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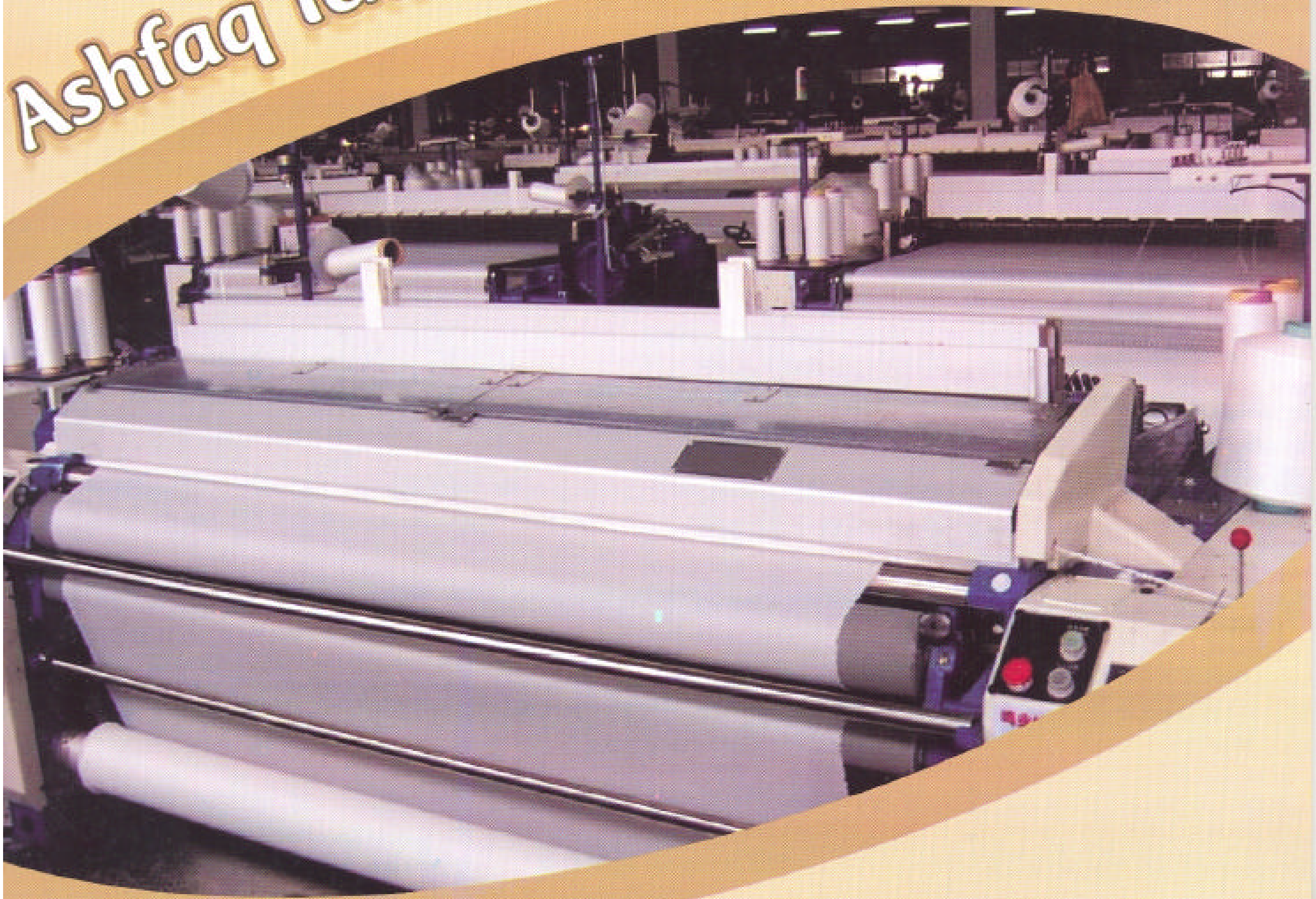
ISO-9002 CERTIFIED

established since 1988

Ashfaq Textile Mills Ltd.



21 ST ANNUAL REPORT 2009

بسم الله الرحمن الرحيم

شروع اللہ کے نام سے جو بڑا مہربان اور نہایت رحم والا ہے

COMPANY INFORMATION

CHAIRMAN / CHIEF EXECUTIVE	Mr. Ashfaq Ahmad
DIRECTORS	Mr. Nadeem Ashfaq Mr. Waseem Ashfaq Mr. Amjad Aslam Mrs. Shazia Amjad Mirza Muhammad Idrees Khwaja Muhammad Ilyas
COMPANY SECRETARY	Mr. Waseem Ashfaq
AUDIT COMMITTEE	Mr. Nadeem Ashfaq Mrs. Shazia Amjad Mirza Mohammad Idrees
CHIEF FINANCIAL OFFICER (CFO)	Mr. Mohammad Anwar Jawed
BANKERS	United Bank Ltd. Habib Bank Limited.
AUDITORS	M/s Avais Hyder Liaqat Nauman. Chartered Accountants
MAILING ADDRESS:	8-A/1, Officers Colony, Susan Road, Faisalabad.
REGISTERED OFFICE:	17 K.M. Main Faisalabad, Jaranwala Road, Faisalabad.
PHONES:	041 - 8740101-05
Fax	041 - 8740106
E - mail	info@ashfaqtextile.com
Web:	www.ashfaqtextile.com

ASHFAQ TEXTILE MILLS LIMITED.

NOTICE OF MEETING

21st Annual General Meeting of ASHFAQ TEXTILE MILLS LIMITED., will be held at the Registered Office of the Company, 17 K.M. Jaranwala Road, Faisalabad on Saturday 31st. October,. 2009 at 09.00 a.m. to transect the following business:-

1. To confirm minutes of the Annual General Meeting held on October 31, 2008.
2. To receive and adopt audited accounts of the company for the year ended on 30th June 2009. together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2010 and to fix their remuneration.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Ashfaq Ahmad
Chief Executive

Faisalabad: October 07, 2009.

