



51st Annual Report

of

Allawasaya Textile & Finishing Mills Limited

for the year ended June 30, 2008



CONTENTS

	Page
MISSION & VISION STATEMENT	3
COMPANY PROFILE	4
NOTICE OF ANNUAL GENERAL MEETING	5
DIRECTORS' REPORT	6
STATEMENT OF ETHICS AND BUSINESS PRACTICES	10
SIX YEARS KEY OPERATING AND FINANCIAL DATA	11
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE	12
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	12
AUDITORS' REPORT TO THE MEMBERS	13
BALANCE SHEET AS AT JUNE 30, 2008	14
PROFIT AND LOSS ACCOUNT	16
CASH FLOW STATEMENT	17
STATEMENT OF CHANGES IN EQUITY	18
NOTES TO THE FINANCIAL STATEMENTS	19
PATTERN OF SHAREHOLDING	44
PATTERN OF SHAREHOLDING (ADDITIONAL INFORMATION)	45
CDC PATTERN OF SHAREHOLDING	46
FORM OF PROXY	47



MISSION STATEMENT

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

VISION STATEMENT

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

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

QUALITY AND ENVIRONMENTAL POLICY

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

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



COMPANY PROFILE

BOARD OF DIRECTORS

Mian Muhammad Jamil	– Chairman
Mian Tanvir Ahmad Sheikh	– Chief Executive
Mrs. Nusrat Jamil	– Director
Mian Anis Ahmad Sheikh	– Director
Mian Sarfraz Ahmad Sheikh	– Director
Mian Tauqir Ahmad Sheikh	– Director
Mian Muhammad Bilal Ahmad Sheikh	– Director
Mian Muhammad Alamgir Jamil Khan	– Director

AUDIT COMMITTEE

Mian Muhammad Jamil	– Chairman
Mian Tanvir Ahmad Sheikh	– Member
Mian Muhammad Alamgir Jamil Khan	– Member

CHIEF FINANCIAL OFFICER

Muhammad Ismail

COMPANY SECRETARY

Muhammad Ismail

AUDITORS

M. Yousuf Adil Saleem & Co;
Chartered Accountants

BANKERS

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

REGISTERED OFFICE

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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 51st Annual General Meeting of the Company will be held at 4:00 P.M. on Wednesday the 29th day of October 2008 at its registered office, Vehari Road, Multan to transact the following business:

1. To confirm the Minutes of the 50th Annual General Meeting of the Company held on Wednesday the 31st October 2007.
2. To receive, consider and approve the Directors' Report, Auditors' Report and Audited Accounts of the Company for the year ended June 30, 2008.
3. To appoint auditors for the year 2008-2009 till next Annual General Meeting of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

(MUHAMMAD ISMAIL)
COMPANY SECRETARY

Multan
Dated: 04.10.2008

NOTES:

1. The Share transfer Books of the Company will remain closed from 23.10.2008 to 29.10.2008 (both dates inclusive).
2. Shares Transfers received at the Company's Shares Registrar's Office, M/S Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7 Bank Square, Lahore by the close of business on 22.10.2008 will be treated in time.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote instead of him / her. A proxy must be a member. Proxies in order to be valid must be received at the Registered Office of the Company not less than 48 hours before the time of meeting.
4. Any individual beneficial owners of CDC, entitled to attend and vote at this meeting must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.
5. Members are requested to communicate to the Company immediately, any change in their addresses.
6. Members who have not yet submitted attested photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest.



DIRECTORS' REPORT

In the name of Allah the Most Beneficent & the Merciful

Dear Shareholders,

With deep sorrow and regrets, it is intimated that Mian Maqbool Ahmad Sheikh, the Chief Executive/ Managing Director of the Company who was also its founder member, passed away in the early hours on the 15th of March 2008 leaving us for his heavenly abode. May Almighty Allah bless his soul with eternal peace in Heavens. Your Directors place on record their appreciation for his life long services for the Company and the efforts and that he had put in for the progress of the Company since its inception. He was always a constant source of guidance, encouragement and strength to all related with the Company. The memories of his association with us shall always be remembered and cherished.

Your Directors present before you their 51st Annual Report on the affairs of your Company along with the Audited Accounts for the financial year ended on June 30, 2008.

PERFORMANCE

During the year under report, there was sharp increase in the prices of raw material i.e., Cotton and Polyester without the reciprocal increase in Yarn prices. The Cost of other inputs including Salary, Wages, Fuel and Power also increased which adversely affected the financial results of your Company. The Mills produced Polyester-Cotton blended yarn throughout the year. The total sales for the year amounted to Rs. 865,664,977 (6,559,781.76 Kgs) as compared to Rs. 827,379,882 (7,006,214.88 Kgs) last year. The gross profit was Rs. 17,469,324 and the Net loss after providing for Tax amounted to (Rs. 25,468,884) for the year. The financial results for the year ended 30.06.2008 along with the comparative figures of the last year are summarized under the respective head of Accounts below:

ACCOUNTS

	For the year ended on 30.06.2008 Rupees	For the year ended on 30.06.2007 Rupees
Sales	865,664,977	827,379,882
Cost of Sales	(848,195,653)	(789,407,687)
Gross Profit	17,469,324	37,972,195
Other Operating Income	498,605	575,860
Distribution Cost Commission	(2,787,132)	(2,738,517)
Administrative Expenses	(20,018,623)	(18,106,804)
Other Operating Expenses	(8,402)	(487,174)
Finance Cost	(26,199,169)	(10,787,696)
(Loss) / Profit before Taxation	(31,045,397)	6,427,864
Provision for Taxation	5,576,513	(4,302,914)
(Loss) / Profit for the year	(25,468,884)	2,124,950
Earnings per share	(31.84)	2.66



CAPTIVE POWER PLANT OF THE COMPANY

During the year under report, the Company has successfully installed its own Captive Power Generation Plant for the uninterrupted supply of power to its both the units in order to maintain quality and consistency.

Three Gas powered Generators of JENBACHER make Model JGS 420, having the capacity of 1.415 MW each, have been installed in the Captive Power Plant.

The work on the Power House commenced in September 2007 and was completed in May 2008. On 6th June 2008, we successfully converted our full load from WAPDA to our own Power House. Now the Power House is in full operation and is providing uninterrupted supply of Power to both the units for the last four months. Moreover, all required measures for safety and to fulfill the requirements of environment have been taken care of.

FUTURE OUTLOOK AND EXPANSION PLANS

The Company is engaged in continuous process of BMR of its Mills. The Company plans to replace the old Rieter Ring Frames and also to increase the number of spindles installed. With the implementation of BMR plans, the working and viability of the Company shall Insha-Allah improve.

