ISO-9002 CERTIFIED

established since 1988

Ashfaq Textile Mills Ltd.

30TH ANNUAL REPORT 2018

بسم اللہ الرحمٰن الرحیم

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

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Ashfaq Ahmad
(Chief Executive / Managining Director)

Mr. Nadeem Ashfaq
(Executive Director)

Mr. Waseem Ashfaq
(Executive Director)

Mr. Amjad Aslam
(Non-Executive Director)

Mrs. Shazia Amjad
(Non-Executive Director)

Mrs. Nazia Irfan
(Non-Executive Director)

Mirza Muhammad Idrees
(Non-Executive Director)

Khwaja Muhammad Ilyas
(Independent, Non-Executive Director)

COMPANY SECRETARY

Mr. Waseem Ashfaq

CHIEF FINANCIAL OFFICER (CFO)

Mr. Mohammad Anwar Jawed

AUDITORS

RSM Avais Hyder Liaqat Nauman.
Chartered Accountants

BANKERS

United Bank Limited.

AUDIT COMMITTEE

Kh. Muhammad Ilyas (Chairman)
Mrs. Shazia Amjad (Member)
Mr. Mohammad Idrees (Member)

HUMAN RESOURSE AND REMUNERATION COMMITTEE

Mr. Amjad Aslam (Chairman)
Mrs. Nazia Irfan (Member)
Kh. Muhammad Ilyas (Member)

SHARE REGISTRAR

M/s FD Registrar Services (SMC-PVT) Ltd.
1705, 17th Floor, Saima Trade Tower A,
I.I. Chundrigar Road, Karachi.

MAILING ADDRESS

8-A/1, Officers Colony, Susan Road,
Faisalabad.

REGISTERED OFFICE

17 K.M. Main Faisalabad, Jaranwala
Road, Faisalabad.

CONTACT DETAILS

Phones: 92 (41) 2435101-04

Fax: 92 (41) 2435105

E-mail

info@ashfaqtextile.com

Web-Site

www.ashfaqtextile.com

ASHFAQ TEXTILE MILLS LIMITED.

NOTICE OF MEETING

30th 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 Friday 26th October, 2018 at 09:00 a.m. to transect the following business:-

Ordinary Business:

1. To confirm minutes of the last Meeting.

2. To receive, consider and adopt audited financial statements of the company for the year ended on 30th June 2018 together with the Directors and Auditors reports thereon.

3. To appoint auditors for the year ending June 30, 2019 and to fix their remuneration.

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

Special Business:

5. To Consider and pass with or without modification the following resolution as per Special Resolution:

"**Resolved** that the remuneration (inclusive of allowances) of the chief executive be and hereby increased to Rs. 150,000/= per month and two working directors be and hereby increased to Rs. 125,000/= per month for full time services, they are putting in, with effect from Ist October 2018."

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

a) The statement sets out the material facts concerning the Special Business to be transacted at the 30th Annual General Meeting of the Company to be held on October 26, 2018.

b) The Board of Directors of the Company had decided in their meeting held on 27-09-2018 that increase the payment of remuneration (inclusive of allowances) of Rs.150,000/- per month to Chief Executive Officer and of Rs. 125,000/- per month to Two Directors each be presented to the shareholders of the Company for their consideration and approval.

c) 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

--Sd--

Faisalabad: September 27, 2018.

Ashfaq Ahmad
Chief Executive

NOTES:

1. The share transfer books of the Company shell remain closed from 19th October, 2018 to 26th October, 2018 (both days inclusive) and no transfer will be accepted during this period.

2. Share transfer received at the Companies Registrars office, M/s FD Registrar Services (SMC-PVT) Ltd., Office # 1705, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi before the close of business on 18th October 2018 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.

4. Shareholders are requested to notify the change in their address if any, immediately.

5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. Attending of Meeting in Person:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original computerized National Identity Card (CNIC) / original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

B. Appointment of Proxies:

i) In case of individuals, the Account and sub-account holders and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall submit the proxy form as per the following requirement.

ii) The proxy form shall be witnessed by two members whose names, address and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC/original passport at the time of the meeting.

v) 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 to the company.

vi) Members who have not yet submitted copy of their computerized National Identity Card (CNIC) to the company are requested to send at the earliest.

BRIEF HISTORY OF THE COMPANY

Ashfaq Textile Mills Limited was incorporated on January 14, 1988 as a Private Limited Company under the Companies Ordinance 1984 and subsequently converted into a Public Limited Company. Its Shares are quoted on the Pakistan Stock Exchange Limited Karachi. The Company is ISO – 9002 certified. The Mills is located at 17–K.M. Jaranwala Road, Faisalabad. The Company is engaged in the Manufacturing and Sale of Textile goods. Ashfaq Textile Mills Limited is a Weaving unit having 243 Sulzer Shuttleless Machines in operation.

At present the average production capacity of the plant is 30.710 Million Sq. Meters on 60 picks per annum three shifts per day. The Company has produced 27.503 Million Sq. Meters on 60 picks on the basis of 350 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 for boosting Exports of the country to earn more foreign exchange for tremendous growth of the economy.

DIRECTORS' REPORT

We are pleased to present our 30th Annual Report and Audited Accounts for the year ended June 30, 2018.

Highlights	2018 Rupees in Million	2017 Rupees in Million	Variance %
Sales	286.602	285.395	0.42
Gross Profit	16.970	35.729	(52.50)
(Loss) / Profit Before Tax	(13.017)	6.566	(298.25)
(Loss) / Profit After Tax	(15.748)	3.628	(534.07)
EPS	(0.45)	0.10	(550.00)

Your Company incurred a loss of Rs.13.017 million before tax, primarily because of the continous abnormal slow down in the textile market all around the world and now the domestic market of Pakistan. The political uncertainty during the last year played a major role as there was no focus of policy makers with no efforts being made to find a solution to the abnormal hikes in cost of doing business which has made Pakistani textile products prices so high that we are unable to compete with our competitors.

We hope that after elections the new Government would make efforts to make a short and long term plan to bring the textile industry out of this long crises.

We assure you that we are doing all the efforts to keep our costs down and push the sale prices up to bring ourselves out of the negative and make profits in the coming year.

The management regretfully cannot recommend any payments of dividends or bonus shares for this year.

Marketing strategy and future prospects

We are keeping our focus on the domestic markets with a hope that the uncertainty in the country is over after the elections and consumers confidence increases to trigger the spending.