NOTES:

1. The share transfer books of the Company will be closed from 22nd October, 2009 to 31st October, 2009 (both days inclusive).
2. Share transfer received at the Compnaies Registrars office, M/s Consulting One (Pvt) Ltd., 478-D, Peoples Colony No. 1, Faisalabad by the close of business on 22nd October 2009 will be treated in time.
3. A member entitled to attend and vote at the general meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Companies registered office not less than 48 hours before the time of meeting. Account and sub-account holders of the Central Depository System appointing proxies must attach attested copy of their National Identity Card (Card must be attested from the Bank Manager with their attorny #)alongwith I. D. No. and their CDC account Nos. with the proxy form.
4. Account and sub-account holders, holding book entry securities of the Company in CDS of Central Depository Company of Pakistan Ltd., Who wish to attend Annual General meeting are requested to please bring original National Identity Card.
5. In case of corporate entity, the Board of Directors resolution/power of attorny with specimen signature shall be submitted and affixed its common seal (unless it has been provided earlier) alongwith proxy form of the company.
6. Shareholders are requested to promptly notify the company of any change in their address.

BRIEF HISTORY OF THE COMPANY

Ashfaq Textile Mills Limited, was incorporated on January 14, 1988 as a Private Limited Company under the Company Ordinance, 1984 and subsequently converted into Public Limited Company. Its shares are quoted on Karachi Stock Exchange (Guarantee) Limited Karachi. The Company is ISO – 9002 certified. The Mills is located at 17–K.M. Jaranwala Road, Faisalabad. The Company engaged in the Manufacturing and Sales of Textile goods, Ashfaq Textile Mills Limited is a Weaving unit having 214 Sulzer Shttleless machines in production

At present the average production capacity of the plant is 26.000 Million Sq, Meters on 60 picks per annum three Shifts per day. The Company has produced 20.080 Million Sq. Meters on 60 picks in 325 days three shifts per day.

VISION

To play a meaningful role in the economy of Pakistan by accepting the challenge of barrier free trade as a dynamic force.

MISSION

To serve the customers by providing quality and high standard products and to expand the sales of the Company through quality control measures and good Governance. To serve hard of boosting Exports of the country to earn more foreign exchange for tremendous growth of the economy,

DIRECTORS' REPORT

We are pleased to present to our worthy share holders 21st annual report and audited accounts for the year ended June 30, 2009.

Highlights	2009 '000' Rs.	2008 '000' Rs.	Variance %
Sales	680,361	480,973	41.46
Gross Profit	95,311	74,746	27.51
Profit Before Tax	17,740	9,411	88.50
Profit After Tax	10,323	5,080	103.21
EPS	1.48	0.73	102.74

During the year under review your company earned a net profit of Rs.10.323 Million in comparison to Rs. 5.079 Million in the year ending June 30, 2008. This is a nice growth mainly contributed by devaluation of currency during the year.

Our sales this year are at Rs.680.360 Million, which were Rs.480.973 Million last year. There is also 41% growth, which is the result of good marketing by your sales team.

Although the results of your company this year are showing upward trend but the fact remains that main contributor in these healthy results is devaluation. Our input costs are on the rise making our costs of doing business go up very quickly. If our Government does not properly handle this continuous increase in the input costs we might face difficulty in being competitive in short and long-term future.

Due to increase in sales the working capital needs of the company increased and the company is facing working capital shortage therefore, the directors regret their inability to recommend payment of any dividend.

Marketing strategy and future prospects

World recession is not yet showing signs of recovery. United States and European countries are our main markets and that's where the recession has hit the hardest. On the other hand our input costs are being increased every day making us more and more uncompetitive. Your marketing and sales department is making utmost efforts to keep the cost down while being innovative in designs so that we are able to keep our sales at a consistent level and grow.

We appreciate the recent actions taken by the Government showing their intent to solve the problems being faced by the textile industry, however, a lot more needs to be done to make this industry competitive so that it can earn valuable foreign exchange for the country and bring more employment.

Corporate Governance

The statement of compliance with the best practice of Code of Corporate Governance is annexed.

Corporate and Financial Reporting Frame Work

In compliance of the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting frame work:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. Proper books of account of the company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and Prudent Judgment.

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

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

6. There are no significant doubts upon the company's ability to continue as a going concern.

7. There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations of the Karachi Stock Exchange.

8. The Board held four meetings during the year. Attendence by each director was as follows;

Sr.No.	Name of Director	No. of Meetings Attended
1	Mr. Ashfaq Ahmad	04
2	Mr. Nadeem Ashfaq	04
3	Mr. Waseem Ashfaq	03
4	Mr. Amjad Aslam	04
5	Mrs. Shazia Amjad	03
6	Mirza Muhammad Idrees	04
7	Khawaja Muhammad Ilyas	04

Leave of absence was granted to directors who could not attend one Board meeting.

9. Key operating and financial data for the last six years are annexed.

10. **Audit Committee**

The Board of Directors in compliance to the Code of Corporate Governance has established as Audit Committee and the following Directors are the members of the Audit Committee.

Mr. Nadeem Ashfaq (Chairman)
Mrs. Shazia Amjad (Member)
Mirza Muhammad Idrees (Member)

The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The meeting was also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

11. **Safety and Environments**

The Company strictly complies with the standards of the safety rules and regulations. It also follows environmental friendly polices.

12. **Trading in Company's Shares**

Directors, CEO, CFO Company Secretary and their spouses and minor children have made the following transaction of company shares.

	PURCHASE	SALE
Mrs. Mussarat Ashfaq	482,600	Nil
Mrs. Shazia Amjad	Nil	160,700
Mrs. Uzma Nadeem	148,600	Nil
Mrs. Memona Waseem	135,100	Nil

The Director, CEO, CFO and Executive do not hold any interest in the Company other than disclosed in the pattern of the shareholding.

13. **Auditors**

The present auditors M/S Avais Hyder Liaquat Nauman, Chartered Accountants are due to retire and being eligible offer themselves for re-appointment. The Audit Committee has recommended re-appointment of the same auditors.

14. **Pattern of Shareholding**

Pattern of share holding of the Company as on June 30, 2009 is annexed.

15. **Acknowledgement**

We also record our sincere thanks and appreciations to the management of our banks M/S United Bank Ltd, and Habib Bank Limited who always helped us when needed.

The Directors are pleased to again record their appreciation of the continued hard work and devotion of the staff and workers of the Company.