DIVIDEND

Due to the losses suffered by the Company during the year under report, your Directors propose to pass over the Dividend this year.

ISO 9001:2000 QMS AND ISO 14001:2004 EMS CERTIFICATION

Your Directors are pleased to report that your Company is quite successfully maintaining its ISO 9001:2000 Certification of Quality Management System and the ISO 14001:2004 Certification for Environmental Management System.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

PRESENTATION OF FINANCIAL STATEMENTS:

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

BOOKS OF ACCOUNTS:

The Company has maintained proper books of accounts;



ACCOUNTING POLICIES:

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

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS);

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

INTERNAL CONTROL SYSTEM:

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

ON GOING CONCERN:

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

NO OUTSTANDING STATUTORY DUES:

There are no outstanding statutory dues on account of Taxes, Levies and charges except of normal and routine nature.

FINANCIAL HIGHLIGHTS:

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

BOARD MEETINGS

During the year ended 30.06.2008 five (5) meetings of the Board of Directors were held. Attendance by each Director is given below:

<i>Director Name</i>	<i>Meeting Attended</i>
Mian Muhammad Jamil	5
Mian Maqbool Ahmad Sheikh (Late)	3
Mrs. Nusrat Jamil	5
Mian Tanvir Ahmad Sheikh	5
Mian Anis Ahmad Sheikh	2
Mian Sarfraz Ahmad Sheikh	4
Mian Tauqir Ahmad Sheikh	5
Mian Muhammad Bilal Ahmad Sheikh	3
Mian Muhammad Alamgir Jamil Khan	4.



AUDITORS

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

PATTERN OF SHAREHOLDING

Pattern of holding of the shares by the Shareholders of the Company as on 30.06.2008 as required under section 236(2)(d) of the Companies Ordinance, 1984 is enclosed.

RELATIONS WITH LABOUR AND STAFF

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

ACKNOWLEDGMENT

Your Directors acknowledge the best cooperation as usual enjoyed by your Company from M/s Habib Bank Limited, M/s Bank Al-Habib Limited, M/s Habib Metropolitan Bank Limited, M/s United Bank Limited and M/s Allied Bank Limited and wish to record their sincere appreciation for the same and hope they 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

MIAN MUHAMMAD JAMIL
Chairman

Multan

Dated: 04.10.2008



STATEMENT OF ETHICS AND BUSINESS PRACTICES

Introduction:

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

Code of Conduct:

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

Quality Assurance:

Allawasaya Textile & Finishing Mills Ltd., produces good quality "Gumbad" brand (Yarn, 10 Count to 31 Count) which conforms to the high standards and quality. Our product is backed up with over 44 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 Standards (IAS) in the preparation of financial statements. Departure if any from the standards is adequately disclosed.

Conclusion:

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



SIX YEARS KEY OPERATING AND FINANCIAL DATA

	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	September 30, 2004	September 30, 2003
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
Capital Reserve	2,668,746	2,668,746	2,668,746	2,668,746	2,668,746	2,668,746
General Reserve	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	—
Unappropriated Profit	6,791,445	33,260,329	34,135,379	26,197,521	14,914,256	77,106,994
Total Equity	97,460,191	123,929,075	124,804,125	116,866,267	105,583,002	87,775,740
Long Term Liabilities	72,957,240	—	—	—	—	477,910
Deferred Liabilities	11,472,700	21,786,615	20,630,378	20,399,199	17,087,138	19,228,616
Short Term Liabilities	370,870,659	130,432,926	167,077,265	85,549,558	85,865,488	77,490,375
Total Liabilities	455,300,599	152,219,541	187,707,643	105,948,757	102,952,626	97,196,901
Total Equity & Liabilities	552,760,790	276,148,616	312,511,768	222,815,024	208,535,628	184,972,641
Fixed Assets	208,983,329	98,825,055	102,771,109	99,336,083	85,812,197	94,949,828
Long Term Deposits	4,294,789	4,285,993	3,766,897	3,558,268	3,558,616	1,819,312
Current Assets	339,482,672	173,037,568	205,973,762	119,920,673	119,164,815	88,203,501
Total Assets	552,760,790	276,148,616	312,511,768	222,815,024	208,535,628	184,972,641
PROFIT & LOSS ACCOUNT						
Turnover (Net)	865,664,977	827,379,882	787,883,859	601,850,342	749,380,271	618,842,889
Gross Profit	17,469,324	37,972,195	39,615,900	40,910,986	41,126,465	20,082,846
(Loss)/Profit before Taxation	(31,045,397)	6,427,864	7,462,141	22,649,265	26,756,103	4,570,459
(Loss)/Profit after Taxation	(25,468,884)	2,124,950	9,337,858	12,283,265	17,807,262	2,603,536
DISTRIBUTION						
Cash Dividend %	—	12.50	37.50	17.50	12.50	12.50
RATIOS						
Break up value per share (Rs.)	121.83	154.91	156.00	146.08	131.98	109.72
Earning/(Loss) per share (Rs)	(31.84)	2.66	11.67	15.35	22.26	3.25
Current Ratio	0.92:1	1.33	1.23	1.40	1.39	1.14
Debt/equity ratio	43:57	0:100	0:100	0:100	0.45:99.55	06:94
CAPACITY & PRODUCTION						
No. of Spindles Installed	28,672	28,672	28,672	28,672	28,192	28,192
Capacity of Yarn at 20's Count (Kgs)	12,990,815	13,553,818	14,557,544	8,456,567	11,667,215	11,842,827
Actual Production of Yarn at 20's Count (Kgs)	10,777,391	11,077,370	11,067,971	8,291,148	10,656,712	10,718,915



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Board of Directors of Allawasaya Textile & Finishing Mills Limited feels pleasure in stating that the Company has complied with the provisions of the Code of Corporate Governance as contained in the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges relevant for the year ended June 30, 2008.