Corporate Social Responsibility

We have contributed Rs. 600,000/- to Faisalabad Liver Foundation trust, a reputable and trusted name helping poor and needy patients by treating hepatitis free of charge.

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

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 Pakistan 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	04
6	Mrs. Nazia Irfan	04
7	Muhammad Idrees	04
8	Khawaja Muhammad Ilyas	04

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

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

10. **Audit Committee**

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee. The composition of Audit Committee is as under.

Khwaja Muhammad Ilyas	(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. **Human Resources and Remuneration Committee.**

The Board has also farmed an Human Resources and Remuneration Committee, which comprises of the following:

Mr. Amjad Aslam	(Chairman)
Mrs. Nazia Irfan	(Member)
Khwaja Muhammad Ilyas	(Member)

The Human Resources and Remuneration Committee met six times during the year with an average participation of 96% of its members. The committee makes recommendations to the Board for maintaining a sound organizational plan of the company, an effective employee development programme and sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve set objectives.

12. **Safety and Environments**

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

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

Directors, CEO, CFO Company Secretary and minor children have not carried out any transaction of company's shares.

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

14. **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 their re-appointment.

15. **Pattern of Shareholding**

Pattern of share holding of the Company as on June 30, 2018 is annexed.

16. **Acknowledgement**

We also record our sincere thanks and appreciations to the management of our banks M/S United Bank Ltd., 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)
Chief Executive Officer

FAISALABAD
DATE: September 27, 2018.

FINANCIAL HIGHLIGHTS

		2018	2017	2016	2015	2014	2013
				(Rupees in Thousand)			
SALES	Rs.	286.602	285,395	299,055	384,695	518,405	795,248
GROSS PROFIT	Rs.	16.970	35,729	32,645	38,386	97,471	125,474
NET (LOSS) / PROFIT AFTER TAX	Rs.	15.748	3,628	3,120	5,646	41,587	68,501
FIXED ASSTES	Rs.	729.115	725,415	739,657	726,357	747,629	466,235
LONG TERM LIABILITIES (FINANCIAL INSTITUTION)	Rs.	-	-	-	-	-	-
LONG TERM LIABILITIES (DIRECTORS)	Rs.	-	-	-	-	-	50,000
ACCUMULATED PROFIT / (LOSS)	Rs.	205.908	207,446	204,513	184,444	164,855	202,746
GROSS PROFIT RATIO	%	5.92	12.52	10.92	9.98	18.80	15.77
NET (LOSS) / PROFIT RATIO	%	(5.49)	1.27	1.04	1.47	8.02	8.61
DEBT EQUITY RATIO	%	0:100	0:100	0:100	0:100	0:100	10:90
CURRENT RATIO	%	5.78	5.36	4.93	9.66	10.55	1.80
(LOSS) / EARNING PER SHARE	%	(0.45)	0.10	0.09	0.16	1.19	2.26
BONUS SHARES	%	-	-	-	-	-	58.33
DIVIDEND	Rs.	-	-	-	-	-	-

ASHFAQ TEXTILE MILLS LIMITED

PATERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2018

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM		TO	TOTAL SHARES HELD
40	1	-	100	1,138
181	101	-	500	55,864
198	501	-	1000	163,099
57	1001	-	5000	146,876
16	5001	-	10000	124,914
4	10001	-	15000	44,999
6	15001	-	20000	105,332
2	20001	-	25000	48,500
1	25001	-	30000	27,000
2	45001	-	50000	98,000
2	65001	-	70000	139,500
1	90001		95000	90,664
1	120001	-	125000	122,000
1	1945001	-	1950000	1,946,500
1	2010001	-	2015000	2,015,000
2	3465001	-	3470000	6,936,000
1	5020001	-	5025000	5,022,102
1	5025001	-	5030000	5,026,730
1	5695001	-	5700000	5,696,909
1	7170001	-	7175000	7,173,873
519				34,985,000

S.NO.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	517	34,976,677	99.98
2	COMPANIES	1	157	0.00
3	FINANCIAL INSTITUTIONS	1	8,166	0.02
		519	34,985,000	100.00

CATEGORIES OF SHARE HOLDING

AS AT JUNE 30, 2018

DIRECTORS AND THEIR SPOUSE:	SHARES HELD	%
Mr. Ashfaq Ahmad	7,173,873	20.5056
Mr. Nadeem Ashfaq	5,022,102	14.3550
Mr. Waseem Ashfaq	5,026,730	14.3682
Mr. Amjad Aslam	70,000	0.2001
Mrs. Shazia Amjad	1,946,500	5.5638
Mrs. Nazia Irfan	2,015,000	5.7596
Muhammad Idrees	5,000	0.0143
Khawaja Muhammad Ilyas	5,000	0.0143
Mrs. Musarat Ashfaq	5,696,909	16.2839
Mrs. Uzma Nadeem	3,468,000	9.9128
Mrs. Memona Waseem	3,468,000	9.9128
SHAREHOLDERS HOLDING 10% OR MORE:		
Mr. Ashfaq Ahmad	7,173,873	20.5056
Mrs. Musarat Ashfaq	5,696,909	16.2839
Mr. Nadeem Ashfaq	5,022,102	14.3550
Mr. Waseem Ashfaq	5,026,730	14.3682
FINANCIAL INSTITUTIONS:		
IDBL (ICP UNIT)	8,166	0.0233
JOINT STOCK COMPANIES:		
Darson Securities (Pvt) Limited.	157	0.00
GENERAL PUBLIC:	1,079,563	3.09
TOTAL	**34,985,000**	**100**

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented in compliance with the Code of Corporate Governance (the CCG) contained in Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework whereby a listed Company is managed in compliance 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. At present, the Board comprises of;

CATEGORY	NAMES
Independent Director	Khawaja Muhammad Ilyas
Executive Directors	Mr. Ashfaq Ahmad Mr. Nadeem Ashfaq Mr. Waseem Ashfaq
Non-Executive Directors	Mr. Amjad Aslam Mrs. Shazia Amjad Mrs. Nazia Irfan Mr. Muhammad Idrees

   The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

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.

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 these 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 employment 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. 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. Three out of eight directors are exempt from the requirement of certification under the Directors' Training Program. The remaining Directors will complete their certifications by June 30, 2021.

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

11. The Directors' report for the year has been prepared in compliance with the requirements 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 CEO, Directors 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 three members, of whom two are non-executive directors and one is an independent director who is the Chairman 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 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 three members, of whom two are non-executive directors including the Chairman of the committee and one is an independent director.

18. The Board has set-up and 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 affect the market price of Company's shares were determined and intimated to directors, employees and the Pakistan Stock Exchange Limited.

