ISO-9002 CERTIFIED

established since 1988

Ashfaq Textile Mills Ltd.

2020
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22nd Annual Report 2010

بسم اللہ الرحمن الرحیم

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.
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

22nd 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, 30th October, 2010 at 09.00 a.m to transect the following business:-

Ordinary Business:

1. To confirm minutes of the Annual General Meeting held on October 31, 2009.

2. To receive and adopt audited accounts of the company for the year ended on 30th June 2010 together with the Directors and Auditors reports thereon.

3. To appoint auditors for the year ending June 30, 2011 and to fix their remuneration.

4. To transact any other ordinary business with the permission o f the Chair.

Special Business

5. To consider and pass with or without modification the following resolution as Special Resolution.

   "Resolved that the payment of remuneration (inclusive of allowances) of Rs.125,000/- per month to Chief Executive Officer and of Rs.100,000/- per month to Two Directors be and is hereby approved as they are working full time in the Company".

STATEMENT UNDER SECTION 160(1) (B) OF THE COMPANIES ORDINANCE, 1984.

i. The statement sets out the material facts concerning the Special Business to be transacted at the 22nd Annual General Meeting of the Company to be held on October 30, 2010.

ii. The Board of Directors of the Company had decided in their meeting held on 07-10-2010 that the payment of remuneration (inclusive of allowances) to Chief Executive @ Rs.125,000/- per month and Two Directors @ Rs.100,000/- each per month be presented to the shareholders of the Company for their consideration and approval.

iii. The Directors of the Company have no interest in the special business and / or the Resolution except to the extent of their shareholdings and remuneration in the Company.

By Order of the Board

Faisalabad: October 07, 2010.

Ashfaq Ahmad
Chief Executive

NOTES:

1. The share transfer books of the Company will be closed from 22nd October, 2010 to 30th October, 2010 (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 22nd October 2010 will be treated in time.

3. A member entitled to attend and vote at the general meeting in 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 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 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 26.000 Million Sq, Meters on 60 picks per annum three Shifts per day. The Company has produced 25.628 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 22nd annual report and audited accounts for the year ended June 30, 2010

Highlights	2010 '000' Rs.	2009 '000' Rs.	Variance %
Sales	883,856	680,361	29.91
Gross Profit	106,256	95,311	11.48
Profit Before Tax	21,286	17,740	19.99
Profit After Tax	12,752	10,323	23.53
EPS	1.82	1.48	22.97

During the current fiscal year your company has crossed a mile stone. Last long term loan's installmet was paid off on 30th June 2010. We are happy to share with our valued members that your Company has no long term financing on it. This is going to make a very positive impact on the Company's liquidity.

Your Company earned in current fiscal year a net profit of Rs.12.752 Million in comparison to Rs. 10.323 Million in the year ending June 30, 2009. Once again your Company has shown a steady growth of 23.53% in comparison to last year.

A steady growth in Sales of the Company was recorded in 2010 which is Rs.883.856 Million which was Rs 680.361 Million in the year 2009. This is also a healty growth of almost 30% in comparison to 2009.

2010 fiscal year was very uncertain and fluid year for the textile Companies, cotton ans subsequently cotton yarn made historic increase ever. Prices of cotton almost doubled resulting in an unprecedented increase in yarn prices. Your Company had to face these very abnormal circumstances, however good and timely decisions by all concererd helped us to maneuver our way out of a very tough year by not only recording a growth in sales but also increase in the profitablity of the Company.

We hope that the next year brings some stability to the cotton market so that uncertainty which prevails can convert to a stable market situation.

Once again 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

World started to move out of the recession to a path of recovery, however, due to shortage of cotton the prices increased abnormally, the inputs costs of production are being increased every day, thus resulting in increase in cost of doing business, forcing us to be less competitive. However, your marketing and sales team along with close coordination with purchase and production team are doing their best to keep ahead of the market and ensure increase in sales and profitability.

We hope that the Governmant 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.

