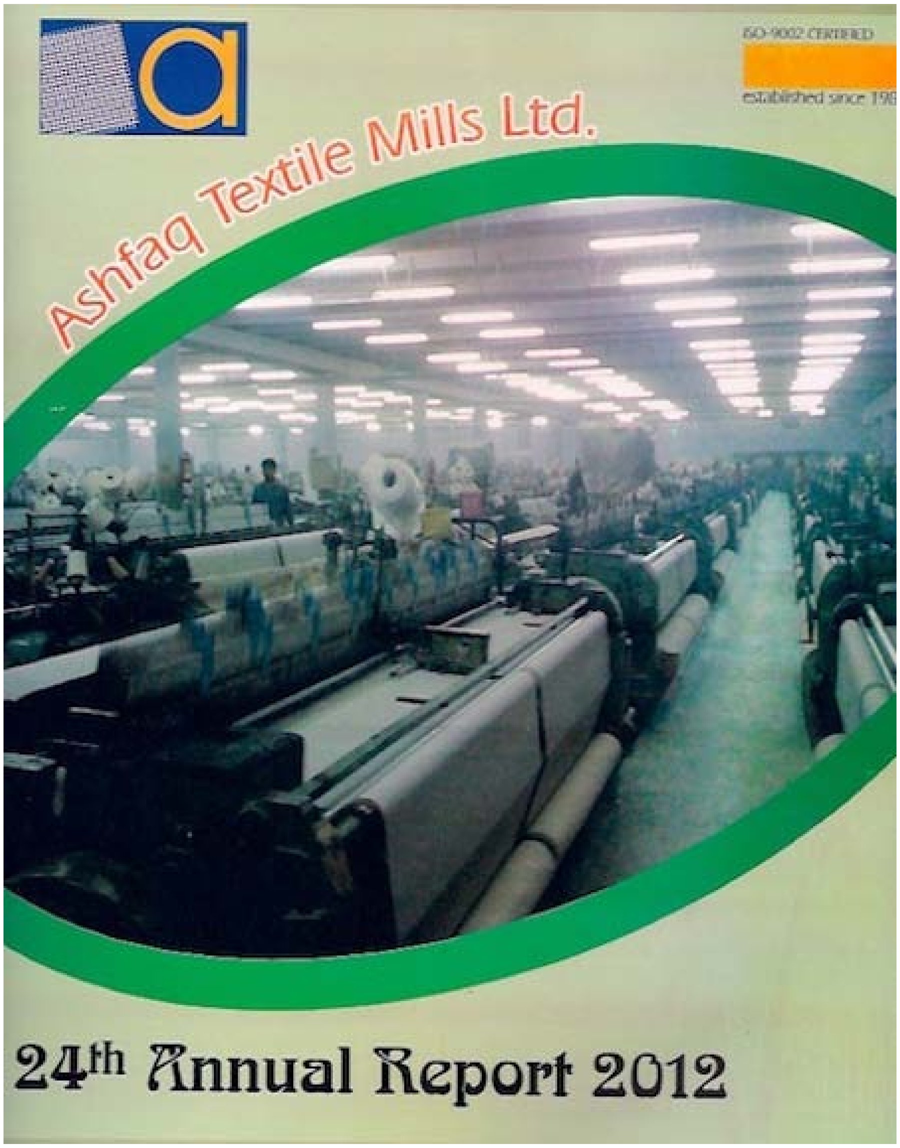
2012 Financials.



بسم الله الرحمن الرحيم

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

COMPANY INFORMATION

CHAIRMAN / CHIEF EXECUTIVE	Mr. Ashfaq Ahmad
DIRECTORS	Mr. Nadeem Ashfaq Mr. Waseem Ashfaq Mr. Amjad Aslam Mrs. Shazia Amjad Mirza Muhammad Idrees Khwaja Muhammad Ilyas
COMPANY SECRETARY	Mr. Waseem Ashfaq
AUDIT COMMITTEE	Mrs. Shazia Amjad Kh. Muhammad Ilyas Mirza Mohammad Idrees
HUMAN RESOURSE AND REMUNERATION COMMITTEE	Mr. Nadeem Ashfaq Mrs. Shazia Amjad Mirza Mohammad Idrees
CHIEF FINANCIAL OFFICER (CFO)	Mr. Mohammad Anwar Jawed
BANKERS	United Bank Ltd.
SHARE REGISTERAR	M/s Consulting One (Pvt) Ltd. 478-D, Peoples Colony # 1, Fsd.
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 LIMIPTED

NOTICE OF MEETING

24th 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 Wednesday, 31st October, 2012 at 09:00 a.m. to transect the following business:-

Ordinary Business:

1. To confirm minutes of the Extra Ordinary General Meeting held on March 26, 2012.
2. To receive and adopt audited accounts of the company for the year ended on 30th June 2012 together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2013 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, 2012.

