



52nd Annual Report

of

Allawasaya Textile & Finishing Mills Limited

for the year ended June 30, 2009



CONTENTS

	Page
MISSION & VISION STATEMENT	3
COMPANY PROFILE	4
NOTICE OF ANNUAL GENERAL MEETING	5
DIRECTORS' REPORT	6
STATEMENT OF ETHICS AND BUSINESS PRACTICES	10
SIX YEARS KEY OPERATING AND FINANCIAL DATA	11
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE	12
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	12
AUDITORS' REPORT TO THE MEMBERS	13
BALANCE SHEET AS AT JUNE 30, 2009	15
PROFIT AND LOSS ACCOUNT	16
CASH FLOW STATEMENT	17
STATEMENT OF CHANGES IN EQUITY	18
NOTES TO THE FINANCIAL STATEMENTS	19
PATTERN OF SHAREHOLDING	53
PATTERN OF SHAREHOLDING (ADDITIONAL INFORMATION)	54
CDC PATTERN OF SHAREHOLDING	55
FORM OF PROXY	57



MISSION STATEMENT

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

VISION STATEMENT

Allawasaya Textile and Finishing Mills Limited 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
Mrs. Nusrat Jamil	– Director
Mian Anis Ahmad Sheikh	– Director
Mian Sarfraz Ahmad Sheikh	– Director
Mian Tauqir Ahmad Sheikh	– Director
Mian Muhammad Bilal Ahmad Sheikh	– Director
Mian Muhammad Alamgir Jamil Khan	– Director

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Muhammad Ismail

COMPANY SECRETARY

Muhammad Ismail

AUDITORS

M. Yousuf Adil Saleem & Co;
Chartered Accountants, 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 52nd Annual General Meeting of the Company will be held at 4:00 P.M. on Saturday the 31st day of October 2009 at its registered office, Vehari Road, Multan to transact the following business:

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on Wednesday the 29th April 2009.
2. To receive, consider and approve the Directors' Report, Auditors' Report and Audited Accounts of the Company for the year ended June 30, 2009.
3. To appoint auditors for the year 2009-2010 till next Annual General Meeting of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

(MUHAMMAD ISMAIL)
COMPANY SECRETARY

Multan
Dated: 01.10.2009

NOTES:

1. The Share transfer Books of the Company will remain closed from 24.10.2009 to 31.10.2009 (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 23.10.2009 will be treated in time.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote instead of him / her. A proxy must be a member. Proxies in order to be valid must be received at the Registered Office of the Company not less than 48 hours before the time of meeting.
4. Any individual beneficial owners of CDC, entitled to attend and vote at this meeting must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.
5. Members are requested to communicate to the Company immediately, any change in their addresses.
6. Members who have not yet submitted attested photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest.



DIRECTORS' REPORT

In the name of Allah the Most Beneficent & the Merciful

Dear Shareholders,

Your Directors present before you their 52nd Annual Report on the affairs of your Company along with the Audited Accounts for the financial year ended on June 30, 2009.

PERFORMANCE

The year under report was a difficult year for the Textile Industry in the country. The Industry was confronted with multiple problems due to energy crisis, high financial cost, short cotton crop, increase in salaries & wages and above all the international economic melt down. All these factors adversely hampered the performance of Textile Industry and your Company was also one of its victims.

During the year under report your Company continued the production of Polyester-Cotton blended Yarn. The total production was affected by the cut in supply of gas to the Company's Captive Power Plant during winter season when we had to resort to WAPDA supply where too load shedding was effected. The total sales for the year amounted to Rs. 1,067,019,585 (7,430,149.44 Kgs) as compared to Rs. 865,664,977 (6,559,781.76 Kgs) last year, thus giving a net increase of 23.26% over last year. The gross profit was Rs. 53,478,983 as compared to Rs. 17,469,324 last year. However the Net Loss after providing for Tax amounted to Rs. 25,938,569 for the year. The main reasons for the loss were the high production cost as well as high finance cost. The high production cost is due to increase in rate of raw material i.e. Cotton and Polyester as compared to the previous year. The sharp increase in Finance Cost was mainly due to increase in markup rates and the quantum of borrowing. The average Markup rates were in the range of 12.87% to 18% during the year under report as compared to 10.01% to 14.11% during last year. The quantum of borrowing increased due to higher raw material costs. The cost of other inputs also increased including Salary, Wages & Benefits of Production Staff, Insurance Cost, Salary, Wages & Benefits of Administrative Staff as compared to the last year. All the above mentioned factors adversely affected the financial results of your Company.

The financial results for the year ended 30.06.2009 along with the comparative figures of the last year are summarized under respective head of accounts below:



ACCOUNTS

	For the year ended on 30.06.2009 Rupees	For the year ended on 30.06.2008 Rupees
Sales	1,067,019,585	865,664,977
Cost of goods sold	(1,013,540,602)	(848,195,653)
Gross Profit	53,478,983	17,469,324
Other Operating Income	321,707	498,605
	53,800,690	17,967,929
Distribution cost-commission	(2,280,297)	(2,787,132)
Administrative Expenses	(22,135,445)	(20,018,623)
Other Operating Expenses	–	(8,402)
Finance Cost	(68,777,895)	(26,199,169)
	(93,193,637)	(49,013,326)
Loss before Taxation	(39,392,947)	(31,045,397)
Provision for Taxation	13,454,378	5,576,513
Loss for the year	(25,938,569)	(25,468,884)
Earnings per share - Basic and diluted	(32.42)	(31.84)

CAPTIVE POWER PLANT OF THE COMPANY

Your Company installed its own power generation plant in May 2008 for uninterrupted power supply to both units of the Company in order to maintain quality and consistency. Three GE Jenbacher Model JGS 420 gas generators are in operation generating approximately 3.3 MW. During the period from 1st July 2008 to 30th June 2009, Power Plant remained non-operational due to forced gas shut down for 65 days by SNGPL in the winter season from November 2008 to February 2009. During this time Mills was runned on WAPDA supply which was also non-consistent and due to frequent breakdowns in WAPDA supply, production and quality of yarn suffered.

