



*53<sup>rd</sup> Annual Report*

*of*

**Allawasaya Textile & Finishing Mills Limited**

*for the year ended June 30, 2010*

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## MISSION STATEMENT

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

## VISION STATEMENT

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

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

## QUALITY AND ENVIRONMENTAL POLICY

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

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



## COMPANY PROFILE

### BOARD OF DIRECTORS

Mian Muhammad Jamil	– Chairman
Mian Tanvir Ahmad Sheikh	– Chief Executive / M.D
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 & Company,  
Chartered Accountants, Karachi

### 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 53<sup>rd</sup> Annual General Meeting of the Shareholders of M/S ALLAWASAYA TEXTILE AND FINISHING MILLS LIMITED will be held on Tuesday, the 26<sup>th</sup> day of October 2010 at 3:30 p.m. 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 52<sup>nd</sup> Annual General Meeting of the Company held on Saturday the 31<sup>st</sup> day of October 2009.
2. To receive, consider and approve the Directors' Report, Auditors' Report and Audited Accounts of the Company for the year ended June 30, 2010.
3. To consider and approve distribution of 72.50% Dividend (Rs.7.25 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, 2010.
4. To appoint Auditors for the year 2010-2011 and to fix their remuneration till next Annual General Meeting of the Company.

### SPECIAL BUSINESS

5. To consider and if thought fit to pass the following resolution as Special Resolution with or without modifications:  
"RESOLVED THAT approval is hereby given for the placement/ transmission of First, Second and Third quarterly accounts of the Company on its website <[www.allawasaya.com](http://www.allawasaya.com)> in accordance with the conditions of Circular No.19 of 2004 dated 14-04-2004 issued by the Securities and Exchange Commission of Pakistan, ISLAMABAD".  
"FURTHER RESOLVED THAT the conditions of Section 172 of the Companies Ordinance, 1984 be complied with by filing Form 26 with the Deputy Registrar of Companies, the Securities and Exchange Commission of Pakistan, MULTAN for registration for which MR. TANVIR AHMAD SHEIKH, Chief Executive/ Managing Director of the Company be and is hereby authorized to take all such steps as may be necessary or incidental for complying with mandatory requirements of the law in connection with the above Special Resolution on behalf of the Company".
6. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

(MUHAMMAD ISMAIL)  
COMPANY SECRETARY

Place: Multan  
Dated: 04-10-2010

### NOTES:

- 1- The Share transfer Books of the Company will remain closed from 20-10-2010 to 26-10-2010 (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 19-10-2010 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 photocopy 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.

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

### PLACEMENT OF QUARTERLY ACCOUNTS OF THE COMPANY ON ITS WEBSITE ITEM NO. 5 OF THE NOTICE

The Company proposes to place/transmit its First, Second and Third quarterly accounts on its website <[www.allawasaya.com](http://www.allawasaya.com)> in accordance with the conditions of Circular No.19 of 2004 dated 14-04-2004 issued by the Securities and Exchange Commission of Pakistan, ISLAMABAD. For this purpose the Board has already given its approval and the same is placed for approval in the 53<sup>rd</sup> Annual General Meeting of the Company. All the conditions set out in the Circular No.19 of 2004 dated 14-04-2004 issued by the Securities and Exchange Commission of Pakistan, ISLAMABAD in this respect shall be duly fulfilled.



## DIRECTORS' REPORT

In the name of Allah the Most Beneficent & the Merciful

Dear Shareholders,

Your Directors are pleased to present before you their 53<sup>rd</sup> Annual Report on the affairs of your Company along with the Audited Accounts for the financial year ended June 30, 2010.

### PERFORMANCE

By the grace of Almighty Allah, the performance of your Company during the year under report was excellent and the best of its history. There was a quantum jump in the sales figure for the year over last year. The increase in Sales was 37.24% which was mainly due to improved sale prices of Yarn. The total sales for the year amounted to Rs. 1,464,364,667 (7,899,761.52 Kgs) as compared to Rs. 1,067,019,585 (7,430,149.44 Kgs) last year. The gross profit was Rs. 160,522,706 and the Net Profit after providing for Tax amounted to Rs. 39,328,196 for the year. The financial results for the year ended June 30, 2010 along with the comparative figures of the last year are summarized under the respective head of Accounts below:

### ACCOUNTS:

	For the year ended June 30, 2010 Rupees	For the year ended June 30, 2009 Rupees
Sales	1,464,364,667	1,067,019,585
Cost of goods sold	(1,303,841,961)	(1,013,540,602)
Gross Profit	160,522,706	53,478,983
Other Operating Income	1,040,958	321,707
	<u>161,563,664</u>	<u>53,800,690</u>
Distribution cost-commission	(3,775,493)	(2,280,297)
Administrative Expenses	(32,876,381)	(22,135,445)
Other Operating Expenses	(5,875,466)	—
Finance Cost	(44,461,861)	(68,777,895)
	<u>(86,989,201)</u>	<u>(93,193,637)</u>
Profit / (Loss) before Taxation	74,574,463	(39,392,947)
Provision for Taxation	(35,246,267)	13,454,378
Profit / (Loss) for the year	39,328,196	(25,938,569)
Other comprehensive income for the year - net of tax	—	—
Total comprehensive income / (loss) for the year - net of tax	<u>39,328,196</u>	<u>(25,938,569)</u>
Earnings per share - Basic and diluted	<u>49.16</u>	<u>(32.42)</u>



#### **BMR AND FUTURE OUTLOOK**

Your Directors are pleased to report that One Set Auto Cone Winder, Murata Mach Coner 7-II was installed during the year to cater for the increased production of the Mills due to better efficiency. Moreover, Twenty One (21) Sets of old Rieter Ring Spinning Frames comprising of total 9,072 Spindles are being replaced with Twenty One (21) Sets of new Chinese Jingwei Ring Spinning Frames comprising of total 10,836 Spindles. With this replacement the total number of Spindles in the Mills will sum upto 30,592. The new Ring Spinning Frames arrived at the Mills subsequent to the balance sheet date and are under erection as of the reporting date. The production of the Mills will Inshallah improve qualitatively as well as quantitatively on completion of the replacement of the 21 Sets Ring Spinning Frames.

#### **DIVIDEND**

To share the profit of the Company with the shareholders, your Directors propose distribution of a final cash dividend @ 72.50% (Rs. 7.25 per share) to the shareholders of the Company, out of the profit earned for the year ending June 30, 2010.