Ashfaq Ahmad
Chief Executive

NOTES:

1. The share transfer books of the Company will be closed from 23rd October, 2012 to 31st October, 2012 (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 before the closed of business on 23rd October 2012 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 in 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 27.023 Million Sq. Meters on 60 picks in 360 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

It is our pleasure to present our 24th Annual Report and Audited Accounts for the year ended June 30, 2012.

Highlights	2012 '000' Rs.	2011 '000' Rs.	Variance %
Sales	931,187	1,036,471	(10.16)
Gross Profit	159,285	123,627	28.84
Profit Before Tax	77,300	40,689	89.98
Profit After Tax	68,578	29,730	130.67
EPS	9.80	4.25	130.59

Although the numbers shows a decline in the sales by 10% year to year, but this is an international diversion to manufacture and sell more value added products to attain maximum profitability, which is much apparent in the Gross Profit, which has increased by 28.84% year to year.

Your Company earned a net profit of Rs.68.578 Million for the current year in comparison to Rs. 29.730 Million earned in the last year ending June 30, 2011. This is very encouraging increase of 130.67%.

The Company is in the process of issue of 13,994,000 right shares (2 shares for each share held) to finance the Balancing, Modernization, Replacement (BMR) expansion project of the Company.

Due to increase in demand of our products, we have decided to increase our production facility, which would result in addition in building and machinery. Thus it would not be possible to recommend dividend or bonus for the current year.

Marketing strategy and future prospects

Our extensive marketing has resulted in good growth of new customers internationaly and domestically. Therefore, we have decided to increase our production capicity by adding more machines and building. We are hopeful that this would not only increase our production capicity but also bring our cost per unit down.

Corporate Social Responsibility

Your Company as in the past, contributed Rs. 1,815,000 to Liver Foundation Trust for purchase of Mobile Health Care Unit. Liver Foundation is a reputable trust, which is doing a priceless service of providing free of charge health care and awareness of Hapatitis C to the people of Faisalabad and surrounding rural areas of Faisalabad. We are proud to be playing our role as a responsible member of the society.

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, its cash flows and its 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 six meetings during the year. Attendence by each director was as follows;

Sr.No.	Name of Director	No. of Meetings Attended
1	Mr. Ashfaq Ahmad	06
2	Mr. Nadeem Ashfaq	06
3	Mr. Waseem Ashfaq	05
4	Mr. Amjad Aslam	06
5	Mrs. Shazia Amjad	06
6	Mirza Muhammad Idrees	06
7	Khawaja Muhammad Ilyas	06

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.

Mrs. Shazia Amjad (Chairperson)
Khawaja Muhammad Ilyas (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.

10. **Human Resources and Remuneration Committee**

The Board of Directors in compliance to the Code of Corporate Governance has formed a Human Resources and Remuneration Committee and the following Directors are the members of the HR&R.

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

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	GIFT
Mr. Ashfaq Ahmad	12,850	Nil	1,000,000
Mr. Waseem Ashfaq	12,936	Nil	
Mrs. Mussarat Ashfaq	36,847	Nil	(1,000,000)

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, 2012 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, 2012.

FINANCIAL HIGHLIGHTS

		2012	2011	2010	2009	2008	2007
			(Rupees in Thousand)				
SALES	Rs.	931,187	1,036,471	883,856	680,360	480,973	599,481
GROSS PROFIT	Rs.	159,285	123,627	106,256	95,311	74,746	85,559
NET PROFIT AFTER TAX	Rs.	68,578	29,730	12,751	10,323	5,080	6,948
FIXED ASSTES	Rs.	439,500	431,288	421,332	332,143	342,052	347,095
LONG TERM LIABILITIES (FINANCIAL INSTITUTION)	Rs.	-	-	-	5,733	22,078	54,019
LONG TERM LIABILITIES (DIRECTORS)	Rs.	139,740	107,000	107,000	137,000	137,000	127,500
ACCUMULATED PROFIT / (LOSS)	Rs.	180,473	102,769	62,222	38,207	26,650	20,279
GROSS PROFIT RATIO	%	17.11	11.93	11.99	14.01	15.54	14.27
NET PROFIT RATIO	%	7.36	2.87	1.44	1.52	1.06	1.16
DEBT EQUITY RATIO	%	15.85	10.90	11.89	25.75	31.69	37.63
CURRENT RATIO	%	1.35	0.95	0.85	0.90	0.85	0.85
EARNING PER SHARE	%	9.80	4.25	1.82	1.48	0.73	0.99
DIVIDEND	Rs.	-	-	-	-	-	-

ASHFAQ TEXTILE MILLS LIMITED

PATERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2012

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM		TO	TOTAL SHARES HELD
115	1	-	100	10,317
669	101	-	500	298,610
36	501	-	1000	35,100
42	1001	-	5000	115,527
18	5001	-	10000	135,815
1	10001	-	15000	14,000
1	385001	-	390000	389,300
1	400001		405000	403,000
2	690001	-	695000	1,387,200
1	825001	-	830000	826,000
1	830001	-	835000	831,299
1	1165001	-	1170000	1,166,982
1	1380001	-	1385000	1,383,850
889				6,997,000