Corporate Social Responsibility

Ashfaq Textile Mills Ltd., plays its role as a good corporate citizen by supporting worthy causes which aim to improve the lives of our people. Specifically, in last year, the Company contributed Rs.0.5 million for water treatment Plant for supply of clean drinking water to the people in the near by locallities of the mills

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	04
4	Mr. Amjad Aslam	03
5	Mrs. Shazia Amjad	03
6	Mirza Muhammad Idrees	04
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 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	91,394	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, 2010 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

(ASHFAQ AHMAD)
Chairman/Chief Executive

FAISALABAD
DATE: October 07, 2010.

FINANCIAL HIGHLIGHTS

		2010	2009	2008	2007	2006	2005
				(Rupees in Thousand)			
SALES	Rs.	883.856	680.360	480,973	599,481	867,193	766,202
GROSS PROFIT	Rs.	106.256	95.311	74,746	85,559	115,150	94,583
NET PROFIT AFTER TAX	Rs.	12.751	10.323	5,080	6,948	11,270	14,632
FIXED ASSTES	Rs.	421.332	332.143	342,052	347,095	307,600	278,646
LONG TERM LIABILITIES (FINANCIAL INSTITUTION)	Rs.	-	5.733	22.078	54.019	93.652	110.113
LONG TERM LIABILITIES (DIRECTORS)	Rs.	107.000	137.000	137.000	127.500	103.000	73.500
ACCUMULATED PROFIT / (LOSS)	Rs.	62.222	38.207	26,650	20,279	12,771	919
GROSS PROFIT RATIO	%	12.02	14.01	15.54	14.27	13.28	12.35
NET PROFIT RATIO	%	1.44	1.52	1.06	1.16	1.30	1.91
DEBT EQUITY RATIO	%	11:89	25:75	31:69	37:63	46:54	56:44
CURRENT RATIO	%	0.85	0.90	0.85	0.85	0.87	0.89
EARNING PER SHARE	%	1.82	1.48	0.73	0.99	1.61	2.09
DIVIDEND	Rs.	-	-	-	-	-	-

ASHFAQ TEXTILE MILLS LIMITED

PATERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2010

NUMBER OF SHAREHOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
117	1	-	100	10,911
685	101	-	500	306,521
44	501	-	1000	42,900
51	1001	-	5000	152,379
16	5001	-	10000	120,445
6	10001	-	15000	72,100
2	20001	-	25000	43,200
1	25001		30000	27,500
1	45001		50000	46,750
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	1970001	-	1975000	1,971,794
0	0	-	0	-
931				6,997,000

S.NO.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	927	6,977,600	99.72
2	COMPANIES	1	9,000	0.13
3	OTHERS	2	5,500	0.08
4	FINANCIAL INSTITUTIONS	1	4,900	0.07
		931	6,997,000	100.00

CATEGORIES OF SHARE HOLDING

AS AT JUNE 30, 2010

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	1,988,494	28.42
Mrs. Uzma Nadeem	693,600	9.91
Mrs. Memona Waseem	693,600	9.91
SHAREHOLDERS HOLDING 10% OR MORE:		
Mrs. Musarat Ashfaq	1,988,494	28.42
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
OTHERS:		
The Karachi Stock Exchange (G) Ltd.	5,500	0.08
GENERAL PUBLIC:	1,173,606	16.77
TOTAL	**6,997,000**	**100**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2010

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. No new orientation course has been arranged during the year.

10. There was no change in the position of Company Secretary, CFO and Head of Internal Audit during he year

11. The Directors' report for the year ended June 30, 2010 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 already formed 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. 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 for the year ended June 30, 2010 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, 2010.

---Sd---

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: 07-10-2010
Place: Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ashfaq Textile Mills Limited as at June 30, 2010 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 except for the change in accounting policy as stated in note 2.1.1 to the annexed financial statements with which we concur;

  ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2010 and of the profit, its comprehensive income, 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: **07-10-2010**
Place: Faisalabad

ASHFAQ TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
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		62,221,947	38,207,093
		132,191,947	108,177,093
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	3	139,448,616	57,137,296
NON CURRENT LIABILITIES			
Long term financing			
Directors	4	107,000,000	137,000,000
Deferred liability			
Staff retirement gratuity	5	8,710,399	6,439,321
		115,710,399	143,439,321
CURRENT LIABILITIES			
Trade and other payables	6	43,437,777	21,077,013
Interest / mark up payable	7	2,762,661	2,111,602
Short term bank borrowings	8	177,818,849	201,562,600
Current portion of			
long term financing - banking companies		-	5,733,329
Provision for taxation - income tax		8,534,437	7,074,319
		232,553,724	237,558,863
CONTINGENCY AND COMMITMENT	9		
		619,904,686	546,312,572