FUTURE OUTLOOK AND EXPANSION PLANS

The Company is engaged in continuous process of BMR of its Mills. The Company plans to replace the old Rieter Ring Spinning Frames for which appropriate arrangements are being made. Your Directors believe that with this replacement of Reiter Ring Spinning Frames the production will increase leading to better viability of your Mills.

DIVIDEND

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

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

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



COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

PRESENTATION OF FINANCIAL STATEMENTS:

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

BOOKS OF ACCOUNTS:

The Company has maintained proper books of accounts;

ACCOUNTING POLICIES:

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

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS);

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

INTERNAL CONTROL SYSTEM:

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

ON GOING CONCERN:

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

NO OUTSTANDING STATUTORY DUES:

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

FINANCIAL HIGHLIGHTS:

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



BOARD MEETINGS

During the year ended 30.06.2009 five (5) 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	5
Mian Tanvir Ahmad Sheikh	5
Mrs. Nusrat Jamil	5
Mian Anis Ahmad Sheikh	5
Mian Sarfraz Ahmad Sheikh	5
Mian Tauqir Ahmad Sheikh	5
Mian Muhammad Bilal Ahmad Sheikh	3
Mian Muhammad Alamgir Jamil Khan	5

AUDITORS

Your Company's Auditors M/s M. Yousuf Adil Saleem & Co., 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 30.06.2009 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: 01.10.2009



STATEMENT OF ETHICS AND BUSINESS PRACTICES

Introduction:

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

Code of Conduct:

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

Employees:

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

Community:

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

Quality Assurance:

Allawasaya Textile & Finishing Mills Ltd., produces good quality "Gumbad" brand (Yarn, 10 Count to 31 Count) which conforms to the high standards and quality. Our product is backed up with over 45 years of yarn manufacturing experience and continuous process of BMR.

Financial Reporting:

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

Conclusion:

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



SIX YEARS KEY OPERATING AND FINANCIAL DATA

	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	September 30, 2004
BALANCE SHEET						
Authorized Capital	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Issued, Subscribed & Paid up Capital	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Reserves	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746	82,668,746
Unappropriated Profit/ (Loss)	(16,022,861)	6,791,445	33,260,329	34,135,379	26,197,521	14,914,256
Total Equity	74,645,885	97,460,191	123,929,075	124,804,125	116,866,267	105,583,002
Surplus on Revaluation of property, plant & equipment	48,348,422	—	—	—	—	—
Long Term Liabilities	89,584,948	72,957,240	—	—	—	—
Deferred Liabilities	17,672,766	11,472,700	21,786,615	20,630,378	20,399,199	17,087,138
Short Term Liabilities	340,284,335	370,870,659	130,432,926	167,077,265	85,549,558	85,865,488
Total Liabilities	447,542,049	455,300,599	152,219,541	187,707,643	105,948,757	102,952,626
Total Equity & Liabilities	570,536,356	552,760,790	276,148,616	312,511,768	222,815,024	208,535,628
Fixed Assets	264,021,156	208,983,329	98,825,055	102,771,109	99,336,083	85,812,197
Long Term Deposits	4,323,785	4,294,789	4,285,993	3,766,897	3,558,268	3,558,616
Current Assets	302,191,415	339,482,672	173,037,568	205,973,762	119,920,673	119,164,815
Total Assets	570,536,356	552,760,790	276,148,616	312,511,768	222,815,024	208,535,628
PROFIT & LOSS ACCOUNT						
Turnover	1,067,019,585	865,664,977	827,379,882	787,883,859	601,850,342	749,380,271
Gross Profit	53,478,983	17,469,324	37,972,195	39,615,900	40,910,986	41,126,465
(Loss)/Profit before Taxation	(39,392,947)	(31,045,397)	6,427,864	7,462,141	22,649,265	26,756,103
(Loss)/Profit after Taxation	(25,938,569)	(25,468,884)	2,124,950	9,337,858	12,283,265	17,807,262
DISTRIBUTION						
Cash Dividend %	—	—	12.50	37.50	17.50	12.50
RATIOS						
Break up value per share (Rs.)	93.31	121.83	154.91	156.00	146.08	131.98
Earning/(Loss) per share (Rs)	(32.42)	(31.84)	2.66	11.67	15.35	22.26
Current Ratio	0.89:1	0.92:1	1.33	1.23	1.40	1.39
Debt/equity ratio	47:53	43:57	0:100	0:100	0:100	0.45:99.55
CAPACITY & PRODUCTION						
No. of Spindles Installed	28,828	28,672	28,672	28,672	28,672	28,192
Capacity of Yarn at 20's Count (Kgs)	13,543,818	12,990,815	13,553,818	14,557,544	8,456,567	11,667,215
Actual Production of Yarn at 20's Count (Kgs)	11,030,315	10,777,391	11,077,370	11,067,971	8,291,148	10,656,712



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Board of Directors of Allawasaya Textile & Finishing Mills Limited feels pleasure in stating that the Company has complied with the provisions of the Code of Corporate Governance as contained in the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges relevant for the year ended June 30, 2009.