S.NO.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	883	6,975,250	99.69
2	COMPANIES	4	11,350	0.16
3	OTHERS	1	5,500	0.08
4	FINANCIAL INSTITUTIONS	1	4,900	0.07
		889	6,997,000	100.00

CATEGORIES OF SHARE HOLDING

AS AT JUNE 30, 2012

DIRECTORS AND THEIR SPOUSE:	SHARES HELD	%
Mr. Ashfaq Ahmad	1,383,850	19.78
Mr. Nadeem Ashfaq	826,000	11.81
Mr. Waseem Ashfaq	838,936	11.99
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	1,166,982	16.68
Mrs. Uzma Nadeem	693,600	9.91
Mrs. Memona Waseem	693,600	9.91
SHAREHOLDERS HOLDING 10% OR MORE:		
Mr. Ashfaq Ahmad	1,383,850	19.78
Mrs. Musarat Ashfaq	1,166,982	16.68
Mr. Nadeem Ashfaq	826,000	11.81
Mr. Waseem Ashfaq	838,936	11.99
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
Z.S. Investments (Pvt) Ltd.	2,150	0.03
OTHERS:		
The Karachi Stock Exchange (G) Ltd.	5,500	0.08
GENERAL PUBLIC:	966,982	13.82
TOTAL	6,997,000	100

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2012

This statement is being presented in compliance with the Code of Corporate Governance (the CCG) contained in listing regulations of Stock Exchanges in the Pakistan for the purpose of establishing a framework whereby a listed Company is managed with best practices for good Corporate Governance.

The Board has applied the principles contained in the CCG in the following manner:

1. The Company encourages representations of independent non-executive Directors and Directors representing minority interest on the Board of the Company. However, at present, the Board includes:

CATAGORY	NAMES
Independent Directors	-
Executive Directors	Mr. Ashfaq ahmad Mr. Nadeem Ashfaq Mr. Waseem Ashfaq Mr. Amjad Aslam
Non-Executive Directors	Mrs. Shazia amjad Mr. Muhammad Idrees Khawaja Muhammad Ilyas

   The condition of Clause (b) of the CCG in relation to independent director and one third executive directors for the elected directors will be applicable after next election of directors in June 2013.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed Companies, including this Company.

3. All the Directors of the Company are registered 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 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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 or 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. The Company Secretary and CFO attended the meetings of the Board of Directors.

9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the Corporate and other Laws if any.

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 was approved by the Board.

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

12. The 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 CCG.

15. The Board has formed an Audit Committee. It comprises of there non-executive directors. The condition of clause xxiv of the CCG in relation to independent director will be applicable after next election of directors in June 2013.

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 CCG. The terms of reference of the Committee have been defined and communicated to the Committee for compliance.

17. The Board has formed a human resource and remuneration committee. It comprises of there members, out of which one is executive director and two are non-executive directors including the Chairman of the committee.

18. 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.

19. 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.

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

21. The related parties transaction and pricing methods have been placed before the audit committee and approved by the board of directors. The transactions were made on terms equivalent to those that prevail in arm's length transaction.

22. The "closed period" prior the announcement of interim / final results, and business decisions, which may materially effect the market price of Company's shares were determined and intimated to directors, employees and Stock Exchanges.

23. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

24. We confirm that all other material principles contained in the CCG 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, 2012 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 (x) of Listing Regulation No. 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, 2012.

---SD---

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: 04-10-2012
Place: Faisalabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ashfaq Textile Mills Limited (the Company) as at June 30, 2012 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, 2012 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: **04-10-2012**
Place: Faisalabad

ASHFAQ TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorised capital			
40,000,000 (2011 : 8,000,000) ordinary shares of Rs.10/- each		400,000,000	80,000,000
Issued, subscribed and paid up capital			
5,997,000 ordinary shares of Rs.10/- each fully paid in cash		59,970,000	59,970,000
Unappropriated profit		190,472,876	102,768,688
		250,442,876	172,738,688
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	3	119,505,803	128,832,006
NON CURRENT LIABILITIES			
Long term financing	4	139,740,000	107,000,000
Deferred liability			
Staff retirement gratuity	5	10,273,382	9,641,006
		150,013,382	116,641,006
CURRENT LIABILITIES			
Trade and other payables	6	59,077,084	42,859,279
Interest / mark up payable on short term bank borrowings		1,885,934	3,488,015
Short term bank borrowings	7	158,447,800	199,273,200
Provision for taxation - income tax		8,728,958	10,958,683
		227,947,878	256,578,688
CONTINGENCIES AND COMMITMENT	8	-	-
		747,909,458	674,590,558

