



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.
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.
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ASHFAQ TEXTILE MILLS LIMITED

NOTICE OF MEETING

23rd 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 Monday, 31st October, 2011 at 09:00 a.m. to transact the following business:-

Ordinary Business:

1. To confirm minutes of the Annual General Meeting held on October 31, 2010.
2. To receive and adopt audited accounts of the company for the year ended on 30th June 2011 together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2012 and to fix their remuneration.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Faisalabad: October 04, 2011.

---SD---
Ashfaq Ahmad
Chief Executive

NOTES:

1. The share transfer books of the Company will be closed from 23rd October, 2011 to 31st October, 2011 (both days inclusive).
2. Share transfer received at the Companies Registrars office, M/s Consulting One (Pvt.) Ltd., 478-D Peoples Colony No. 1, Faisalabad by the closed of business on 23rd October 2011 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 attorney #) along with 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 is CDC 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 attorney with specimen signature shall be submitted and affixed its common seal (unless it has been provided earlier) along with 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 27.400 Million Sq, Meters on 60 picks per annum three Shifts per day. The Company has produced 25.972 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 23rd Annual Report and Audited Accounts for the year ended June 30, 2011.

Highlights	2011 '000' Rs.	2010 '000' Rs.	Variance %
Sales	1,036,471	883,856	17.27
Gross Profit	123,627	105,937	16.70
Profit Before Tax	40,689	21,286	91.15
Profit After Tax	29,730	12,752	133.14
EPS	4.25	1.82	133.52

During the current fiscal year your company has crossed a mile stone yet again by crossing the sales to a record 1 billion rupees. We feel really proud that under the extreme fluid market situation, your company's performance has been more than satisfactory.

Your Company earned in current financial year a net profit of Rs.29.730 Million in comparison to Rs. 12.752 Million in the year ending June 30, 2010. Once again your Company has shown a steady growth of 133.14% in comparison to last year.

A steady growth in Sales of the Company was recorded in 2011 which is Rs.1,036,471 Million which was Rs.883,856 Million in the year 2010. This is also a healthy growth of almost 17.27% in comparison to 2010.

After two years of extreme highs and lows, it seems that the cotton markets around the world and Pakistan would behave in a much stable manner, enabling all the stake holders to be able to predict future much better.

As it happened last year due to increase in raw material prices resulting in shrinkage of working capital and also increase in sales. Your Company is facing working capital shortage, therefore, the directors regret their inability to recommend payment of dividend this year.

Marketing strategy and future prospects

There are signs of recessionary market trends in United States and Europe which has slowed down the demand of woven fabrics in these two huge importing regions which is making its impact on our sales. We are trying our best to sell our products, while tapping new customers and new market, however, the fact remains that a slow down in Europe and America is going to have adverse effects on the textile markets.

We hope that the Government makes good and timely decisions to facilitate all sectors of Pakistan's economy especially textiles to make us more cost effective and competitive in order for us to face the challenges of the shortage of commodities and high input costs. However, it seems that Government is constantly increasing our

Corporate Social Responsibility

Ashfaq Textile Mills Ltd., as before, contributed Rs. 650,000 to Liver Foundation Trust. This amount is going to be spent on needy patients for free of charges treatment of Hepitites C. We would certianly play our role as a responsible member of the society by helping the needy of this country.

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. Attendance 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	04
6	Mirza Muhammad Idrees	03
7	Khawaja Muhammad Ilyas	03

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 policies.

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	141,731	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, 2011 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

—SD—

(ASHFAQ AHMAD)
Chairman/Chief Executive

FAISALABAD
DATE: October 04, 2011.

FINANCIAL HIGHLIGHTS							
		2011	2010	2009	2008	2007	2006
(Rupees in Thousand)							
SALES	Rs.	1,036,471	883,856	680,360	480,973	599,481	867,193
GROSS PROFIT	Rs.	123,627	106,256	95,311	74,746	85,559	115,150
NET PROFIT AFTER TAX	Rs.	29,730	12,751	10,323	5,080	6,948	11,270
FIXED ASSTES	Rs.	431,288	421,332	332,143	342,052	347,095	307,600
LONG TERM LIABILITIES (FINANCIAL INSTITUTION)	Rs.	-	-	5,733	22,078	54,019	93,652
LONG TERM LIABILITIES (DIRECTORS)	Rs.	107,000	107,000	137,000	137,000	127,500	103,000
ACCUMULATED PROFIT / (LOSS)	Rs.	102,769	62,222	38,207	26,650	20,279	12,771
GROSS PROFIT RATIO	%	11.93	11.99	14.01	15.54	14.27	13.28
NET PROFIT RATIO	%	2.87	1.44	1.52	1.06	1.16	1.30
DEBT EQUITY RATIO	%	10.90	11.89	25.75	31.69	37.63	46.54
CURRENT RATIO	%	0.95	0.85	0.90	0.85	0.85	0.87
EARNING PER SHARE	%	4.25	1.82	1.48	0.73	0.99	1.61
DIVIDEND	Rs.	-	-	-	-	-	-