23. Material / price sensitive information has been disseminated among all market participants at once through the Pakistan Stock Exchange Limited.

24. We confirm that all other material principles contained in the CCG have been complied with.

--Sd--

On behalf of the Board
(ASHFAQ AHMAD)
Chief Executive Officer

RSM

RSM Avais Hyder Liaquat Nauman
478-D, Peoples Colony No. 1
Faisalabad - Pakistan
T: +92 (41) 854 1165, 854 1965
F: +92 (41) 854 2765
www.rsmpakistan.pk

Review Report on the Compliance contained in Listed Companies (Code of Corporate Governance) Statement of Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Ashfaq Textils Mills Limited(the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

--Sd--

Dated: 27-09-2018
Place: Lahore

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

RSM

RSM Avais Hyder Liaquat Nauman

478-D, Peoples Colony No. 1
Faisalabad - Pakistan

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INDEPENDENT AUDITOR'S REPORT

To the members of Ashfaq Textile Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Ashfaq Textile Mills Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Offices at:
Lahore : 92 (42) 358 72731-3
Karachi : 92 (21) 356 55975-6
Islamabad : 92 (51) 211 4096-8
Rawalpindi : 92 (51) 519 3135
Quetta : 92 (81) 282 9809
Peshawar : 92 (91) 527 8310-527 7205
Kabul : 93 (799) 058155

RSM

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide aseparate opinion on these matters.

Following are the Key audit matter(s):

Key Audit Matter	How our audit addressed the key audit matter
Preparation of financial statements under Companies Act, 2017	
The provisions of the fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time in the preparation of these annual financial statements. The Act, has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Company. As part of this transition to the requirements, the management performed a gap analysis to identify differences, between the previous and the current financial reporting framework and as a result certain changes were made in the Company's annual financial statements. In view of the extensive impacts in the annexed financial statements due to first time application of the fourth schedule to the Act, we considered it as a key audit matter.	We reviewed and understood the requirements of the Fourth schedule to the Act. Our audit procedures included the following: - Considered the management's process to identify the additional disclosures required in the Company's annual financial statements. - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence. - Verified on test basis the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Boards of Director are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

RSM

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Syed Ali Adnan Tirmizey.

--Sd--

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore
Date: **27-09-2018**

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	(Re-stated) 2017 Rupees	(Re-stated) 2016 Rupees
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVE				
Authorised capital				
100,000,000 ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	4	349,850,000	349,850,000	349,850,000
Capital reserve				
Revaluation surplus on property, plant and equipment	5	310,152,679	324,001,510	338,573,124
Revenue reserve				
Unappropriated profit		205,908,348	207,446,251	204,512,775
		865,911,027	881,297,761	892,935,899
NON CURRENT LIABILITIES				
Deferred liability				
Staff retirement gratuity	6	46,914,385	41,333,036	20,357,596
CURRENT LIABILITIES				
Trade and other payables	7	15,557,526	21,365,939	12,712,131
Interest / mark up payable on short term bank borrowings		8,751	43,664	520,526
Short term bank borrowings	8	19,962,701	20,952,247	31,000,000
Provision for taxation - income tax		2,832,005	2,878,467	-
		38,360,983	45,240,317	44,232,657
CONTINGENCY AND COMMITMENT	9	-	-	-
		951,186,395	967,871,114	957,526,152

	Note	2018 Rupees	(Re-stated) 2017 Rupees	(Re-stated) 2016 Rupees
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	10	724,604,957	720,905,425	735,147,422
Long term security deposits	11	4,509,782	4,509,782	4,509,782
		729,114,739	725,415,207	739,657,204
CURRENT ASSETS				
Stores, spares and loose tools	12	31,079,777	35,909,147	21,527,697
Stock in trade	13	3,595,311	16,715,034	14,581,706
Trade debts	14	37,655,499	35,059,303	26,811,028
Loans and advances	15	48,408,279	52,308,471	59,543,134
Prepayments		551,645	538,549	4,002,343
Other receivables	16	1,258,621	1,238,579	2,634,941
Tax refunds due from Government	17	52,703,710	57,649,049	42,985,093
Cash and bank balances	18	46,818,814	43,037,775	45,783,006
		222,071,656	242,455,907	217,868,948
		951,186,395	967,871,114	957,526,152

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

--Sd--	--Sd--	--Sd--
CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	19	286,601,858	285,394,889
Cost of sales	20	269,631,627	249,665,433
Gross profit		16,970,231	35,729,456
Distribution cost	21	2,564,074	2,951,511
Administrative expenses	22	27,075,730	23,982,454
Other operating expenses	23	9,870	352,103
Finance cost	24	337,702	1,877,002
		29,987,376	29,163,070
(Loss) / profit for the year before taxation		(13,017,145)	6,566,386
Provision for taxation	25	2,731,197	2,938,644
(Loss) / profit for the year		(15,748,342)	3,627,742
(Loss) / Earnings per share - Basic and diluted	26	(0.45)	0.10

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

--Sd-- **CHIEF EXECUTIVE OFFICER**

--Sd-- **DIRECTOR**

--Sd-- **CHIEF FINANCIAL OFFICER**

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
(Loss) / profit for the year		(15,748,342)	3,627,742
Other comprehensive (loss) / income			
Items that will not be subsequently reclassified to profit or loss			
Incremental depreciation on revalued assets for the year	5	13,848,831	14,571,614
Remeasurement of staff retirement gratuity		361,608	(15,265,880)
		14,210,439	(694,266)
Total comprehensive (loss) / income for the year		(1,537,903)	2,933,476

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

--Sd-- CHIEF EXECUTIVE OFFICER

--Sd-- DIRECTOR

--Sd-- CHIEF FINANCIAL OFFICER

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit for the year before taxation	(13,017,145)	6,566,386
Adjustments for:		
Depreciation of property, plant and equipment	32,546,606	32,718,775
Provision for staff retirement gratuity	10,329,522	8,569,530
Loss on disposal of property, plant and equipment	9,870	5,849
Finance cost	337,702	1,877,002
Operating cash flows before working capital changes	30,206,555	49,737,542
Changes in working capital		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	4,829,370	(14,381,450)
Stock in trade	13,119,723	(2,133,328)
Tráde debts	(2,596,196)	(8,248,275)
Loans and advances	4,068,022	6,326,746
Prepayments	(13,096)	3,463,794
Other receivables	(20,042)	1,396,362
Tax refunds due from Government	5,928,526	(10,055,368)
(Decrease) / increase in current liabilities		
Trade and other payables	(5,808,413)	8,653,807
Cash generated from operating activities	49,714,449	34,759,830
Finance cost paid	(372,615)	(2,353,864)
Income tax paid	(3,928,677)	(3,760,847)
Staff retirement gratuity paid	(4,386,565)	(2,859,970)
Net cash generated from operating activities	41,026,592	25,785,149
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(36,916,008)	(19,342,627)
Proceeds from disposal of operating assets	660,000	860,000
Net cash (used in) investing activities	(36,256,008)	(18,482,627)