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	10	416,698,892	331,210,155
Long term deposits	11	4,633,312	933,312
		421,332,204	332,143,467
CURRENT ASSETS			
Stores, spares and loose tools	12	15,375,956	9,717,783
Stock in trade	13	85,946,281	141,034,658
Trade debts	14	63,547,400	42,006,207
Loans and advances	15	15,243,280	13,287,399
Deposit and prepayments	16	152,891	122,792
Other receivables	17	9,660,370	1,395,236
Tax refunds due from Government	18	5,916,385	3,142,653
Cash and bank balances	19	2,729,919	3,462,477
		198,672,482	214,169,105
		619,904,686	546,312,572

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, 2010

	Note	2010 Rupees	2009 Rupees
Sales	20	883,855,628	680,360,540
Cost of goods sold	21	777,918,836	585,049,147
Gross profit		105,936,792	95,311,393
Distribution cost	22	41,029,684	34,046,234
Administrative expenses	23	16,535,537	14,449,049
Other operating expenses	24	1,820,249	1,505,776
Finance cost	25	25,264,943	27,570,179
		84,650,413	77,571,238
Profit for the year before taxation		21,286,379	17,740,155
Provision for taxation	26	8,534,437	7,416,661
Profit for the year		12,751,942	10,323,494
Earnings per share - Basic and diluted	27	1.82	1.48

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Profit for the year	12,751,942	10,323,494
Other comprehensive income		
Incremental depreciation on revalued assets for the year	11,262,912	1,234,012
Total comprehensive income for the year	24,014,854	11,557,506

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	21,286,379	17,740,155
Adjustments for:		
Depreciation of property plant and equipment	35,859,055	14,707,921
Provision for staff retirement gratuity	2,446,691	1,727,752
Loss on disposal of property, plant and equipment	437	-
Finance cost	21,501,352	22,787,011
Operating cash flows before working capital changes	81,093,914	56,962,839
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(5,658,173)	961,956
Stock in trade	55,088,277	15,532,138
Trade debts	(21,541,193)	30,621,046
Loans and advances	134,323	(3,319,874)
Deposit and prepayments	(30,099)	(1,998)
Other receivables	(8,195,134)	115,500
Tax refunds due from Government	(2,982,072)	(1,047,072)
Increase / (decrease) in current liabilities		
Trade and other payables	22,360,764	(37,290,162)
Cash generated from operating activities	120,270,607	62,534,373
Finance cost paid	(20,850,293)	(24,824,915)
Income tax paid	(8,956,183)	(7,211,477)
Staff retirement gratuity paid	(175,613)	(932,950)
Net cash generated from operating activities	90,288,518	29,565,031
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(27,843,996)	(3,866,455)
Long term deposits	(3,700,000)	(9,000)
Net cash (used in) investing activities	(31,543,996)	(3,875,455)

	2010 Rupees	2009 Rupees
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing:		
Banking companies	(5,733,329)	(16,344,618)
Directors	(30,000,000)	-
Net (decrease) in short term bank borrowings	(23,743,751)	(8,617,935)
Net cash (used in) financing activities	(59,477,080)	(24,962,553)
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(732,558)	727,023
Cash and cash equivalents at the beginning of the year	3,462,477	2,735,454
Cash and cash equivalents at the end of the year	2,729,919	3,462,477

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, 2010

	Issued, subscribed and paid up capital	Unappropriated profit	Total
	Rupees		
Balance as at July 01 2008	69,970,000	26,649,587	96,619 587
Total comprehensive income for the year	-	11.557.506	11.557,506
Balance as at June 30. 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

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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 1, 2009 and therefore, have been applied in preparing these financial statements.