For and on behalf of Board of Director

FAISALABAD
DATE: October 07, 2009.

(ASHFAQ AHMAD)
Chairman/Chief Executive

FINANCIAL HIGHLIGHTS

		2009	2008	2007	2006	2005	2004
		(Rupees in Thousand)					
SALES	Rs.	680,360	480,973	599,481	867,193	766,202	450,964
GROSS PROFIT	Rs.	95,311	74,746	85,559	115,150	94,583	60,582
NET PROFIT AFTER TAX	Rs.	10,323	5,080	6,948	11,270	14,632	8,212
FIXED ASSTES	Rs.	332,143	342,052	347,095	307,600	278,646	165,054
LONG TERM LIABILITIES (FINANCIAL INSTITUTION)	Rs.	5,733	22,078	54,019	93,652	110,113	46,360
LONG TERM LIABILITIES (DIRECTORS)	Rs.	137,000	137,000	127,500	103,000	73,500	40,000
ACCUMULATED PROFIT / (LOSS)	Rs.	38,207	26,650	20,279	12,771	919	(14,319)
GROSS PROFIT RATIO	%	14.01	15.54	14.27	13.28	12.35	13.43
NET PROFIT RATIO	%	1.52	1.06	1.16	1.30	1.91	1.82
DEBT EQUITY RATIO	%	25:75	31:69	37:63	46:54	56:44	61:39
CURRENT RATIO	%	0.90	0.85	0.85	0.87	0.89	0.94
EARNING PER SHARE	%	1.48	0.73	0.99	1.61	2.09	1.17
DIVIDEND	Rs.	-	-	-	-	-	-

ASHFAQ TEXTILE MILLS LIMITED

PATERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2009

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM		TO	TOTAL SHARES HELD
120	1	-	100	11,402
698	101	-	500	311,198
44	501	-	1000	43,100
59	1001	-	5000	173,500
19	5001	-	10000	150,600
7	10001	-	15000	87,600
2	20001	-	25000	47,000
1	25001		30000	27,000
1	30001		35000	32,500
1	35001	-	40000	37,500
1	370001	-	375000	371,000
1	385001	-	390000	389,300
1	400001	-	405000	403,000
2	690001	-	695000	1,387,200
1	800001	-	805000	802,000
1	825001	-	830000	826,000
1	1895001	-	1900000	1,897,100
0	0	-	0	-
960				6,997,000

S.NO.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	953	6,975,100	99.69
2	COMPANIES	6	11,300	0.16
3	OTHERS	2	5,700	0.08
4	FINANCIAL INSTITUTIONS	1	4,900	0.07
		962	6,997,000	100.00

CATEGORIES OF SHARE HOLDING

AS AT JUNE 30, 2009

DIRECTORS AND THEIR SPOUSE:	SHARES HELD	%
Mr Ashfaq Ahmad	371,000	5.30
Mr Nadeem Ashfaq	826,000	11.81
Mr Waseem Ashfaq	826,000	11.81
Mr. Amjad Aslam	14,000	0.20
Mrs Shazia Amjad	389,300	5.56
Mirza Muhammad Idrees	1,000	0.01
Khawaja Muhammad Ilyas	1,000	0.01
Mrs. Musarat Ashfaq	1,897,100	27.11
Mrs Uzma Nadeem	693,600	9.91
Mrs Memona Waseem	693,600	9.91
SHAREHOLDERS HOLDING 10% OR MORE:		
Mrs Musarat Ashfaq	1,897,100	27.11
Mr Nadeem Ashfaq	826,000	11.81
Mr. Waseem Ashfaq	826,000	11.81
FINANCIAL INSTITUTIONS:		
IDBP (ICP UNIT)	4,900	0.07
JOINT STOCK COMPANIES:		
M R Securities (SMC-PVT) Ltd.	2,000	0.03
KAI Securities (Pvt) Ltd.	7,000	0.10
Elite Stock Service (Pvt) Ltd.	100	0.00
Durvesh Securities (Pvt) Ltd.	2,200	0.03
OTHERS:		
The Karachi Stock Exchange (G) Ltd.	5,500	0.08
Islamabad Stock Exchange (G) Ltd.	200	0.00
GENERAL PUBLIC:	1,262,500	18.04
TOTAL	**6,997,000**	**100**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange for the purpose of establishing a framework whereby a listed Company is managed in compliance with best practices for good Corporate Governance.

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

1. The Company encourages representations of independent non-executive Directors and Directors representing minority interest on its Board of directors. However, at present, the Board includes four executive and three non-executive Directors and no Director representing minority interest.

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 Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. During the year, no causal vacancy occurred in the Board of Directors.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

6. The Boards 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 of amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination and terms and conditions of employments of CEO and other executive directors have been taken by the Board.

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

9. No new orientation course has been arranged during the year. The Directors are aware of their duties and responsibilities under the relevant laws and regulations.

10. The appointment of Company Secretary, CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO has been approved by the Board.

11. The Directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.

12. All financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee, It comprises of three members of whom two are non-executive Directors including the Chairperson of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been found and communicated to the Committee for compliance.

17. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program 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 the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The Company has fully complied with the requirement of best practices on transfer pricing as contained in the Listing Regulation of the Stock Exchanges.

21. During the year, the Company has not carried out any transaction with the related parties.

22. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

(ASHFAQ AHMAD)
Chairman/Chief Executive

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 Ashfaq Textile Mills Limited to comply with the Listing Regulations of the Karachi Stock Exchange 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.

The Code of Corporate Governance requires Board of Directors to approve related party transactions bifurcating 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. In this connection we are only required and have ensured compliance of requirements to the extent of Board of Directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

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 effective for the year ended June 30, 2009.

---SD---

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: October 07, 2009.
Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ashfaq Textile Mills Limited 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 part thereof conform with approved accounting standards as applicable in Pakistan. and. give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, its 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.