ASHFAQ TEXTILE MILLS LIMITED

PATERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2011

NUMBER OF SHAREHOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
116	1	-	100	10,720
676	101	-	500	301,631
40	501	-	1000	39,100
49	1001	-	5000	144,718
15	5001	-	10000	110,937
5	10001	-	15000	58,600
1	370001	-	375000	371,000
1	385001	-	390000	389,300
1	400001	-	405000	403,000
2	690001	-	695000	1,387,200
2	825001	-	830000	1,652,000
1	2125001	-	2130000	2,128,794
909				6,997,000

S.NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	904	6,977,400	99.72
2	COMPANIES	3	9,200	0.13
3	OTHERS	1	5,500	0.08
4	FINANCIAL INSTITUTIONS	1	4,900	0.07
		909	6,997,000	100.00

CATEGORIES OF SHARE HOLDING

AS AT JUNE 30, 2011

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	2,130,135	30.44
Mrs. Uzma Nadeem	693,600	9.91
Mrs. Memona Waseem	693,600	9.91
SHAREHOLDERS HOLDING 10% OR MORE:		
Mrs. Musarat Ashfaq	2,130,135	30.44
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
Axis Global Limited.	7,000	0.10
Darsons Securities (Pvt) Ltd.	200	0.00
OTHERS:		
The Karachi Stock Exchange (G) Ltd.	5,500	0.08
GENERAL PUBLIC:	1,031,765	14.75
TOTAL	<u><u>6,997,000</u></u>	<u><u>100</u></u>

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2011

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.
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 of remuneration 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 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. Compliance of clause (xiv) of the Code of Corporate of Governance relating to certification of directors under the Board development series will be achieved well in time. 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 term and conditions of employment, as recommended by the CEO has been approved by the Board.
11. The Directors' report for the 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 an Audit Committee, It comprises of one executive and two 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. During the year, the Company has not carried out any transaction with the related parties.
21. We confirm that all other material principles contained in the Code have been complied with.

—SD—

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 for the year ended June 30, 2011 prepared by the Board of Directors of Ashfaq Textile Mills Limited (the Company) to comply with the Listing Regulation No. 35 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.

Further, Sub- Regulation (xiii a) of Listing Regulations 35 of the Karachi Stock Exchange 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 transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party 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, 2011.

---Sd---

**AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS**

Date: October 04, 2011.
Place: Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ashfaq Textile Mills Limited as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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, 2011 and of the profit, its comprehensive income, 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 04, 2011.**
Place: Faisalabad

ASHFAQ TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees		Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVE				NON CURRENT ASSETS			
Authorised capital 8,000,000 ordinary shares of Rs. 10/- each		<u>80,000,000</u>	<u>80,000,000</u>	Property, plant and equipment	9	426,768,292	416,696,892
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	Long term security deposits	10	4,499,782	4,633,312
Unappropriated profit		162,768,658	62,221,947			431,268,074	421,332,204
		172,738,658	132,191,947				
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	3	128,632,006	139,448,616				
NON CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	4	107,000,000	107,000,000	Stores, spares and loose tools	11	15,545,442	15,375,956
Deferred liability				Stock in trade	12	133,778,689	85,946,281
Staff retirement gratuity	5	9,641,006	8,710,399	Trade debts	13	42,226,640	63,547,400
		116,641,006	115,710,399	Loans and advances	14	21,127,873	15,243,280
				Deposit and prepayments	15	263,865	152,891
CURRENT LIABILITIES						6,614,311	9,660,370
Trade and other payables	6	42,859,070	43,437,777	Tax refunds due from Government	17	5,260,241	5,916,385
Interest / mark up payable on short term bank borrowings		3,488,015	2,762,661	Cash and bank balances	18	18,485,422	2,729,919
Short term bank borrowings	7	199,273,200	177,818,849			243,302,484	198,572,482
Provision for taxation - income tax		10,958,603	8,534,437				
		256,578,888	232,553,724				
CONTINGENCIES AND COMMITMENT						<u>674,590,558</u>	<u>619,904,686</u>
		<u>674,590,558</u>	<u>619,904,686</u>			<u>674,590,558</u>	<u>619,904,686</u>

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

—SD—
CHIEF EXECUTIVE OFFICER

—SD—
DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales	19	1,036,470,545	883,855,628
Cost of goods sold	20	912,843,113	777,918,836
Gross profit		123,627,432	105,936,792
Distribution cost	21	42,447,737	41,029,684
Administrative expenses	22	19,883,062	16,535,537
Other operating expenses	23	3,233,468	1,820,249
Finance cost	24	17,374,461	25,264,943
		82,938,728	84,650,413
Profit for the year before taxation		40,688,704	21,286,379
Provision for taxation	25	10,958,603	8,534,437
Profit for the year		29,730,101	12,751,942
Earnings per share - Basic and diluted	26	4.25	1.82