For and on behalf of Board

Multan:
04.10.2008

Mian Muhammad Jamil
Chairman

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Clause 40 (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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, 2008

MULTAN
Dated: 04.10.2008

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLAWASAYA TEXTILE & FINISHING MILLS LIMITED, as at June 30, 2008 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with 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, 2008 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Dated: 04.10.2008
Place: Multan

M. YOUSUF ADIL SALEEM & CO.,
CHARTERED ACCOUNTANTS.



BALANCE SHEET AS AT

	Note	2008 Rupees	2007 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
1,000,000 (2007: 1,000,000)			
ordinary shares of Rs. 10 each		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and			
paid up capital	13	8,000,000	8,000,000
Capital reserve	14	2,668,746	2,668,746
General reserve		80,000,000	80,000,000
Accumulated profit		6,791,445	33,260,329
		<u>97,460,191</u>	<u>123,929,075</u>
NON-CURRENT LIABILITIES			
Long term financing	15	72,957,240	–
Deferred liabilities	16	11,472,700	21,786,615
		<u>84,429,940</u>	<u>21,786,615</u>
CURRENT LIABILITIES			
Trade and other payables	17	28,061,330	38,052,347
Mark up accrued on loans	18	9,075,069	1,649,586
Short term borrowings	19	329,406,260	86,593,993
Provision for taxation	20	4,328,000	4,137,000
		<u>370,870,659</u>	<u>130,432,926</u>
CONTINGENCIES AND COMMITMENTS			
	21	–	–
		<u>552,760,790</u>	<u>276,148,616</u>

The annexed notes form an integral part of these financial statements.

Sd/-
Mian Muhammad Jamil
Chairman

Sd/-
Mian Tanvir Ahmad Sheikh
Chief Executive



JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	3	208,983,329	98,825,055
Long term investment	4	2,256,452	2,257,356
Long term deposits		2,038,337	2,028,637
		<hr/>	<hr/>
		213,278,118	103,111,048
 CURRENT ASSETS			
Stores and spares	5	7,248,926	9,704,704
Stock in trade	6	255,594,000	95,758,000
Trade debts	7	49,502,808	52,366,923
Loans and advances	8	18,064,001	4,909,178
Trade deposits and short term prepayments	9	328,271	222,083
Tax due from government	10	5,629,140	2,772,992
Other receivables	11	55,282	88,190
Current portion of long term investment	4	904	904
Cash and bank balances	12	3,059,340	7,214,594
		<hr/>	<hr/>
		339,482,672	173,037,568
		<hr/>	<hr/>
		552,760,790	276,148,616
		<hr/> <hr/>	<hr/> <hr/>

Sd/-
Mian Anis Ahmad Sheikh
Director

Sd/-
Mian Muhammad Alamgir Jamil Khan
Director

Sd/-
Muhammad Ismail
Chief Financial Officer



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
Sales	22	865,664,977	827,379,882
Cost of sales	23	(848,195,653)	(789,407,687)
Gross profit		17,469,324	37,972,195
Other operating income	24	498,605	575,860
Distribution cost - commission		(2,787,132)	(2,738,517)
Administrative expenses	25	(20,018,623)	(18,106,804)
Other operating expenses	26	(8,402)	(487,174)
Finance cost	27	(26,199,169)	(10,787,696)
(Loss)/profit before taxation		(31,045,397)	6,427,864
Provision for taxation	28	5,576,513	(4,302,914)
(Loss)/profit for the year		(25,468,884)	2,124,950
Earnings per share	29	(31.84)	2.66

The annexed notes form an integral part of these financial statements.

Sd/-
Mian Muhammad Jamil
Chairman

Sd/-
Mian Tanvir Ahmad Sheikh
Chief Executive

Sd/-
Mian Anis Ahmad Sheikh
Director

Sd/-
Mian Muhammad Alamgir Jamil Khan
Director

Sd/-
Muhammad Ismail
Chief Financial Officer



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/ from operations	30	(168,393,354)	75,079,507
Income tax paid		(4,259,433)	(1,648,866)
Staff retirement benefits paid		(5,149,350)	(3,447,573)
Finance cost paid		(18,663,631)	(12,329,170)
Workers' profit participation fund paid		(969,268)	–
Worker's welfare fund paid		(131,274)	(179,373)
Net cash (used in)/from operating activities		(197,566,310)	57,474,525
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(122,256,823)	(7,740,527)
Long term investment		–	(520,000)
Redemption of long term investment		904	696
Profit on long term investment		237,729	173,879
Sale proceeds of operating assets		646,500	360,000
Long term deposits		(9,700)	–
Net cash used in investing activities		(121,381,390)	(7,725,952)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		72,957,240	–
Short term borrowings - net		242,812,267	(44,902,833)
Dividend paid		(977,061)	(2,953,121)
Net cash (used in)/ from financing activities		314,792,446	(47,855,954)
Net (decrease)/ increase in cash and cash equivalents		(4,155,254)	1,892,619
Cash and cash equivalents at the beginning of the year		7,214,594	5,321,975
Cash and cash equivalents at the end of the year		3,059,340	7,214,594

The annexed notes form an integral part of these financial statements.

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital	Capital Reserve	General Reserve	Accumulated Profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2006	8,000,000	2,668,746	80,000,000	34,135,379	124,804,125
Dividend for the year ended June 30, 2006 @ Rs. 3.75 per share	–	–	–	(3,000,000)	(3,000,000)
Profit for the year	–	–	–	2,124,950	2,124,950
Balance as at June 30, 2007	8,000,000	2,668,746	80,000,000	33,260,329	123,929,075
Dividend for the year ended June 30, 2007 @ Rs. 1.25 per share	–	–	–	(1,000,000)	(1,000,000)
Loss for the year	–	–	–	(25,468,884)	(25,468,884)
Balance as at June 30, 2008	8,000,000	2,668,746	80,000,000	6,791,445	97,460,191

The annexed notes form an integral part of these financial statements.

Sd/-
Mian Muhammad Jamil
Chairman

Sd/-
Mian Tanvir Ahmad Sheikh
Chief Executive

Sd/-
Mian Anis Ahmad Sheikh
Director

Sd/-
Mian Muhammad Alamgir Jamil Khan
Director

Sd/-
Muhammad Ismail
Chief Financial Officer



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. THE COMPANY AND ITS OPERATIONS

- 1.1. 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. Its shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the manufacture and sale of yarn. The registered office and mill of the Company is situated in Multan.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 *Statement of compliance*

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

Adoption of new International Financial Reporting Standards

In the current year, the Company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2007. The adoption of these new Standards and Interpretations has resulted in no changes to the Company's accounting policies in the following areas:

- IFRS 2 - Share based payment
- IFRS 3 - Business combinations
- IFRS 5 - Non-current assets held for sale and discontinued operations

New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them.

Effective from accounting period beginning on or after April 28, 2008

- IFRS 7 - Financial Instruments: Disclosures

2.5 *Impairment of assets*

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets 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 *Investments*

Held to maturity

Held to maturity investments are initially recognised at cost inclusive of transaction cost and are subsequently carried at amortised cost using effective interest rate method. These are investments with fixed or determinable payments and fixed maturity and the Company has positive intent and ability to held to maturity.