	2018 Rupees	2017 Rupees
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in short term bank borrowings - net	(989,546)	(10,047,753)
Net cash (used in) financing activities	(989,546)	(10,047,753)
Net Increase / (decrease) in cash and cash equivalents (a+b+c)	3,781,039	(2,745,231)
Cash and cash equivalents at the beginning of the year	43,037,775	45,783,006
Cash and cash equivalents at the end of the year	46,818,814	43,037,775

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

--Sd--
CHIEF EXECUTIVE OFFICER

--Sd--
DIRECTOR

--Sd--
CHIEF FINANCIAL OFFICER

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid up capital	Capital Reserve	Revenue Reserve	Total
		Revaluation surplus on property , plant and equipment	Unappropriated profit	
	---------------	------Rupees------	---------------	---------------
Balance as at July 01, 2016	349,850,000	-	204,512,775	554,362,775
Impact of change in accounting policy - 3.21	-	338,573,124	-	338,573,124
Balance as at July 01, 2016 re-stated	349,850,000	338,573,124	204,512,775	892,935,899
Total comprehensive income for the year				
Profit for the year	-	-	3,627,742	3,627,742
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss				
Transfer of incremental depreciation on revalued assets for the year	-	(14,571,614)	14,571,614	-
Remeasurement of defined benefit liability	-	-	(15,265,880)	(15,265,880)
	-	(14,571,614)	2,933,476	(11,638,138)
Balance as at June 30, 2017 re-stated	349,850,000	324,001,510	207,446,251	881,297,761
Total comprehensive income for the year				
(Loss) for the year	-	-	(15,748,342)	(15,748,342)
Other comprehensive (Loss) / income				
Items that will not be subsequently reclassified to profit or loss				
Transfer of incremental depreciation on revalued assets for the year	-	(13,848,831)	13,848,831	-
Remeasurement of defined benefit liability	-	-	361,608	361,608
	-	(13,848,831)	(1,537,903)	(15,386,734)
Balance as at June 30, 2018	349,850,000	310,152,679	205,908,348	865,911,027

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

--Sd--	--Sd--	--Sd--
CHIEF EXECUTIVE OFFICER	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

ASHFAQ TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 listed on Pakistan Stock Exchange Limited. 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 TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

a) The company has made addition of Rs. 26.5 million in plant and machinery which has increased installed power looms from 235 to 243 and enhanced its production capacity of cloth weaving from 29.7 million sq meters to 30.710 million sq meters.

b) Due to applicability of Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule to the Companies Act, 2017.

c) Due to applicability of the Companies Act, 2017 amounts reported for the previous period are restated. For detailed information please refer note 3.21.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Application of new and revised International Financial Reporting Standards (IFRSs)

3.2.1 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 of the Company for the periods beginning on or after July 01, 2017 and therefore, have been applied in preparing these financial statements.

- **IAS 7 Statements of cash flows**

  The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- **IAS 12 Income taxes**

  The amendments to IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2017 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

3.2.3 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 Company's accounting periods beginning on or after their respective effective dates:

- **IFRS 9 Financial Instruments (2014):**

  IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

  All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized 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 amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

  With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

  In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

  The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  The standard is effective for accounting period beginning on or after January 01, 2018. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

- **IFRS 15 Revenue from Contracts with Customers:**

  IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

  Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2018. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

- **IFRIC 22 Foreign currency transactions and advance consideration :**

  This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The company is yet to assess the full impact of the IFRIC.

  This IFRIC is effective for accounting period beginning on or after January 01, 2018. The application of IFRIC is not expected to have any material impact on the Company's financial statements.

- **IFRIC 23 Uncertainty over Income Tax Treatments:**

  The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The company is yet to assess the full impact of the IFRIC. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  This IFRIC is effective for accounting period beginning on or after January 01, 2019. The application of IFRIC is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2014-2016**

  Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards;

  IFRS 1: First-time Adoption of International Financial Reporting Standards.

  IAS 28: Investments in Associates and Joint Ventures.

  The amendments are effective for accounting periods beginning on or after January 01, 2018. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2015-2017 (New added)**

  Annual Improvements to IFRSs through 2015-2017 cycle have been issued by IASB in December 2017, amending the following standards;

  IAS 12: Income Taxes.
  IAS 23: Borrowing Costs.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Amendments to IAS 28-Investments in Associates and Joint Ventures (New added)**

  The amendments clarify that an entity applies IFRS 9 to long term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

  The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of amendments is not expected to have any material impact on the Company's financial statements.

3.2.4 Standards, amendments to standards and interpretations becoming effective in future period 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.

3.3 Basis of preparation

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

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

The principal accounting policies adopted are set out below:

3.4 Staff retirement gratuity

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent 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. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

Any revaluation increase arising on the revaluation of land, buildings and property, plant and equipment improvements is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and property, plant and equipment improvements is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation buildings and property, plant and equipment improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRS. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy and is now following the IFRS for SMEs prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 3.21 below.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.20 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.

Sale of goods is recognised when goods are delivered and title has passed.

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

3.21 Change in accounting policy

The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IFRS are being followed by the Company. The new accounting policy is explained under note 3.21, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	As at June 30, 2017			As at June 30, 2016		
	As previously reported	As re-stated	Re - statement	As previously reported	As re-stated	Re-statement
	Rupees					
Effect on balance sheet						
Revaluation surplus on property, plant and equipment	324,001,510	-	(324,001,510)	338,573,124	-	(338,573,124)
Share capital and reserves	-	324,001,510	324,001,510	-	338,573,124	338,573,124
Effect on statement of changes in equity						
Capital reserve	-	324,001,510	324,001,510	-	338,573,124	338,573,124

	For the year ended June 30, 2017		
	As previously reported	As re-stated	Re - statement
Effect on statement of Comprehensive Income	Rupees		
Incremental depreciation on revalued assets for the year	14,571,614	-	(14,571,614)

There was no cash flow impact as a result of the retrospective application of change in accounting policy

3.22 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.

