28	41,934,197	28,473,683
	- Prior		(7,950,803)	960,413
			33,983,394	29,434,096
	Less: Adjustment of advance tax against completed assessments		(20,522,880)	(22,912,700)
			41,934,197	28,473,683

21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 The Company has filed a writ petition against WASA Multan regarding special notice dated December 22, 2004 in which the authority has demanded a sum of Rs. 0.967 million of the arrears of water effluent discharge. The Company is of opinion that it is a spinning mill and has not undertaken a job of weaving and finishing so there is no effluent discharge of water from the unit. The Lahore High Court through order no. C.M.No.2 of 2004 had ordered that impugned notice shall remain suspended till further order.

21.2 The Company has made an appeal before the Social Security Court Lahore under section 59 of Provincial Employees Social Security Ordinance 1965, regarding complaint under section 57 of the said ordinance in which the institution has demanded a sum of Rs. 1.5 million of social security contribution for period from January 2001 to June 2003. The Company is of the opinion that there is no change in the capacity of the mill and the number of employees has not increased, therefore the increase in social security contribution is not justifiable.

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

21.4 During the year the Additional Commissioner Inland Revenue has served a show cause under Computerized Risk-Based Evaluation of Sales Tax (CREST) and demanding amounting to Rs. 17,346,233 under the show cause

21.5 Commitments

Guarantees issued by commercial banks on behalf of the Company outstanding as at June 30, 2013 were for Rs. 50 million (2012: Rs. 86 million).

22.	***SALES - Net***		***2013***	***2012***
		Note	***Rupees***	***Rupees***
	Local			
	- Yarn		2,026,529,267	2,037,792,083
	- Cotton(Raw Material)		-	13,943,693
	- Waste		11,240,415	13,283,760
	- Polyester		1,145,200	1,212,200
			2,038,914,882	2,066,231,736
23.	***COST OF GOODS SOLD***			
	Raw materials consumed	23.1	1,378,305,647	1,435,026,813
	Salaries, wages and benefits	23.2	143,484,487	108,085,847
	Stores and spares consumed		39,580,288	29,653,946
	Packing materials consumed		21,913,039	20,824,390
	Fuel and power		199,934,570	171,809,195
	Repairs and maintenance		10,058,772	1,666,578
	Insurance		4,282,969	3,974,188
	Depreciation	3.1	27,593,935	27,486,215
			1,825,153,707	1,798,527,172
	Adjustment of work in process			
	Opening stock		11,893,896	15,926,000
	Closing stock		(13,666,196)	(11,893,896)
			(1,772,300)	4,032,104
	Cost of goods manufactured		1,823,381,407	1,802,559,276
	Finished goods			
	Opening stock		31,729,212	132,646,000
	Closing stock	23.3	(35,045,822)	(31,729,212)
			(3,316,610)	100,916,788
	Cost of goods sold		1,820,064,797	1,903,476,064
23.1	***Raw materials consumed / sold***			
	Opening stock		95,794,794	74,336,812
	Purchases (including direct expenses) - Net		1,391,224,354	1,455,936,208
			1,487,019,148	1,530,273,020
	Closing stock		(110,001,870)	(95,794,794)
			1,377,017,278	1,434,478,226
	Cotton cess		1,288,369	548,587
			1,378,305,647	1,435,026,813

23.1.1 This includes raw material sold during the year amounting to Rs. 1.145 million (2012: Rs. 15.155 million).

23.2 Salaries, wages and benefits include Rs. 7.157 million (2012: Rs. 5.386 million) in respect of gratuity.

23.3 It includes waste stock amounting to Rs. 1.383 million (2012: Rs. 1.463 million).

24. OTHER INCOME

	Note	2013 Rupees	2012 Rupees
Income from financial assets			
Profit on term finance certificates		71,361	167,728
Income from assets other than financial assets			
Gain on sale of property, plant and equipment		324,294	588,983
Liabilities no longer payable		-	1,852,970
		395,655	2,609,681