2.7 *Stores and spares*

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

Retired machinery is stated at written down value.

2.8 *Stock in trade*

Basis of valuation is as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw material	
At mills	At lower of cost and net realizable value.
In transit	At cost accumulated to the balance sheet date.
Work in process	At manufacturing cost.
Finished goods	At lower of cost and net realizable value.
Waste	At net realizable value.

- Cost in relation to finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate production overheads. Cost in relation to raw materials represents weighted annual average cost.

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

2.9 Trade debts

Trade debts 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.

2.10 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.

2.11 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the Scheme. Provision for gratuity is made annually to cover obligation under the scheme in accordance with actuarial recommendations.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's gratuity is amortised over the average expected remaining working lives of the employees.

The amount recognised in balance sheet represents the actual obligations as the Company has subsequently paid off entire liability relating to gratuity.

2.12 Trade and other payables

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

2.13 Taxation

Current

The charge for current tax 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 accounted for using balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used in the computation of the taxable profit. 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 credit.

Deferred tax is calculated at the rates that are 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.

2.14 *Dividend*

The dividend declared is recognized as a liability in the period in which it is declared.

2.15 *Revenue recognition*

- Direct local sales are accounted for when goods are delivered to customers and invoices raised.
- Sales through agents are booked on intimation from the agents.
- Profit from investment is recognized when right to received payment has been established.

2.16 *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period in which they are incurred.

2.17 *Provisions*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, 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.

2.18 *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.

2.19 *Off setting of financial instruments*

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

2.20 *Related party transactions*

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



3. PROPERTY, PLANT AND EQUIPMENT

	Note	2008 Rupees	2007 Rupees
Operating assets	3.1	198,571,314	98,593,055
Capital work in progress	3.4	10,412,015	232,000
		<u>208,983,329</u>	<u>98,825,055</u>

3.1 Operating assets

Year ended June 30, 2008

Particulars	C O S T			
	As at July 01, 2007	Additions during the year	Disposals during the year	As at June 30, 2008
	R U P E E S			
Land - Freehold	787,834	-	-	787,834
Building on freehold land	24,555,444	-	-	24,555,444
Plant and machinery	245,097,599	980,800	-	246,078,399
Power house				
- Building on freehold land	-	7,316,772	-	7,316,772
- Generators	-	86,548,943	-	86,548,943
- Electric Installation	-	16,884,369	-	16,884,369
	-	110,750,084	-	110,750,084
Tubewell	106,006	-	-	106,006
Electric installation	2,906,366	-	-	2,906,366
Workshop equipment	160,909	-	-	160,909
Tools and equipment	151,401	-	-	151,401
Laboratory equipment	3,732,266	-	-	3,732,266
Weighing scales	629,588	51,000	-	680,588
Arms and ammunition	8,457	-	-	8,457
Office equipment	1,066,651	294,924	-	1,361,575
Furniture and fixtures	774,018	-	-	774,018
Vehicles	17,868,110	-	(2,147,494)	15,720,616
	<u>297,844,649</u>	<u>112,076,808</u>	<u>(2,147,494)</u>	<u>407,773,963</u>



D E P R E C I A T I O N					Book Value as at June 30, 2008
Rate %	As at July 01, 2007	For the year	Disposals during the year	As at June 30, 2008	
R U P E E S					
0	–	–	–	–	787,834
10	11,080,499	1,347,495	–	12,427,994	12,127,450
10	172,413,470	7,311,842	–	179,725,312	66,353,087
10	–	60,973	–	60,973	7,255,799
10	–	721,241	–	721,241	85,827,702
15	–	211,055	–	211,055	16,673,314
	–	993,269	–	993,269	109,756,815
10	102,700	331	–	103,031	2,975
15	1,844,987	159,207	–	2,004,194	902,172
10	151,979	893	–	152,872	8,037
10	137,028	1,437	–	138,465	12,936
10	1,705,980	202,629	–	1,908,609	1,823,657
10	520,054	14,778	–	534,832	145,756
10	7,463	99	–	7,562	895
15	819,339	44,747	–	864,086	497,489
10	631,564	14,245	–	645,809	128,209
20	9,836,531	1,581,228	(1,721,145)	9,696,614	6,024,002
	199,251,594	11,672,200	(1,721,145)	209,202,649	198,571,314



Year ended June 30, 2007

Particulars	C O S T			
	As at July 01, 2006	Additions during the year	Disposals during the year	As at June 30, 2007
	R U P E E S			
Land - Freehold	787,834	-	-	787,834
Building on freehold land	14,846,733	9,708,711	-	24,555,444
Plant and machinery	246,709,233	360,000	(1,971,634)	245,097,599
Tubewell	106,006	-	-	106,006
Electric installation	2,038,366	868,000	-	2,906,366
Workshop equipments	160,909	-	-	160,909
Tools and equipment	151,401	-	-	151,401
Laboratory equipments	3,732,266	-	-	3,732,266
Weighing scales	629,588	-	-	629,588
Arms and ammunition	8,457	-	-	8,457
Office equipment	1,034,151	32,500	-	1,066,651
Furniture and fixtures	774,018	-	-	774,018
Vehicles	17,762,310	105,800	-	17,868,110
	<u>288,741,272</u>	<u>11,075,011</u>	<u>(1,971,634)</u>	<u>297,844,649</u>

3.2 Depreciation for the year has been allocated as under:

	Note	2008 Rupees	2007 Rupees
Cost of sales	23	10,031,881	9,326,421
Administrative expenses	25	1,640,319	2,064,131
		<u>11,672,200</u>	<u>11,390,552</u>

3.3 Disposal of operating assets

Particulars	Cost	Accumulated depreciation	Book Value	Sales proceeds
	R U P E E S			
Toyota Corola Car MNX-7070	906,780	769,386	137,394	441,500
Honda Civic Car MNZ-70	1,219,114	930,490	288,624	185,000
Yamaha Motorcycle MNM-9904	21,600	21,269	331	20,000
2008	<u>2,147,494</u>	<u>1,721,145</u>	<u>426,349</u>	<u>646,500</u>
2007	<u>1,971,634</u>	<u>1,675,605</u>	<u>296,029</u>	<u>360,000</u>