---SD---
AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Syed Ali Adnan Tirmizey

Dated**: October 07, 2009.**
Place: Faisalabad

ASHFAQ TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL AND RESERVE			
Authorised capital			
8,000,000 ordinary shares of Rs.10/- each		80,000,000	80,000,000
Issued, subscribed and paid up capital			
6,997,000 ordinary shares of Rs.10/- each fully paid in cash		69,970,000	69,970,000
Unappropriated profit		38,207,093	26,649,587
		108,177,093	96,619,587
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	3	57,137,295	58,371,307
NON CURRENT LIABILITIES			
Long term financing			
Banking companies	4	-	-
Directors	5	137,000,000	137,000,000
Deferred liability			
Staff retirement gratuity	6	6,439,321	5,644,519
		143,439,321	142,644,519
CURRENT LIABILITIES			
Trade and other payables	7	21,077,013	58,367,175
Interest / mark up payable	8	2,111,602	4,149,506
Short term bank borrowings	9	201,562,600	210,180,535
Current portion of long term financing - banking companies	4	5,733,329	22,077,947
Provision for taxation - income tax		7,074,319	4,644,819
		237,558,863	299,419,982
CONTINGENCY	10	-	-
		546,312,572	597,055,395

	Note	2009 Rupees	2008 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	11	331,210,155	342,051,621
Long term deposits		933,312	924,312
		332,143,467	342,975,933
CURRENT ASSETS			
Stores, spares and loose tools	12	9,717,783	10,679,739
Stock in trade	13	141,034,558	156,566,696
Trade debts	14	42,006,207	72,627,253
Loans and advances	15	13,287,399	7,568,889
Prepayment		122,792	120,794
Other receivables	16	1,395,236	1,510,736
Tax refunds due from Government	17	3,142,653	2,269,901
Cash and bank balances	18	3,462,477	2,735,454
		214,169,105	254,079,462
		546,312,572	597,055,395

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
Sales	19	680,360,540	480,972,692
Cost of goods sold	20	585,049,147	406,226,806
Gross profit		95,311,393	74,745,886
Other operating income			
Balances written back		-	481,757
		95,311,393	75,227,643
Distribution cost	21	34,046,234	26,300,843
Administrative expenses	22	14,449,049	11,009,522
Other operating expenses	23	1,505,776	727,516
Finance cost	24	27,570,179	27,778,649
		77,571,238	65,816,530
Profit for the year before taxation		17,740,155	9,411,113
Provision for taxation	25	7,416,661	4,331,212
Profit for the year		10,323,494	5,079,901
Earnings per share - Basic	26	1.48	0.73

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	17,740,155	9,411,113
Adjustments for:		
Depreciation of property, plant and equipment	14,707,921	15,020,117
Provision for staff retirement gratuity	1,727,752	1,425,914
Loss on disposal of property, plant and equipment	-	255,553
Finance cost	22,787,011	23,450,962
Operating cash flows before working capital changes	56,962,839	49,563,659
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	961,956	3,192,090
Stock in trade	15,532,138	(17,996,275)
Trade debts	30,621,046	(15,766,605)
Loans and advances	(3,319,874)	7,949,023
Prepayment	(1,998)	136,239
Other receivables	115,500	(151,146)
Tax refunds due from Government	(1,047,072)	(179,044)
(Decrease) / increase in current liabilities		
Trade and other payables	(37,290,162)	19,815,571
Cash generated from operating activities	62,534,373	46,563,512
Finance cost paid	(24,824,915)	(23,370,275)
Income tax paid	(7,211,477)	(4,801,057)
Staff retirement gratuity paid	(932,950)	(901,613)
Net cash generated from operating activities	29,565,031	17,490,567
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(3,866,455)	(11,505,212)
Proceeds from disposal of property, plant and equipment	-	1,273,000
Long term deposits	(9,000)	(86,912)
Net cash used in investing activities	(3,875,455)	(10,319,124)

	2009 Rupees	2008 Rupees
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained from directors	-	13,000,000
Repayment of:		
Long term financing:		
Banking companies	(16,344,618)	(31,941,037)
Associated undertaking	-	(3,500,000)
Net (decrease) in short term bank borrowings	(8,617,935)	(3,426,684)
Net cash used in financing activities	(24,962,553)	(25,867,721)
Net increase / (decrease) in cash and cash equivalents (a+b+c)	727,023	(18,696,278)
Cash and cash equivalents at the beginning of the year	2,735,454	21,431,732
Cash and cash equivalents at the end of the year	3,462,477	2,735,454

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid up capital	Unappropriated profit	Total
	Rupees		
Balance as at July 01, 2007	69,970,000	20,278,760	90,248,760
Incremental depreciation on revalued assets for the year	-	1,290,926	1,290,926
Profit for the year	-	5,079,901	5,079,901
Balance as at June 30, 2008	69,970,000	26,649,587	96,619,587
Incremental depreciation on revalued assets for the year	-	1,234,012	1,234,012
Profit for the year	-	10,323,494	10,323,494
Balance as at June 30, 2009	69,970,000	38,207,093	108,177,093

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. GENERAL INFORMATION

1.1 Ashfaq Textile Mills Limited (the Company) is incorporated in Pakistan on January 14. 1988 as a private limited company under the Companies Ordinance, 1984 and subsequently converted into a public limited company. The Company is currently listed on Karachi stock exchange. The principal activity of the Company is manufacturing and sale of cloth. The registered office and mills of the Company is located at 17 K.M. Jaranwala Road, Faisalabad in the Province of Punjab.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

Standard becoming effective in current year

- IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements of IAS 32 – "Financial Instruments: Disclosure and Presentation".

The application of this standard does not have significant impact on the Company's financial statements other than certain additional disclosures.

Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2008 but are considered not to be relevant or have any significant effect on the Company's operations, therefore, not disclosed in the financial statements.

Standards, amendments to standards and interpretations as adopted in Pakistan that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2009.

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The application of the standard will only impact the presentation of financial statements.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

- Amendment to IFRS 7 – "Improving disclosures about Financial Instruments" (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

These standards, interpretations and the amendments will affect the presentation of and disclosures in the Company's financial statements as discussed in the relevant standards, interpretations and amendments.

There are other amendments to the standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not mentioned in these financial statements.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except:

- certain property, plant and equipment stated at revaluation.
- staff retirement benefits carried at present value.