#### **REVISION IN REMUNERATION OF CHIEF EXECUTIVE AND WORKING DIRECTORS INCLUDING CHAIRMAN OF THE COMPANY**

The Board of Directors of the Company, in its meeting held on October 4, 2010, passed the Resolution for revision of remuneration of the Chief Executive and the Working Directors including Chairman with effect from 1<sup>st</sup> October 2010 in addition to other perquisites as before as per following detail:

Salary of Chairman & Chief Executive	-	Rs. 100,000/- each per month
Salary of Production Director & Finance Director	-	Rs. 60,000/- each per month

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

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

#### **COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

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

#### **PRESENTATION OF FINANCIAL STATEMENTS:**

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

#### **BOOKS OF ACCOUNTS:**

The Company has maintained proper books of accounts;



**ACCOUNTING POLICIES:**

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

**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 June 30, 2010 four (4) meetings of the Board of Directors were held. Attendance of each Director is given below:

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

**AUDITORS**

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





**PATTERN OF SHAREHOLDING**

Pattern of holding of the shares by the Shareholders of the Company as on June 30, 2010 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 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

**MIAN MUHAMMAD JAMIL**  
Chairman

Place: MULTAN  
Dated: 04.10.2010



## STATEMENT OF ETHICS AND BUSINESS PRACTICES

### *Introduction:*

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

### *Code of Conduct:*

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

### *Quality Assurance:*

Allawasaya Textile & Finishing Mills Limited 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 46 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 & Finishing Mills Limited shall ensure that this statement of ethics and business practices is understood and implemented by all concerned in letter and spirit.



## SIX YEARS KEY OPERATING AND FINANCIAL DATA

	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
<b>BALANCE SHEET</b>						
Authorized Capital	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Issued, Subscribed & Paid up Capital	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Reserves	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746
Unappropriated Profit/ (Loss)	28,354,130	(16,022,861)	6,791,445	33,260,329	34,135,379	26,197,521
Total Equity	119,022,876	74,645,885	97,460,191	123,929,075	124,804,125	116,866,267
Surplus on Revaluation of property, plant & equipment	43,299,627	48,348,422	-	-	-	-
Long Term Liabilities	67,647,816	89,584,948	72,957,240	-	-	-
Deferred Liabilities	45,597,210	17,672,766	11,472,700	21,786,615	20,630,378	20,399,199
Short Term Liabilities	198,414,081	340,284,335	370,870,659	130,432,926	167,077,265	85,549,558
Total Liabilities	311,659,107	447,542,049	455,300,599	152,219,541	187,707,643	105,948,757
Total Equity & Liabilities	473,981,610	570,536,356	552,760,790	276,148,616	312,511,768	222,815,024
Fixed Assets	247,039,589	264,021,156	208,983,329	98,825,055	102,771,109	99,336,083
Long Term Deposits	4,322,881	4,323,785	4,294,789	4,285,993	3,766,897	3,558,268
Current Assets	222,619,140	302,191,415	339,482,672	173,037,568	205,973,762	119,920,673
Total Assets	473,981,610	570,536,356	552,760,790	276,148,616	312,511,768	222,815,024
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Turnover	1,464,364,667	1,067,019,585	865,664,977	827,379,882	787,883,859	601,850,342
Gross Profit	160,522,706	53,478,983	17,469,324	37,972,195	39,615,900	40,910,986
Profit / (Loss) before Taxation	74,574,463	(39,392,947)	(31,045,397)	6,427,864	7,462,141	22,649,265
Profit / (Loss) after Taxation	39,328,196	(25,938,569)	(25,468,884)	2,124,950	9,337,858	12,283,265
<b>DISTRIBUTION</b>						
Cash Dividend %	72.50	-	-	12.50	37.50	17.50
<b>RATIOS</b>						
Break up value per share (Rs.)	148.78	93.31	121.83	154.91	156.00	146.08
Earning/(Loss) per share (Rs)	49.16	(32.42)	(31.84)	2.66	11.67	15.35
Current Ratio	1.12:1	0.89:1	0.92:1	1.33	1.23	1.40
Debt/equity ratio	36:64	47:53	43:57	0:100	0:100	0:100
<b>CAPACITY &amp; PRODUCTION</b>						
No. of Spindles Installed	28,828	28,828	28,672	28,672	28,672	28,672
Capacity of Yarn at 20's Count (Kgs)	12,112,806	13,543,818	12,990,815	13,553,818	14,557,544	8,456,567
Actual Production of Yarn at 20's Count (Kgs)	11,443,456	11,030,315	10,777,391	11,077,370	11,067,971	8,291,148



**STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

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

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

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



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

For and on behalf of the Board

MIAN MUHAMMAD JAMIL  
Chairman

Place: MULTAN  
Dated: 04.10.2010



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

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

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

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

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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 in 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 with requirement to the extent of approval of related party transactions 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, 2010.

M. YOUSUF ADIL SALEEM & CO.  
CHARTERED ACCOUNTANTS  
KARACHI  
Dated: 04.10.2010



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLAWASAYA TEXTILE & FINISHING MILLS LIMITED (the Company) as at June 30, 2010 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 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, except for the changes as stated in note 2.3 to the financial statements, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with 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, 2010 and of the profit, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

M. YOUSUF ADIL SALEEM & CO.,  
CHARTERED ACCOUNTANTS

Engagement Partner:  
Nadeem Yousuf Adil  
Karachi  
Dated: 04.10.2010





## BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	247,039,589	264,021,156
Long-term investments	4	2,254,644	2,255,548
Long-term deposits		2,068,237	2,068,237
		<u>251,362,470</u>	<u>268,344,941</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	5	7,733,222	9,308,444
Stock-in-trade	6	91,979,000	184,210,000
Trade debts	7	107,430,801	93,900,329
Loans and advances	8	9,962,962	2,430,099
Trade deposits and short-term prepayments	9	503,272	265,934
Other receivables	10	86,095	86,130
Sales tax refundable		4,450,914	8,114,228
Current portion of long term investments	4	904	904
Cash and bank balances	11	471,970	3,875,347
		<u>222,619,140</u>	<u>302,191,415</u>
		<u>473,981,610</u>	<u>570,536,356</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
1,000,000 (2009: 1,000,000)			
ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid up capital	12	8,000,000	8,000,000
Reserves	13	82,668,746	82,668,746
Unappropriated profits / (accumulated loss)		28,354,130	(16,022,861)
		<u>119,022,876</u>	<u>74,645,885</u>
<b>SURPLUS ON REVALUATION OF PROPERTY PLANT &amp; EQUIPMENT</b>			
	14	43,299,627	48,348,422
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	15	67,647,816	89,584,948
Deferred tax	16	45,597,210	17,672,766
		<u>113,245,026</u>	<u>107,257,714</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	56,295,054	33,661,188
Mark-up accrued on loans	18	7,763,773	17,608,532
Short-term borrowings	19	105,096,299	268,913,904
Current portion of long term financing	15	21,937,132	20,100,711
Provision for taxation	20	7,321,823	—
		<u>198,414,081</u>	<u>340,284,335</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21	—	—
		<u>473,981,610</u>	<u>570,536,356</u>