D E P R E C I A T I O N					Book Value as at June 30, 2007
Rate %	As at July 01, 2006	For the year	Disposals during the year	As at June 30, 2007	
R U P E E S					
0	–	–	–	–	787,834
10	10,392,342	688,157	–	11,080,499	13,474,945
10	165,827,323	8,261,752	(1,675,605)	172,413,470	72,684,129
10	102,333	367	–	102,700	3,306
15	1,708,744	136,243	–	1,844,987	1,061,379
10	150,987	992	–	151,979	8,930
10	135,431	1,597	–	137,028	14,373
10	1,480,837	225,143	–	1,705,980	2,026,286
10	507,884	12,170	–	520,054	109,534
10	7,353	110	–	7,463	994
15	779,041	40,298	–	819,339	247,312
10	615,736	15,828	–	631,564	142,454
20	7,828,636	2,007,895	–	9,836,531	8,031,579
	<u>189,536,647</u>	<u>11,390,552</u>	<u>(1,675,605)</u>	<u>199,251,594</u>	<u>98,593,055</u>

Gain/(Loss)	Particulars of buyers	Mode of disposal
304,106 (103,624)	Mr. Muhammad Irfan H # 15-A, Quaid-e-Azam Road, Multan. Mr. Aamir Khan House 178-A, Pir Khurshid Colony, Multan.	Negotiation Negotiation
19,669	Habib Insurance Company	Insurance Claim
<u>220,151</u>		
<u>63,971</u>		



3.4 Capital work in progress

Note	2008 Rupees	2007 Rupees
Plant & machinery	10,180,015	–
Advance payments		
Land	232,000	232,000
	<u>10,412,015</u>	<u>232,000</u>

4. LONG TERM INVESTMENT

Held to maturity

Term Finance Certificates of Bank Al-Habib Limited 4.1	2,257,356	2,258,260
Current portion shown under current assets	(904)	(904)
	<u>2,256,452</u>	<u>2,257,356</u>

4.1 The market value of Term Finance Certificates as at June 30, 2008 was Rs. 2,264,529 (2007: Rs. 2,265,436).

First tranche of sixteen Term Finance Certificates issued by Bank Al-Habib Limited having final maturity date of July 15, 2012 were obtained on August 05, 2004. These certificates carry mark up at a rate of KIBOR+ 1.5% per annum and are redeemable at half yearly basis started from January 15, 2005. First thirteen certificates are redeemable at a principal amount of Rs. 348 each and the last three of Rs. 578,492 each.

The Company during the preceding year had purchased second tranche of TFCs of Bank Al-Habib Limited amounting to Rs. 520,000 on March 07, 2007 having final maturity date of February 07, 2015. These certificates carry mark up at a rate of KIBOR+ 1.5% per annum and are redeemable at half yearly basis starting from August 07, 2007. First fourteen certificates are redeemable at a principal amount of Rs. 104 each and the last two of Rs. 259,272 each.

5. STORES AND SPARES

Stores	3,906,433	5,200,597
Spares	3,461,413	4,623,027
Retired Machinery	13,888	13,888
	<u>7,381,734</u>	<u>9,837,512</u>
Less: provision for obsolete stores and spares	(132,808)	(132,808)
	<u>7,248,926</u>	<u>9,704,704</u>

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



6. STOCK IN TRADE

	Note	2008 Rupees	2007 Rupees
Raw materials			
- Cotton		103,459,000	42,065,000
- Polyester	6.1	32,662,000	3,285,000
		136,121,000	45,350,000
Work in process		6,171,000	4,655,000
Finished goods			
- Yarn		112,637,000	44,354,000
- Waste		525,000	1,284,000
		113,162,000	45,638,000
Salvage stock		140,000	115,000
		<u>255,594,000</u>	<u>95,758,000</u>

6.1 The polyester includes stock in transit of Rs. Nil (2007: Rs. 1.530 million)

7. TRADE DEBTS - Considered good

Local - unsecured	<u>49,502,808</u>	<u>52,366,923</u>
-------------------	-------------------	-------------------

8. LOANS AND ADVANCES - Considered good

Due from associated undertakings	8.1	671,600	153,054
Advances to employees		403,550	347,024
Advance to suppliers		12,729,418	431,004
Advance income tax		4,259,433	3,978,096
		<u>18,064,001</u>	<u>4,909,178</u>

8.1 Due from associated undertakings

Maqbool Textile Mills Limited	30,975	29,340
Allawasaya Spinning Mills (Pvt.) Limited	640,625	123,714
	<u>671,600</u>	<u>153,054</u>

9. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Margin Deposit	5,000	5,000
Prepayments	323,271	217,083
	<u>328,271</u>	<u>222,083</u>



10. TAX DUE FROM GOVERNMENT

	Note	2008 Rupees	2007 Rupees
Sales tax refundable		5,629,140	1,679,601
Tax credit due from government		–	1,093,391
		<u>5,629,140</u>	<u>2,772,992</u>

11. OTHER RECEIVABLES

Profit on Term Finance Certificates		55,282	86,546
Others		–	1,644
		<u>55,282</u>	<u>88,190</u>

12. CASH AND BANK BALANCES

Cash in hand		18,637	137,619
Cash at banks in current accounts		3,040,703	7,076,975
		<u>3,059,340</u>	<u>7,214,594</u>

13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008 No. of shares	2007 No. of shares		2008 Rupees	2007 Rupees
499,900	499,900	Ordinary shares of Rs. 10 each issued for cash	4,999,000	4,999,000
300,100	300,100	Ordinary shares of Rs. 10 each issued as bonus shares	3,001,000	3,001,000
<u>800,000</u>	<u>800,000</u>		<u>8,000,000</u>	<u>8,000,000</u>

13.1 There were no movements during the reporting year.

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

14. CAPITAL RESERVE

This represents tax holiday reserve.

15. LONG TERM FINANCING - Secured from banking company

Demand Finance	Limit (80 million)	<u>72,957,240</u>	<u>–</u>
----------------	--------------------	-------------------	----------

The Company during the year has obtained Demand finance from Habib Bank Limited 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 18 months after the 1st disbursement (i.e. August 06, 2009). The loan is secured by bank specific charge on 3 generator sets of Rs. 120 million and personal guarantees of Directors.