25. ADMINISTRATIVE EXPENSES

	Note	2013 Rupees	2012 Rupees
Directors' remuneration and meeting fee		6,910,275	4,457,225
Salaries and benefits	25.1	20,272,740	14,908,053
Vehicles running and maintenance		7,390,017	5,852,530
Traveling and conveyance	25.2	6,097,670	1,563,533
Printing and stationery		1,045,565	1,011,161
Communication		1,559,285	1,628,230
Rent, rates and taxes		1,390,262	1,587,135
Repairs and maintenance		1,473,180	1,252,881
Subscription		666,404	351,672
Advertisement		40,125	231,975
Entertainment		1,602,028	506,077
Donation	25.3	-	650,000
Depreciation	3.1	2,360,343	1,939,558
Auditors' remuneration	25.4	667,500	650,000
Legal and professional		953,777	907,708
Others		1,491,724	48,036
		53,920,895	37,545,774

25.1 Salaries and benefits include Rs. 0.872 million (2012: Rs. 0.947 million) in respect of gratuity.

25.2 This includes directors' travelling Rs. 1.255 million (2012: Rs.1.416 million).

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

25.4 Auditors' remuneration

	2013 Rupees	2012 Rupees
- Statutory audit fee	500,000	500,000
- Half yearly review	100,000	100,000
- Tax services	67,500	50,000
	667,500	650,000

26. OTHER OPERATING EXPENSES

	2013 Rupees	2012 Rupees
Workers' profit participation fund	6,641,352	3,413,019
Workers' welfare fund	2,832,246	1,595,164
	9,473,598	5,008,183

		Note	2013 Rupees	2012 Rupees
27.	***FINANCE COST***			
	Mark up on			
	- Long term financing		7,410,484	13,700,337
	- Short term borrowings		16,052,351	36,621,340
	Bank and other charges		604,913	898,198
	Interest on workers' profit participation fund	17.1	1,886,986	191,616
	Bank guarantee commission		198,579	180,585
			26,153,313	51,592,076
28.	***PROVISION FOR TAXATION***			
	Current			
	- for the year		41,934,196	28,473,683
	- prior year		(7,950,803)	960,413
	Deferred tax		288,702	(6,377,965)
			34,272,095	23,056,131

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

	2013	2012
Applicable tax rate	35%	35%

	2013 Rupees	2012 Rupees
Tax on accounting profit before tax	42,513,261	22,621,645
Tax effect of previously unrecognized temporary differences	(290,363)	(525,927)
Prior year tax adjustment	(7,950,803)	960,413
Current year provision	**34,272,095**	**23,056,131**

28.2 The Company has filed Income Tax Return upto tax year 2012 which is deemed assessed as per Income Tax Ordinance, 2001.

			2013	2012
29.	***EARNINGS PER SHARE***			
	Profit for the year	***Rupees***	87,194,366	41,577,141
	Weighted average number of ordinary shares	***Number***	800,000	800,000
	Basic earnings per share	***Rupees***	108.99	51.97

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

30. FINANCIAL RISK MANAGEMENT

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

30.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs.123.314 million (2012: Rs.144.926 million), the financial assets which are subject to credit risk amounted to Rs.114.808 million (2012: Rs.127.107 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, 2013 is tabulated below:

Financial assets

	2013	***2012***
	Rupees	***Rupees***
Long term investments	518,752	1,097,452
Deposits	2,114,237	2,114,237
Trade debts	111,376,497	117,830,300
Loans and advances	198,967	370,589
Other receivables	-	28,845
Bank balances	521,995	5,665,557
	114,730,448	**127,106,980**

30.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Companys 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.

30.2.2 Credit risk related to bank balances

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

30.3 Liquidity risk management

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 Companys 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 fows, and by matching the maturity profles of fnancial assets and liabilities. Note 30.3.2 below sets out details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

30.3.1 Liquidity and interest risk table

The following tables detail the Companys remaining contractual maturity for its non-derivative fnancial 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.

	Weighted Average effective rate	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	More than 5 years	Total
June 30, 2013		***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Financial liabilities							
Interest bearing							
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
Non interest bearing							
Accrued markup	0%	2,698,280		-	-	-	2,698,280
Trade and other payables	0%	-	-	104,443,192	-	-	104,443,192
		2,698,280	-	148,136,844	11,342,670	-	162,177,794

	Weighted Average effective rate	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	More than 5 years	Total
June 30, 2012		***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Financial liabilities							
Interest bearing							
Long term financing	12.85% to 15.54%	-	-	34,612,132	45,954,802	-	80,566,934
Short term borrowings	13.36% to 15.56%	-	-	89,855,760	-	-	89,855,760
Non interest bearing							
Accrued markup	0%	9,606,595	-	-	-	-	9,606,595
Trade and other payables	0%	-	-	67,788,967	-	-	67,788,967
		9,606,595	-	192,256,859	45,954,802	-	247,818,256

The following table details the Companys expected maturity for its non-derivative fnancial assets. The table has been drawn up based on the undiscounted contractual maturities of the fnancial assets including interest that will be earned on those assets. The inclusion of information on non-derivative fnancial assets is necessary in order to understand the Companys liquidity risk management as the liquidity is managed on a net asset and liability basis .