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

Sd/- Mian Muhammad Jamil Chairman	Sd/- Mian Tanvir Ahmad Sheikh Chief Executive	Sd/- Mian Anis Ahmad Sheikh Director	Sd/- Mian Muhammad Alamgir Jamil Khan Director	Sd/- Muhammad Ismail Chief Financial Officer
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## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Sales	22	1,464,364,667	1,067,019,585
Cost of goods sold	23	(1,303,841,961)	(1,013,540,602)
Gross profit		160,522,706	53,478,983
Other operating income	24	1,040,958	321,707
		161,563,664	53,800,690
Distribution cost - commission		(3,775,493)	(2,280,297)
Administrative expenses	25	(32,876,381)	(22,135,445)
Other operating expenses	26	(5,875,466)	—
Finance cost	27	(44,461,861)	(68,777,895)
		(86,989,201)	(93,193,637)
Profit / (loss) before taxation		74,574,463	(39,392,947)
Provision for taxation	28	(35,246,267)	13,454,378
Profit / (loss) for the year		39,328,196	(25,938,569)
Other comprehensive income for the year - net of tax		—	—
Total comprehensive income / (loss) for the year - net of tax		39,328,196	(25,938,569)
Earnings per share - basic and diluted	29	49.16	(32.42)

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

Sd/-  
Mian Muhammad Jamil  
Chairman

Sd/-  
Mian Tanvir Ahmad Sheikh  
Chief Executive

Sd/-  
Mian Anis Ahmad Sheikh  
Director

Sd/-  
Mian Muhammad Alamgir Jamil Khan  
Director

Sd/-  
Muhammad Ismail  
Chief Financial Officer



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	252,944,607	98,715,730
Income taxes paid		(5,421,751)	(1,621,826)
Gratuity paid		(1,928,472)	(9,564,600)
Finance cost paid		(54,306,620)	(60,244,364)
Workers' Profit Participation Fund paid		–	(1,472)
Net cash from operating activities		191,287,764	27,283,468
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(11,811,243)	(2,875,450)
Proceeds from disposal of property, plant and equipment		785,000	–
Redemption of long-term investments		904	904
Profit on long-term investments		253,183	245,860
Long term deposits		–	(29,900)
Net cash used in investing activities		(10,772,156)	(2,658,586)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment) of / proceeds from long term financing		(20,100,711)	36,728,419
Short term borrowings - net		(163,817,605)	(60,492,356)
Dividend paid		(669)	(44,938)
Net cash used in financing activities		(183,918,985)	(23,808,875)
Net (decrease) / increase in cash and cash equivalents		(3,403,377)	816,007
Cash and cash equivalents at beginning of the year		3,875,347	3,059,340
Cash and cash equivalents at end of the year		471,970	3,875,347

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

Sd/- Mian Muhammad Jamil Chairman	Sd/- Mian Tanvir Ahmad Sheikh Chief Executive	Sd/- Mian Anis Ahmad Sheikh Director	Sd/- Mian Muhammad Alamgir Jamil Khan Director	Sd/- Muhammad Ismail Chief Financial Officer
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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	Reserves			Total
		Capital	Revenue		
		Other reserve	General reserve	Accumulated profits	
R u p e e s					
Balance as at June 30, 2008	8,000,000	2,668,746	80,000,000	6,791,445	97,460,191
Transfer from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation (net of deferred tax)	-	-	-	3,124,263	3,124,263
Loss for the year	-	-	-	(25,938,569)	(25,938,569)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(25,938,569)	(25,938,569)
Balance as at June 30, 2009	8,000,000	2,668,746	80,000,000	(16,022,861)	74,645,885
Transfer from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation (net of deferred tax)	-	-	-	5,048,795	5,048,795
Profit for the year	-	-	-	39,328,196	39,328,196
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	39,328,196	39,328,196
Balance as at June 30, 2010	8,000,000	2,668,746	80,000,000	28,354,130	119,022,876

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

Sd/- Mian Muhammad Jamil Chairman	Sd/- Mian Tanvir Ahmad Sheikh Chief Executive	Sd/- Mian Anis Ahmad Sheikh Director	Sd/- Mian Muhammad Alamgir Jamil Khan Director	Sd/- Muhammad Ismail Chief Financial Officer
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 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 manufacture and sale of yarn. The registered office and mill of the Company is situated in Multan (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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

#### 2.2 *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

#### 2.3 *Change in accounting policy*

The following standard is effective from accounting periods on or after January 1, 2009 and is applicable to the Company from the current financial year.

*IAS 1 (Revised) - 'Presentation of financial statements'*

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of

comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss as part of a single statement of comprehensive income as permitted under revised IAS 1.

As surplus on revaluation of property, plant and equipment do not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of property, plant and equipment have not been considered part of comprehensive income and accordingly these are not included as a part of comprehensive income presented in these financial statements.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the profit for the year.

**2.4** *Other standards and interpretations applicable but not relevant*

In addition to the above standard and interpretations there were other accounting standards, interpretations and amendments which became effective during the year. Such standards, interpretations and amendments will not result in significant impact on the Company's financial statements other than improved disclosures and presentations.

**2.5** *Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company*

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

Standards or Interpretations	Effective Date (accounting periods beginning on or after)
IFRS 2 - Share-based payments (Amendment)	January 01, 2010
IFRS 5 - Non-current assets held for sale and Discontinued operations (Amendment)	January 01, 2010
IFRS 8 - Operating Segments (Amendment)	January 01, 2010
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7 - Statement of cash flows (Amendment)	January 01, 2010
IAS 17 - Leases (Amendment)	January 01, 2010
IAS 24 - Related party disclosures (Revised)	January 01, 2011
IAS 32 - Financial Instruments: Presentation (Amendment)	February 01, 2010
IAS 36 - Impairment of assets (Amendment)	January 01, 2010
IAS 39 - Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2010
IFRIC 14: IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company considers that the above revised standards, amendments to published standards and interpretations to existing standards are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

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

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the following:

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

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

*2.7 The principal accounting policies adopted are set out below:*

*2.7.1 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 2.7.13 borrowing cost.