The principal accounting policies adopted are set out below:

2.3 Staff retirement gratuity

The Company operates defined benefit plan - unfunded gratuity scheme for all its employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

The amount recognised in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

2.4 Trade and other payables

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

2.5 Provisions

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

2.6 Provision for taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits and tax rebates available under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax charged or credited in the income statement, except in case of items charged or credited to equity in which case it is included in equity.

2.7 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

2.8 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost/valuation less accumulated depreciation and impairment in value, if any. Freehold land is stated at valuation less accumulated impairment in value, If any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note.

Depreciation on additions during the year is charged from the month in which asset is acquired or capitalised, while no depreciation is charged for the month in which asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Repairs and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

2.9 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss account.

2.10 Borrowing costs

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

2.11 Stores, spares and loose tools

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

2.12 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Weighted average cost.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sales. Average manufacturing cost includes cost of direct material, labour and appropriate manufacturing overheads.

2.13 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.14 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, balances with banks, highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

2.15 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities. in that case the rates contracted for are used.

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

2.16 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments and derecognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.17 Offsetting of financial asset and financial liability

A financial asset and financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.18 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.

2.19 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.

Sales of goods are recognised when goods are delivered and title has passed.

Sizing and conversion income is recognised as the services are rendered.

2.20 Critical accounting estimates and judgments

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

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

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory, staff retirement gratuity and taxation. 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 adjustment to the carrying amounts of assets and liabilities in the next year.

	2009 Rupees	2008 Rupees
3. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Opening balance	58,371,307	59,662,233
Incremental depreciation on revalued assets for the year	(1,234,012)	(1,290,926)
	57,137,295	58,371,307

3.1 The revaluation of land on market value and building on freehold land and plant and machinery on depreciated replacement values was carried out by independent valuers "M/S Nizami Associates" and "M/S Empire Enterprises Pakistan" as at June 24, 1999 and June 30, 2007 respectively.

	Note	2009 Rupees	2008 Rupees
4. Long term financing- banking companies			
Secured			
Term finance - I		-	2,625,000
Term finance - II	4.1	5,733,329	11,466,667
Term finance - III		-	2,255,080
Demand finance - II		-	5,731,200
		5,733,329	22,077,947
Less: current portion		5,733,329	22,077,947
		-	-

4.1 It has been converted into term finance under the State Bank of Pakistan scheme for export oriented projects. It is secured against first charge over fixed assets of the Company. It is further secured against equitable mortgage of personal properties and personal guarantee of directors of the Company. It was repayable in 15 equal quarterly installments commenced from November 04, 2005 and ending on June 30, 2009. The repayment of outstanding balance has been deferred for one year from the original due dates of repayment by State Bank of Pakistan. The outstanding balance is payable in 2 quarterly instalments on March 31, 2010 and June 30, 2010. It is subject to mark up at SBP rate plus 1% per annum.

Effective mark up rate is 6% per annum (2008: 6% per annum).

	Note	2009 Rupees	2008 Rupees
5. Long term financing- directors			
Unsecured	5.1	137,000,000	137,000,000

5.1 These are interest free. Loan of Rs. 80 million is subordinated to term finance II. Terms of repayment have not been decided so far. However it is confirmed by the lenders that they will not demand repayment within next twelve months from the balance sheet date.

6. Staff retirement gratuity

6.1 General description

The scheme provides terminal benefits for all employees of the Company who attained the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation, carried out as on June 30, 2008 using Projected Unit Credit Method.

	Note	2009 Rupees	2008 Rupees
6.2 The amount recognised in the balance sheet is as follows :			
Present value of defined benefit obligation		6,074,926	5,280,124
Cumulative net unrecognised actuarial gain		364,395	364,395
		6,439,321	5,644,519
6.3 Movement in net liability recognised			
Opening balance		5,644,519	5,120,218
Expenses recognised in profit and loss account	6.4	1,727,752	1,425,914
Paid during the year		(932,950)	(901,613)
		6,439,321	5,644,519
6.4 Expenses recognised in profit and loss account			
Current service cost		1,088,735	908,934
Interest cost		639,017	516,980
		1,727,752	1,425,914

6.5 Principal actuarial assumptions	2009	2008
Discount factor used	12% Per annum	12% Per annum
Expected rate of increase in salaries	11% Per annum	11% Per annum
Expected average remaining working lives of participating employees	9 years	9 years

6.6 Trend information

	2009	2008	2007	2006	2005
	Rupees				
Present value of defined benefit obligation	6,074,926	5,280,124	5,190,478	4,627,896	3,418,198
Experience adjustment on obligation		434,655	(11,565)	(14,318)	

	Note	2009 Rupees	2008 Rupees
7. Trade and other payables			
Creditors		15,832,209	51,809,212
Advance from customers		329,927	1,164,654
Accrued liabilities		3,074,117	4,671,111
Workers' profit participation fund	7.1	934,934	471,963
Workers' welfare fund		570,842	-
Other		334,984	250,235
		21,077,013	58,367,175
7.1 Workers' profit participation fund			
Opening balance		471,963	758,643
Interest on funds utilised in the Company's business		23,598	37,932
		495,561	796,575
Amount paid to workers on behalf of the fund		495,561	796,575
		-	-
Allocation for the year		934,934	471,963
		934,934	471,963
8. Interest / mark up payable			
Interest/mark up on secured			
Long term financing- banking companies		136,525	-
Short term bank borrowings		1,975,077	4,149,506
		2,111,602	4,149,506
9. Short term bank borrowings			
Secured			
Under mark up arrangements			
From banking companies			
In local currency	9.2	120,100,000	183,794,000
In foreign currency	9.2	81,462,600	26,386,535
		201,562,600	210,180,535

9.1 The aggregate unavailed short-term borrowing facilities available to the Company are Rs.48.88 million (2008: Rs. 14.82 million).

9.2 Short term borrowings are secured against lien on export documents and first charge over current assets of the Company. These are further secured against ranking charge over current assets of the Company and by personal guarantee of directors of the Company. These are subject to mark up at three months KIBOR and six months LIBOR plus 1.75% per annum.

Effective mark up rate ranges from 4.46% to 17.02% per annum (2008: 4.12% to 15.38% per annum).