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

---SD---
CHIEF EXECUTIVE OFFICER

---SD---
DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Profit for the year		29,730,101	12,751,942
Other comprehensive income			
Incremental depreciation on revalued assets for the year	3	10,149,260	11,262,912
Surplus realised on disposal of assets during the year	3	667,350	-
		10,816,610	11,262,912
Total comprehensive income for the year		<u>40,546,711</u>	<u>24,014,854</u>

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

-----SD-----
CHIEF EXECUTIVE OFFICER

-----SD-----
DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	40,688,704	21,286,379
Adjustments for:		
Depreciation of property, plant and equipment	33,744,920	35,859,055
Provision for staff retirement gratuity	2,459,917	2,446,691
Loss on disposal of property, plant and equipment	1,194,813	437
Finance cost	17,374,461	21,501,352
Operating cash flows before working capital changes	<u>95,462,815</u>	<u>81,093,914</u>
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(169,487)	(5,658,173)
Stock in trade	(47,832,408)	55,088,277
Trade debts	21,320,760	(21,541,193)
Loans and advances	(3,658,719)	134,323
Deposit and prepayments	(110,974)	(30,099)
Other receivables	3,046,059	(8,195,134)
Tax refunds due from Government	728,856	(2,982,072)
(Decrease) / increase in current liabilities		
Trade and other payables	(578,707)	22,360,764
Cash generated from operating activities	<u>68,208,195</u>	<u>120,270,607</u>
Finance cost paid	(16,649,107)	(20,850,293)
Income tax paid	(10,833,023)	(8,956,183)
Staff retirement gratuity paid	(1,529,310)	(175,613)
Net cash generated from operating activities	<u>39,196,755</u>	<u>90,288,518</u>
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(46,310,133)	(27,843,996)
Proceeds from disposal of property, plant and equipment	1,281,000	-
Long term deposits	133,530	(3,700,000)
Net cash (used in) investing activities	<u>(44,895,603)</u>	<u>(31,543,996)</u>

	2011 Rupees	2010 Rupees
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing:		
Banking companies	-	(5,733,329)
Directors	-	(30,000,000)
Net increase / (decrease) in short term bank borrowings	21,454,351	(23,743,751)
Net cash generated from / (used in) financing activities	<u>21,454,351</u>	<u>(59,477,080)</u>
Net increase / (decrease) in cash and cash equivalents (a+b+c)	15,755,503	(732,558)
Cash and cash equivalents at the beginning of the year	2,729,919	3,462,477
Cash and cash equivalents at the end of the year	<u>18,485,422</u>	<u>2,729,919</u>

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

---SD---
CHIEF EXECUTIVE OFFICER

---SD---
DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed and paid up capital	Unappropriated profit	Total
	----- Rupees -----		
Balance as at July 01, 2009	69,970,000	38,207,093	108,177,093
Total comprehensive income for the year	-	24,014,854	24,014,854
Balance as at June 30, 2010	69,970,000	62,221,947	132,191,947
Total comprehensive income for the year	-	40,546,711	40,546,711
Balance as at June 30, 2011	69,970,000	102,768,658	172,738,658

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

---SD---
CHIEF EXECUTIVE OFFICER

---SD---
DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 business of the Company is manufacturing and sale of textiles and rendering of sizing and conversion services. The registered office and mills of the Company are 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.

2.1.1 Standards, amendments to standards and interpretations becoming effective in current year

The following new and revised standards are effective and mandatory for financial statements for the periods beginning on or after July 01, 2010 and therefore, have been applied in preparing these financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements' is effective from July 01, 2010. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment has no impact on the financial statements.
- IAS 7 (Amendment), 'Statement of cash flows' is effective from July 01, 2010. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment has no impact on the financial statements.

2.1.2 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 of the Company beginning on or after July 1, 2010 but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.1.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following amendment to IAS 1 (Amendment), 'Presentation of Financial Statements' has been published and is mandatory for the company's accounting periods beginning on or after July 01, 2011.

- IAS 1 (Amendments), Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after July 01, 2011. It will impact the disclosures only.
- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment). The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The Company will apply these amendments for the financial reporting period commencing on July 01, 2012. It is not expected to have any impact on the Company's financial statements.
- IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after July 01, 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments may result in certain changes in disclosures.
- IFRS 9, 'Financial instruments', issued in November 2009 is effective from July 01, 2013. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.
- IAS 24, 'Related party disclosures' (Revised), issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 01, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is not expected to have any impact on the Company's financial statements.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 01, 2011. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Company's financial statements.

2.1.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

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 disclosed 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 and capital work in progress 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. Capital work in progress is stated at cost 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.

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

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. On subsequent sale or retirement of revalued item of property, plant and equipment, the attributable balance of surplus is transferred to unappropriated profit through statement of comprehensive income. 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 through statement of comprehensive income.

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

Stock in trade except wastes is 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, books overdrawn and 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.