- IAS 1 (Revised), 'Presentation of financial statements' is effective for the accounting periods of the Company beginning on or after July 01, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. 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 Company has preferred to present two statements; a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been represented in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IAS 23 (Revised), 'Borrowing costs' is effective for the accounting periods of the Company beginning on or after July 01, 2009. The amendment requires an entity to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing these borrowing costs has been removed. The current policy of the Company is in line with the requirements of this amendment, therefore, there is no impact on profit for the year.

IFRS 7 'Financial instruments: Disclosures', is effective for the accounting periods of the Company beginning on or after July 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the Company's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the Company's financial statements, and, there is no impact on profit for the year.

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

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 1 (Amendment), 'Presentation of Financial Statements' will be effective for the accounting periods beginning on or after January 1, 2010. The amendment provides clarification that the potential settlement of a liability by the issuer 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. It is not expected to have a material 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 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 through statement of comprehensive income. Surplus realised on disposal of revalued asset 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.

	2010 Rupees	2009 Rupees
3. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Opening balance	57,137,295	58,371,307
Surplus on revaluation carried out during the year	93,574,233	-
	150,711,528	58,371,307
Incremental depreciation on revalued assets for the year	(11,262,912)	(1,234,012)
	139,448,616	57,137,295

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	2010 Rupees	2009 Rupees
4. Long term financing- directors			
Unsecured	4.1	107,000,000	137,000,000

4.1 These are interest free. Loan of Rs. 80 million is subordinated to the short term bank borrowings (Refer Note 8.2). 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, 2010 using Projected Unit Credit Method.

	Note	2010 Rupees	2009 Rupees

5.2 The amount recognised in the balance sheet is as follows :

	Note	2010 Rupees	2009 Rupees
Present value of defined benefit obligation		7,979,577	6,074,926
Cumulative net unrecognised actuarial gain		730,822	364,395
		8,710,399	6,439,321

5.3 Movement in net liability recognised

	Note	2010 Rupees	2009 Rupees
Opening balance		6,439,321	5,644,519
Expenses recognised in profit and loss account	5.4	2,446,691	1,727,752
Paid during the year		(175,613)	(932,950)
		8,710,399	6,439,321

5.4 Expenses recognised in profit and loss account

	Note	2010 Rupees	2009 Rupees
Current service cost		1,736,858	1,088,735
Interest cost		709,833	639,017
		2,446,691	1,727,752

5.5 Principal actuarial assumptions

	2010	2009
Discount factor used	12% Per annum	12% Per annum
Expected rate of increase in salaries	10% Per annum	11% Per annum
Expected average remaining working lives of participating employees	6 years	9 years

5.6 Trend information

	2010	2009	2008	2007	2006
	Rupees				
Present value of defined benefit obligation	7,979,577	6,074,926	5,280,124	5,190,478	4,627,896
Experience adjustment on obligation	366,427	-	434,655	(11,565)	(14,318)

6. Trade and other payables

	Note	2010 Rupees	2009 Rupees
Creditors		36,995,538	15,832,209
Advance from customers		-	329,927
Accrued liabilities		4,104,482	3,074,117
Workers' profit participation fund	6.1	1,125,279	934,934
Workers' welfare fund		694,533	570,842
Other		517,945	334,984
		43,437,777	21,077,013

	Note	2010 Rupees	2009 Rupees
6.1 Workers' profit participation fund			
Opening balance		934,934	471,963
Interest on funds utilised in the Company's business		46,744	23,598
		981,678	495,561
Amount paid to workers on behalf of the fund		981,678	495,561
		-	-
Allocation for the year		1,125,279	934,934
		1,125,279	934,934

7. Interest / mark up payable

		2010 Rupees	2009 Rupees
Interest / mark up on secured			
Long term financing- banking companies		-	136,525
Short term bank borrowings		2,762,661	1,975,077
		2,762,661	2,111,602

8. Short term bank borrowings

	Note	2010 Rupees	2009 Rupees
Secured			
Under mark up arrangements			
From banking companies			
In local currency	8.2	78,028,000	120,100,000
In foreign currency	8.2	97,394,850	81,462,600
		175,422,850	201,562,600
Unsecured			
Books overdrawn		2,395,999	-
		177,818,849	201,562,600

8.1 The aggregate unavailed short-term borrowing facilities available to the Company are Rs. 90.00 million (2009: Rs. 48.88 million).