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	434,896,073	426,758,292
Long term security deposits	10	4,604,782	4,499,782
		439,499,855	431,258,074
CURRENT ASSETS			
Stores, spares and loose tools	11	15,727,230	16,646,442
Stock in trade	12	107,620,693	133,778,689
Trade debts	13	104,936,431	42,236,640
Loans and advances	14	17,141,504	21,127,873
Deposit and prepayments	15	199,368	263,856
Other receivables	16	3,523,237	6,614,211
Tax refunds due from Government	17	10,746,302	6,260,241
Cash and bank balances	18	48,516,838	19,485,422
		308,409,603	243,332,484
		747,909,458	674,590,558

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, 2012

	Note	2012 Rupees	2011 Rupees
Sales	19	931,186,619	1,036,470,545
Cost of goods sold	20	771,901,378	912,843,113
Gross profit		159,285,241	123,627,432
Distribution cost	21	32,511,648	42,447,737
Administrative expenses	22	29,051,968	19,883,062
Other operating expenses	23	4,082,803	3,233,468
Finance cost	24	16,338,746	17,374,461
		81,985,165	82,938,728
Profit for the year before taxation		77,300,076	40,688,704
Provision for taxation	25	8,722,242	10,958,603
Profit for the year		68,577,834	29,730,101
Earnings per share - Basic and diluted	26	9.80	4.25

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, 2012

	Note	2012 Rupees	2011 Rupees
Profit for the year		68,577,834	29,730,101
Other comprehensive income			
Incremental depreciation on revalued assets for the year	3	9,126,083	10,149,260
Surplus realised on disposal of assets during the year		-	667,350
		9,126,083	10,816,610
Total comprehensive income for the year		77,703,917	40,546,711

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, 2012

	2012 Rupees	2011 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	77,300,076	40,688,704
Adjustments for:		
Depreciation of property, plant and equipment	32,890,181	33,744,920
Provision for staff retirement gratuity	2,614,456	2,459,917
Loss on disposal of property, plant and equipment	6,331	1,194,813
Finance cost	16,338,746	17,374,461
Operating cash flows before working capital changes	129,149,790	95,462,815
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(181,787)	(169,487)
Stock in trade	26,158,096	(47,832,408)
Trade debts	(62,709,791)	21,320,760
Loans and advances	1,336,106	(3,658,719)
Deposit and prepayments	64,597	(110,974)
Other receivables	3,091,074	3,046,059
Tax refunds due from Government	(4,910,393)	728,856
Increase / (decrease) in current liabilities		
Trade and other payables	16,218,014	(578,707)
Cash generated from operating activities	108,215,706	68,208,195
Finance cost paid	(18,132,825)	(16,649,107)
Income tax paid	(8,877,292)	(10,833,023)
Staff retirement gratuity paid	(1,982,080)	(1,529,310)
Net cash generated from operating activities	79,223,509	39,196,755
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(41,393,293)	(46,310,133)
Proceeds from disposal of property, plant and equipment	290,000	1,281,000
Long term deposits	(5,000)	133,530
Net cash (used in) investing activities	(41,108,293)	(44,895,603)

	2012 Rupees	2011 Rupees
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	32,740,000	-
(Decrease) / increase in short term bank borrowings - net	(40,825,600)	21,454,351
Net cash (used in) / generated from financing activities	(8,085,600)	21,454,351
Net increase in cash and cash equivalents (a+b+c)	30,029,616	15,755,503
Cash and cash equivalents at the beginning of the year	18,485,422	2,729,919
Cash and cash equivalents at the end of the year	48,515,038	18,485,422

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, 2012

	Issued, subscribed and paid up capital	Unappropriated profit	Total
	------------------	Rupees ------------------	
Balance as at July 01, 2010	69,970,000	62,221,947	132,191,947
Total comprehensive income for the year			
Profit for the year	-	29,730,101	29,730,101
Other comprehensive income			
Incremental depreciation on revalued assets for the year	-	10,149,260	10,149,260
Surplus realised on disposal of assets	-	667,350	667,350
	-	40,546,711	40,546,711
Balance as at June 30, 2011	69,970,000	102,768,658	172,738,658
Total comprehensive income for the year			
Profit for the year	-	68,577,834	68,577,834
Other comprehensive income			
Incremental depreciation on revalued assets for the year	-	9,126,083	9,126,083
	-	77,703,917	77,703,917
Balance as at June 30, 2012	69,970,000	180,472,575	250,442,575

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, 2012

1. GENERAL INFORMATION

1.1 Ashfaq Textile Mills Limited (the Company) was 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 Company is in the process of issue of 13,994,000 right shares (2 shares for each share held) to finance the Balancing, Modernization, Replacement (BMR) expansion project of the Company.

1.3 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 standards, amendments to standards and interpretations have been effective and are mandatory for financial statements for the accounting periods of the Company beginning on or after July 01, 2011 and therefore, have been applied in preparing these financial statements:

- IAS 1 "Presentation of Financial Statements". The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Company has chosen to present such an analysis in the statement of changes in equity.