For and on behalf of Board

Multan:
01.10.2009

Mian Muhammad Jamil
Chairman

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 to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Clause 40 (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations No. 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party 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, 2009

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS
KARACHI
Dated: 01.10.2009



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLAWASAYA TEXTILE & FINISHING MILLS LIMITED (the Company) as at June 30, 2009 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;
 - (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, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

M. YOUSUF ADILSALEEM & CO.,
CHARTERED ACCOUNTANTS

Engagement Partner:
Nadeem Yousuf Adil
Karachi
Dated: 01.10.2009



BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	3	264,021,156	208,751,329
Long-term investments	4	2,255,548	2,256,452
Long-term deposits		2,068,237	2,038,337
		<u>268,344,941</u>	<u>213,046,118</u>
CURRENT ASSETS			
Stores, spares and loose tools	5	9,308,444	7,388,926
Stock-in-trade	6	184,210,000	255,454,000
Trade debts	7	93,900,329	49,502,808
Loans and advances	8	2,430,099	18,296,001
Trade deposits and short-term prepayments	9	265,934	328,271
Other receivables	10	86,130	55,282
Sales tax refundable		8,114,228	5,629,140
Current portion of long term investments	4	904	904
Cash and bank balances	11	3,875,347	3,059,340
		<u>302,191,415</u>	<u>339,714,672</u>
		<u>570,536,356</u>	<u>552,760,790</u>
SHARE CAPITAL AND RESERVES			
Authorised capital			
1,000,000 (2008: 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
Accumulated profits		(16,022,861)	6,791,445
		<u>74,645,885</u>	<u>97,460,191</u>
SURPLUS ON REVALUATION OF PROPERTY PLANT & EQUIPMENT			
	14	48,348,422	-
NON-CURRENT LIABILITIES			
Long-term financing	15	89,584,948	72,957,240
Deferred liabilities	16	17,672,766	11,472,700
		<u>107,257,714</u>	<u>84,429,940</u>
CURRENT LIABILITIES			
Trade and other payables	17	33,661,188	28,061,330
Mark-up accrued on loans	18	17,608,532	9,075,069
Short-term borrowings	19	268,913,904	329,406,260
Current portion of long term financing	15	20,100,711	-
Provision for taxation	20	-	4,328,000
		<u>340,284,335</u>	<u>370,870,659</u>
CONTINGENCIES AND COMMITMENTS			
	21	-	-
		<u>570,536,356</u>	<u>552,760,790</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, 2009

	Note	2009 Rupees	2008 Rupees
Sales	22	1,067,019,585	865,664,977
Cost of goods sold	23	(1,013,540,602)	(848,195,653)
Gross profit		53,478,983	17,469,324
Other operating income	24	321,707	498,605
		53,800,690	17,967,929
Distribution cost - commission		(2,280,297)	(2,787,132)
Administrative expenses	25	(22,135,445)	(20,018,623)
Other operating expenses	26	—	(8,402)
Finance cost	27	(68,777,895)	(26,199,169)
		(93,193,637)	(49,013,326)
Loss before taxation		(39,392,947)	(31,045,397)
Provision for taxation	28	13,454,378	5,576,513
Loss for the year		(25,938,569)	(25,468,884)
Earnings per share - Basic and diluted	29	(32.42)	(31.84)

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, 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	30	98,715,730	(168,393,354)
Income taxes paid		(1,621,826)	(4,259,433)
Staff retirement benefits paid		(9,564,600)	(5,149,350)
Finance cost paid		(60,244,364)	(18,663,631)
Workers' Profit Participation Fund paid		(1,472)	(969,268)
Workers' Welfare Fund paid		–	(131,274)
Net cash from / (used in) operating activities		27,283,468	(197,566,310)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,875,450)	(122,256,823)
Proceeds from disposal of property, plant and equipment		–	646,500
Redemption of long-term investments		904	904
Profit on long-term investments		245,860	237,729
Long term deposits		(29,900)	(9,700)
Net cash used in investing activities		(2,658,586)	(121,381,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		36,728,419	72,957,240
Short term borrowings - net		(60,492,356)	242,812,267
Dividend paid		(44,938)	(977,061)
Net cash (used in)/ from financing activities		(23,808,875)	314,792,446
Net increase / (decrease) in cash and cash equivalents		816,007	(4,155,254)
Cash and cash equivalents as at July 1		3,059,340	7,214,594
Cash and cash equivalents at June 30		3,875,347	3,059,340

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

Share Capital	Reserves			Total	
	Capital	Revenue			
	Other reserve	General reserve	Accumulated profits		
..... R u p e e s					
Balance as at June 30, 2007	8,000,000	2,668,746	80,000,000	33,260,329	123,929,075
Dividend for the year ended June 30, 2007 @ Rs. 1.25 per share	-	-	-	(1,000,000)	(1,000,000)
Loss for the year	-	-	-	(25,468,884)	(25,468,884)
Balance as at June 30, 2008	8,000,000	2,668,746	80,000,000	6,791,445	97,460,191
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)
Balance as at June 30, 2009	8,000,000	2,668,746	80,000,000	(16,022,861)	74,645,885

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, 2009

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 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 Companies Ordinance, 1984 shall prevail.