	2009 Rupees	2008 Rupees
10. CONTINGENCY		
Claim of workers' welfare fund not acknowledged. The company claimed exemption from levy.		825,855

11. Property, plant and equipment

2009

Particulars	Cost/ Valuation at July 01, 2008	additions / (disposals)	at June 30, 2009	Depreciation accumulated at July 01, 2008	adjustment on disposal	for the year	accumulated at June 30, 2009	Written down value at June 30, 2009	Annual rate of depreciation %
Freehold land	30,500,000	-	30,500,000	-	-	-	-	30 500,000	-
Building on freehold land	66,130,983	-	66,130,983	1,603,178	-	1,613,195	3,216,373	62,914,610	2.5
Plant and machinery	238,778,800	3,202,636	241,981,436	11,837,690	-	11,411,419	23,249,109	218,732,327	5
Factory equipment	1,531,018	-	1,531,018	261,987	-	63,452	325,439	1,205,579	5
Office equipment	5,258,495	600,019	5,858,514	1,508,895	-	193,770	1,702,665	4,155,849	5
Furniture and fixture	2,627,675	-	2,627,675	943,368	-	84,215	1,027,583	1,600,092	5
Vehicles	17,872,704	63,800	17,936,504	4,510,774	-	1,340,978	5,851,752	12,084,752	10
Arms and ammunitions	34,100	-	34,100	16,262	-	892	17,154	16,946	5
	362,733,775	3,866,455	366,600,230	20,682,154	-	14,707,921	35,390,075	331,210,155	

2008

Particulars	Cost/ Valuation at July 01, 2007	additions / (disposals)	at June 30, 2008	Depreciation accumulated at July 01, 2007	adjustment on disposal	for the year	accumulated at June 30, 2008	Written down value at June 30, 2008	Annual rate of depreciation %
Freehold land	30,500,000	-	30,500,000	-	-	-	-	30,500,000	-
Building on freehold land	63,944,970	2,186,013	66,130,983	-	-	1,603,178	1,603,178	64,527,805	2.5
Plant and machinery	236,091,000	2,687,800	238,778,800	-	-	11,837,690	11,837,690	226,941,110	5
Factory equipment	1,531,018	-	1,531,018	195,196	-	66,791	261,987	1,269,031	5
Office equipment	5,244,120	14,375	5,258,495	1,311,863	-	197,032	1,508,895	3,749,600	5
Furniture and fixture	2,627,675	-	2,627,675	854,720	-	88,648	943,368	1,684,307	5
Vehicles	13,601,060	6,617,024 (2,345,380)	17,872,704	4,101,762	- (816,827)	1,225,839	4,510,774	13,361,930	10
Arms and ammunitions	34,100	-	34,100	15,323	-	939	16,262	17,838	5
	353,573,943	11,505,212 (2,345,380)	362,733,775	6,478,864	(816,827)	15,020,117	20,682,154	342,051,621	

11.1 Depreciation for the year has been allocated as under:

	2009 Rupees	2008 Rupees
Cost of goods sold	13,088,066	13,507,659
Administrative expenses	1,619,855	1,512,458
	14,707,921	15,020,117

11.1.1 Had there been no revaluation the carrying amount of freehold land building on freehold land and plant and machinery at June 30 2009 would have been as follows

	Carrying amount 2009 Rupees	Carrying amount 2008 Rupees
Freehold land	2,762,305	2,762,305
Building on freehold land	51,305,534	52,621,061
Plant and machinery	200,941,803	208,214,242
	255,009,642	263,597,608

	Note	2009 Rupees	2008 Rupees
12. Stores, spares and loose tools			
Stores		2,845,854	3,248,862
Spares		6,811,682	7,358,644
Loose tools		60,247	72,233
		9,717,783	10,679,739
13. Stock in trade			
Raw material		36,701,634	40,548,335
Work in process		38,585,603	31,289,446
Finished goods	13.2	65,747,321	84,728,915
		141,034,558	156,566,696

13.1 Stock in trade amounting to Rs. Nil (2008: Rs. 21.16 million) was pledged as security with the bank.

13.2 Stock in trade amounting to Rs. 5.59 million is at net realiseable value.

	2009 Rupees	2008 Rupees
14. Trade debts		
Considered good		
Foreign		
Secured	39,400,454	53,785,349
Local		
Secured	-	10,000,061
Unsecured	2,605,753	8,841,843
	2,605,753	18,841,904
	42,006,207	72,627,253
15. Loans and advances		
Considered good		
Loans		
Employees	2,637,833	1,565,150
Advances		
Suppliers	2,750,883	1,149,776
For expenses	687,206	41,122
Income tax	7,211,477	4,812,841
	13,287,399	7,568,889
16. Other receivables		
Considered good		
Export rebate	1,335,900	586,500
Research and development support receivable	-	794,200
Other	59,336	130,036
	1,395,236	1,510,736
17. Tax refunds due from Government		
Sales tax	2,934,313	1,887,241
Income tax	208,340	382,660
	3,142,653	2,269,901
18. Cash and bank balances		
Cash in hand	370,770	345,729
Cash at banks		
In current accounts	3,091,707	2,389,725
	3,462,477	2,735,454

	Note	2009 Rupees	2008 Rupees
19. Sales			
Cloth			
Export	19.1	646,976,683	465,059,869
Local	19.2	11,527,358	13,490,864
		658,504,041	478,550,733
Sizing and conversion income		23,834,824	5,726,371
		682,338,865	484,277,104
Add: Rebate		1,768,323	1,396,118
		684,107,188	485,673,222
Commission		3,746,648	4,700,530
		680,360,540	480,972,692

19.1 It includes exchange gain of Rs. 6,261,572 /- (2008 : Rs.3,970,707/-).

19.2 It represents sale of left over / waste material out of goods manufactured for export.

	Note	2009 Rupees	2008 Rupees
20. Cost of goods sold			
Cost of goods manufactured	20.1	566,067,553	408,430,475
Finished goods			
Opening stock		84,728,915	82,525,246
Closing stock		(65,747,321)	(84,728,915)
		18,981,594	(2,203,669)
		585,049,147	406,226,806