	2011 Rupees	2010 Rupees
3. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Opening balance	139,448,616	57,137,295
Surplus on revaluation carried out during the year	-	93,574,233
	<u>139,448,616</u>	<u>150,711,528</u>
Transferred to Comprehensive Income for the year		
Incremental depreciation for the year	(10,149,260)	(11,262,912)
Surplus realised on disposal of assets	(667,350)	-
	<u>128,632,006</u>	<u>139,448,616</u>

- 3.1 The revaluation of freehold land on the basis of market value and building on freehold land and plant and machinery on the basis of depreciated replacement values was carried out by independent valuers "M/S Nizami Associates" as at June 24, 1999 and June 30, 2007 and by "M/S Empire Enterprises Pakistan" as at July 01, 2009 respectively.

	Note	2011 Rupees	2010 Rupees
4. Long term financing from directors			
Unsecured	4.1	<u>107,000,000</u>	<u>107,000,000</u>

- 4.1 These are interest free. Loan of Rs. 80 million is subordinated to the short term bank borrowings (Refer Note 7.2). 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.

5. Staff retirement gratuity

5.1 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, 2011 using Projected Unit Credit Method.

	Note	2011 Rupees	2010 Rupees		
5.2 The amount recognised in the balance sheet is as follows :					
Present value of defined benefit obligation		9,018,055	7,979,577		
Cumulative net unrecognised actuarial gain		622,951	730,822		
		<u>9,641,006</u>	<u>8,710,399</u>		
5.3 Movement in net liability recognised					
Opening balance		8,710,399	6,439,321		
Expenses recognised in profit and loss account	5.4	2,459,917	2,446,691		
Paid during the year		(1,529,310)	(175,613)		
		<u>9,641,006</u>	<u>8,710,399</u>		
5.4 Expenses recognised in profit and loss account					
Current service cost		1,838,478	1,736,858		
Interest cost		621,439	709,833		
		<u>2,459,917</u>	<u>2,446,691</u>		
5.5 Principal actuarial assumptions					
Discount factor used		12% Per annum	12% Per annum		
Expected rate of increase in salaries		10% Per annum	10% Per annum		
Expected average remaining working lives of participating employees		6 years	6 years		
5.6 Trend information					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>----- R u p e e s -----</u>				
Present value of defined benefit obligation	9,018,055	7,979,577	6,074,926	5,280,124	5,190,478
Experience adjustment on obligation	(107,871)	366,427	-	434,655	(11,565)

	Note	2011 Rupees	2010 Rupees
6. Trade and other payables			
Creditors		32,842,752	36,995,538
Accrued liabilities		7,427,709	4,104,482
Workers' profit participation fund	6.1	2,038,655	1,125,279
Workers' welfare fund		-	694,533
Other		549,954	517,945
		<u>42,859,070</u>	<u>43,437,777</u>
6.1 Workers' profit participation fund			
Opening balance		1,125,279	934,934
Interest on funds utilised in the Company's business		84,396	46,744
		<u>1,209,675</u>	<u>981,678</u>
Amount paid to workers on behalf of the fund		<u>1,209,675</u>	<u>981,678</u>
		-	-
Allocation for the year		2,038,655	1,125,279
		<u>2,038,655</u>	<u>1,125,279</u>
7. Short term bank borrowings			
Secured			
Under mark up arrangements			
From banking companies			
In local currency	7.2	90,615,000	78,028,000
In foreign currency	7.2	108,658,200	97,394,850
		<u>199,273,200</u>	<u>175,422,850</u>
Unsecured			
Books overdrawn		-	2,395,999
		<u>199,273,200</u>	<u>177,818,849</u>

7.1 The aggregate unavailed short-term borrowing facilities available to the Company are Rs. 47.05 million (2010: Rs. 90.00 million).

7.2 Short term borrowings are secured against lien on export documents and first charge over fixed assets and current assets of the Company. These are further secured against mortgage of personal properties, subordination of long term loan from directors amounting to Rs. 80 million (Refer Note 4.1) and by personal guarantee of directors of the Company. Borrowings in local currency are subject to markup at three months KIBOR plus 1.5% per annum and borrowings in foreign currency are subject to markup at six months LIBOR plus 3% per annum.

Effective mark up rate ranges from 3.44% to 15.29% per annum (2010: 3.64% to 14.61% per annum).

		2011 Rupees	2010 Rupees
8. CONTINGENCIES AND COMMITMENT			
Contingencies			
Bank guarantee issued in favour of the Collector of Customs for release of consignment pertaining to return of export goods		115,000	1,423,650
Claim of workers' welfare fund not acknowledged. The Company is claiming exemption from this levy due to tax losses.		851,578	-
Commitment			
Under contract for fixed capital expenditure		-	287,000

9. Property, plant and equipment
 Operating assets
 Capital work in progress
 Advances for fixed capital expenditure

9.1 Operating assets

Note	2011 Rupees	2010 Rupees
9.1	378,734,555	396,455,346
9.5	48,000,737	18,892,402
	<u>426,735,292</u>	<u>415,347,748</u>

Freehold land	Building on freehold land	Plant and machinery	Factory equipment	Office equipment	Furniture and fixtures	Vehicles	Arms and ammunitions	Total