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

equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

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 3.1. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively..

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

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and assets replaced, if any, other than those kept as stand-by, are retired.

#### *Capital work-in-progress*

Capital work-in-progress (CWIP) is stated at cost less any recognized impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

### *2.7.2 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.

#### *Derecognition*

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.

### *2.7.3 Stores, spares and loose tools*

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

Retired machinery is stated at written down value.

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.





#### 2.7.4 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 (weighted average) 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.

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.

#### 2.7.5 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.

#### 2.7.6 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.

#### 2.7.7 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 future for goods and services received whether billed to the Company or not.

#### 2.7.8 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.

#### *2.7.9 Dividend distribution*

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

#### *2.7.10 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.

##### *Loans and receivables*

For amounts due from loans and advances to customers carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists

individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement - is removed from equity and recognized in the profit and loss account. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

*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.

*2.7.11 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.

#### *2.7.12 Revenue recognition*

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

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

#### *2.7.13 Borrowing costs*

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

#### *2.7.14 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.

#### *2.7.15 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.

*2.7.16 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.

*2.7.17 Related party transactions*

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



3. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 Rupees	2009 Rupees
Operating assets	3.1	<u>247,039,589</u>	<u>264,021,156</u>

3.1 Operating assets

Particulars	COST / REVALUATION					
	As at July 01, 2009	Additions	Transfers	Revaluation Surplus	Disposals	As at June 30, 2010
	R U P E E S					
Land - Freehold	787,834	-	-	-	-	787,834
Building on freehold land	24,555,444	-	-	-	-	24,555,444
Plant and machinery	257,728,414	10,801,777	-	-	5,658,468	262,871,723
Power house						
- Building on freehold land	10,363,298	-	-	-	-	10,363,298
- Generators	156,272,395	-	-	-	-	156,272,395
- Electric Installation	23,303,137	-	-	-	-	23,303,137
	189,938,830	-	-	-	-	189,938,830
Tubewell	106,006	-	-	-	-	106,006
Electric installation	2,906,366	225,000	-	-	-	3,131,366
Workshop equipment	160,909	-	-	-	-	160,909
Tools and equipment	151,401	-	-	-	-	151,401
Laboratory equipment	3,732,266	-	-	-	-	3,732,266
Weighing scales	687,588	13,920	-	-	-	701,508
Arms and ammunition	64,057	200,000	-	-	-	264,057
Office equipment	1,982,975	388,046	-	-	-	2,371,021
Furniture and fixtures	774,018	182,500	-	-	-	956,518
Vehicles	16,442,066	-	-	-	19,865	16,422,201
	<u>500,018,174</u>	<u>11,811,243</u>	-	-	<u>5,678,333</u>	<u>506,151,084</u>



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



Particulars	COST / REVALUATION					
	As at July 01, 2008	Additions	Transfers	Revaluation Surplus	Disposals	As at June 30, 2009
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	246,078,399	670,000	10,980,015	-	-	257,728,414
Power house						
- Building on freehold land	7,316,772	-	-	3,046,526	-	10,363,298
- Generators	86,548,943	-	-	69,723,452	-	156,272,395
- Electric Installation	16,884,369	-	-	6,418,768	-	23,303,137
	110,750,084	-	-	79,188,746	-	189,938,830
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	680,588	7,000	-	-	-	687,588
Arms and ammunition	8,457	55,600	-	-	-	64,057
Office equipment	1,361,575	621,400	-	-	-	1,982,975
Furniture and fixtures	774,018	-	-	-	-	774,018
Vehicles	15,720,616	721,450	-	-	-	16,442,066
	407,773,963	2,075,450	10,980,015	79,188,746	-	500,018,174

3.2 Depreciation for the year has been allocated as under:

	Note	2010 Rupees	2009 Rupees
Cost of goods sold	23	27,011,883	25,338,488
Administrative expenses	25	1,313,108	1,455,881
		<u>28,324,991</u>	<u>26,794,369</u>

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





D E P R E C I A T I O N				Written down value as at June 30, 2009	Rate %
As at July 01, 2008	For the year	Disposals	As at June 30, 2009		
R U P E E S					
-	-	-	-	787,834	0
12,427,994	1,212,745	-	13,640,739	10,914,705	10
179,725,312	7,492,310	-	187,217,622	70,510,792	10
60,973	885,658	-	946,631	9,416,667	10
721,241	12,441,362	-	13,162,603	143,109,792	10
211,055	2,971,457	-	3,182,512	20,120,625	15
993,269	16,298,477	-	17,291,746	172,647,084	
103,031	298	-	103,329	2,677	10
2,004,194	135,326	-	2,139,520	766,846	15
152,872	804	-	153,676	7,233	10
138,465	1,294	-	139,759	11,642	10
1,908,609	182,366	-	2,090,975	1,641,291	10
534,832	14,868	-	549,700	137,888	10
7,562	4,260	-	11,822	52,235	10
864,086	101,892	-	965,978	1,016,997	15
645,809	12,821	-	658,630	115,388	10
9,696,614	1,336,908	-	11,033,522	5,408,544	20
209,202,649	26,794,369	-	235,997,018	264,021,156	



3.4 Disposal of operating assets

Particulars	Cost	Accumulated depreciation	Book Value	Gain / (Loss)
R U P E E S				
<i>Vehicle</i>				
Honda Motor Cycle MNK-8574	19,865	19,750	115	9,885
<i>Plant and machinery</i>				
Drawing Frame - two	193,836	188,617	5,219	} 307,296
Compressor - five	455,950	291,791	164,159	
Bundle Press - three	18,678	18,457	221	
Bundle Press - five	34,996	34,494	502	
Ring Frame - eight	3,305,913	3,253,831	52,082	
Reeling Machine - four	196,459	193,619	2,840	
Reeling Machine - twelve	186,397	161,716	24,681	
Cone Winding Machine - one	123,339	121,552	1,787	
Cone Winding Machine - one	168,535	166,146	2,389	
Spindles With Bolster	974,365	760,541	213,824	
	5,658,468	5,190,764	467,704	
Total Rupees - 2010	5,678,333	5,210,514	467,819	317,181
Total Rupees - 2009	—	—	—	—