- IFRS 7 (Amendments), "Financial Instruments" emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments do not have any significant impact on the Company's financial statements.

- IAS 24 "Related Party Disclosures" (as revised in 2009) has been revised to change the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. The application of revised standard does not have any impact on the Company's 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 to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2011 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 standards, amendments to standards and interpretations have been published and are mandatory for the accounting periods of the Company beginning on or after their respective effective dates:

- IAS 1 "Presentation of Financial Statements". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. The amendments to IAS 1 require additional disclosures to be made in other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that might be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the amendments will result in certain disclosures.

- IFRS 7 "Financial Instruments: Disclosures". The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments are effective for the accounting periods of the Company beginning on or after July 01, 2012. These are not expected to have any impact on the Company's financial statements.

- IFRS 9 "Financial Instruments". IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 is effective for the accounting periods of the Company beginning on or after July 01, 2013. IFRS 9 contains a number of transitional provisions. The standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 12 "Disclosures of interest in other entities". This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The standard is effective for accounting period of the Company beginning on or after July 01, 2013. The application of the standard may result in additional disclosures.

- IAS 19 "Employee Benefits". The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard is not expected to have any 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 certain new standards, amendments to 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.

	2012 Rupees	2011 Rupees
3. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Opening balance	128,632,006	139,448,616
Transferred to Comprehensive Income for the year		
Incremental depreciation for the year	(9,126,083)	(10,149,260)
Surplus realised on disposal of assets	-	(667,350)
	(9,126,083)	(10,816,610)
	119,505,923	128,632,006

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

	Note	2012 Rupees	2011 Rupees
4. Long term financing from directors			
Unsecured	4.1	139,740,000	107,000,000

4.1 These are interest free. These have been subsequently repaid to the directors and the proceeds were utilised by the directors to deposit subscription money against proposed right issue of shares as referred in Note 1.2.

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, 2012 using Projected Unit Credit Method.

	Note	2012 Rupees	2011 Rupees
5.2 The amount recognised in the balance sheet is as follows :			
Present value of defined benefit obligation		9,601,548	9,018,055
Cumulative net unrecognised actuarial gain		671,834	622,951
		10,273,382	9,641,006
5.3 Movement in net liability recognised			
Opening balance		9,641,006	8,710,399
Expenses recognised in profit and loss account	5.4	2,614,456	2,459,917
Paid during the year		(1,982,080)	(1,529,310)
		10,273,382	9,641,006
5.4 Expenses recognised in profit and loss account			
Current service cost		1,942,560	1,838,478
Interest cost		671,896	621,439
		2,614,456	2,459,917

	2012	2011
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

	2012	2011	2010	2009	2008
	Rupees				
Present value of defined benefit obligation	9,601,548	9,018,055	7,979,577	6,074,926	5,280,124
Experience adjustment on obligation	48,883	(107,871)	366,427	-	434,655

	Note	2012 Rupees	2011 Rupees
6. Trade and other payables			
Creditors		44,677,119	32,842,752
Accrued liabilities		9,553,656	7,427,709
Workers' profit participation fund	6.1	4,076,472	2,038,655
Other		769,837	549,954
		59,077,084	42,859,070

6.1 Workers' profit participation fund

	2012 Rupees	2011 Rupees
Opening balance	2,038,655	1,125,279
Interest on funds utilised in the Company's business	152,899	84,396
	2,191,554	1,209,675
Amount paid to workers on behalf of the fund	2,191,554	1,209,675
	-	-
Allocation for the year	4,076,472	2,038,655
	4,076,472	2,038,655

7. Short term bank borrowings

	Note	2012 Rupees	2011 Rupees
Secured			
Under mark up arrangements			
From banking companies			
In local currency	7.2	110,000,000	90,615,000
In foreign currency	7.2	48,447,600	108,658,200
		158,447,600	199,273,200

7.1 The aggregate unavailed short-term borrowing facilities available to the Company are Rs 126.5 million (2011: Rs. 47.05 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 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 15.11% per annum (2011: 3.44% to 15.29% per annum).

8. CONTINGENCIES AND COMMITMENT

	2012 Rupees	2011 Rupees
Contingencies		
Bank guarantee issued in favour of the Collector of Customs for release of consignment pertaining to return of export goods	47,500	115,000
Liability of workers' welfare fund not acknowledged. The Company is claiming exemption from the levy.	2,367,266	851,578
Commitments		
Under letter of credit for raw material	3,987,081	-

	Note	2012 Rupees	2011 Rupees
9. Property, plant and equipment			
Operating assets	9.1	379,663,379	378,784,555
Capital work in progress	9.5	55,331,694	48,003,737
		434,995,073	426,788,292