	Weighted Average effective rate	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	More than 5 years	Total
June 30, 2013		***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Financial assets							
Variable interest rate instruments							
Long term investments	11.04% to 11.29%	-	-	208	518,544	-	518,752
Non interest bearing							
Deposits	0%		5,000	-	-	2,109,237	2,114,237
Trade debts	0%		111,376,497	-	-		111,376,497
Loans and advances	0%	-	198,967	-	-	-	198,967
		-	111,580,464	208	518,544	2,109,237	114,208,453

	Weighted Average effective rate	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	More than 5 years	Total
June 30, 2012		***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Financial assets							
Variable interest rate instruments							
Long term investments	13.65% to 13.8%	-		578,700	208	518,544	1,097,452
Non interest bearing							
Deposits		-	5,000	-	-	2,109,237	2,114,237
Trade debts		-	-	-	-		-
Loans and advances	0%	-	-	-	-	-	-
Other receivables	0%	-	-	-	-	-	-
		-	5,000	578,700	208	2,627,781	3,211,689

30.3.2 Financing facilities

Secured bank loan facilities with various maturity dates through to 2013 and which may be extended by mutual agreement:

	2013	2012
	Rupees	Rupees
- amount used	55,036,322	170,422,694
- amount un-used	624,036,322	699,422,694

30.4 Market risk management

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

30.4.1 Interest rate risk management

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

30.4.2 Interest rate sensitivity

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Companys profit for the year ended June 30, 2013 would increase / decrease by Rs. 0.814 million (2012: Rs. 1.238 million). This is mainly attributable to the Companys exposure to interest rates on its variable rate borrowings .

30.4.3 Foreign exchange risk management

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

30.4.4 Equity price risk management

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

30.5 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

30.6 Fair value estimation

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

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

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

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

The Company has no financial assets measured at above mentioned levels.

30.7 Financial instruments by category

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

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

June 30, 2013	*Loans and receivables Rupees*	*Held to maturity Rupees*	*Total June 30, 2013 Rupees*
Assets as per balance sheet			
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
	114,412,726	518,752	114,931,478

Liabilities as per balance sheet	*Financial Liabilities measured at amortized cost Rupees*	*Total June 30, 2013 Rupees*
Long term financing	45,954,802	45,954,802
Short term borrowings	9,081,520	9,081,520
Trade and other payables	104,443,192	104,443,192
Interest and mark-up accrued on loans	2,698,280	2,698,280
	162,177,794	162,177,794

June 30, 2012

Assets as per balance sheet	*Loans and receivables Rupees*	*Held to maturity Rupees*	*Total Rupees*
Long term investments	-	1,097,447	1,097,447
Deposits	2,114,237	-	2,114,237
Trade debts	117,804,013	-	117,804,013
Loans and advances	370,589	-	370,589
Other receivables	28,845	-	28,845
Cash and bank balances	6,554,199	-	6,554,199
	126,871,883	1,097,447	127,969,330

Liabilities as per balance sheet	*Financial Liabilities measured at amortized cost Rupees*	*Total June 30, 2012 Rupees*
Long term financing	80,566,934	80,566,934
Short term borrowings	89,855,760	89,855,760
Trade and other payables	67,788,967	67,788,967
Interest and mark-up accrued on loans	9,606,595	9,606,595
	247,818,256	247,818,256

31 CAPITAL MANAGEMENT DISCLOSURE

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

- The Company is not subject to any externally imposed capital requirements.