30,500,000	66,130,683	241,661,436	1,501,018	5,856,514	2,627,815	17,600,504	34,100	366,600,230
-	(2,316,373)	(23,248,100)	(326,429)	(1,792,669)	(1,027,883)	(5,661,742)	(17,154)	(35,390,079)
<u>30,500,000</u>	<u>63,814,310</u>	<u>218,413,336</u>	<u>1,205,579</u>	<u>4,155,849</u>	<u>1,600,002</u>	<u>12,004,762</u>	<u>16,946</u>	<u>331,210,151</u>

30,500,000	62,814,610	218,732,327	1,205,579	4,155,849	1,600,002	12,004,762	16,946	331,210,151
-	-	7,227,050	7,500	330,200	-	74,800	-	7,640,450
-	-	-	-	-	-	(74,800)	-	(74,800)
-	-	-	-	-	-	4,363	-	4,363
-	-	-	-	-	-	(70,437)	-	(70,437)
3,550,000	2,880,360	87,543,873	(80,373)	(211,826)	(80,666)	(1,214,046)	(847)	95,574,233
-	(2,264,749)	(20,997,170)	(20,373)	(1,914,491)	(1,107,568)	(7,061,474)	(18,001)	(24,379,286)
<u>33,550,000</u>	<u>62,800,221</u>	<u>262,600,680</u>	<u>1,182,306</u>	<u>4,274,223</u>	<u>1,500,087</u>	<u>10,813,000</u>	<u>16,099</u>	<u>306,455,346</u>

30,500,000	66,694,870	313,604,190	1,508,618	6,188,714	2,627,815	17,600,504	34,100	441,274,631
-	(2,264,749)	(20,997,170)	(20,373)	(1,914,491)	(1,107,568)	(7,061,474)	(18,001)	(24,379,286)
<u>30,500,000</u>	<u>62,800,221</u>	<u>292,607,020</u>	<u>1,488,245</u>	<u>4,274,223</u>	<u>1,500,087</u>	<u>10,813,000</u>	<u>16,099</u>	<u>316,895,345</u>

30,500,000	62,800,221	292,607,020	1,488,245	4,274,223	1,500,087	10,813,000	16,099	316,895,345
-	-	11,993,410	-	1,940,788	5,800	5,353,834	-	18,509,842
-	-	(1,230,000)	-	-	-	(2,884,286)	-	(4,214,286)
-	-	211,200	-	-	-	1,527,287	-	1,738,487
-	-	(1,108,800)	-	-	-	(1,387,013)	-	(2,495,813)
-	(3,130,011)	(28,884,678)	(87,438)	(283,341)	(76,148)	(1,422,911)	(809)	(32,744,889)
<u>33,550,000</u>	<u>59,470,210</u>	<u>264,097,662</u>	<u>1,400,807</u>	<u>4,000,882</u>	<u>1,423,987</u>	<u>13,433,089</u>	<u>15,290</u>	<u>278,734,555</u>

30,500,000	62,800,221	292,607,020	1,488,245	4,274,223	1,500,087	10,813,000	16,099	316,895,345
-	-	11,993,410	-	1,940,788	5,800	5,353,834	-	18,509,842
-	-	(1,230,000)	-	-	-	(2,884,286)	-	(4,214,286)
-	-	211,200	-	-	-	1,527,287	-	1,738,487
-	-	(1,108,800)	-	-	-	(1,387,013)	-	(2,495,813)
-	(3,130,011)	(28,884,678)	(87,438)	(283,341)	(76,148)	(1,422,911)	(809)	(32,744,889)
<u>33,550,000</u>	<u>59,470,210</u>	<u>264,097,662</u>	<u>1,400,807</u>	<u>4,000,882</u>	<u>1,423,987</u>	<u>13,433,089</u>	<u>15,290</u>	<u>278,734,555</u>

30,500,000	65,894,870	323,687,566	1,508,618	7,836,612	2,603,475	20,390,158	34,100	455,570,230
-	(8,424,760)	(58,588,988)	(643,447)	(2,187,832)	(1,183,727)	(6,657,185)	(18,806)	(78,785,758)
<u>30,500,000</u>	<u>59,470,210</u>	<u>265,098,578</u>	<u>1,005,171</u>	<u>5,648,780</u>	<u>1,419,748</u>	<u>13,732,973</u>	<u>15,294</u>	<u>376,784,472</u>

At July 31, 2009
 Cost / valuation
 Accumulated depreciation
 Net book value

At June 30, 2011
 Cost / valuation
 Accumulated depreciation
 Net book value
 Annual rate of depreciation (%)

	2011 Rupees	2010 Rupees
9.2 Depreciation for the year has been allocated as under:		
Cost of goods sold	31,991,674	34,352,292
Administrative expenses	1,753,246	1,506,763
	<u>33,744,920</u>	<u>35,859,055</u>

9.3 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery at June 30, 2011 and 2010 would have been as follows:

	2011		
	Cost	Accumulated depreciation	Written down value
	Rupees		
Freehold land	2,762,305	-	2,762,305
Building on freehold land	62,359,206	16,055,962	46,303,244
Plant and machinery	305,548,760	128,128,543	179,420,217
	<u>370,670,271</u>	<u>142,184,505</u>	<u>228,485,766</u>
	Rupees		
	2010		
	Cost	Accumulated depreciation	Written down value
	Rupees		
Freehold land	2,762,305	-	2,762,305
Building on freehold land	62,359,206	13,618,949	48,740,257
Plant and machinery	294,935,350	107,229,327	187,706,023
	<u>360,056,861</u>	<u>120,848,276</u>	<u>239,208,585</u>

9.4 Detail of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyers
	Rupees				
Plant and machinery (By negotiation)	1,320,000	211,200	1,108,800	121,000	Mr. Anees Kabaria, Sammundri Road, Faisalabad.
Vehicles (By negotiation)	1,610,480	758,976	851,504	650,000	Mr. Kashif Sohail, 23-E, Molana Shokat Ali Road, Johar Town, Lahore.
	1,220,000	754,948	465,052	460,000	Mr. Saif ullah, St No. 6, Mughal Pura, Hafizabad.
	63,800	13,343	50,457	50,000	Mr. Shahzad Ahmad, House No. 657, Block A, Ghulam Mohammad Abad, Faisalabad.
	<u>2,894,280</u>	<u>1,527,267</u>	<u>1,367,013</u>	<u>1,160,000</u>	
2011	<u>4,214,280</u>	<u>1,738,467</u>	<u>2,475,813</u>	<u>1,281,000</u>	
2010	<u>74,800</u>	<u>4,363</u>	<u>70,437</u>	<u>70,000</u>	

9.5 Capital work in progress

	Civil work	Plant and machinery	Total
	Rupees		
Balance as at July 1, 2009	-	-	-
Additions	19,852,502	-	19,852,502
Balance as at June 30, 2010	19,852,502	-	19,852,502
Additions	17,464,051	10,687,184	28,151,235
Balance as at June 30, 2011	<u>37,316,553</u>	<u>10,687,184</u>	<u>48,003,737</u>

	2011 Rupees	2010 Rupees
10. Long term security deposits		
Against utilities	4,467,696	4,361,226
Others	32,086	272,086
	<u>4,499,782</u>	<u>4,633,312</u>
11. Stores, spares and loose tools		
Stores	3,023,409	3,196,106
Spares	12,367,557	12,079,561
Loose tools	154,477	100,289
	<u>15,545,443</u>	<u>15,375,956</u>
12. Stock in trade		
Raw material	27,384,008	29,775,050
Work in process	31,941,827	12,971,939
Finished goods	74,452,854	43,199,292
	<u>133,778,689</u>	<u>85,946,281</u>
13. Trade debts		
Considered good		
Secured		
Foreign	31,985,618	49,040,923
Local	2,270,000	3,470,000
	34,255,618	52,510,923
Unsecured		
Local	7,971,022	11,036,477
	<u>42,226,640</u>	<u>63,547,400</u>
14. Loans and advances		
Considered good		
Loans		
Employees	5,968,459	3,903,402
Advances		
Suppliers	3,490,832	1,598,657
For expenses	141,027	439,540
Income tax	11,527,555	9,301,681
	<u>21,127,873</u>	<u>15,243,280</u>
15. Deposit and prepayment		
Considered good		
Deposit		
Bank guarantee margin	11,500	142,365
Prepayments	252,365	10,526
	<u>263,865</u>	<u>152,891</u>

	Note	2011 Rupees	2010 Rupees
16. Other receivables			
Considered good			
Export rebate / duty drawback		5,686,348	4,532,500
Insurance claims		423,701	4,810,929
Other		504,262	316,941
		<u>6,614,311</u>	<u>9,660,370</u>
17. Tax refunds due from Government			
Sales tax		5,187,529	5,916,385
Income tax		72,712	-
		<u>5,260,241</u>	<u>5,916,385</u>
18. Cash and bank balances			
Cash in hand		1,118,972	541,693
Cash at banks			
In current accounts		17,366,450	2,188,226
		<u>18,485,422</u>	<u>2,729,919</u>
19. Sales			
Cloth			
Export	19.1	969,705,398	822,492,721
Local	19.2	47,379,006	29,465,630
		1,017,084,404	851,958,351
Conversion income		25,721,171	37,337,632
		<u>1,042,805,575</u>	<u>889,295,983</u>
Add: Export rebate / duty drawback		2,603,643	4,892,235
		1,045,409,218	894,188,218
Less: Commission		8,938,673	10,332,590
		<u>1,036,470,545</u>	<u>883,855,628</u>