9.1 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, 2010									
Cost / valuation	33,550,000	65,894,970	313,504,150	1,538,518	5,188,714	2,627,675	17,936,504	34,100	441,274,631
Accumulated depreciation	-	(3,294,749)	(30,997,170)	(385,812)	(914,491)	(1,107,588)	(7,061,474)	(18,001)	(44,779,285)
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
Year ended June 30, 2011									
Opening 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
Additions	-	-	11,503,410	-	1,646,798	5,800	5,353,934	-	18,509,942
Disposal:									
Cost / valuation	-	-	(1,320,000)	-	-	-	(2,894,280)	-	(4,214,280)
Accumulated depreciation	-	-	211,200	-	-	-	1,527,267	-	1,738,467
	-	-	(1,108,800)	-	-	-	(1,367,013)	-	(2,475,813)
Depreciation charge	-	(3,130,011)	(28,604,028)	(57,635)	(253,341)	(76,149)	(1,422,951)	(805)	(33,744,920)
Closing net book value	33,550,000	59,470,210	264,097,562	1,095,071	5,667,680	1,449,738	13,439,000	15,294	378,784,555
At July 01, 2011									
Cost / valuation	33,550,000	65,894,970	323,687,560	1,538,518	6,835,512	2,633,475	20,396,158	34,100	455,570,293
Accumulated depreciation	-	(6,424,760)	(59,589,998)	(443,447)	(1,167,832)	(1,183,737)	(6,957,158)	(18,806)	(76,785,738)
Net book value	33,550,000	59,470,210	264,097,562	1,095,071	5,667,680	1,449,738	13,439,000	15,294	378,784,555
Year ended June 30, 2012									
Opening net book value	33,550,000	59,470,210	264,097,562	1,095,071	5,667,680	1,449,738	13,439,000	15,294	378,784,555
Additions	6,897,600	-	26,563,786	-	533,800	-	70,150	-	34,065,336
Disposal:									
Cost	-	-	-	-	-	-	(586,000)	-	(586,000)
Accumulated depreciation	-	-	-	-	-	-	289,669	-	289,669
	-	-	-	-	-	-	(296,331)	-	(296,331)
Depreciation charge	-	(2,973,511)	(28,148,376)	(54,754)	(296,210)	(72,487)	(1,344,078)	(765)	(32,890,181)
Closing net book value	40,447,600	56,496,699	262,512,972	1,040,317	5,905,270	1,377,251	11,868,741	14,529	379,663,379
At June 30, 2012									
Cost / valuation	40,447,600	65,894,970	350,251,346	1,538,518	7,369,312	2,633,475	19,880,308	34,100	489,049,629
Accumulated depreciation	-	(9,398,271)	(87,738,374)	(498,201)	(1,464,042)	(1,256,224)	(8,011,567)	(19,571)	(109,386,250)
Net book value	40,447,600	56,496,699	262,512,972	1,040,317	5,905,270	1,377,251	11,868,741	14,529	379,663,379
Annual rate of depreciation (%)	-	5	10	5	5	5	10	5	

	2012 Rupees	2011 Rupees

9.2 Depreciation for the year has been allocated as under:

	2012 Rupees	2011 Rupees
Cost of goods sold	31,176,641	31,991,674
Administrative expenses	1,713,540	1,753,246
	32,890,181	33,744,920

9.3 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery at June 30, 2012 and 2011 would have been as follows:

	2012		
	Cost	Accumulated depreciation	Written down value
	Rupees		
Freehold land	9,659,905	-	9,659,905
Building on freehold land	62,359,206	18,371,124	43,988,082
Plant and machinery	332,112,546	145,809,185	186,303,361
	404,131,657	164,180,309	239,951,348

	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	126,128,543	179,420,217
	370,670,271	142,184,505	228,485,766

9.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyer
	Rupees				
Vehicle					
(Under the Company policy)	586,000	289,669	296,331	290,000	Mr. Anwar Javed (Employee)
2011	4,214,280	1,738,467	2,475,813	1,281,000	

9.5 Capital work in progress

	Civil work	Plant and machinery	Total
	Rupees		
Balance as at July 01, 2010	19,852,502	-	19,852,502
Additions	17,464,051	10,687,184	28,151,235
Balance as at June 30, 2011	37,316,553	10,687,184	48,003,737
Additions	18,015,141	15,876,602	33,891,743
Capitalized during the year	-	(26,563,786)	(26,563,786)
Balance as at June 30, 2012	55,331,694	-	55,331,694