- The Companys objectives when managing capital are to safeguard the companys 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, 2013 and June 30, 2012 were as follows:

	2013 Rupees	2012 Rupees
Total debt	55,036,322	170,422,694
Less: Cash and cash equivalents	(723,025)	(6,554,199)
Net debt	54,313,297	163,868,495
Total equity	271,615,166	187,625,416
Adjusted capital	325,928,463	351,493,911
Debt-to-adjusted capital ratio	16.66%	46.62%

32. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	Chief Executive		Directors	
	2013	2012	2013	2012
	----------------------- Rupees -----------------------			
Managerial remuneration	1,241,379	864,293	3,310,345	1,952,837
House rent	558,621	388,932	1,489,655	878,776
Utilities	-	-	554,255	592,487
Travelling	-	-	1,255,156	1,416,065
	1,800,000	1,253,225	6,609,411	4,840,165
No. of persons	1	1	3	3

32.1 No meeting fee was paid during the year.

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

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Remuneration of directors and key management personnel is disclosed in note 32. Other significant transactions with related party are as follows:

Relationship with the party	Nature of transactions	2013 Rupees	2012 Rupees
Associated undertaking	Purchase of Cotton	-	18,565,052
Associated undertaking	Sale of Cotton	-	13,943,692
Associated undertaking	Sale of Waste	203,873	-

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

34. PRODUCTION CAPACITY

		2013 Rupees	2012 Rupees
Number of spindles installed and worked		30,592	30,592
Number of shifts worked		971	1,038
Capacity of yarn at 20's count on the basis of utilization	Kgs	11,922,889	12,745,580
Production of yarn at 20's count	Kgs	11,703,986	12,907,697

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 887 (2012: 818) and average number of employees during the year were 856 (2012: 812)

35. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

In respect of current year, the directors proposed to pay cash dividend of Rs. 16.2 million @ Rs. 20.25 (2012: Rs. 8.2 million @ Rs. 10.25) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financials statements. This will be accounted for subsequently in the year of payment.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on September 26, 2013.

37. GENERAL

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

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

PATTERN OF SHAREHOLDING OF THE SHAREHOLDERS OF THE COMPANY AS ON JUNE 30, 2013

Number of Shareholders	Shareholding From	Shareholding To	Total Shares held
107	1	100	5,495
23	101	500	5,588
9	501	1,000	7,748
7	1,001	5,000	21,670
8	5,001	10,000	72,776
1	10,001	15,000	10,064
8	15,001	20,000	141,947
5	20,001	25,000	105,848
2	25,001	30,000	54,624
1	30,001	35,000	34,166
3	35,001	40,000	106,026
0	40,001	45,000	0
1	45,001	50,000	47,209
3	50,001	75,000	186,839
0	75,001	80,000	0
0	80,001	85,000	0
178			**800,000**

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	170	799,319	99.91
Joint Stock Companies	2	150	0.02
Investment Corporation of Pakistan	2	100	0.01
Others	3	430	0.05
Corporate Law Authority	1	1	0.00
	178	**800,000**	**100**

PATTERN OF SHAREHOLDING OF THE SHAREHOLDERS OF THE COMPANY AS ON JUNE 30, 2013

ADDITIONAL INFORMATION

Shareholder's Category	Number of Shareholders	Number of Shares Held
Associated Companies, Undertaking and Related Parties		Nil
Central Depository Company of Pakistan Limited	28	2,500
NIT and ICP		
Investment Corporation of Pakistan	2	100
DIRECTORS		
Mian Muhammad Jamil	1	61,000
Mian Tanvir Ahmad Sheikh	1	20,070
Mrs. Nusrat Jamil	1	65,376
Mian Anis Ahmad Sheikh	1	35,560
Mian Sarfraz Ahmad Sheikh	1	47,209
Mian Tauqir Ahmad Sheikh	1	34,166
Mian Muhammad Bilal Ahmad Sheikh	1	35,156
Mian Muhammad Alamgir Jamil Khan	1	60,463
CHIEF EXECUTIVE OFFICERS		
Mian Tanvir Ahmad Sheikh	1	20,070
Directors' / C.E.O's Spouses	15	248,405
Executives		Nil
Public Sector Companies and C.L.A.	1	1
Shareholders holding 5% or more voting interest		
Mian Muhammad Jamil	1	61,000
Mian Sarfraz Ahmad Sheikh	1	47,209
Mrs. Nusrat Jamil	1	65,376
Mian Muhammad Alamgir Jamil Khan	1	60,463

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2013

Number of Shareholders	Shareholding From	Shareholding To	Total Shares held
23	1	100	587
4	101	500	963
1	501	1,000	950
28			**2,500**

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	23	1,920	76.80
Joint Stock Companies	2	150	6.00
Others	3	430	17.20
	28	**2500**	**100**

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 2013

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.

Brand Name "Gumbad"

www.allawasaya.com

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