4. Issued, subscribed and paid up capital

2017	2018		2018	2017
Number of shares			Rupees	Rupees
20,991,000	20,991,000	Ordinary shares of Rs. 10/- each fully paid in cash	209,910,000	209,910,000
13,994,000	13,994,000	Ordinary shares of Rs. 10/- each fully paid bonus shares	139,940,000	139,940,000
34,985,000	34,985,000		349,850,000	349,850,000

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance	324,001,510	338,573,124
Transferred to Comprehensive Income for the year		
Incremental depreciation for the year	(13,848,831)	(14,571,614)
	310,152,679	324,001,510

5.1 Freehold land, building on freehold land and plant and machinery are carried at valuation. Latest valuation on the basis of market values, has been carried out by independent valuers "M/S Empire Enterprises Pakistan" on June 30, 2014 .

6. Staff retirement gratuity

6.1 General description

The scheme provides terminal benefits for all the employees of the Company who attain the minimum qualifying period. Annual charge is based on actuarial valuation carried out as at June 30, 2018 using Projected Unit Credit Method.

	Note	2018 Rupees	2017 Rupees
6.2 Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		46,914,385	41,333,036
6.3 Movement in net liability recognised			
Opening balance		41,333,036	20,357,596
Expenses recognised in profit and loss account	6.4	10,329,522	8,569,530
Paid / adjusted during the year		(4,386,565)	(2,859,970)
Remeasurement on obligation		(361,608)	15,265,880
Balance at June 30,		46,914,385	41,333,036
6.4 Expenses recognised in profit and loss account			
Current service cost		7,296,191	6,771,407
Interest cost		3,033,331	1,798,123
		10,329,522	8,569,530
6.5 Principal actuarial assumptions			
Discount factor used		9.00% Per annum	7.75% Per annum
Expected rate of increase in salaries		8.00% Per annum	6.75% Per annum
Expected average remaining working lives of participating employees		8 years	8 years

6.6 The sensitivity of the defined benefit obligation to changes in the weighted principle assumptions is :

		Reworked defined benefit obligation	
	Change in assumptions	Increase in assumptions	Decrease in assumptions
		---Rupees---	
Discount rate	100 bps	43,597,984	50,709,193
Salary increase rate	100 bps	50,827,273	43,431,091

6.7 The above sensitivity analysis is based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as for calculating the liability of staff retirement gratuity.

	Note	2018 Rupees	2017 Rupees
7. Trade and other payables			
Creditors		7,992,507	13,412,400
Accrued liabilities		6,877,724	7,350,672
Workers' profit participation fund	7.1	-	346,254
Other		687,295	256,613
		15,557,526	21,365,939

7.1 Workers' profit participation fund

	2018 Rupees	2017 Rupees
Opening balance	346,254	178,902
Interest on funds utilised in the Company's business	13,063	7,049
	359,317	185,951
Amount paid to workers on behalf of the fund	(359,317)	(185,951)
	-	-
Allocation for the year	-	346,254
	-	346,254

	Note	2018 Rupees	2017 Rupees
8. Short term bank borrowings			
Secured			
Under mark up arrangement			
From banking company			
Export finance	8.2	19,962,701	20,952,247

8.1 The aggregate unavailed short-term borrowing facilities available to the Company are Rs. 30.03 million (2017: Rs. 29.05 million).

8.2 This is secured against lien on export documents and first charge over fixed and current assets of the Company. This is further secured by personal guarantee of directors of the Company. This is subject to markup at three months KIBOR plus 1.5% per annum. (2017 :1.5% per annum).

Effective mark up rate ranges from 7.40% to 7.64% per annum (2017: 7.59% to 7.61% per annum).

	2018 Rupees	2017 Rupees
9. CONTINGENCY AND COMMITMENT		
Contingency		
Liability of gas infrastructure development cess not acknowledged due to pending decision on petitions.	-	250,206
Commitment		
Under letter of credit for stores	-	13,269,000

10. Property, plant and equipment

	Note	2018 Rupees	2017 Rupees
Operating assets	10.1	724,604,957	718,191,425
Advance for purchase of operating asset		-	2,714,000
		724,604,957	720,905,425

10.1 Operating assets

	Freehold land (note 10.2)	Building on freehold land	Plant and machinery	Factory equipment	Office equipment	Furniture and fixture	Vehicles	Arms and ammunitions	Total
	Rupees								
At July 01, 2016									
Cost / valuation	52,162,500	134,969,754	563,943,793	4,704,625	12,024,675	2,958,895	44,194,485	34,100	814,992,827
Accumulated depreciation	-	(5,737,968)	(52,351,097)	(923,212)	(3,926,338)	(1,542,582)	(15,341,942)	(22,266)	(79,845,405)
Net book value	52,162,500	129,231,786	511,592,696	3,781,413	8,098,337	1,416,313	28,852,543	11,834	735,147,422
Year ended June 30, 2017									
Opening net book value	52,162,500	129,231,786	511,592,696	3,781,413	8,098,337	1,416,313	28,852,543	11,834	735,147,422
Additions	-	3,505,310	10,437,243	2,150,605	535,469	-	-	-	16,628,627
Disposal:									
Cost	-	-	-	-	-	-	(2,309,024)	-	(2,309,024)
Accumulated depreciation	-	-	-	-	-	-	1,443,175	-	1,443,175
	-	-	-	-	-	-	(865,849)	-	(865,849)
Depreciation charge	-	(3,238,097)	(25,910,729)	(220,907)	(423,303)	(70,816)	(2,854,331)	(592)	(32,718,775)
Closing net book value	52,162,500	129,498,999	496,119,210	5,711,111	8,210,503	1,345,497	25,132,363	11,242	718,191,425
At July 01, 2017									
Cost / valuation	52,162,500	138,475,064	574,381,036	6,855,230	12,560,144	2,958,895	41,885,461	34,100	829,312,430
Accumulated depreciation	-	(8,976,065)	(78,261,826)	(1,144,119)	(4,349,641)	(1,613,398)	(16,753,098)	(22,858)	(111,121,005)
Net book value	52,162,500	129,498,999	496,119,210	5,711,111	8,210,503	1,345,497	25,132,363	11,242	718,191,425
Year ended June 30, 2018									
Opening net book value	52,162,500	129,498,999	496,119,210	5,711,111	8,210,503	1,345,497	25,132,363	11,242	718,191,425
Additions	-	-	26,582,566	287,170	1,183,041	7,800	11,569,431	-	39,630,008
Disposal:									
Cost	-	-	-	-	-	-	(1,473,750)	-	(1,473,750)
Accumulated depreciation	-	-	-	-	-	-	803,880	-	803,880
	-	-	-	-	-	-	(669,870)	-	(669,870)
Depreciation charge	-	(3,237,475)	(25,109,552)	(295,415)	(437,666)	(67,632)	(3,398,304)	(562)	(32,546,606)
Closing net book value	52,162,500	126,261,524	497,592,224	5,702,866	8,955,878	1,285,665	32,633,620	10,680	724,604,957
At June 30, 2018									
Cost / valuation	52,162,500	138,475,064	600,963,602	7,142,400	13,743,185	2,966,695	51,981,142	34,100	867,468,688
Accumulated depreciation	-	(12,213,540)	(103,371,378)	(1,439,534)	(4,787,307)	(1,681,030)	(19,347,522)	(23,420)	(142,863,731)
Net book value	52,162,500	126,261,524	497,592,224	5,702,866	8,955,878	1,285,665	32,633,620	10,680	724,604,957
Annual rate of depreciation (%)	-	2.5	5	5	5	5	10	5	