Adoption of new International Financial Reporting Standards and IFRS interpretations

In the current year, the Company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2008. The adoption of these new Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas:

IFRS 7 - Financial Instruments: Disclosures

April 28, 2008

IFRS 7 requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously in IAS 32 - Financial Instruments : Presentation. The Company has adopted this standard from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the Company's financial statements.



IFRIC 14 - IAS 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

January 1, 2008

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company has not yet determined the potential effect of the interpretation.

New accounting standards and IFRS interpretations that are not yet effective

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

IFRS 8 - Operating Segments

January 01, 2009

IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard will have no material impact on the financial statements in the year of application.

IFRIC 15 - Agreements for the Construction of Real Estate

January 01, 2009

IFRIC 15 will standardise accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete. It provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. Since the Company is not involved in Construction of Real Estate, the implementation of this interpretation is unlikely to affect its financial statements.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

October 01, 2008

IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. Since the Company has no investment in a foreign operation, the implementation of this interpretation is unlikely to affect its financial statements.

IFRIC 17 - Distributions of Non-cash Assets to Owners

July 01, 2009

This Interpretation deals with the situations when transfer of non-cash assets qualify for as dividends and the accounting treatment of distribution of such assets. This Interpretation is likely to affect the financial statements in case the entity decides to declare specie dividend to its shareholders.

IFRIC 18 - Transfer of Assets from Customers

July 01, 2009

IFRIC 18 is applied in situations where the customer transfers an item of property, plant and equipment or provides cash to acquire or construct such item and the entity must then use

the item either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The company does not have any such assets and therefore, the adoption of this interpretation is unlikely to affect its financial statements.

Interpretations to existing standards that are effective and not relevant for the Company's operations

IFRIC 12 - Service Concession Agreements

January 01, 2008

IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Since the company is not involved in public sector services, the implementation of this interpretation does not affect its financial statements.

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 Critical judgements 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 fixed 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.

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.

The principal accounting policies adopted are set out below:

2.4 *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 identified impairment in value, if any. Freehold land and capital work in progress are stated at cost. Cost included borrowing cost as referred to in note 2.17 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 on an annual basis.

Depreciation is charged to income applying reducing balance method to write-off the cost over the estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Rates of depreciation are stated in note 3.1. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Gain / loss on disposal of operating assets is taken to profit and loss account.

Normal repairs and maintenance are charged to income 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 recognised 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.

2.5 *Investments*

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity and the Company has positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value plus transaction cost and are



subsequently carried at amortised 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.

2.6 *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 *Stock-in-trade*

Basis of valuation is as follows:

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

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

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

2.8 *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.

2.9 *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.

2.10 Staff retirement benefits (defined benefit plan)

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

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

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

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

2.11 Trade and other payables

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

2.12 Taxation

Current

The charge for current tax is based on the taxable income for the year determined in accordance with the prevailing law of taxation of income. The charge for the current taxation is calculated using prevailing tax rates applicable to the profit for the year after taking into account available tax credits and brought forward losses, if any, or minimum tax on turnover, whichever is higher.

Deferred

Deferred income tax is accounted for using balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used. In 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 is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.13 *Dividend distribution*

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

2.14 *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 reorganisation 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 amortised 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, recognised 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 recognised in the income statement - is removed from equity and recognised 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 recognised directly in equity.

An impairment loss in respect of a financial asset measured at amortised 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.

2.15 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.

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

2.17 Borrowing costs

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



are charged to income in the period in which they are incurred.

2.18 *Provision*

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.19 *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.

2.20 *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.

2.21 *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	2009 Rupees	2008 Rupees
Operating assets	3.1	264,021,156	198,571,314
Capital work in progress	3.5	–	10,180,015
		<u>264,021,156</u>	<u>208,751,329</u>

3.1 Operating assets

Particulars	C O S T					
	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
	<u>407,773,963</u>	<u>2,075,450</u>	<u>10,980,015</u>	<u>79,188,746</u>	<u>–</u>	<u>500,018,174</u>



D E P R E C I A T I O N				Book 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	



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

3.2 Depreciation for the year has been allocated as under:

	Note	2009 Rupees	2008 Rupees
Cost of goods sold	23	25,338,488	10,031,881
Administrative expenses	25	1,455,881	1,640,319
		<u>26,794,369</u>	<u>11,672,200</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. Revaluation surplus has been credited to 'Surplus on revaluation of property, plant and equipment'.



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



3.4 Had there been no revaluation the related figures of power house would have been as follows:

	Note	Carrying amount	
		2009 Rupees	2008 Rupees
<i>Power House</i>			
Building on freehold land		6,530,219	7,255,799
Generators		77,244,932	85,827,702
Electric Installation		14,172,317	16,673,314
		<u>97,947,468</u>	<u>109,756,815</u>
3.5 <i>Capital work in progress</i>			
Plant & machinery		<u>–</u>	<u>10,180,015</u>

4. **LONG TERM INVESTMENTS**

Held-to-maturity

Term Finance Certificates of Bank Al-Habib Limited	4.1	2,256,452	2,257,356
Current portion shown in current assets		(904)	(904)
		<u>2,255,548</u>	<u>2,256,452</u>

4.1 The market value of Term Finance Certificates approximates its carrying amount. The market value of TFC as at June 30, 2009 was Rs. 2,263,625 (2008: Rs. 2,264,529).