8.2 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 (2009:1.75% per annum) and borrowings in foreign currency are subject to markup at six months LIBOR plus 3% per annum (2009:1.75% per annum).

Effective mark up rate ranges from 3.64% to 14.61% per annum (2009: 4.46% to 17.02% per annum).

9. CONTINGENCY AND COMMITMENT

	2010 Rupees	2009 Rupees
Contingency		
Bank guarantee issued in favour of the Collector of Customs for release of consignment pertaining to return of export goods	1,423,650	-
Commitment		
Under contract for fixed capital expenditure	287,000	-

10. Property, plant and equipment

	Note	2010 Rupees	2009 Rupees
Operating assets	10.1	396,495,346	331,210,155
Capital work in progress - civil work		19,852,502	-
Advance for fixed capital expenditure		351,044	-
		416,698,892	331,210,155

10.1 Operating assets

	Freehold land	Building on freehold land	Plant and machinery	Factory equipment	Office equipment	Furniture and fixture	Vehicles	Arms and ammunitions	Total
	Rupees								
At July 01, 2008									
Cost / valuation	30,500,000	66,130,983	238,778,800	1,531,018	5,258,495	2,627,675	17,872,704	34,100	362,733,775
Accumulated depreciation	-	(1,603,178)	(11,837,690)	(261,987)	(1,508,895)	(943,368)	(4,510,774)	(16,262)	(20,682,154)
Net book value	30,500,000	64,527,805	226,941,110	1,269,031	3,749,600	1,684,307	13,361,930	17,838	342,051,621
Year ended June 30, 2009									
Opening net book value	30,500,000	64,527,805	226,941,110	1,269,031	3,749,600	1,684,307	13,361,930	17,838	342,051,621
Additions	-	-	3,202,636	-	600,019	-	63,800	-	3,866,455
Depreciation charge	-	(1,613,195)	(11,411,419)	(63,452)	(193,770)	(84,215)	(1,340,978)	(892)	(14,707,921)
Closing net book value	30,500,000	62,914,610	218,732,327	1,205,579	4,155,849	1,600,092	12,084,752	16,946	331,210,155
Annual rate of depreciation (%)	-	2.5	5	5	5	5	10	5	
At July 01, 2009									
Cost / valuation	30,500,000	66,130,983	241,981,436	1,531,018	5,858,514	2,627,675	17,936,504	34,100	366,600,230
Accumulated depreciation	-	(3,216,373)	(23,249,109)	(325,439)	(1,702,665)	(1,027,583)	(5,851,752)	(17,154)	(35,390,075)
Net book value	30,500,000	62,914,610	218,732,327	1,205,579	4,155,849	1,600,092	12,084,752	16,946	331,210,155
Year ended June 30, 2010									
Opening net book value	30,500,000	62,914,610	218,732,327	1,205,579	4,155,849	1,600,092	12,084,752	16,946	331,210,155
Additions	-	-	7,227,950	7,500	330,200	-	74,800	-	7,640,450
Disposal:									
Cost	-	-	-	-	-	-	(74,800)	-	(74,800)
Accumulated depreciation	-	-	-	-	-	-	4,363	-	4,363
	-	-	-	-	-	-	(70,437)	-	(70,437)
Surplus on revaluation	3,050,000	2,960,360	87,543,873	-	-	-	-	-	93,574,233
Depreciation charge	-	(3,294,749)	(30,997,170)	(60,373)	(211,826)	(80,005)	(1,214,085)	(847)	(35,859,055)
Closing net book value	33,550,000	62,600,221	282,506,980	1,152,706	4,274,223	1,520,087	10,875,030	16,099	396,495,346
Annual rate of depreciation (%)		5	10	5	5	5	10	5	

	2010 Rupees	2009 Rupees

10.2 Depreciation for the year has been allocated as under:

	2010 Rupees	2009 Rupees
Cost of goods sold	34,352,292	13,088,066
Administrative expenses	1,506,763	1,619,855
	35,859,055	14,707,921

10.3 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery at June 30, 2010 and 2009 would have been as follows:

	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
	360,056,861	120,848,276	239,208,585

	2009		
	Cost	**Accumulated depreciation**	**Written down value**
	---Rupees---		
Freehold land	2,762,305	-	2,762,305
Building on freehold land	62,359,206	11,053,672	51,305,534
Plant and machinery	287,707,400	86,765,597	200,941,803
	352,828,911	97,819,269	255,009,642

10.4 Detail of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	---Rupees---				
Vehicle (Insurance claim)	74,800	4,363	70,437	70,000	EFU General Insurance Limited. 8th Floor, Business Plaza, Mumtaz Hasan Road, Off. I.I Choundrigar Road, Karachi

10.5 Change in accounting estimate

During the year, the management has revised estimate of useful life of building on freehold land and plant and machinery. The revision has been accounted for as change in accounting estimate in accordance with the requirements of IAS-8 "Accounting Policies, Changes in accounting estimates and Errors". Accordingly the effect of change in accounting estimate has been recognised prospectively in the profit and loss account of the current year. Had there been no change in this accounting estimate, carrying value of property, plant and equipment would have been higher by Rs. 18,711,850/- and profit for the year would have been higher by Rs. 17,820,810/-.

	Note	2010 Rupees	2009 Rupees
11. Long term deposits			
Against utilities		4,361,226	661,226
Others		272,086	272,086
		4,633,312	933,312
12. Stores, spares and loose tools			
Stores		3,196,106	2,845,854
Spares		12,079,561	6,811,682
Loose tools		100,289	60,247
		15,375,956	9,717,783
13. Stock in trade			
Raw material		29,775,050	36,701,634
Work in process		12,971,939	38,585,603
Finished goods	13.1	43,199,292	65,747,321
		85,946,281	141,034,558

13.1 Stock in trade amounting to Nil (2009: Rs. 5.59 million) is at net realiseable value.

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	2010 Rupees	2009 Rupees
14. Trade debts		
Considered good		
Secured		
Foreign	49,040,923	39,400,454
Local	3,470,000	-
	52,510,923	39,400,454
Unsecured		
Local	11,036,477	2,605,753
	63,547,400	42,006,207
15. Loans and advances		
Considered good		
Loans		
Employees	3,903,402	2,637,833
Advances		
Suppliers	1,598,657	2,750,883
For expenses	439,540	687,206
Income tax	9,301,681	7,211,477
	15,243,280	13,287,399
16. Deposit and prepayment		
Considered good		
Deposit		
Bank guarantee margin	142,365	-
Prepayment	10,526	122,792
	152,891	122,792

	Note	2010 Rupees	2009 Rupees

17. Other receivables

Considered good			
Export rebate / duty drawback		4,532,500	1,335,900
Insurance claims		4,810,929	
Other		316,941	59,336
		9,660,370	1,395,236

18. Tax refunds due from Government

Sales tax		5,916,385	2,934,313
Income tax		-	208,340
		5,916,385	3,142,653

19. Cash and bank balances

Cash in hand		541,693	370,770
Cash at banks			
In current accounts		2,188,226	3,091,707
		2,729,919	3,462,477

20. Sales

Cloth			
Export	20.1	822,492,721	646,976,683
Local	20.2	29,465,630	11,527,358
		851,958,351	658,504,041
Sizing and conversion income		37,337,632	23,834,824
		889,295,983	682,338,865
Add: Export rebate / duty drawback		4,892,235	1,768,323
		894,188,218	684,107,188
Less: Commission		10,332,590	3,746,648
		883,855,628	680,360,540

20.1 It includes exchange gain of Rs. 4,114,922 /- (2009: Rs. 6,261,572/-).

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

	Note	2010 Rupees	2009 Rupees

21. Cost of goods sold

Cost of goods manufactured	21.1	755,370,807	566,067,553
Finished goods			
Opening stock		65,747,321	84,728,915
Closing stock		(43,199,292)	(65,747,321)
		22,548,029	18,981,594
		777,918,836	585,049,147