	2018 Rupees	2017 Rupees
10.1.1 Depreciation for the year has been allocated as under:		
Cost of goods sold	28,642,442	29,369,733
Administrative expenses	3,904,164	3,349,042
	32,546,606	32,718,775

10.2 The total area of land of the company is 378700.5-Sft. which is used for head office and production unit.

10.3 Disposal of property, plant and equipment

	Cost	Written down value	Sale proceeds	(Loss) on disposal	Mode of disposal	Nature of relationship	Particulars of buyer
Operating assets -Vehicle							
2018	1,473,750	669,870	660,000	(9,870)	Negotiation	None	Mr.Abdul Hameed Shahid, Gillani Muhalla, Jaranwala Distt. Faisalabad.
2017	2,309,024	865,849	860,000	(5,849)	Negotiation	None	Mr. Muhammad Kamran Muhalla ashraf pura, Mansoorabad Faisalabad.

10.4 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery at June 30, 2018 and 2017 would have been as follows:

	2018		
	Cost	**Accumulated depreciation**	**Written down value**
	---Rupees---		
Freehold land	9,659,905	-	9,659,905
Building on freehold land	153,357,409	35,914,335	117,443,074
Plant and machinery	468,572,935	229,812,345	238,760,590
	631,590,249	265,726,680	365,863,569

	2017		
	Cost	**Accumulated depreciation**	**Written down value**
	---Rupees---		
Freehold land	9,659,905	-	9,659,905
Building on freehold land	153,357,409	32,902,974	120,454,435
Plant and machinery	441,990,369	218,325,510	223,664,859
	605,007,683	251,228,484	353,779,199

Forced sale value of revalued assets is Rs. 593,508,824/-

	2018 Rupees	2017 Rupees
11. Long term security deposits		
Against utilities	4,467,696	4,467,696
Others	42,086	42,086
	4,509,782	4,509,782

		2018 Rupees	2017 Rupees
12. Stores, spares and loose tools			
Stores		19,292,715	24,205,701
Spares		11,723,965	11,629,393
Loose tools		63,097	74,053
		31,079,777	35,909,147

12.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

	Note	2018 Rupees	2017 Rupees
13. Stock in trade			
Raw material		226,688	3,592,474
Work in process		2,427,088	11,612,343
Finished goods		941,535	1,510,217
		3,595,311	16,715,034
14. Trade debts			
Considered good			
Unsecured			
Local		37,655,499	35,059,303
15. Loans and advances			
Considered good			
Loans			
Executives	15.1	5,963,100	7,075,161
Other employees		10,660,512	9,505,242
		16,623,612	16,580,403
Advances			
Suppliers		3,336,903	4,539,018
For purchases / expenses		24,259,575	26,626,075
Income tax		3,928,677	3,760,847
Letters of credit fee margin and expenses		259,512	802,128
		48,408,279	52,308,471

15.1 The loans and advances are provided to employees under their terms of employment on interest free basis.

	2018 Rupees	2017 Rupees
16. Other receivables		
Considered good		
Export rebate / duty drawback	842,900	946,500
Other	415,721	292,079
	1,258,621	1,238,579
17. Tax refunds due from Government		
Sales tax	34,548,006	40,476,532
Income tax	18,155,704	17,172,517
	52,703,710	57,649,049

	Note	2018 Rupees	2017 Rupees
18. Cash and bank balances			
Cash in hand		1,757,565	1,489,207
Cash at banks			
In current accounts		45,061,249	41,548,568
		46,818,814	43,037,775
19. Sales			
Cloth			
Export	19.1	20,122,340	26,864,740
Local	19.2	302,223	260,313
		20,424,563	27,125,053
Conversion and sizing income		265,770,469	258,490,698
		286,195,032	285,615,751
Add: Rebates		406,826	765,600
		286,601,858	286,381,351
Less: Commission and claims		-	986,462
		286,601,858	285,394,889

19.1 It includes exchange gain of Rs. 147,910/- (2017: Rs. 96,565/-).

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

	Note	2018 Rupees	2017 Rupees
20. Cost of sales			
Cost of goods manufactured	20.1	269,062,945	246,646,560
Finished goods			
Opening stock		1,510,217	4,529,090
Closing stock		(941,535)	(1,510,217)
		568,682	3,018,873
		269,631,627	249,665,433
20.1 Cost of goods manufactured			
Raw material consumed	20.1.1	10,422,554	17,662,291
Sizing cost		49,463,171	43,028,244
Salaries, wages and benefits		88,923,533	80,458,294
Staff retirement benefits		8,883,389	7,369,796
Fuel and power		52,755,853	52,902,580
Stores, spares and loose tools		14,528,312	14,833,800
Packing material		2,180,197	1,857,097
Repairs and maintenance		1,364,803	1,154,884
Insurance		2,713,436	2,594,845
Depreciation	10.1.1	28,642,442	29,369,733
		259,877,690	251,231,564
Work in process			
Opening stock		11,612,343	7,027,339
Closing stock		(2,427,088)	(11,612,343)
		9,185,255	(4,585,004)
		269,062,945	246,646,560
20.1.1 Raw material consumed			
Opening stock		3,592,474	3,025,277
Purchases including purchase expenses		7,056,768	18,229,488
		10,649,242	21,254,765
Closing stock		(226,688)	(3,592,474)
		10,422,554	17,662,291