20.1 Cost of goods manufactured

	Note	2009 Rupees	2008 Rupees
Raw material consumed	20.1.1	441,367,419	312,416,654
Sizing cost		24,824,531	23,299,647
Stitching cost		6,719,497	5,576,859
Packing material		3,427,795	2,596,986
Salaries, wages and benefits		40,747,339	28,007,021
Retirement benefits		1,271,107	1,049,104
Fuel and power		26,337,706	16,906,036
Stores, spares and loose tools		11,839,495	7,369,550
Repairs and maintenance		2,216,154	541,017
Insurance		1,406,243	1,409,894
Research and development expenditure	20.1.2	118,358	1,558,513
Depreciation	11.1	13,088,066	13,507,659
		573,363,710	414,238,940
Work in process			
Opening stock		31,289,446	25,480,981
Closing stock		(38,585,603)	(31,289,446)
		(7,296,157)	(5,808,465)
		566,067,553	408,430,475

20.1.1 Raw material consumed

	2009 Rupees	2008 Rupees
Opening stock	40,548,335	30,564,194
Purchases including purchase expenses	437,520,718	322,400,795
	478,069,053	352,964,989
Closing stock	(36,701,634)	(40,548,335)
	441,367,419	312,416,654

	Note	2009 Rupees	2008 Rupees

20.1.2 Research and development expenditure

	Note	2009 Rupees	2008 Rupees
Research and development support			
- Received		1,214,151	4,642,209
- Receivable		-	794,200
		1,214,151	5,436,409
Less: to be utilised on receipt		-	(794,200)
		1,214,151	4,642,209
Available for utlisation			
Less: Utilisation			
Product development		1,332,509	403,867
Professional consultancy		-	190,000
Marketing research		-	949,471
Up-gradation of information technology		-	4,657,384
		1,332,509	6,200,722
Net expense for the year		118,358	1,558,513

21. Distribution cost

	Note	2009 Rupees	2008 Rupees
Ocean freight		27,338,398	21,052,779
Clearing and forwarding		6,688,836	5,207,564
Advertisement		19,000	40,500
		34,046,234	26,300,843

22. Administrative expenses

	Note	2009 Rupees	2008 Rupees
Directors' remuneration	27	2,280,000	2,280,000
Salaries and benefits		2,467,020	1,885,932
Staff retirement benefits		456,645	376,810
Electricity and gas		110,541	192,195
Insurance		492,963	408,426
Rent, rates and taxes		506,400	307,537
Vehicles running and maintenance		2,193,731	1,422,853
Travelling and conveyance		850,812	207,722
Postage, telephone and telex		1,426,621	1,247,883
Printing and stationery		671,014	318,147
Auditors' remuneration	22.1	285,000	190,000
Legal and professional		21,840	101,000
Fees and subscriptions		464,021	271,216
Entertainment		287,449	176,710
Newspaper and periodicals		8,205	2,880
Depreciation	11.1	1,619,855	1,512,458
Other		306,932	107,753
		14,449,049	11,009,522

22.1 Auditors' remuneration

	Note	2009 Rupees	2008 Rupees
Audit fee		225,000	130,000
Sundry services		60,000	60,000
		285,000	190,000

23. Other operating expenses

	Note	2009 Rupees	2008 Rupees
Workers' profit participation fund		934,934	471,963
Workers' welfare fund		570,842	-
Loss on disposal of property, plant and equipment		-	255,553
		1,505,776	727,516

	Note	2009 Rupees	2008 Rupees

24. Finance cost

	Note	2009 Rupees	2008 Rupees
Interest / mark up on :			
Long term financing- banking companies		1.084 317	3.027,829
Short term bank borrowings		19.200.106	18.764,985
Workers' profit participation fund		23,598	37,932
Bank charges and commission		2.478.990	1.620,216
Exchange loss		4.783,168	4,327,687
		27,570,179	27,778,649

25. Provision for taxation

	Note	2009 Rupees	2008 Rupees
Current			
For the year		7,074,319	4.644,819
Prior years		342.342	(313,607)
Deferred	25.1	-	-
		7.416,661	4,331,212

25.1 No provision for deferred taxation has been made as the income of the Company is chargeable to tax under final tax regime and hence no temporary difference has arisen.

25.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the Company falls under presumptive tax regime. The provision for current taxation is made under section 169 of the Income Tax Ordinance. 2001.

26. Earnings per share - Basic

		2009	2008
Profit for the year	(Rupees)	10,323,494	5,079,901
Weighted average number of ordinary shares outstanding during the year	(Number)	6.997,000	6,997,000
Earnings per share - Basic	(Rupees)	1.48	0.73

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

27. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

	Chief executive Officer		Directors		Total	
	2009	2008	2009	2008	2009	2008
Remuneration	440,000	440,000	1,080,000	1,080,000	1.520.000	1,520.000
House rent allowance	198,000	198,000	486,000	486,000	684.000	684,000
Conveyance allowance	22,000	22,000	54,000	54,000	76.000	76.000
Rupees	660,000	660,000	1,620,000	1,620,000	2,280.000	2.280,000
Number of persons	1	1	3	3	4	4

27.1 The chief executive officer and directors are entitled to reimbursement of telephone bills. The monetary value of these benefits is Rs. 274,579/- (2008: Rs. 130, 021/-).

28. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties, which comprise of associated undertakings, directors and key management personnel. Amounts due to related parties is shown in Note 5 to financial statements and remuneration to Chief Executive Officer and Directors is disclosed in Note 27. The Company has not carried out any other transaction with the related parties.

	2009	2008
29. PLANT CAPACITY AND ACTUAL PRODUCTION		
Weaving		
Number of looms installed	214	214
Number of looms worked	214	184
Standard cloth production (Sq. meters)	26,000,000	26,000,000
Actual production (Sq. meters)	20,079,992	15,475,483
Sizing		
Warping machines	2	2
Sizing machines	1	1
Standard production (Kgs.)	1,740,000	1,740,000
Actual production (Kgs.)	1,634,502	1,431,121

Reason for short fall:

The actual production is planned to meet the market demand.

It is difficult to determine precisely the production / rated capacity in textile weaving since it fluctuates widely depending on various factors such as speed, width and construction of cloth etc.

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

30.1 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and equity price risk). The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to the financial risk in respect of such instruments.