	Note	2010 Rupees	2009 Rupees

21.1 Cost of goods manufactured

	Note	2010 Rupees	2009 Rupees
Raw material consumed	21.1.1	550,025,868	441,367,419
Sizing cost		30,682,276	24,824,531
Salaries, wages and benefits		52,121,119	40,747,339
Retirement benefits		1,915,853	1,271,107
Fuel and power		35,835,248	26,337,706
Stores, spares and loose tools		12,650,980	11,839,495
Stitching cost		5,649,983	6,719,497
Packing material		3,784,973	3,427,795
Repairs and maintenance		1,138,272	2,216,154
Insurance		1,510,745	1,406,243
Research and development	21.1.2	89,534	118,358
Depreciation	10.2	34,352,292	13,088,066
		729,757,143	573,363,710
Work in process			
Opening stock		38,585,603	31,289,446
Closing stock		(12,971,939)	(38,585,603)
		25,613,664	(7,296,157)
		755,370,807	566,067,553

21.1.1 Raw material consumed

	2010 Rupees	2009 Rupees
Opening stock	36,701,634	40,548,335
Purchases including purchase expenses	543,099,284	437,520,718
	579,800,918	478,069,053
Closing stock	(29,775,050)	(36,701,634)
	550,025,868	441,367,419

21.1.2 Research and development

	2010 Rupees	2009 Rupees
Research and development support	724,351	1,214,151
Utilisation		
Product development	319,060	1,332,509
Market research	494,825	-
	813,885	1,332,509
Net expense for the year	89,534	118,358

22. Distribution cost

	2010 Rupees	2009 Rupees
Ocean freight	30,957,057	27,338,398
Clearing and forwarding	10,047,927	6,688,836
Advertisement	24,700	19,000
	41,029,684	34,046,234

	Note	2010 Rupees	2009 Rupees

23. Administrative expenses

	Note	2010 Rupees	2009 Rupees
Directors' remuneration	28	2,280,000	2,280,000
Salaries and benefits		3,084,371	2,467,020
Staff retirement benefits		530,838	456,645
Electricity and gas		134,675	110,541
Insurance		472,302	492,963
Rent rates and taxes		558,530	506,400
Vehicles running and maintenance		2,635,661	2,193,731
Travelling and conveyance		1,018,197	850,812
Postage, telephone and telex		1,823,460	1,426,621
Printing and stationery		672,558	671,014
Auditors' remuneration	23.1	367,500	285,000
Legal and professional		236,560	21,840
Fees and subscriptions		594,946	464,021
Entertainment		457,915	287,449
Newspaper and periodicals		5,950	8,205
Depreciation	10.2	1,506,763	1,619,855
Other		155,311	306,932
		16,535,537	14,449,049

23.1 Auditors' remuneration

		2010 Rupees	2009 Rupees
Audit fee		300,000	225,000
Sundry services		67,500	60,000
		367,500	285,000

24. Other operating expenses

		2010 Rupees	2009 Rupees
Workers profit participation fund		1,125,279	934,934
Workers' welfare fund		694,533	570,842
Loss on disposal of property, plant and equipment		437	-
		1,820,249	1,505,776

25. Finance cost

		2010 Rupees	2009 Rupees
Interest / mark up on			
Long term financing- banking companies		249,414	1,084,317
Short term bank borrowings		18,425,188	19,200,106
Workers' profit participation fund		46,744	23,598
Bank charges and commission		2,780,006	2,478,990
Exchange loss		3,763,591	4,783,168
		25,264,943	27,570,179

	Note	2010 Rupees	2009 Rupees

26. Provision for taxation

	Note	2010 Rupees	2009 Rupees
Current			
For the year		8,534,437	7,074,319
Prior years		-	342,342
Deferred	26.1	-	-
		8,534,437	7,416,661

26.1 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.

26.2 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 154 and 169 of the Income Tax Ordinance, 2001.