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

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

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

Stores		4,252,523	4,046,433
Spares		5,174,841	3,461,413
Retired Machinery		13,888	13,888
		<u>9,441,252</u>	<u>7,521,734</u>
Provision for obsolete stores, spares and loose tools		(132,808)	(132,808)
		<u>9,308,444</u>	<u>7,388,926</u>

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



6. STOCK-IN-TRADE

	Note	2009 Rupees	2008 Rupees
Raw materials			
- Cotton		81,488,000	103,459,000
- Polyester		4,020,000	32,662,000
- Viscose		62,000	—
		85,570,000	136,121,000
Work in process		8,583,000	6,171,000
Finished goods			
- Yarn		89,146,000	112,637,000
- Waste		911,000	525,000
		90,057,000	113,162,000
		<u>184,210,000</u>	<u>255,454,000</u>

7. TRADE DEBTS

Local - unsecured			
Considered good		93,900,329	49,502,808
Considered doubtful		165,506	—
		94,065,835	49,502,808
Provision for doubtful debts		(165,506)	—
		<u>93,900,329</u>	<u>49,502,808</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. 43,400,029 (2008: Rs. 21,168,232) were neither past due nor impaired.
- 7.6 As at year end, trade receivables of Rs. 50,334,794 (2008: Rs. 28,334,576) 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	2009 Rupees	2008 Rupees
Less than three months		8,834,433	3,457,238
3 to 6 months		15,453,765	8,954,362
Over 6 months		26,046,596	15,922,976
		<u>50,334,794</u>	<u>28,334,576</u>
7.7	As at year end, trade receivables of Rs. 165,506 (2008: Rs. Nil) were impaired and provided for as per Company's policy. The amount of the provision was Rs. 165,506 (2008: Nil). The aging of these receivables is as follows:		
	3 to 6 months	–	–
	Over 6 months	165,506	–
		<u>165,506</u>	<u>–</u>
7.8	The carrying amounts of the Company's trade receivables are denominated in Pak Rupees.		
7.9	The movement in provision for impairment of trade receivables is as follows:		
	As at July 01,	–	–
	Provision during the year	165,506	–
	As at June 30,	<u>165,506</u>	<u>–</u>
8.	LOANS AND ADVANCES		
	<i>Considered good</i>		
	Due from associated undertakings	8.1 46,855	671,600
	Advances to employees	377,429	403,550
	Advance to suppliers	388,474	12,729,418
	Advance income tax	1,385,341	4,259,433
	Advance for land	232,000	232,000
		<u>2,430,099</u>	<u>18,296,001</u>
8.1	<i>Due from associated undertakings</i>		
	Maqbool Textile Mills Limited	46,855	30,975
	Allawasaya Spinning Mills (Private) Limited	–	640,625
		<u>46,855</u>	<u>671,600</u>
9.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Margin Deposit	5,000	5,000
	Prepayments	260,934	323,271
		<u>265,934</u>	<u>328,271</u>



10. OTHER RECEIVABLES

	Note	2009 Rupees	2008 Rupees
Profit on Term Finance Certificates		86,130	55,282

11. CASH AND BANK BALANCES

Cash in hand		332,434	18,637
Cash at banks in current accounts		3,542,913	3,040,703
		<u>3,875,347</u>	<u>3,059,340</u>

12. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009 No. of shares	2008 No. of shares		2009 Rupees	2008 Rupees
499,900	499,900	Ordinary shares of Rs. 10 each issued for cash	4,999,000	4,999,000
300,100	300,100	Ordinary shares of Rs. 10 each issued as bonus shares	3,001,000	3,001,000
<u>800,000</u>	<u>800,000</u>		<u>8,000,000</u>	<u>8,000,000</u>

12.1 There were no movements during the reporting year.

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

13. RESERVES

Capital				
Other reserve	13.1	2,668,746	2,668,746	
Revenue				
General reserve		80,000,000	80,000,000	
		<u>82,668,746</u>	<u>82,668,746</u>	

13.1 This represents tax holiday reserve.



14. SURPLUS ON REVALUATION OF PROPERTY,
PLANT & EQUIPMENT

	Note	2009 Rupees	2008 Rupees
Opening balance		—	—
Addition during the year	14.1	79,188,746	—
		<u>79,188,746</u>	—
Transferred to unappropriated profit on account of:			
- incremental depreciation		(3,124,263)	—
Related deferred tax liability		(1,682,295)	—
		<u>(4,806,558)</u>	—
Closing balance		74,382,188	—
<i>Related deferred tax liability</i>			
Opening balance		—	—
Deferred tax on revaluation surplus		(27,716,061)	—
Transferred to unappropriated profit on account of:			
- incremental depreciation		1,682,295	—
Closing balance		<u>(26,033,766)</u>	—
		<u>48,348,422</u>	—
14.1 Surplus on revaluation of fixed assets determined as on:		Rupees	
December 24, 2008		<u>79,188,746</u>	—

15. LONG TERM FINANCING
Secured - from banking company

Habib Bank Limited			
- Demand Finance (Limit 80 million)	15.1	72,957,240	72,957,240
United Bank Limited			
- Demand Finance (Limit 90 million)	15.2	36,728,419	—
		<u>109,685,659</u>	<u>72,957,240</u>
Current portion shown under current liabilities		20,100,711	—
		<u>89,584,948</u>	<u>72,957,240</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 18 months after the 1st disbursement (i.e. August 06, 2009). The loan is secured by bank specific charge on 3 generator sets of Rs. 120 million and personal guarantees of Directors.