19.1 It includes exchange gain of Rs. 1,936,214/- (2010: Rs. 4,114,922/-).

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

	Note	2011 Rupees	2010 Rupees
20. Cost of goods sold			
Cost of goods manufactured	20.1	944,096,675	755,370,807
Finished goods			
Opening stock		43,199,292	65,747,321
Closing stock		(74,452,854)	(43,199,292)
		<u>(31,253,562)</u>	<u>22,548,029</u>
		<u>912,843,113</u>	<u>777,918,836</u>

	Note	2011 Rupees	2010 Rupees
20.1 Cost of goods manufactured			
Raw material consumed	20.1.1	777,331,139	550,025,868
Sizing cost		34,506,404	30,682,276
Stitching cost		1,285,707	5,649,983
Salaries, wages and benefits		55,843,693	52,121,119
Retirement benefits		2,046,780	1,915,853
Fuel and power		36,849,285	35,835,248
Stores, spares and loose tools		13,967,092	12,650,980
Packing material		5,983,328	3,784,973
Repairs and maintenance		1,618,559	1,138,272
Insurance		1,642,902	1,510,745
Research and development		-	89,534
Depreciation	9.2	31,991,674	34,352,292
		<u>963,066,563</u>	<u>729,757,143</u>
Work in process			
Opening stock		12,971,939	38,585,603
Closing stock		(31,941,827)	(12,971,939)
		<u>(18,969,888)</u>	<u>25,613,664</u>
		<u>944,096,675</u>	<u>755,370,807</u>
20.1.1 Raw material consumed			
Opening stock		29,775,050	36,701,634
Purchases including purchase expenses		774,940,097	543,099,284
		804,715,147	579,800,918
Closing stock		(27,384,008)	(29,775,050)
		<u>777,331,139</u>	<u>550,025,868</u>
21. Distribution cost			
Ocean freight		31,571,552	30,957,057
Clearing and forwarding		10,876,185	10,047,927
Advertisement		-	24,700
		<u>42,447,737</u>	<u>41,029,684</u>
22. Administrative expenses			
Directors' remuneration	27	3,720,000	2,280,000
Salaries and benefits		4,113,292	3,084,371
Staff retirement benefits		413,137	530,838
Electricity and gas		143,898	134,675
Insurance		468,772	472,302
Rent, rates and taxes		322,572	558,530
Vehicles running and maintenance		2,935,027	2,635,661
Travelling and conveyance		895,526	1,018,197
Postage, telephone and telex		1,777,900	1,823,460
Printing and stationery		664,199	672,558
Auditors' remuneration	22.1	582,500	367,500
Legal and professional		244,500	236,560
Fees and subscriptions		672,024	594,946
Entertainment		319,904	457,915
Newspaper and periodicals		8,449	5,950
Charity and donations		657,000	-
Depreciation	9.2	1,753,246	1,506,763
Other		191,116	155,311
		<u>19,883,062</u>	<u>16,535,537</u>

	Note	2011 Rupees	2010 Rupees
22.1 Auditors' remuneration			
Audit fee		500,000	300,000
Sundry services		82,500	67,500
		<u>582,500</u>	<u>367,500</u>
23. Other operating expenses			
Workers' profit participation fund		2,038,655	1,125,279
Workers' welfare fund		-	694,533
Loss on disposal of property, plant and equipment		1,194,813	437
		<u>3,233,468</u>	<u>1,820,249</u>
24. Finance cost			
Interest / mark up on :			
Long term financing- banking companies		-	249,414
Short term bank borrowings		13,842,174	18,425,188
Workers' profit participation fund		84,396	46,744
Bank charges and commission		2,149,740	2,780,006
Exchange loss		1,298,151	3,763,591
		<u>17,374,461</u>	<u>25,264,943</u>
25. Provision for taxation			
Current			
For the year		10,958,603	8,534,437
Deferred	25.1	-	-
		<u>10,958,603</u>	<u>8,534,437</u>

25.1 There are no temporary differences as the income of the company is chargeable to tax under final tax regime. Hence no provision for deferred taxation has been made.

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 final tax regime. The provision for current taxation is made under section 153, 154 and 169 of the Income Tax Ordinance, 2001.

		2011	2010
26. Earnings per share - Basic and diluted			
Profit for the year	(Rupees)	<u>29,730,101</u>	<u>12,751,942</u>
Weighted average number of ordinary shares outstanding during the year	(Number)	<u>6,997,000</u>	<u>6,997,000</u>
Earnings per share - Basic and diluted	(Rupees)	<u>4.25</u>	<u>1.82</u>

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

27. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

	2011			2010		
	Chief Executive Officer	Directors	Total	Chief Executive Officer	Directors	Total
Remuneration	813,400	1,666,750	2,480,150	440,000	1,080,000	1,520,000
House rent allowance	366,000	750,000	1,116,000	198,000	486,000	684,000
Conveyance allowance	40,600	83,250	123,850	22,000	54,000	76,000
Rupees	<u>1,220,000</u>	<u>2,500,000</u>	<u>3,720,000</u>	<u>660,000</u>	<u>1,620,000</u>	<u>2,280,000</u>
Number of persons	1	3	4	1	3	4

27.1 The Chief Executive Officer and Directors are entitled to reimbursement of telephone bills. The monetary value of these benefits is Rs. 169,334 /- (2010: Rs. 319,910 /-).