27. Earnings per share - Basic and diluted

		2010	2009
Profit for the year	(Rupees)	12,751,942	10,323,494
Weighted average number of ordinary shares outstanding during the year	(Number)	6,997,000	6,997,000
Earnings per share - Basic and diluted	(Rupees)	1.82	1.48

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

28. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

	2010			2009		
	Chief Executive Officer	Directors	Total	Chief Executive Officer	Directors	Total
Remuneration	440,000	1,080,000	1,520,000	440,000	1,080,000	1,520,000
House rent allowance	198,000	486,000	684,000	198,000	486,000	684,000
Conveyance allowance	22,000	54,000	76,000	22,000	54,000	76,000
Rupees	660,000	1,620,000	2,280,000	660,000	1,620,000	2,280,000
Number of persons	1	3	4	1	3	4

28.1 The Chief Executive Officer and Directors are entitled to reimbursement of telephone bills. The monetary value of these benefits is Rs. 319,910 /- (2009: Rs. 274,579 /-).

29. 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 28. The Company has not carried out any other significant transaction with the related parties.

30. PLANT CAPACITY AND ACTUAL PRODUCTION

	2010	2009
Weaving		
Number of looms installed	214	214
Number of looms worked	214	214
Standard cloth production (Sq. meters)	26,000,000	26,000,000
Actual production (Sq. meters)	25,628,269	20,079,992
Sizing		
Warping machines	2	2
Sizing machines	1	1
Standard production (Kgs.)	1,740,000	1,740,000
Actual production (Kgs.)	1,521,783	1,634,502

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.

31. 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.

31.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2010 Rupees	2009 Rupees
Financial assets:		
Loans and receivables at amortised cost		
Deposits	4,775,677	933,312
Trade debts	63,547,400	42,006,207
Loans and advances	3,903,402	2,637,833
Cash and bank balances	2,729,919	3,462,477
	74,956,398	49,039,829

	2010 Rupees	2009 Rupees
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing		
Banking companies	-	5,733,329
Directors	107,000,000	137,000,000
Trade and other payables	41,617,965	19,241,310
Interest / markup payable	2,762,661	2,111,602
Short term bank borrowings	177,818,849	201,562,600
	329,199,475	365,648,841

31.2 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:

31.2.1 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:

	2010 Rupees	2009 Rupees
Long term deposits	4,633,312	933,312
Trade debts	63,547,400	42,006,207
Loans and advances	3,903,402	13,287,399
Deposits	142,365	-
Bank balances	2,188,226	3,091,707
	74,414,705	59,318,625

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:

	2010 Rupees	2009 Rupees
Not past due	59,420,942	41,394,136
Past due	4,126,458	612,071
	63,547,400	42,006,207

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.

31.2.2 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, 2010 and 2009:

	2010				
	Carrying amount	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

	2009				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees				
Financial liabilities:					
Long term financing	142,733,329	142,861,033	-	5,861,033	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 borrowings	201,562,600	208,603,125	208,603,125	-	-
	365,648,841	372,817,070	229,956,037	5,861,033	137,000,000

The contractual cash flows relating to mark up have been determined on the basis of mark up rates as applicable on June 30, 2010 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 97 million and unavailed short term borrowing facilities of Rs. 90 million as at June 30, 2010.

31.2.3 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. 2.016 million (2009: Rs. 2.844 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. 49.04 million (2009: Rs. 39.40 million).

At June 30, 2010, 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. 2.45 million (2009: Rs. 2 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated trade debts.

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.

31.3 **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.

31.4 **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, 2010 and 2009 were as follows

	Note	2010 Rupees	2009 Rupees
Total debt	4 & 8	284,818,849	344,295,929
Less: Cash and bank balances	19	(2,729,919)	(3,462,477)
Net debt		282,088,930	340,833,452
Total equity		132,191,947	108,177,093
Total capital		414,280,877	449,010,545
Gearing ratio		68.09%	75.91%

32. **DATE OF AUTHORISATION FOR ISSUE**

The financial statements were authorised for issue on **07-10-2010** by the Board of Directors of the Company.

33. 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, Madina Town,
Faisalabad.

I/We _______________ of _______________ being

member(s) of **ASHFAQ TEXTILE MILLS LIMITED.,** and holder of _______________

Ordinary Shares as per Share Register Folio # _______________ (In case of Central Depository System

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 30, 2010 at 09.00 a.m. at any adjournment thereof.

Signd this _______________ day of _______________ 2010.

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 proxy who is not a member.
3. If a member appoints more than one proxy and more than 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.
5. In case of corporate entity, the Board of Directors' resolution/power of attorny with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.