16. DEFERRED LIABILITIES

	Note	2008 Rupees	2007 Rupees
Staff retirements benefits - gratuity	16.1	7,893,700	7,368,615
Deferred Taxation	16.2	3,579,000	14,418,000
		<u>11,472,700</u>	<u>21,786,615</u>

16.1 Actuarial valuation was conducted on June 30, 2005 on the basis of the projected unit credit method by independent actuary. Charge for the year has been calculated on the basis of following actuarial assumptions:

- Discount rate	N/A	9%
- Expected rate of increase in salary	N/A	8%
- Average expected remaining life time of employees	N/A	4 years

The amount recognized in the balance sheet is as follows:

Present value of defined benefit obligation	–	8,216,235
Unrecognized actuarial loss	–	(847,620)
Liability recognized	–	<u>7,368,615</u>

The Company in subsequent period has fully paid the amount of gratuity. Movement in the liability recognized in the balance sheet is as follows:

Liability as at 1st July	7,368,615	7,396,378
Amount recognized during the year	5,674,435	3,419,810
	<u>13,043,050</u>	<u>10,816,188</u>
Benefits paid during the year	(5,149,350)	(3,447,573)
Liability as at 30th June	<u>7,893,700</u>	<u>7,368,615</u>

Amounts recognized in the Profit and Loss account are as follows:

Current service cost	–	2,669,686
Interest cost	–	742,634
Actuarial losses recognized	–	7,490
	–	<u>3,419,810</u>

Expense for the year is recognized in the following line items of profit and loss account

Cost of sales	5,034,171	2,716,336
Administrative expenses	640,264	703,474
	<u>5,674,435</u>	<u>3,419,810</u>



16.2 This comprises of the following deferred tax liabilities:

	Note	2008 Rupees	2007 Rupees
- Difference in tax and accounting bases of assets		35,166,000	16,997,000
- Difference in tax and accounting bases of gratuity and taxable loss		(31,587,000)	(2,579,000)
		<u>3,579,000</u>	<u>14,418,000</u>
(Reverse)/provided during the year	28	<u>(10,839,000)</u>	<u>1,184,000</u>
17. TRADE AND OTHER PAYABLES			
Creditors		14,493,635	17,045,273
Accrued liabilities		10,070,790	13,720,636
Advance payments		3,093,756	5,931,279
Unclaimed dividend		370,606	347,667
Tax deducted at source		27,071	15,533
Workers' profit participation fund	17.1	1,472	860,685
Workers' welfare fund		-	131,274
Other payable		4,000	-
		<u>28,061,330</u>	<u>38,052,347</u>
17.1 Workers' profit participation fund			
Opening balance		860,685	397,536
Interest on amounts utilized in Company's business	27	110,055	111,807
Contribution for the year	26	-	351,342
		<u>970,740</u>	<u>860,685</u>
Payments made to the trustees of the fund		969,268	-
		<u>1,472</u>	<u>860,685</u>
18. MARK UP ACCRUED ON LOANS			
Long term financing		2,039,705	-
Short term borrowings		7,035,364	1,649,586
		<u>9,075,069</u>	<u>1,649,586</u>



19. SHORT TERM BORROWINGS

	Note	2008 Rupees	2007 Rupees
Secured - under markup arrangements			
Cash finance		159,990,552	50,000,000
Running Finance		169,415,708	36,593,993
		<u>329,406,260</u>	<u>86,593,993</u>

19.1 Short term borrowing facilities available from commercial banks under mark up arrangements aggregate to Rs. 645 million (2007: Rs. 390 million) of which facilities remained un-utilized at the year end was amounting Rs. 200 million (2007: Rs. 304 million) .These facilities carry mark-up at the rates ranging from 10.01% to 14.11% per annum (2007: 9.37% to 12.35% per annum). Facilities available for opening letters of credit and guarantee aggregate to Rs. 40 million (2007: Rs. 150 million) of which facilities remained un-utilized at the year end was amounting Rs. 30 million (2007: Rs. 139.73 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, 2008.

20. PROVISION FOR TAXATION

Provision for taxation	20.1	9,399,487	7,072,914
Adjustment of advance tax against completed assessments		(5,071,487)	(2,935,914)
		<u>4,328,000</u>	<u>4,137,000</u>
20.1 Opening balance		4,137,000	3,954,000
Provision made during the year			
- Current	28	4,328,000	4,137,000
- Prior		934,487	(1,018,086)
		<u>5,262,487</u>	<u>3,118,914</u>
		<u>9,399,487</u>	<u>7,072,914</u>



21. CONTINGENCIES AND COMMITMENT

Contingencies

21.1 The Company has filed a writ petition against WASA Multan regarding special notice dated 22.12.2004 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 U/S 59 of Provincial Employees Social Security Ordinance 1965, regarding complaint U/S 57 of 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 been increased, therefore the increase in social security contribution is not justifiable.

Commitments

21.3 Guarantees issued by a commercial bank on behalf of the Company outstanding as at June 30, 2008 were for Rs. 10.270 million (2007: Rs. 10.270 million).

	2008 Rupees	2007 Rupees
22. SALES		
Local		
- Yarn	855,272,391	818,903,798
- Waste	10,392,586	8,476,084
	<u>865,664,977</u>	<u>827,379,882</u>



23. COST OF SALES

	Note	2008 Rupees	2007 Rupees
Raw materials consumed	23.1	708,635,173	631,099,308
Salaries, wages and benefits	23.2	59,104,473	50,113,854
Stores and spares consumed		19,952,267	19,833,030
Packing materials consumed		10,934,846	9,029,917
Fuel and power		105,207,058	92,637,245
Repair and maintenance		1,214,647	1,546,990
Insurance		2,155,308	1,728,922
Depreciation	3.2	10,031,881	9,326,421
		<u>917,235,653</u>	<u>815,315,687</u>
Adjustment of work-in-process			
Opening stock		4,655,000	5,687,000
Closing stock		(6,171,000)	(4,655,000)
		<u>(1,516,000)</u>	<u>1,032,000</u>
Cost of goods manufactured		<u>915,719,653</u>	<u>816,347,687</u>
Adjustment of finished goods			
Opening stock		45,638,000	18,698,000
Closing stock		(113,162,000)	(45,638,000)
		<u>(67,524,000)</u>	<u>(26,940,000)</u>
		<u><u>848,195,653</u></u>	<u><u>789,407,687</u></u>

23.1 Raw materials consumed

Opening stock	45,350,000	102,196,000
Purchases including direct expenses	798,912,585	573,734,158
	<u>844,262,585</u>	<u>675,930,158</u>
Less : Closing stock	136,121,000	45,350,000
	<u>708,141,585</u>	<u>630,580,158</u>
Cotton cess	493,588	519,150
	<u><u>708,635,173</u></u>	<u><u>631,099,308</u></u>

23.2 Salaries, wages and benefits include Rs. 5,034,171 (2007: Rs. 2,716,336) in respect of staff retirement benefits - gratuity.