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

	Carrying amount	
	2010 Rupees	2009 Rupees
<i>Power House</i>		
Building on freehold land	5,877,197	6,530,219
Generators	69,520,439	77,244,932
Electric Installation	12,363,897	14,172,317
	<u>87,761,533</u>	<u>97,947,468</u>



Particulars of buyers	Mode of disposal
Mr. Abdul Razzaq	Negotiation
Malik Manzoor Kabaria Faisalabad	Negotiation



	Note	2010 Rupees	2009 Rupees
<b>4. LONG TERM INVESTMENTS</b>			
<i>Held-to-maturity</i>			
Term Finance Certificates of Bank Al-Habib Limited - tranche I	4.1	1,736,172	1,736,868
Term Finance Certificates of Bank Al-Habib Limited - tranche II	4.2	519,376	519,584
		<u>2,255,548</u>	<u>2,256,452</u>
Current portion shown in current assets		(904)	(904)
		<u>2,254,644</u>	<u>2,255,548</u>

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

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

4.3 The market value of Term Finance Certificates approximates its carrying amount. The market value of TFC as at June 30, 2010 was Rs. 2,262,721 (2009: Rs. 2,263,625).

**5. STORES, SPARES AND LOOSE TOOLS**

	2010 Rupees	2009 Rupees
Stores	4,209,658	4,252,523
Spares	3,523,564	5,174,841
Retired Machinery	–	13,888
	<u>7,733,222</u>	<u>9,441,252</u>
Provision for obsolete stores, spares and loose tools	–	(132,808)
	<u>7,733,222</u>	<u>9,308,444</u>

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

5.2 During the year, all obsolete stores, spares and loose tools have been sold.



6. STOCK-IN-TRADE

	2010 Rupees	2009 Rupees
Raw materials		
- Cotton	30,047,000	81,488,000
- Polyester	5,718,000	4,020,000
- Viscose	62,000	62,000
	35,827,000	85,570,000
Work in process	10,060,000	8,583,000
Finished goods		
- Yarn	45,491,000	89,146,000
- Waste	601,000	911,000
	46,092,000	90,057,000
	<u>91,979,000</u>	<u>184,210,000</u>

7. TRADE DEBTS

Local - unsecured		
Considered good	107,430,801	93,900,329
Considered doubtful	165,506	165,506
	107,596,307	94,065,835
Provision for doubtful debts	(165,506)	(165,506)
	<u>107,430,801</u>	<u>93,900,329</u>

- 7.1 Trade receivables are non-interest bearing and are generally on 60 to 90 days terms.
- 7.2 The Company provides for doubtful debts on the basis of past due balances. Balances considered bad and irrecoverable are written off when identified.
- 7.3 Trade receivables consist of a large number of diversified customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, provision is made.
- 7.4 The fair value of trade receivables approximate their carrying amounts.
- 7.5 As at year end, trade receivables of Rs. 92,918,510 (2009: Rs. 43,400,029) were neither past due nor impaired.
- 7.6 As at year end, trade receivables of Rs. 14,512,291 (2009: Rs. 50,500,300) 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:



	Note	2010 Rupees	2009 Rupees
Less than 3 months		4,388,518	8,834,433
3 to 6 months		9,796,685	15,453,765
Over 6 months		327,088	26,212,102
		<u>14,512,291</u>	<u>50,500,300</u>
7.7	The movement in provision for impairment of trade receivables is as follows:		
As at July 01,		165,506	–
Provision during the year		–	165,506
As at June 30,		<u>165,506</u>	<u>165,506</u>
8.	<b>LOANS AND ADVANCES</b>		
	<i>Considered good</i>		
Due from associated undertakings	8.1	–	46,855
Advances to employees		282,608	377,429
Advance to suppliers		2,641,262	388,474
Advance income tax		6,807,092	1,385,341
Advance for land		232,000	232,000
		<u>9,962,962</u>	<u>2,430,099</u>
8.1	<i>Due from associated undertakings</i>		
Maqbool Textile Mills Limited		–	46,855
		<u>–</u>	<u>46,855</u>
9.	<b>TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Margin Deposit		5,000	5,000
Prepayments		498,272	260,934
		<u>503,272</u>	<u>265,934</u>



10. OTHER RECEIVABLES

	2010 Rupees	2009 Rupees
Profit on Term Finance Certificates	86,095	86,130

11. CASH AND BANK BALANCES

Cash in hand	312,719	332,434
Cash at banks in current accounts	159,251	3,542,913
	471,970	3,875,347

12. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010 No. of shares	2009 No. of shares			
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
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	2010 Rupees	2009 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 & EQUIPMENT

	Note	2010 Rupees	2009 Rupees
Opening balance		74,382,188	–
Addition during the year	14.1	–	79,188,746
		<u>74,382,188</u>	<u>79,188,746</u>
Transferred to unappropriated profit on account of:			
- incremental depreciation		(5,048,795)	(3,124,263)
- Related deferred tax liability		(2,718,582)	(1,682,295)
		<u>(7,767,377)</u>	<u>(4,806,558)</u>
Closing balance		66,614,811	74,382,188
<i>Related deferred tax liability</i>			
Opening balance		(26,033,766)	–
Deferred tax on revaluation surplus		–	(27,716,061)
Transferred to unappropriated profit on account of:			
- incremental depreciation		2,718,582	1,682,295
Closing balance		<u>(23,315,184)</u>	<u>(26,033,766)</u>
		<u>43,299,627</u>	<u>48,348,422</u>
14.1 Surplus on revaluation of property, plant & equipments determined as on:			
December 24, 2008		–	79,188,746

15. LONG TERM FINANCING  
Secured - from banking company

Habib Bank Limited			
- Demand Finance (Limit Rs. 80 million)	15.1	58,365,792	72,957,240
United Bank Limited			
- Demand Finance (Limit Rs. 90 million)	15.2	31,219,156	36,728,419
		<u>89,584,948</u>	<u>109,685,659</u>
Current portion shown under current liabilities		(21,937,132)	(20,100,711)
		<u>67,647,816</u>	<u>89,584,948</u>





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

15.2 This finance has been obtained for expansion in the spinning unit of the Company. It is repayable within a period of 5 years including one year grace period in 20 equal quarterly principal installments of Rs. 4.5 million each. It carries mark up at the rate of 3 months KIBOR + 2% per annum. It is secured against specific charge over the machinery and personal guarantees of all the sponsoring directors.