30.1.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 49.04 million (2008 : Rs. 77.85 million), the financial assets which are subject to credit risk amounted to Rs. 48.67 million (2008 : Rs. 77.51 million). The management monitors and limits Company's exposure of credit risk through monitoring and review of customers credit exposure and securing the receivables from customers by letter of credit in most of the cases. The Company is not exposed to significant concentration of credit risk.

The company is exposed to credit risk on deposits, trade debts, loans and advances and cash at banks. The credit risk exposure is limited in respect of trade debts and bank balances as the trade debts of Rs. 39.40 million (2008: Rs. 63.79 million) are secured under letters of credit and bank balances of Rs. 3.09 million (2008: Rs. 2.39 million) are placed with local banks having good credit rating.

30.1.2 Liquidity risk

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, maintaining adequate reserve borrowing facilities and forecasting cash flows to match the maturity dates of financial assets and financial liabilities. The company has unavailed borrowing facilities of Rs. 48.88 millior (Refer Note 9.1) as at June 30, 2009 to minimise the liquidity risk.

30.1.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange 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.

a) Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments The Company finances its operations with a view to maintain an appropriate mix between various sources of finance to minimise risk The effective interest rate for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements. The Company is exposed to interest rate risk on long term and short term borrowings from banks as disclosed below:

	2009				
	Exposed to interest rate risk	Not exposed to interest rate risk			
	Maturity upto one year	maturity upto one year	Maturity after one year but within five years	Sub total	2009 Total
	Rupees				
Financial assets:					
Deposits	-	-	933,312	933,312	933,312
Trade debts	-	42,006,207	-	42,006,207	42,006,207
Loans and advances	-	2,637,833	-	2,637,833	2,637,833
Cash and bank balances	-	3,462,477	-	3,462,477	3,462,477
Total	-	48,106,517	933,312	49,039,829	49,039,829
Financial liabilities:					
Long term financing					
Banking Companies	5,733,329	-	-	-	5,733,329
Directors	-	-	137,000,000	137,000,000	137,000,000
Trade and other payables	-	19,241,310	-	19,241,310	19,241,310
Interest / markup payable	-	2,111,602	-	2,111,602	2,111,602
Short term bank borrowings	201,562,600	-	-	-	201,562,600
	207,295,929	21,352,912	137,000,000	158,352,912	365,648,841
On balance sheet gap	(207,295,929)	26,753,605	(136,066,688)	(109,313,083)	(316,609,012)

	2008				
	Exposed to interest rate risk	Not exposed to interest rate risk			
	Maturity upto one year	maturity upto one year	Maturity after one year but within five years	Sub total	2008 Total
	Rupees				
Financial assets:					
Deposits	-	-	924,312	924,312	924,312
Trade debts	-	72,627,253	-	72,627,253	72,627,253
Loans and advances	-	1,565,150	-	1,565,150	1,565,150
Cash and bank balances	-	2,735,454	-	2,735,454	2,735,454
Total	-	76,927,857	924,312	77,852,169	77,852,169
Financial liabilities:					
Long term financing					
Banking Companies	22,077,947	-	-	-	22,077,947
Directors	-	-	137,000,000	137,000,000	137,000,000
Trade and other payables	-	56,730,558	-	56,730,558	56,730,558
Interest / markup payable	-	4,149,506	-	4,149,506	4,149,506
Short term bank borrowings	210,180,535	-	-	-	210,180,535
	232,258,482	60,880,064	137,000,000	197,880,064	430,138,546
On balance sheet gap	(232,258,482)	16,047,793	(136,075,688)	(120,027,895)	(352,286,377)

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

i) **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

ii) **Cash flow sensitivity analysis for variable rate instruments**

If the interest rate had increased / decreased by 1% at the reporting date with all other variables held constant, pretax profit and equity for the year would have been Rs. 2.844 million lower / higher.

b) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risk is covered through forward foreign exchange contracts whenever it is considered appropriate to hedge foreign currency exposure. The Company is exposed to foreign exchange risk on foreign trade debtors, foreign currency short term borrowings and sales denominated in foreign currency.

The Company primarily has foreign currency exposures in US Dollars (USD). At June 30, 2009, if the currency had weakened / strengthened by 5% against the US dollar with all other variables held constant, pre tax profit and equity for the year would have been Rs. 2 million higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade debts and foreign currency short term borrowings.

c) Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. At the balance sheet date, the Company is not exposed to such risk.

30.2 Fair values of financial instruments

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

30.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

31. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on **07 10 2009** by the Board of Directors of the Company.

32. GENERAL

32.1 RECLASSIFICATION

Short term bank borrowing in foreign currency of Rs. 26,386,535/- was not separately disclosed last year. This is separately disclosed to reflect more appropriate presentation.

32.2 Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PROXY FORM

The Corporate Secretary
ASHFAQ TEXTILE MILLS LTD.
8-A/1, Officer colony,
Susan Road,
Faisalabad

I/We ______________________________ of ______________________________ being member(s) of ASHFAQ TEXTLIE MILLS LIMITED., And holder of ______________ Ordinary Shares as per Share Register Folio #______________ (In case of Central DepositorySystem Account Holder A/C #______________ Participant I.D #______________) hereby appoint ______________ of ______________ who is member of the company as Register Folio # __________ or failing him/her ______________ of ______________ who is member of the company as per Register Folio # ______________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General meeting of the company to be held on Saturday October 31, 2009 at 09.00 a.m. at any adjournment thereof.

Signd this ______________ day of ______________ 2009.

Affix Rs.5/- Revenue Stamp

Signature

____
(Signature appended above should agree with the specimen signature registered with the Company

NOTES:

1. The proxy form, duly completed and signed, must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he / she himself / herself is a member of the Company, except that,a corporation may appoint any person as a prox who is not a member.

3. If a member appoints more than one proxy and more then one instruments of proxy are deposited by a member with the Company all such instruments of proxy shall be rendered invalid.

4. In case of proxy for an individual CDC shareholder, attested copies of NIC or the passport, account and participant's I. D. number of the beneficial owner alongwith the proxy is required to be furnished with the Proxy form.

3. In case of corporate entity the Board of. Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the company.