24. OTHER OPERATING INCOME

	Note	2008 Rupees	2007 Rupees
Gain on sale of operating assets	3.3	220,151	63,971
Unclaimed balances written back		–	313,045
Profit on Term Finance Certificates		206,465	173,844
Workers' welfare fund - Prior year		46,989	–
Other income		25,000	25,000
		<u>498,605</u>	<u>575,860</u>

25. ADMINISTRATIVE EXPENSES

Directors' remuneration and meeting fee		1,590,745	1,598,421
Salaries and benefits	25.1	7,850,891	6,600,910
Vehicles running and maintenance		3,192,855	2,936,453
Traveling and conveyance including directors' traveling amounting to Rs. 801,195 (2007: Rs. 477,568)		823,886	493,083
Printing and stationery		343,697	288,860
Communication		1,381,646	1,262,736
Rent, rates and taxes		253,686	334,247
Electricity and gas		847,776	884,750
Repair and maintenance		971,030	632,000
Subscription		235,791	203,790
Advertisement		41,965	35,175
Entertainment		213,111	293,977
Depreciation	3.2	1,640,319	2,064,131
Auditors' remuneration	25.2	299,713	252,500
Legal and professional		294,240	184,200
Others		37,272	41,571
		<u>20,018,623</u>	<u>18,106,804</u>

25.1 Salaries and benefits include Rs. 640,264 (2007: 703,474) in respect of staff retirement benefits-gratuity.



	Note	2008 Rupees	2007 Rupees
25.2	Auditors' remuneration		
	- statutory audit fee	175,000	150,000
	- half yearly review	40,000	40,000
	- tax services	84,713	62,500
		<u>299,713</u>	<u>252,500</u>
26.	<i>OTHER OPERATING EXPENSES</i>		
	Balances written off	8,402	-
	Workers' profit participation fund	17.1	-
	Workers' welfare fund		
	- Current year	-	131,274
	- Prior year	-	4,558
		-	135,832
		<u>8,402</u>	<u>487,174</u>
27.	<i>FINANCE COST</i>		
	Mark-up on		
	Long term financing	680,601	-
	Short term borrowings	24,221,747	8,627,902
	Bank and other charges	1,153,576	1,956,457
	Interest on workers' profit participation fund	17.1	110,055
	Bank guarantee commission	33,190	91,530
		<u>26,199,169</u>	<u>10,787,696</u>



28. PROVISION FOR TAXATION

	Note	2008 Rupees	2007 Rupees
Current			
for the year		4,328,000	4,137,000
prior year		934,487	(1,018,086)
		<u>5,262,487</u>	<u>3,118,914</u>
Deferred tax		(10,839,000)	1,184,000
		<u>(5,576,513)</u>	<u>4,302,914</u>

28.1 Relationship between tax expense and accounting profit

Accounting profit before tax	–	6,427,864
Tax rate %	35%	35%
Tax on accounting profit	–	2,249,752
adjustments of prior years in respect of:		
- Current tax	934,487	(1,018,086)
- Deferred tax	(10,839,000)	1,184,000
Provision relating to section 113 of the Income Tax Ordinance 2001	4,328,000	1,887,248
Tax charge for the year	<u>(5,576,513)</u>	<u>4,302,914</u>

29. EARNINGS PER SHARE

(Loss)/profit for the year	<u>(25,468,884)</u>	<u>2,124,950</u>
	No. of shares	
Weighted average number of ordinary shares	<u>800,000</u>	<u>800,000</u>
	Rupees	
Basic earnings per share	<u>(31.84)</u>	<u>2.66</u>

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



30. CASH (USED IN) / FROM OPERATIONS

	Note	2008 Rupees	2007 Rupees
(Loss)/profit for the year – before taxation		(31,045,397)	6,427,864
Adjustments for non-cash items:			
Depreciation		11,672,200	11,390,552
Gain on sale of operating assets		(220,151)	(63,971)
Provision for staff retirement benefits		5,674,435	3,419,810
Workers' welfare fund		–	135,832
Finance cost (excluding interest on workers' profit participation fund)		26,089,114	10,675,889
Profit on Term Finance Certificates		(206,465)	(173,844)
Unclaimed balances written back		–	(313,045)
Balances written off		8,402	–
Workers' profit participation fund (including interest)		110,055	463,149
Cash inflow from operating activities			
- Before working capital changes		12,082,193	31,962,236
(Decrease)/ increase in current assets			
Stores and spares		2,455,778	1,266,736
Stock in trade		(159,836,000)	30,913,000
Trade debts		2,864,115	576,616
Loans and advances (excluding advance income tax)		(12,881,888)	792,053
Trade deposits and short term prepayments		(106,188)	9,851
Tax due from government		(3,949,539)	(16,560)
Other receivables		1,644	214
Increase in trade and other payables (excluding unclaimed dividend, workers' profit participation fund and workers' welfare fund)		(9,023,469)	9,575,361
		(180,475,547)	43,117,271
Cash (used in)/ from operations		(168,393,354)	75,079,507

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Interest / mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.



Allawasaya Textile & Finishing Mills Ltd.

	2 0 0 8					
	Interest bearing				Non-Interest bearing	Total
	Maturity up to one year	Maturity two to five year	Maturity more than five year	Sub-Total		
	R u p e e s					
<i>Financial assets:</i>						
Long term investment						
- held to maturity	904	2,084	2,254,368	2,257,356	-	2,257,356
Long term deposits	-	-	-	-	2,038,337	2,038,337
Trade debts	-	-	-	-	49,502,808	49,502,808
Loans and advances	-	-	-	-	403,550	403,550
Trade deposits and short term prepayments	-	-	-	-	5,000	5,000
Other receivables	-	-	-	-	55,282	55,282
Cash and bank balances	-	-	-	-	3,059,340	3,059,340
	904	2,084	2,254,368	2,257,356	55,064,317	57,321,673
<i>Financial liabilities:</i>						
Long term financing	-	65,661,516	7,295,724	72,957,240	-	72,957,240
Trade & other payables	-	-	-	-	24,935,031	24,935,031
Mark up accrued on loans	-	-	-	-	9,075,069	9,075,069
Short term borrowings	329,406,260	-	-	329,406,260	-	329,406,260
	329,406,260	65,661,516	7,295,724	402,363,500	34,010,100	436,373,600
On-balance sheet gap	(329,405,356)	(65,659,432)	(5,041,356)	(400,106,144)	21,054,217	(379,051,927)
Bank guarantee	-	-	-	-	10,270,000	10,270,000
Off balance sheet gap	-	-	-	-	(10,270,000)	(10,270,000)