15.2 The Company during the year has obtained this finance for expansion in the spinning unit of the Company. It is repayable within a period of 5 years including one years 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 + 1% 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:

Note	2009 Rupees	2008 Rupees
6 months or less:		
- long-term financings	109,685,659	72,957,240
- short-term financings	268,913,904	329,406,260
	<u>378,599,563</u>	<u>402,363,500</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 LIABILITIES

Staff retirement benefits - gratuity	16.1	–	7,893,700
Deferred taxation	16.2	17,672,766	3,579,000
		<u>17,672,766</u>	<u>11,472,700</u>



	Note	2009 Rupees	2008 Rupees
16.1	In current year the company has paid off its liability relating to gratuity		
	<i>Movement in the net liability recognized in the balance sheet is as follows:</i>		
	Net liability at the beginning of the year	7,893,700	7,368,615
	Expenses recognized	1,670,900	5,674,435
		<u>9,564,600</u>	<u>13,043,050</u>
	Contribution paid	(9,564,600)	(5,149,350)
		<u>–</u>	<u>7,893,700</u>
	<i>Amounts recognized in the Profit and Loss account is as follows:</i>		
	Current service cost	1,670,900	5,674,435
	Interest cost	–	–
		<u>1,670,900</u>	<u>5,674,435</u>
16.2	<i>Deferred taxation</i>		
	This comprises of the following:		
	Deferred tax liability on taxable temporary difference arising in respect of:		
	- Property, plant and equipment	34,648,000	35,166,000
	- Surplus on revaluation of property, plant and equipment	26,033,766	–
	Deferred tax asset on deductible temporary difference arising in respect of:		
	- Assessed taxable loss	(43,009,000)	(31,587,000)
		<u>17,672,766</u>	<u>3,579,000</u>



17. TRADE AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Creditors		9,683,491	14,493,635
Accrued liabilities		13,378,084	10,070,790
Advance payments		10,257,001	3,093,756
Unclaimed dividend		325,668	370,606
Tax deducted at source		16,876	27,071
Workers' profit participation fund	17.1	68	1,472
Other payable		–	4,000
		<u>33,661,188</u>	<u>28,061,330</u>

17.1 Workers' Profit Participation Fund

Opening balance		1,472	860,685
Interest on amounts utilized in Company's business	27	68	110,055
		<u>1,540</u>	<u>970,740</u>
Payments made to the trustees of the fund Deposited in the Government treasury		– 1,472	969,268 –
		<u>68</u>	<u>1,472</u>

18. MARK UP ACCRUED ON LOANS

Long-term financings		4,002,608	2,039,705
Short-term borrowings		13,605,924	7,035,364
		<u>17,608,532</u>	<u>9,075,069</u>



19. SHORT-TERM BORROWINGS

	Note	2009 Rupees	2008 Rupees
<i>Secured - under markup arrangements</i>			
Cash finance		126,580,002	159,990,552
Running Finance		142,333,902	169,415,708
		<u>268,913,904</u>	<u>329,406,260</u>

19.1 Short term borrowing facilities available from commercial banks under mark up arrangements aggregate to Rs. 595 million (2008: 645 million) of which facilities remained un-utilized at the year end amounted to Rs. 326 million (2008: Rs.200 million). These facilities carry mark up at the rates ranging from 12.87% to 18% per annum (2008: 10.01% to 14.11% per annum). Facilities available for opening letters of credit and guarantee aggregate to Rs. 135 million (2008: Rs. 40 million) of which facilities remained un-utilized at the year end amounted to Rs. 112 million (2008: Rs. 30 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, 2009.

20. PROVISION FOR TAXATION

Provision for taxation	20.1	4,495,917	9,399,487
Adjustment of advance tax against completed assessments		(4,495,917)	(5,071,487)
		<u>–</u>	<u>4,328,000</u>
20.1 Opening balance		4,328,000	4,137,000
Provision made during the year			
- Current	28	–	4,328,000
- Prior		167,917	934,487
		<u>167,917</u>	<u>5,262,487</u>
		<u>4,495,917</u>	<u>9,399,487</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 U/S 59 of Provincial Employees Social Security Ordinance 1965, regarding complaint U/S 57 of said ordinance in which the institution has demanded a sum of Rs. 1.5 million of social security contribution for period from January 2001 to June 2003. The Company is of the opinion that there is no change in the capacity of the mill and the number of employees has not increased, therefore the increase in social security contribution is not justifiable.

Commitments

21.3 Guarantees issued by a commercial bank on behalf of the company outstanding as at June 30, 2009 were for Rs. 18.244 million (2008: Rs. 10.270 million).

	Note	2009 Rupees	2008 Rupees
22. SALES - NET			
Local			
- Yarn		1,058,795,014	855,272,391
- Waste		8,224,571	10,392,586
		<u>1,067,019,585</u>	<u>865,664,977</u>



23. COST OF GOODS SOLD

	Note	2009 Rupees	2008 Rupees
Raw materials consumed	23.1	774,248,151	708,635,173
Salaries, wages and benefits	23.2	62,859,982	59,104,473
Stores and spares consumed		19,112,616	19,952,267
Packing materials consumed		13,590,298	10,934,846
Fuel and power		91,190,383	105,207,058
Repair and maintenance		2,604,066	1,214,647
Insurance		3,903,618	2,155,308
Depreciation	3.2	25,338,488	10,031,881
		<u>992,847,602</u>	<u>917,235,653</u>
Adjustment of work in process			
Opening stock		6,171,000	4,655,000
Closing stock		(8,583,000)	(6,171,000)
		<u>(2,412,000)</u>	<u>(1,516,000)</u>
Cost of goods manufactured		990,435,602	915,719,653
Adjustment of finished goods			
Opening stock		113,162,000	45,638,000
Closing stock	23.3	(90,057,000)	(113,162,000)
		<u>23,105,000</u>	<u>(67,524,000)</u>
		<u>1,013,540,602</u>	<u>848,195,653</u>