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

	2010 Rupees	2009 Rupees
6 months or less:		
- long-term financings	89,584,948	109,685,659
- short-term financings	105,096,299	268,913,904
	<u>194,681,247</u>	<u>378,599,563</u>

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

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

15.6 The carrying amounts of the Company's borrowings are denominated in Pak Rupees.

16. DEFERRED TAX

	Note	2010 Rupees	2009 Rupees
Deferred taxation	16.1	<u>45,597,210</u>	<u>17,672,766</u>



	2010 Rupees	2009 Rupees
<b>16.1 Deferred taxation</b>		
This comprises of the following:		
Deferred tax liability on taxable temporary difference arising in respect of:		
- Property, plant and equipment	35,528,815	34,648,000
- Surplus on revaluation of property, plant and equipment	23,315,184	26,033,766
Deferred tax asset on deductible temporary difference arising in respect of:		
- Provision for gratuity	(2,015,730)	–
- Assessed taxable loss	(11,231,059)	(43,009,000)
	<u>45,597,210</u>	<u>17,672,766</u>

**17. TRADE AND OTHER PAYABLES**

	Note	2010 Rupees	2009 Rupees
Creditors		12,250,477	9,683,491
Accrued liabilities		18,193,473	13,378,084
Advance payments		7,353,980	10,257,001
Unclaimed dividend		324,999	325,668
Tax deducted at source		37,363	16,876
Workers' profit participation fund	17.1	4,022,564	68
Workers' Welfare Fund		1,852,970	–
Gratuity payable	17.2	5,759,228	–
Bonus payable		6,500,000	–
		<u>56,295,054</u>	<u>33,661,188</u>



17.1 Workers' Profit Participation Fund

	Note	2010 Rupees	2009 Rupees
Opening balance		68	1,472
Allocation for the year		4,022,496	–
Interest on amounts utilized in Company's business	27	–	68
		<u>4,022,564</u>	<u>1,540</u>
Deposited in the Government treasury		–	1,472
		<u>4,022,564</u>	<u>68</u>

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

18. MARK UP ACCRUED ON LOANS

	2010 Rupees	2009 Rupees
Long-term financings	2,294,947	4,002,608
Short-term borrowings	5,468,826	13,605,924
	<u>7,763,773</u>	<u>17,608,532</u>

19. SHORT-TERM BORROWINGS

	2010 Rupees	2009 Rupees
<i>Secured - under markup arrangements</i>		
Cash finance	–	126,580,002
Running Finance	105,096,299	142,333,902
	<u>105,096,299</u>	<u>268,913,904</u>



19.1 Short term borrowing facilities available from commercial banks under mark up arrangements aggregate to Rs. 580 million (2009: 595 million) of which facilities remained un-utilized at the year end amounted to Rs. 475 million (2009: Rs. 326 million). These facilities carry mark up at the rates ranging from 13.39 % to 15.01 % per annum (2009: 12.87% to 18% per annum). Facilities available for opening letters of credit and guarantee aggregate to Rs. 218 million (2009: Rs. 135 million) of which facilities remained un-utilized at the year end amounted to Rs. 138 million (2009: Rs. 112 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, 2010.

20. PROVISION FOR TAXATION

	Note	2010 Rupees	2009 Rupees
Provision for taxation	20.1	7,321,823	4,495,917
Adjustment of advance tax against completed assessments		–	(4,495,917)
		<u>7,321,823</u>	<u>–</u>
20.1 Opening balance		–	4,328,000
Provision made during the year			
- Current	28	7,321,823	–
- Prior		–	167,917
		<u>7,321,823</u>	<u>167,917</u>
		<u>7,321,823</u>	<u>4,495,917</u>



21. CONTINGENCIES AND COMMITMENT

*Contingencies*

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

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

*Commitments*

21.3 Guarantees issued by commercial banks on behalf of the Company outstanding as at June 30, 2010 were for Rs. 80 million (2009: Rs. 18.244 million).

	2010	2009
	Rupees	Rupees
22. SALES - NET		
Local		
- Yarn	1,443,682,879	1,058,795,014
- Cotton	8,502,331	—
- Waste	9,503,668	8,224,571
- Polyester	2,675,789	—
	<u>1,464,364,667</u>	<u>1,067,019,585</u>



23. COST OF GOODS SOLD

	Note	2010 Rupees	2009 Rupees
Raw materials consumed / sold	23.1	973,093,690	774,248,151
Salaries, wages and benefits	23.2	92,999,404	62,859,982
Stores and spares consumed		28,149,803	19,112,616
Packing materials consumed		15,972,298	13,590,298
Fuel and power		113,964,269	91,190,383
Repairs and maintenance		6,728,044	2,604,066
Insurance		3,434,570	3,903,618
Depreciation	3.2	27,011,883	25,338,488
		<u>1,261,353,961</u>	<u>992,847,602</u>
Adjustment of work in process			
Opening stock		8,583,000	6,171,000
Closing stock		(10,060,000)	(8,583,000)
		<u>(1,477,000)</u>	<u>(2,412,000)</u>
Cost of goods manufactured		1,259,876,961	990,435,602
Adjustment of finished goods			
Opening stock		90,057,000	113,162,000
Closing stock	23.3	(46,092,000)	(90,057,000)
		<u>43,965,000</u>	<u>23,105,000</u>
		<u>1,303,841,961</u>	<u>1,013,540,602</u>

23.1 Raw materials consumed / sold

Opening stock	85,570,000	136,121,000
Purchases (including direct expenses) - Net	922,820,564	723,188,830
	<u>1,008,390,564</u>	<u>859,309,830</u>
Closing stock	(35,827,000)	(85,570,000)
	<u>972,563,564</u>	<u>773,739,830</u>
Cotton cess	530,126	508,321
	<u>973,093,690</u>	<u>774,248,151</u>

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

23.2 Salaries, wages and benefits include Rs. 6,378,500 (2009: Rs. 1,613,600 ) in respect of gratuity.

23.3 It includes waste stock amounting to Rs. 601,000 (2009: Rs. 911,000).



24. OTHER OPERATING INCOME

	Note	2010 Rupees	2009 Rupees
<i>Income from financial assets</i>			
Liabilities no longer payable		405,629	–
Profit on Term Finance Certificates		253,148	276,707
<i>Income from assets other than financial assets</i>			
Gain on sale of property, plant and equipment		317,181	–
Other income		65,000	45,000
		<u>1,040,958</u>	<u>321,707</u>