	2 0 0 7					
	Interest bearing				Non-Interest bearing	Total
	Maturity up to one year	Maturity two to five year	Maturity more than five year	Sub-Total		
	R u p e e s					
<i>Financial assets:</i>						
Long term investment						
- held to maturity	904	3,128	2,254,228	2,258,260	-	2,258,260
Long term deposits	-	-	-	-	2,028,637	2,028,637
Trade debts	-	-	-	-	52,366,923	52,366,923
Loans and advances	-	-	-	-	347,024	347,024
Trade deposits and short term prepayments	-	-	-	-	5,000	5,000
Other receivables	-	-	-	-	88,190	88,190
Cash and bank balances	-	-	-	-	7,214,594	7,214,594
	904	3,128	2,254,228	2,258,260	62,050,368	64,308,628
<i>Financial liabilities:</i>						
Trade & other payables	-	-	-	-	31,113,576	31,113,576
Mark up accrued on loans	-	-	-	-	1,649,586	1,649,586
Short term borrowings	86,593,993	-	-	86,593,993	-	86,593,993
	86,593,993	-	-	86,593,993	32,763,162	119,357,155
On-balance sheet gap	(86,593,089)	3,128	2,254,228	(84,335,733)	29,287,206	(55,048,527)
Bank guarantee	-	-	-	-	10,270,000	10,270,000
Off balance sheet gap	-	-	-	-	(10,270,000)	(10,270,000)



31.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company uses forward contracts to hedge its exposure to foreign currency risk. However, the Company is not exposed to foreign currency risk.

31.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 57.330 million (2007: Rs. 64.309 million), the financial assets which are subject to credit risk amounted to Rs. 49.915 million (2007: Rs. 52.714 million). The company manages credit risk in trade receivables by limiting significant exposure to any individual customers by obtaining advance against sales.

31.4 Fair values of financial assets and liabilities

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

32. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

Particulars	Chief Executive Officer		Working Directors	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Managerial remuneration	567,629	289,656	466,563	753,096
House rent	227,052	115,860	186,625	301,236
Utilities	28,383	14,484	188,533	158,579
Rupees	823,064	420,000	841,721	1,212,911
No. of persons	2	1	4	3

32.1 No meeting fee was paid during the year.

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



33. RELATED PARTY TRANSACTIONS

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. Amounts due from related parties are shown under loans and advances. Remuneration of directors and key management personnel is disclosed in note 32. Other significant transactions with related parties are as follows:

	2008 Rupees	2007 Rupees
Purchase of goods	2,838,514	10,940,162
Sale of goods	916,905	123,714
Purchase of operating assets	325,000	–
Telephone charges	17,824	76,716

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

34. PRODUCTION CAPACITY

Number of spindles installed and worked		28,672	28,672
Number of shifts worked		1,031	1,070
Capacity of yarn at 20's count			
on the basis of utilization	- Kgs.	12,990,815	13,553,818
Production of yarn at 20's count	- Kgs.	10,777,391	11,077,370

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

35. CAPITAL DISCLOSURE

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Capital comprises all components of equity (i.e. share capital, capital reserve, general reserve and accumulated profit). In order to maintained or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.



36. *DATE OF AUTHORIZATION FOR ISSUE*

These financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on October 04, 2008.

37. *GENERAL*

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

37.2 *Nomenclature*

Nomenclature of the following accounts have been changed:

Previous Nomenclature	Current Nomenclature
Mark up accrued on short term borrowings	Mark up accrued on loans

37.3 *Reclassification*

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

Previous classification	Current classification	Rupees
Sales Commission	Distribution Cost Commission	2,738,517

Sd/-
Mian Muhammad Jamil
Chairman

Sd/-
Mian Tanvir Ahmad Sheikh
Chief Executive

Sd/-
Mian Anis Ahmad Sheikh
Director

Sd/-
Mian Muhammad Alamgir Jamil Khan
Director

Sd/-
Muhammad Ismail
Chief Financial Officer



PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS ON JUNE 30, 2008

Number of Shareholders	Shareholders		Total Shares held
	From	To	
90	1	100	5,108
22	101	500	5,425
8	501	1,000	6,798
10	1,001	5,000	28,570
6	5,001	10,000	57,004
2	10,001	15,000	22,564
10	15,001	20,000	180,349
4	20,001	25,000	85,778
2	25,001	30,000	57,390
1	30,001	35,000	34,166
2	35,001	40,000	70,466
-	40,001	45,000	0
1	45,001	50,000	47,209
2	50,001	75,000	118,703
-	75,001	80,000	0
1	80,001	85,000	80,470
161			800,000

Categories of Shareholders	Number	Shares held	Percentage
Individuals	155	795,600	99.45
CDC of Pakistan Ltd.	1	3,824	0.48
Financial Institutions	2	100	0.01
Others	-	-	-
Corporate Law Authority Deputy Administrator	1	1	0.00
Abandoned Properties	1	425	0.05
Limited Company	1	50	0.01
	161	800,000	100.00



PATTERN OF SHAREHOLDING AS ON JUNE 30, 2008

ADDITIONAL INFORMATION

<i>Shareholders' Category</i>	<i>Number of Shareholders</i>	<i>Number of Shares Held</i>
Associated Companies, Undertaking & Related Parties		NIL
Central Depository Company of Pakistan Ltd.	1	3,824
NIT and ICP		
Investment Corporation of Pakistan	2	100
DIRECTORS		
Mian Muhammad Jamil	1	80,470
Mian Tanvir Ahmad Sheikh	1	12,500
Mrs. Nusrat Jamil	1	58,340
Mian Anis Ahmad Sheikh	1	27,990
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	60,363
CHIEF EXECUTIVE OFFICERS		
Mian Tanvir Ahmad Sheikh	1	12,500
Directors' / C.E.O's Spouses	4	42,088
Executives		NIL
Public Sector Companies and C.L.A.	2	51
Deputy Administrator Abandoned Properties	1	425
Shareholders holding 10% or more voting interest		NIL



**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
PATTERN OF HOLDING OF THE SHARES BY THE
SHAREHOLDERS AS ON JUNE 30, 2008**

Number of Shareholders	Shareholders		Total Shares held
	From	To	
12	1	100	774
3	101	500	600
1	501	1,000	950
1	1,001	5,000	1,500
<hr/> 17 <hr/>			<hr/> 3,824 <hr/>

Categories of Shareholders	Number	Shares held	Percentage
Financial Institutions	2	100	2.62
Individuals	13	3,574	93.46
Joint Stock Companies	2	150	3.92
	<hr/> 17 <hr/>	<hr/> 3,824 <hr/>	<hr/> 100 <hr/>



FORM OF PROXY

I,

.....

of

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

of

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

As witness my hand this

day of 2008

Signed by the said



IMPORTANT

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