23.1 Raw materials consumed

Opening stock	136,121,000	45,350,000
Purchases (including direct expenses)	723,188,830	798,912,585
	<u>859,309,830</u>	<u>844,262,585</u>
Closing stock	85,570,000	136,121,000
	<u>773,739,830</u>	<u>708,141,585</u>
Cotton cess	508,321	493,588
	<u>774,248,151</u>	<u>708,635,173</u>

23.2 Salaries, wages and benefits include Rs. 1,613,600 (2008: Rs. 5,034,171) in respect of staff retirement benefits - gratuity.

23.3 It includes waste stock amounting to Rs. 911,000 (2008: Rs. 525,000).



24. OTHER OPERATING INCOME

	Note	2009 Rupees	2008 Rupees
<i>Income from financial assets</i>			
Profit on Term Finance Certificates		276,707	206,465
<i>Income from assets other than financial assets</i>			
Gain on sale of property, plant and equipment		–	220,151
Workers' Welfare Fund - Prior year		–	46,989
Other income		45,000	25,000
		<u>321,707</u>	<u>498,605</u>

25. ADMINISTRATIVE EXPENSES

Directors' remuneration and meeting fee		2,184,118	1,590,745
Salaries and benefits	25.1	8,059,808	7,850,891
Vehicles running and maintenance		3,946,303	3,192,855
Traveling and conveyance (including directors' traveling amounting to Rs. 238,600 (2008: Rs. 801,195))		263,376	823,886
Printing and stationery		431,164	343,697
Communication		1,424,057	1,381,646
Rent, rates and taxes		1,398,062	253,686
Electricity and gas		–	847,776
Repair and maintenance		1,224,147	971,030
Subscription		323,608	235,791
Advertisement		77,550	41,965
Entertainment		262,507	213,111
Donation	25.2	79,500	–
Depreciation	3.2	1,455,881	1,640,319
Auditors' remuneration	25.3	490,000	299,713
Legal and professional		309,320	294,240
Provision for doubtful trade debts		165,506	–
Others		40,538	37,272
		<u>22,135,445</u>	<u>20,018,623</u>

25.1 Salaries and benefits include Rs. 57,300 (2008: Rs. 640,264) in respect of staff retirement benefits - gratuity.

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



	Note	2009 Rupees	2008 Rupees
25.3	Auditors' remuneration		
	- Statutory audit fee	375,000	175,000
	- Half yearly review	40,000	40,000
	- Tax services	75,000	84,713
		<u>490,000</u>	<u>299,713</u>
26.	<i>OTHER OPERATING EXPENSES</i>		
	Balances written off	-	8,402
		<u>-</u>	<u>8,402</u>
27.	<i>FINANCE COST</i>		
	Mark up on		
	- Long term financing	15,557,611	680,601
	- Short term borrowings	50,705,472	24,221,747
	Bank and other charges	2,372,934	1,153,576
	Interest on Workers' Profit Participation Fund 17.1	68	110,055
	Bank guarantee commission	141,811	33,190
		<u>68,777,895</u>	<u>26,199,169</u>



28. PROVISION FOR TAXATION

	Note	2009 Rupees	2008 Rupees
Current			
- for the year		–	4,328,000
- prior year		167,917	934,487
		<u>167,917</u>	<u>5,262,487</u>
Deferred tax		(13,622,295)	(10,839,000)
		<u>(13,454,378)</u>	<u>(5,576,513)</u>

28.1 Relationship between tax expense and accounting profit

Accounting profit before tax	–	–
Tax rate %	35%	35%
Tax on accounting profit	–	–
Adjustments of prior years in respect of:		
- Current tax	167,917	934,487
- Deferred tax	(13,622,295)	(10,839,000)
Provision relating to section 113 of the Income Tax Ordinance 2001	–	4,328,000
Tax charge for the year	<u>(13,454,378)</u>	<u>(5,576,513)</u>

29. EARNINGS PER SHARE

Loss for the year	<u>(25,938,569)</u>	<u>(25,468,884)</u>
	No. of shares	
Weighted average number of ordinary shares	<u>800,000</u>	<u>800,000</u>
	Rupees	
Basic earnings per share	<u>(32.42)</u>	<u>(31.84)</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	2009 Rupees	2008 Rupees
Loss before taxation		(39,392,947)	(31,045,397)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		26,794,369	11,672,200
Gain on sale of property, plant and equipment		–	(220,151)
Provision for staff retirement benefits		1,670,900	5,674,435
Finance cost (excluding interest on Workers' Profit Participation Fund)		68,777,827	26,089,114
Profit on Term Finance Certificates		(276,707)	(206,465)
Balances written off		–	8,402
Workers' Profit Participation Fund (including interest)		68	110,055
Operating cash flows before movement in working capital		57,573,510	12,082,193
Decrease/ (Increase) in current assets			
Stores, spares and loose tools		(1,919,518)	2,455,778
Stock-in-trade		71,244,000	(159,836,000)
Trade debts		(44,397,521)	2,864,115
Loans and advances (excluding advance income tax)		12,991,810	(12,881,888)
Trade deposits and short-term prepayments		62,337	(106,188)
Sales tax refundable		(2,485,088)	(3,949,539)
Other receivables		–	1,644
(Decrease) / Increase in current liabilities			
Trade and other payables (excluding unclaimed dividend, Workers' Profit Participation Fund and Workers' Welfare Fund)		5,646,200	(9,023,469)
		41,142,220	(180,475,547)
Cash generated from / (used in) operations		98,715,730	(168,393,354)

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 recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 102,568,924 (2008: Rs. 57,321,673), the financial assets which are subject to credit risk amounted to Rs. 102,236,490 (2008: Rs. 57,303,036). 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.