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 are shown in Note 4 to financial statements and remuneration to Chief Executive Officer and Directors is disclosed in Note 27. The Company has not carried out any other significant transaction with the related parties.

29. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
Weaving		
Number of looms installed	214	214
Number of looms worked	214	214
Standard cloth production (Sq. meters)	27,400,000	26,000,000
Actual production (Sq. meters)	25,972,338	25,628,269
Sizing		
Warping machines	2	2
Sizing machines	1	1
Standard production (Kgs.)	1,740,000	1,740,000
Actual production (Kgs.)	954,374	1,521,783

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 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

	2011 Rupees	2010 Rupees
30.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets:		
Loans and receivables at amortised cost		
Long term security deposits	4,499,782	4,633,312
Trade debts	42,226,640	63,547,400
Loans and advances	5,968,459	3,903,402
Deposits	11,500	142,365
Cash and bank balances	18,485,422	2,729,919
	<u>71,191,803</u>	<u>74,956,398</u>

	2011 Rupees	2010 Rupees
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing		
Directors	107,000,000	107,000,000
Staff retirement gratuity	9,641,006	8,710,399
Trade and other payables	40,820,415	41,617,965
Interest / markup payable	3,488,015	2,762,661
Short term bank borrowings	199,273,200	177,818,849
	<u>360,222,636</u>	<u>337,909,874</u>

30.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

30.2.1 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. The maximum exposure to credit risk at the reporting date is as follows:

	2011 Rupees	2010 Rupees
Long term deposits	4,499,782	4,633,312
Trade debts	42,226,640	63,547,400
Loans and advances	5,968,459	3,903,402
Deposits	11,500	142,365
Bank balances	17,366,450	2,188,226
	<u>70,072,831</u>	<u>74,414,705</u>

Due to the Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management do not expect non performance by these counter parties on their obligations to the company.

For trade debts credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The majority of export sales debtors of the Company are situated at Mexico, Hong Kong, Chita Kong.

The Company's most significant customers are trading houses. The aging of trade debts as at balance sheet date is as under:

	2011 Rupees	2010 Rupees
Not past due	38,450,596	59,420,942
Past due	3,776,044	4,126,458
	<u>42,226,640</u>	<u>63,547,400</u>

Based on the past experience and taking into consideration, the financial position, and previous record of recoveries, the Company believes that trade debts past due do not require any impairment. The credit risk exposure is limited in respect of bank balances as bank balances are placed with the local banks having good credit rating.

30.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2011 and 2010;

Carrying amount	2011				
	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	
Rupees					
Financial liabilities:					
Long term financing	107,000,000	107,000,000	-	-	107,000,000
Trade and other payables	40,820,415	40,820,415	40,820,415	-	-
Interest / markup payable	3,488,015	3,488,015	3,488,015	-	-
Short term borrowings	199,273,200	206,634,832	206,634,832	-	-
	350,581,630	357,943,262	250,943,262	-	107,000,000

Carrying amount	2010				
	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	
Rupees					
Financial liabilities:					
Long term financing	107,000,000	107,000,000	-	-	107,000,000
Trade and other payables	41,617,965	41,617,965	41,617,965	-	-
Interest / markup payable	2,762,661	2,762,661	2,762,661	-	-
Short term borrowings	177,818,849	178,469,877	178,469,877	-	-
	329,199,475	329,850,503	222,850,503	-	107,000,000

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2011 on long term and short term borrowings. The Company will manage the liquidity risk from its own source through equity and working capital management. The Company has liquid assets of Rs. 93.73 million and unavailed short term borrowing facilities of Rs. 47.05 million as at June 30, 2011.

30.2.3 Market risk

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.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of interest rate risk arises from short term borrowings from banks. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

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.

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.

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity for the year would have been lower / higher by Rs. 1.87 million (2010: Rs. 2.016 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors. The total foreign currency risk exposure on reporting date amounted to Rs. 31.99 million (2010: Rs. 49.04 million).

At June 30, 2011, had the currency been weakened / strengthened by 5% against the foreign currency with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 1.58 million (2010: Rs. 2.45 million).

iii) 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.

30.3 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.

30.4 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.

The Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'short term borrowings' as shown in the balance sheet). Equity comprises of shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

The salient information relating to capital risk management of the Company as of June 30, 2011 and 2010 were as follows:

	Note	2011 Rupees	2010 Rupees
Total debt	4 & 7	306,273,200	284,818,849
Less: Cash and bank balances	18	18,485,422	2,729,919
Net debt		287,787,778	282,088,930
Total equity		172,738,658	132,191,947
Total capital		460,526,436	414,280,877
Gearing ratio		62.49%	68.09%

31. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on **October 04, 2011** by the Board of Directors of the Company.

32. Figures have been rounded off to the nearest Rupee.

---SD---

CHIEF EXECUTIVE OFFICER

---SD---

DIRECTOR