	2012 Rupees	2011 Rupees
10. Long term security deposits		
Against utilities	4,467,696	4,467,696
Others	37,086	32,086
	4,504,782	4,499,782
11. Stores, spares and loose tools		
Stores	3,935,384	3,023,409
Spares	11,675,536	12,367,557
Loose tools	116,310	154,477
	15,727,230	15,545,443
12. Stock in trade		
Raw material		
In hand	37,738,065	27,384,008
In transit	3,976,201	-
	41,714,266	27,384,008
Work in process	14,963,302	31,941,827
Finished goods	50,943,025	74,452,854
	107,620,593	133,778,689
13. Trade debts		
Considered good		
Secured		
Foreign	82,104,481	31,985,618
Local	-	2,270,000
	82,104,481	34,255,618
Unsecured		
Local	22,831,950	7,971,022
	104,936,431	42,226,640
14. Loans and advances		
Considered good		
Loans		
Employees	5,227,013	5,968,459
Advances		
Suppliers	2,588,660	3,490,832
For expenses	10,220	141,027
Income tax	8,877,292	11,527,555
Letters of credit fee and expenses	438,319	-
	17,141,504	21,127,873
15. Deposit and prepayment		
Considered good		
Deposit		
Bank guarantee margin	16,300	11,500
Prepayments	182,968	252,365
	199,268	263,865

	Note	2012 Rupees	2011 Rupees
16. Other receivables			
Considered good			
Export rebate / duty drawback		3,283,500	5,686,348
Insurance claims		-	423,701
Other		239,737	504,262
		3,523,237	6,614,311
17. Tax refunds due from Government			
Sales tax		10,097,922	5,187,529
Income tax		648,380	72,712
		10,746,302	5,260,241
18. Cash and bank balances			
Cash in hand		572,810	1,118,972
Cash at banks			
In current accounts		47,942,228	17,366,450
		48,515,038	18,485,422
19. Sales			
Cloth			
Export	19.1	858,148,990	969,705,398
Local	19.2	33,283,408	47,379,006
		891,432,398	1,017,084,404
Conversion and sizing income		74,374,221	25,721,171
		965,806,619	1,042,805,575
Add: Export rebate / duty drawback		1,134,604	2,603,643
		966,941,223	1,045,409,218
Less: Commission and claims		35,754,604	8,938,673
		931,186,619	1,036,470,545

19.1 It includes exchange gain of Rs. 5,673,997/- (2011: Rs. 1,936,214/-).

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

	Note	2012 Rupees	2011 Rupees
20. Cost of goods sold			
Cost of goods manufactured	20.1	748,391,549	944,096,675
Finished goods			
Opening stock		74,452,854	43,199,292
Closing stock		(50,943,025)	(74,452,854)
		23,509,829	(31,253,562)
		771,901,378	912,843,113

	Note	2012 Rupees	2011 Rupees
20.1 Cost of goods manufactured			
Raw material consumed	20.1.1	508,835,922	777,331,139
Sizing cost		46,787,643	34,506,404
Stitching cost		-	1,285,707
Salaries, wages and benefits		63,934,177	55,843,693
Retirement benefits		2,175,365	2,046,780
Fuel and power		56,223,482	36,849,285
Stores, spares and loose tools		14,185,355	13,967,092
Packing material		4,392,215	5,983,328
Repairs and maintenance		1,136,742	1,618,559
Insurance		2,565,482	1,642,902
Depreciation	9.2	31,176,641	31,991,674
		731,413,024	963,066,563
Work in process			
Opening stock		31,941,827	12,971,939
Closing stock		(14,963,302)	(31,941,827)
		16,978,525	(18,969,888)
		748,391,549	944,096,675
20.1.1 Raw material consumed			
Opening stock		27,384,008	29,775,050
Purchases including purchase expenses		519,189,979	774,940,097
		546,573,987	804,715,147
Closing stock		(37,738,065)	(27,384,008)
		508,835,922	777,331,139
21. Distribution cost			
Ocean freight		22,518,342	31,571,552
Clearing and forwarding		9,993,306	10,876,185
		32,511,648	42,447,737
22. Administrative expenses			
Directors' remuneration	27	4,440,000	3,720,000
Salaries and benefits		5,008,612	4,113,292
Staff retirement benefits		439,091	413,137
Electricity and gas		176,532	143,898
Insurance		414,863	468,772
Rent, rates and taxes		-	322,572
Vehicles running and maintenance		5,264,240	2,935,027
Travelling and conveyance		3,268,359	895,526
Postage, telephone and telex		1,824,211	1,777,900
Printing and stationery		886,260	664,199
Auditors' remuneration	22.1	567,500	582,500
Legal and professional		587,583	244,500
Fees and subscriptions		1,447,388	672,024
Entertainment		695,198	319,904
Newspaper and periodicals		6,264	8,449
Charity and donations		1,815,000	657,000
Depreciation	9.2	1,713,540	1,753,246
Other		497,327	191,116
		29,051,968	19,883,062

	Note	2012 Rupees	2011 Rupees
22.1 Auditors' remuneration			
Audit fee		500,000	500,000
Sundry services		67,500	82,500
		567,500	582,500
23. Other operating expenses			
Workers' profit participation fund		4,076,472	2,038,655
Loss on disposal of property, plant and equipment		6,331	1,194,813
		4,082,803	3,233,468
24. Finance cost			
Interest / mark up on :			
Short term bank borrowings		9,382,071	13,842,174
Workers' profit participation fund		152,899	84,396
Bank charges and commission		2,106,396	2,149,740
Exchange loss		4,697,380	1,298,151
		16,338,746	17,374,461
25. Provision for taxation			
Current			
For the year		8,728,958	10,958,603
For prior year		(6,716)	-
Deferred	25.1	-	-
		8,722,242	10,958,603

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.