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and advances) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. 18% of the Company's debt will mature in less than one year at June 30, 2009 (2008: 0%) based on the carrying value of borrowings reflected in the financial statements.



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	3 months - 1 years	1 -5 years	more than 5 years	Total
2009							
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

	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 years	1 -5 years	more than 5 years	Total
2008							
Long term loans	11.04% to 11.35%	–	–	–	65,661,516	7,295,724	72,957,240
Short-term borrowings	10.01% to 14.11	–	–	329,406,260	–	–	329,406,260
Trade and other payables		–	–	28,061,330	–	–	28,061,330
		–	–	357,467,590	65,661,516	7,295,724	430,424,830

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 optimising 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 loss for the year ended June 30, 2009 would increase/decrease by Rs. 3.786 million (2008 : Rs. 4.024 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 below:

	Loans and receivables	Held to maturity Rupees	Total June 30, 2009
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	2,430,099	–	2,430,099
Other receivables	86,130	–	86,130
Cash and bank balances	3,875,347	–	3,875,347



	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

	Loans and receivables	Held to maturity	Total June 30, 2008
	Rupees		
Assets as per balance sheet			
Long term investments	–	2,257,356	2,257,356
Deposits	2,043,337	–	2,043,337
Trade debts	49,502,808	–	49,502,808
Loans and advances	18,296,001	–	18,296,001
Other receivables	55,282	–	55,282
Cash and bank balances	3,059,340	–	3,059,340

	Financial Liabilities measured at amortized cost	Total June 30, 2008
	Rupees	
Liabilities as per balance sheet		
Long-term loans	72,957,240	72,957,240
Short-term borrowings	329,406,260	329,406,260
Trade and other payables	28,061,330	28,061,330
Interest and mark-up accrued on loans	9,075,069	9,075,069



32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Particulars	Chief Executive		Directors	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
 RUPEES			
Managerial remuneration	428,570	567,629	1,054,285	466,563
House rent	171,430	227,052	421,715	186,625
Utilities	–	28,383	265,288	188,533
Rupees	600,000	823,064	1,741,288	841,721
No. of persons	1	2	3	4

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 parties are as follows:

Relationship with the party	Nature of Transactions	2009 Rupees	2008 Rupees
Associated undertaking	Purchase of goods	–	2,838,514
	Sale of goods	181,125	916,905
	Purchase of operating assets	–	325,000
	Telephone charges	15,880	17,824

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 capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital and unappropriated profit. 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's overall strategy remains unchanged from 2008.

	2009	2008
35. PRODUCTION CAPACITY		
Number of spindles installed and worked	28,828	28,672
Number of shifts worked	1,013	1,031
Capacity of yarn at 20's count		
on the basis of utilization	- Kgs. 13,543,818	12,990,815
Production of yarn at 20's count	- Kgs. 11,030,315	10,777,391

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 October 1, 2009.

37. GENERAL

37.1 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, 2009

Number of Shareholders	Shareholders		Total Shares held
	From	To	
106	1	100	6,057
24	101	500	5,850
9	501	1,000	7,748
7	1,001	5,000	21,096
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
177			800,000

Categories of Shareholders	Number	Shares held	Percentage
Individuals	169	799,224	99.90
Joint Stock Company	2	150	0.02
Financial Institutions	4	200	0.03
Others	–	–	–
Corporate Law Authority	1	1	0.00
Deputy Administrator			
Abandoned Properties	1	425	0.05
	177	800,000	100



PATTERN OF SHAREHOLDING AS ON JUNE 30, 2009

ADDITIONAL INFORMATION

<i>Shareholders' Category</i>	<i>Number of Shareholders</i>	<i>Number of Shares Held</i>
Associated Companies, Undertaking & Related Parties		NIL
Central Depository Company of Pakistan Ltd.	22	3,999
NIT and ICP		
Investment Corporation of Pakistan	2	100
DIRECTORS		
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
CHIEF EXECUTIVE OFFICERS		
Mian Tanvir Ahmad Sheikh	1	20,070
Directors' / C.E.O's Spouses	15	264,095
Executives		NIL
Public Sector Companies and C.L.A.	1	1
Deputy Administrator Abandoned Properties	1	425
Shareholders holding 10% or more voting interest		NIL



**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
PATTERN OF HOLDING OF THE SHARES BY THE
SHAREHOLDERS AS ON JUNE 30, 2009**

Number of Shareholders	Shareholders		Total Shares held
	From	To	
17	1	100	949
3	101	500	600
1	501	1,000	950
1	1,001	5,000	1,500
<hr/> 22			<hr/> 3,999

Categories of Shareholders	Number	Shares held	Percentage
Financial Institutions	2	100	2.50
Individuals	18	3,749	93.75
Joint Stock Companies	2	150	3.75
	<hr/> 22	<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 2009

Signed by the said



IMPORTANT

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