25. ADMINISTRATIVE EXPENSES

Directors' remuneration and meeting fee		2,837,216	2,184,118
Salaries and benefits	25.1	11,709,469	8,059,808
Vehicles running and maintenance		4,219,281	3,946,303
Traveling and conveyance	25.2	2,486,534	263,376
Printing and stationery		765,129	431,164
Communication		1,505,474	1,424,057
Rent, rates and taxes		1,488,804	1,398,062
Repair and maintenance		1,314,160	1,224,147
Subscription		224,963	323,608
Advertisement		26,800	77,550
Entertainment		307,886	262,507
Donation	25.3	–	79,500
Depreciation	3.2	1,313,108	1,455,881
Auditors' remuneration	25.4	580,000	490,000
Legal and professional		483,043	309,320
Provision for doubtful trade debts		–	165,506
Marketing expenses		3,561,765	–
Others		52,749	40,538
		<u>32,876,381</u>	<u>22,135,445</u>

25.1 Salaries and benefits include Rs. 1,309,200 (2009: Rs. 57,300) in respect of gratuity.

25.2 This includes directors' traveling Rs. 2,448,121 (2009: Rs. 238,600).

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



	Note	2010 Rupees	2009 Rupees
25.4	Auditors' remuneration		
	- Statutory audit fee	500,000	375,000
	- Half yearly review	50,000	40,000
	- Tax services	30,000	75,000
		<u>580,000</u>	<u>490,000</u>
26.	<i>OTHER OPERATING EXPENSES</i>		
	Workers' Profit Participation Fund	4,022,496	-
	Workers' Welfare Fund	1,852,970	-
		<u>5,875,466</u>	<u>-</u>
27.	<i>FINANCE COST</i>		
	Mark up on		
	- Long term financing	13,596,151	15,557,611
	- Short term borrowings	29,777,506	50,705,472
	Bank and other charges	974,410	2,372,934
	Interest on Workers' Profit Participation Fund 17.1	-	68
	Bank guarantee commission	113,794	141,811
		<u>44,461,861</u>	<u>68,777,895</u>





28. PROVISION FOR TAXATION

	2010 Rupees	2009 Rupees
Current		
- for the year	7,321,823	-
- prior year	-	167,917
	<u>7,321,823</u>	<u>167,917</u>
Deferred tax	27,924,444	(13,622,295)
	<u>35,246,267</u>	<u>(13,454,378)</u>

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

28.2 The income of the company is not liable to tax due to heavy brought forward losses. Tax has been charged u/s 113. Income tax assessment of the company is complete up to tax year 2009.

29. EARNINGS PER SHARE

	2010 Rupees	2009 Rupees
Profit / (loss) for the year	<u>39,328,196</u>	<u>(25,938,569)</u>
	No. of shares	
Weighted average number of ordinary shares	<u>800,000</u>	<u>800,000</u>
	Rupees	
Basic earnings per share	<u>49.16</u>	<u>(32.42)</u>

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



30. CASH GENERATED FROM / (USED IN) OPERATIONS

Note	2010 Rupees	2009 Rupees
Profit / (loss) before taxation	74,574,463	(39,392,947)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	28,324,991	26,794,369
Gain on sale of property, plant and equipment	(317,181)	–
Provision for gratuity	7,687,700	1,670,900
Finance cost (excluding interest on Workers' Profit Participation Fund)	44,461,861	68,777,827
Profit on Term Finance Certificates	(253,148)	(276,707)
Workers' Welfare Fund	1,852,970	–
Workers' Profit Participation Fund	4,022,496	68
Operating cash flows before movement in working capital	160,354,152	57,573,510
Decrease/ (Increase) in current assets		
Stores, spares and loose tools	1,575,222	(1,919,518)
Stock-in-trade	92,231,000	71,244,000
Trade debts	(13,530,472)	(44,397,521)
Loans and advances (excluding advance income tax)	(2,111,112)	12,991,810
Trade deposits and short-term prepayments	(237,338)	62,337
Sales tax refundable	3,663,314	(2,485,088)
Increase in current liabilities		
Trade and other payables (excluding Workers' Profit Participation Fund and Workers' Welfare Fund)	10,999,841	5,646,200
	92,590,455	41,142,220
Cash generated from operations	252,944,607	98,715,730

31. FINANCIAL RISK MANAGEMENT

31.1 The Company's principal financial liabilities comprise long-term financing, short-term borrowing, interest / mark-up accrued on loans and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and short-term investments that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

**31.2 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. 112,600,259 (2009: Rs. 102,568,924), the financial assets which are subject to credit risk amounted to Rs. 112,287,540 (2009: Rs. 102,236,490). 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 arises principally from the trade debts, loans and advances and bank balances. The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2010 Rupees	2009 Rupees
Long term investments	2,255,548	2,256,452
Deposits	2,073,237	2,073,237
Trade debts	107,430,801	93,900,329
Loans and advances	282,608	377,429
Other receivables	86,095	86,130
Cash and bank balances	159,251	3,542,913
	112,287,540	102,236,490

**31.2.1 Credit risk related to receivables**

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

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

**31.2.2 Credit risk related to bank balances**

In respect of cash and 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.

**31.3 Liquidity Risk Management**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.



31.3.1 Liquidity and Interest Risk Table

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

	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	R U P E E S			Total
				3 months - 1 years	1 -5 years	more than 5 years	
<b>2010</b>							
Long term loans	13.10% to 14.60%	–	–	21,937,132	67,647,816	–	89,584,948
Short-term borrowings	13.39% to 15.01%	–	–	105,096,299	–	–	105,096,299
Trade and other payables		–	–	56,295,054	–	–	56,295,054
		–	–	183,328,485	67,647,816	–	250,976,301

	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	R U P E E S			Total
				3 months - 1 years	1 -5 years	more than 5 years	
<b>2009</b>							
Long term loans	11.35% to 17.50%	–	–	20,100,711	89,584,948	–	109,685,659
Short-term borrowings	12.87% to 18.0%	–	–	268,913,904	–	–	268,913,904
Trade and other payables		–	–	33,661,188	–	–	33,661,188
		–	–	322,675,803	89,584,948	–	412,260,751

31.4 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.

31.4.1 Interest Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect 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 / mark-up 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.