		2012	2011
26. Earnings per share - Basic and diluted			
Profit for the year	(Rupees)	68,577,834	29,730,101
Weighted average number of ordinary shares outstanding during the year	(Number)	6,997,000	6,997,000
Earnings per share - Basic and diluted	(Rupees)	9.80	4.25

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

27. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

	2012			2011		
	Chief Executive Officer	Directors	Total	Chief Executive Officer	Directors	Total
	Rupees					
Remuneration	1,000,050	1,960,100	2,960,150	813,400	1,666,750	2,480,150
House rent allowance	450,000	882,050	1,332,050	366,000	750,000	1,116,000
Conveyance allowance	49,950	97,850	147,800	40,600	83,250	123,850
	1,500,000	2,940,000	4,440,000	1,220,000	2,500,000	3,720,000
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 221,152 /- (2011: Rs. 169,334 /-).

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

	Note	2012	2011
Weaving			
Number of looms installed		214	214
Number of looms worked		214	214
Standard cloth production (Sq. meters)	29.1	27,400,000	27,400,000
Actual production (Sq. meters)		27,023,460	25,972,338
Sizing			
Warping machines		3	2
Sizing machines		1	1
Standard production (Kgs.)		4,150,000	1,740,000
Actual production (Kgs.)		1,874,457	954,374

Reason for short fall:

29.1 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.

29.2 The actual production is planned to meet the market demand.

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.

	2012 Rupees	2011 Rupees
30.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets:		
Loans and receivables at amortised cost		
Long term security deposits	4,504,782	4,499,782
Trade debts	104,936,431	42,226,640
Loans and advances	5,227,013	5,968,459
Deposits	16,300	11,500
Cash and bank balances	48,515,038	18,485,422
	163,199,564	71,191,803

	2012 Rupees	2011 Rupees
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing	139,740,000	107,000,000
Trade and other payables	55,000,612	40,820,415
Interest / markup payable	1,693,936	3,488,015
Short term bank borrowings	158,447,600	199,273,200
	354,882,148	350,581,630

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:

	2012 Rupees	2011 Rupees
Long term deposits	4,504,782	4,499,782
Trade debts	104,936,431	42,226,640
Loans and advances	5,227,013	5,968,459
Deposits	16,300	11,500
Bank balances	47,942,228	17,366,450
	162,626,754	70,072,831

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 towards 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 customers of the Company are situated at Mexico, Hong Kong and Chita Kong.

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

	2012 Rupees	2011 Rupees
Not past due	104,004,358	38,450,596
Past due	932,073	3,776,044
	104,936,431	42,226,640

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, 2012 and 2011;

	2012			
	Carrying amount	Contractual cash flows	Six months or less	Two to five years
	Rupees			
Financial liabilities:				
Long term financing	139,740,000	139,740,000	-	139,740,000
Trade and other payables	55,000,612	55,000,612	55,000,612	-
Interest / markup payable	1,693,936	1,693,936	1,693,936	-
Short term bank borrowings	158,447,600	162,603,262	162,603,262	-
	354,882,148	359,037,810	219,297,810	139,740,000

	2011			
	Carrying amount	Contractual cash flows	Six months or less	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 bank borrowings	199,273,200	206,634,832	206,634,832	-
	350,581,630	357,943,262	250,943,262	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, 2012 on short term bank 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.181.82 million and unavailed short term borrowing facilities of Rs.126.5 million as at June 30, 2012.

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. 1.79 million (2011: Rs. 1.87 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. 80.78 million (2011: Rs. 31.99 million).

At June 30, 2012, had the currency been weakened / strengthened by 5% against US $ with all other variables held constant, profit for the year and equity would have been lower / higher by Rs 4.06 million (2011: Rs. 1.58 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 long term financing from directors / 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, 2012 and 2011 were as follows:

	Note	2012 Rupees	2011 Rupees
Total debt	4 & 7	298,187,600	306,273,200
Less: Cash and bank balances	18	48,515,038	18,485,422
Net debt		249,672,562	287,787,778
Total equity		250,442,575	172,738,658
Total capital		500,115,137	460,526,436
Gearing ratio		49.92%	62.49%

31. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Company is in the process of issue of 13,994,000 right shares at par value of Rs.10/- each (Refer Note 1.2).

32. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on **04-10-2012** 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 Monday October 31, 2011 at 09.00 a.m. at any adjournment thereof.

Signed this ______________ day of ________________ 2012.

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 membe with the Company all such instruments of proxy shall be rendered invalid.

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

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