### 31.4.2 Interest Rate Sensitivity

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2010 would increase / decrease by Rs. 1.947 million (2009: Rs. 3.786 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

### 31.4.3 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.

### 31.5 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.

### 31.6 Financial Instruments by Category

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

	Loans and receivables	Held to maturity Rupees	Total June 30, 2010
Assets as per balance sheet			
Long term investments	–	2,255,548	2,255,548
Deposits	2,073,237	–	2,073,237
Trade debts	107,430,801	–	107,430,801
Loans and advances	282,608	–	282,608
Other receivables	86,095	–	86,095
Cash and bank balances	471,970	–	471,970
	<u>110,344,711</u>	<u>2,255,548</u>	<u>112,600,259</u>



	Financial Liabilities measured at amortized cost	Total June 30, 2010
	Rupees	
Liabilities as per balance sheet		
Long Term Loans	89,584,948	89,584,948
Short Term Borrowings	105,096,299	105,096,299
Trade and other payables	56,295,054	56,295,054
Interest and mark-up accrued on loans	7,763,773	7,763,773
	<u>258,740,074</u>	<u>258,740,074</u>

	Loans and receivables	Held to maturity	Total June 30, 2009
	Rupees		
Assets as per balance sheet			
Long term investments	–	2,256,452	2,256,452
Deposits	2,073,237	–	2,073,237
Trade debts	93,900,329	–	93,900,329
Loans and advances	377,429	–	377,429
Other receivables	86,130	–	86,130
Cash and bank balances	3,875,347	–	3,875,347
	<u>100,312,472</u>	<u>2,256,452</u>	<u>102,568,924</u>

	Financial Liabilities measured at amortized cost	Total June 30, 2009
	Rupees	
Liabilities as per balance sheet		
Long Term Loans	109,685,659	109,685,659
Short Term Borrowings	268,913,904	268,913,904
Trade and other payables	33,661,188	33,661,188
Interest and mark-up accrued on loans	17,608,532	17,608,532
	<u>429,869,283</u>	<u>429,869,283</u>



32. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	Chief Executive		Directors	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	..... RUPEES .....			
Managerial remuneration	537,931	428,570	1,282,759	1,054,285
House rent	215,172	171,430	513,103	421,715
Utilities	26,897	–	261,354	265,288
Rupees	780,000	600,000	2,057,216	1,741,288
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. Amounts due from related parties are shown under loans and advances in note 8. Remuneration of directors and key management personnel is disclosed in note 32. Other significant transactions with related party (Allawasaya Spinning Mills Limited) are as follows:

Relationship with the party	Nature of Transactions	2010 Rupees	2009 Rupees
Associated undertaking	Purchase of goods	29,048,340	–
	Sale of goods	–	181,125
	Telephone charges	–	15,880

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



34. CAPITAL DISCLOSURE

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

The company is not subject to any externally imposed capital equivalents.

35. PRODUCTION CAPACITY

	2010	2009
Number of spindles installed and worked	28,828	28,828
Number of shifts worked	1,051	1,013
Capacity of yarn at 20's count		
on the basis of utilization	- Kgs. 12,112,806	13,543,818
Production of yarn at 20's count	- Kgs. 11,443,456	11,030,315

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.

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 04.10.2010.

37. GENERAL

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

Sd/- Mian Muhammad Jamil Chairman	Sd/- Mian Tanvir Ahmad Sheikh Chief Executive	Sd/- Mian Anis Ahmad Sheikh Director	Sd/- Mian Muhammad Alamgir Jamil Khan Director	Sd/- Muhammad Ismail Chief Financial Officer
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## PATTERN OF HOLDING OF THE SHARES BY THE SHAREHOLDERS AS ON JUNE 30, 2010

Number of Shareholders	Shareholders		Total Shares held
	From	To	
114	1	100	6,210
21	101	500	5,250
9	501	1,000	7,748
7	1,001	5,000	21,543
8	5,001	10,000	72,776
1	10,001	15,000	10,064
7	15,001	20,000	122,327
5	20,001	25,000	105,848
2	25,001	30,000	54,624
1	30,001	35,000	34,166
3	35,001	40,000	106,026
0	40,001	45,000	0
1	45,001	50,000	47,209
2	50,001	75,000	125,739
0	75,001	80,000	0
1	80,001	85,000	80,470
<b>182</b>			<b>800,000</b>

Categories of Shareholders	Number	Shares held	Percentage
Individuals	173	799,246	99.91
Joint Stock Company	2	150	0.02
Financial Institutions	3	78	0.01
Investment Corporation of Pakistan	2	100	0.01
Others	–	–	–
Corporate Law Authority	1	1	0.00
Deputy Administrator Abandoned Properties	1	425	0.05
	<b>182</b>	<b>800,000</b>	<b>100</b>



## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2010

### ADDITIONAL INFORMATION

<i>Shareholders' Category</i>	<i>Number of Shareholders</i>	<i>Number of Shares Held</i>
Associated Companies, Undertaking & Related Parties		NIL
Central Depository Company of Pakistan Limited	26	3,999
NIT and ICP		
Investment Corporation of Pakistan	2	100
<b>DIRECTORS</b>		
Mian Muhammad Jamil	1	80,470
Mian Tanvir Ahmad Sheikh	1	20,070
Mrs. Nusrat Jamil	1	65,376
Mian Anis Ahmad Sheikh	1	35,560
Mian Sarfraz Ahmad Sheikh	1	47,209
Mian Tauqir Ahmad Sheikh	1	34,166
Mian Muhammad Bilal Ahmad Sheikh	1	35,156
Mian Muhammad Alamgir Jamil Khan	1	60,363
<b>CHIEF EXECUTIVE OFFICERS</b>		
Mian Tanvir Ahmad Sheikh	1	20,070
Directors' / C.E.O's Spouses	14	228,785
Executives		NIL
Public Sector Companies and C.L.A.	1	1
Deputy Administrator Abandoned Properties	1	425
Shareholders holding 10% or more voting interest	1	80,470



**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED  
PATTERN OF HOLDING OF THE SHARES BY THE  
SHAREHOLDERS AS ON JUNE 30, 2010**

Number of Shareholders	Shareholders		Total Shares held
	From	To	
23	1	100	902
1	101	500	200
1	501	1,000	950
1	1,001	5,000	1,947
<hr/> 26			<hr/> 3,999

Categories of Shareholders	Number	Shares held	Percentage
Financial Institutions	3	78	1.95
Individuals	21	3,771	94.30
Joint Stock Companies	2	150	3.75
	<hr/> 26	<hr/> 3,999	<hr/> 100



## 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 ..... 2010

Signed by the said



### **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.