	Note	2018 Rupees	2017 Rupees
21. Distribution cost			
Ocean freight		755,393	1,127,589
Clearing and forwarding		1,808,681	1,823,922
		2,564,074	2,951,511
22. Administrative expenses			
Directors' remuneration	27	5,760,000	5,760,000
Salaries and benefits		5,021,019	3,480,000
Staff retirement benefits		1,446,133	1,199,734
Electricity and gas		484,358	432,665
Insurance		1,021,508	894,247
Rent, rates and taxes		101,400	564,023
Vehicles running and maintenance		4,081,351	3,075,729
Travelling and conveyance		1,709,588	2,101,309
Postage, telephone and telex		601,122	653,211
Printing and stationery		228,914	256,919
Auditors' remuneration	22.1	325,000	325,000
Legal and professional		164,600	39,896
Fees and subscriptions		900,676	613,425
Entertainment		562,090	504,418
Charity and donations	22.2	600,000	600,000
Depreciation	10.1.1	3,904,164	3,349,042
Other		163,807	132,836
		27,075,730	23,982,454

22.1 Auditors' remuneration

	2018 Rupees	2017 Rupees
Annual audit fee	250,000	250,000
Half year review fee	75,000	75,000
	325,000	325,000

22.2 Ashfaq Ahmad - Chief Executive Officer of the Company is Trustee of the Liver Foundation Trust, Faisalabad. The Company has made payment of donation amounting to Rs.600,000/- (2017: Rs.600,000/-) to Liver Foundation Trust during the year.

	2018 Rupees	2017 Rupees
23. Other operating expenses		
Workers' profit participation fund	-	346,254
Loss on disposal of property, plant and equipment	9,870	5,849
	9,870	352,103
24. Finance cost		
Interest / mark up on:		
Short term bank borrowings	93,832	1,780,437
Workers' profit participation fund	13,063	7,049
Bank charges and commission	230,807	89,516
	337,702	1,877,002

	Note	2018 Rupees	2017 Rupees
25. Provision for taxation			
Current			
For the year		2,832,005	2,878,467
For prior year		(100,808)	60,177
Deferred	25.1	-	-
		2,731,197	2,938,644

25.1 Deferred taxation

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

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. No provision for tax has been made in the tax year 2015 and 2016 due to available tax credit, tax assessment for 2015 is nill and for 2016 is Rs. 60,177/-. For tax year 2017 provision for tax has been made by management at Rs. 2,878,467/- compared with the tax assessment of Rs. 2,777,659/-

		2018	2017
26. Earnings per share - Basic and diluted			
(Loss) / profit for the year	(Rupees)	(15,748,342)	3,627,742
Weighted average number of ordinary shares outstanding during the year	(Number)	34,985,000	34,985,000
(Loss) / Earnings per share - Basic and diluted	(Rupees)	(0.45)	0.10

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

27. REMUNERATION TO CHIEF EXECUTIVE OFFICER , DIRECTORS AND EXECUTIVES

	2018		2017	
	Chief Executive Officer	**Directors**	**Chief Executive Officer**	**Directors**
	----Rupees----			
Remuneration	1,440,000	2,400,000	1,440,000	2,400,000
House rent allowance	648,000	1,080,000	648,000	1,080,000
Conveyance allowance	72,000	120,000	72,000	120,000
	2,160,000	3,600,000	2,160,000	3,600,000
Number of persons	1	2	1	2

27.1 The Chief Executive Officer and Directors are entitled to reimbursement of telephone bills. The monetary value of these benefits is Rs. 138,642 /- (2017: Rs. 157,449 /-). The Directors have waived off their meeting fee.

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. Remuneration to Chief Executive Officer, Directors and Executives 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

	2018	2017
Weaving		
Number of looms installed	243	235
Number of looms worked	243	235
Standard cloth production (Sq. meters)	30,710,000	29,700,000
Actual production (Sq. meters)	27,502,862	26,240,898
Sizing		
Warping machines	3	3
Sizing machines	1	1
Standard production (Kgs.)	4,150,000	4,150,000
Actual production (Kgs.)	2,209,244	2,209,244

29.1 Reasons for short fall:

- 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.
- 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.

31.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 Rupees	2017 Rupees
Financial assets at amortized cost:		
Deposits	4,509,782	4,509,782
Trade debts	37,655,499	35,059,303
Loans	16,623,612	16,580,403
Cash and bank balances	46,818,814	43,037,775
	105,607,707	99,187,263
Financial liabilities at amortized cost:		
Trade and other payables	15,557,526	21,019,685
Interest / markup payable	8,751	43,664
Short term bank borrowings	19,962,701	20,952,247
	35,528,978	42,015,596

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 Company is exposed to concentration of credit risk towards a customer which represent 77.62% (2017 : 42.36%) of total trade debts. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rupees	2017 Rupees
Deposits	4,509,782	4,509,782
Trade debts	37,655,499	35,059,303
Loans	16,623,612	16,580,403
Bank balances	45,061,249	41,548,568
	103,850,142	97,698,056

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 Pakistan and USA.

	2018 Rupees	2017 Rupees
The aging of trade debts as at balance sheet date is as under:		
Not past due	37,487,685	34,981,771
Past due - within one year	167,814	77,532
	37,655,499	35,059,303

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, 2018 and 2017;

	2018		
	Carrying amount	**Contractual cash flows**	**Six months or less**
	---Rupees---		
Financial liabilities:			
Trade and other payables	15,557,526	15,557,526	15,557,526
Interest / markup payable	8,751	8,751	8,751
Short term bank borrowings	19,962,701	20,725,276	20,725,276
	35,528,978	**36,291,553**	**36,291,553**

	2017		
	Carrying amount	**Contractual cash flows**	**Six months or less**
	---Rupees---		
Financial liabilities:			
Trade and other payables	21,019,685	21,019,685	21,019,685
Interest / markup payable	43,664	43,664	43,664
Short term bank borrowings	20,952,247	21,752,623	21,752,623
	42,015,596	**42,815,972**	**42,815,972**

The Company will manage the liquidity risk from its own source through equity and working capital management. As at the balance sheet date, the Company has liquid assets of Rs. 187.46 (2017: Rs. 189.83 million) and unavailed short term borrowing facilities of Rs.30.04 million (2017 : Rs. 29.05 million) (Refer Note 8).

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 interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been higher / lower by Rs.204,575 (2017:

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. At the balance sheet date, the Company is not exposed to any currency risk.

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 equity price 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 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 the future investment requirements and expectation of the shareholders. At the balance sheet date, the Company is not exposed to capital risk.

32. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on 27 SEP 2018 by the Board of Directors of the Company.

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

--Sd--
CHIEF EXECUTIVE OFFICER

--Sd--
DIRECTOR

--Sd--
CHIEF FINANCIAL OFFICER

ڈائریکٹرز رپوٹ

ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے سال کے تیسویں سالانا آڈیٹڈ مالیاتی اسٹیٹمینٹ بمعہ آڈیٹرز رپورٹ بخوشی پیش کرتے ہیں-

اس سال کے مالیاتی نتائج درج ذیل ہیں-

تفصیل	سالانہ اختتام 30 جون، 2018 روپے ملین میں	سالانہ اختتام 30 جون، 2017 روپے ملین میں	فرق %
فروخت (Sale)	286.602	285.395	0.42
کل نفع / نقصان	16.970	35.729	(52.50)
سال کے لیے قبل از ٹیکس نقصان / نفع	(13.017)	6.566	(298.25)
سال کے لیے بعد از ٹیکس نقصان / نفع	(15.748)	3.628	(534.90)
آمدنی فی شیئر (EPS)	(0.45)	0.10	(550.00)

آپ کی کمپنی نے اس سال قبل از ٹیکس نقصان 13.017 ملین کیا ہے-بنیادی طور پر پوری دنیاء کی ٹیکسٹائل کی صنعت لگاتار غیر معمولی تنزلی کا شکار ہے اور اب پاکستان کی نجی مارکیٹ بھی اسی تنزلی کا شکار ہو گئی ہے اس کی وجہ ملک میں سیاسی بے یقینی کی کیفیت ہے چونک حکومت نے ابھی تک کوئی پالیسی بنانے کی طرف توجہ نہیں کی اور نہ ہی کوئی حل تلاش کیا ہے کہ ٹیکسٹائل کاروباری لاگت کو کنٹرول کیا جائے یہی وجہ ہے کہ ٹیکسٹائل مصنوعات کی قیمتیں زیادہ ہونے کی وجہ سے ہم تجارتی منڈی میں دوسرے کاروباری اداروں کا مقابلا نہیں کر سکتے

ہم امید کرتے ہیں کہ نئی حکومت الیکشن کے بعد قلیل مدتی اور طویل مدتی منصوبے بنانے کی کوشش کرے گی اور ٹیکسٹائل انڈسٹری کو اس طویل بہران سے باہر نکالے گی

ہم آپ کو یقین دلاتے ہیں کہ آئندہ سال ہم اپنی لاگت کے تخمینے کو کم کر کے فروخت کی قیمت کو بڑھا کر اس نقصان سے باہر آنے کی پوری کوشش کریں گے

کمپنی کی انتظامیہ نہایت افسوس سے تجویز کرتی ہے کہ اس سال کوئی ڈیوڈینڈ یا بونس شیر نہ دیئے جاسکیں گے

مارکیٹ کے حاالات اور مستقبل کے خدوخال

ہماری پالیسی جو کہ ملکی مارکیٹ کی طرف مرکوز ہے-اور ہم امید رکھتے ہیں کہ الیکشن کے بعد مارکیٹ میں کسٹمرز کی بے یقینی کی کیفیت ختم ہو جائے گی

کمپنی کی سماجی ذمے داری

سماجی ذمے داری کے پیش نظر آپ کی کمپنی نے مبلغ 600,000 روپے فیصل آباد کے بہت ہی جانے پہچانے خیراتی ادارے لیور فاونڈیشن کو ادا کیے ہیں یہ رقم غریب اور نادار ہیپاٹائٹس کے مریظوں کے مفت علاج کے لیے خرچ کی گئی-

کارپوریٹ گورننس

ہم کارپوریٹ گورننس کی تفصیل جس پر پوری طرح عمل کیا گیا ہے ہمراہ ہے-

کارپوریٹ اور فائنیشل رپورٹنگ کا فریم ورک

کوڈ ف کارپوریٹ گورننس پر عمل کرتے ہوئے اہم کارپورٹ اور فائنیشل رپورٹنگ کا فریم ورک درج کر رہے ہیں

1- کمپنی کی مینجمنٹ فائنینشل اسٹیٹمنٹس اور کمپنی کے جملا معاملات کاروبار کے نتائج، نقدی بہاو اور لین دین میں تبدیلی شفاف اور درست پیش کرتی ہے-

2- کمپنی کے حساب کا اندراج کمپنی آرڈینینس کے مطابق کیا جاتا ہے-

3- مالی گوشواروں کی تیاری میں مناسب اکاونٹنگ پالیسیوں کو تسلسل سے لاگو کیا گیا ہے-اکاونٹنگ یا اندازے معقول اور دانشمندانہ فیصلے پر مبنی ہے-

4- مالی گوشواروں کو بین الاقوامی اکاونٹنگ سٹینڈرڈز کے مطابق رکھا گیا ہے۔

5- اندرونی کنٹرول کا نظام مظبوط ہے اور اس کی مئوثر طریقے سے نگرانی اور عملدرآمد کیا گیا ہے۔

6- کاروبار جاری رکھنے کے لیے کمپنی کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

7- پاکستان کے اسٹاک ایکسچینج کے اصولوں کے مطابق کارپویٹ گورننس کے بہترین طریقوں میں سے کوی مادی تجاوز نہیں ہوا۔

8- مینجمنٹ بورڈ کا چار دفع اجلاس ہوا جس میں مندرجہ ذیل حاضری رہی۔

نمبر شمار	ڈائریکٹران کے نام	حاضری کی تفصیل
1-	اشفاق احمد صاحب	04
2-	ندیم اشفاق صاحب	04
3-	وسیم اشفاق صاحب	04
4-	امجد اسلم صاحب	03
5-	مسز شازیہ امجد صاحبہ	04
6-	مسز نازیہ عرفان صاحبہ	04
7-	محمد ادریس صاحب	04
8-	خواجہ محمد الیاس صاحب	04

جن ڈائریکٹرز نے غیر حاضری کے لیے درخواست دی ان کی درخواست کو منظور کیا گیا۔

9- **پچھلے چھ سالوں کے کارکردگی کی تفصیل لف ہے۔**

10- **آڈٹ کمیٹی**

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ پر عمل کرتے ہوئے آڈٹ کمیٹی کی تشکیل کی ہوئی ہے۔جس کی تفصیل درج ذیل ہے۔

خواجہ محمد الیاس	چیئرمین
مسز شازیہ امجد	ممبر
مرزا محمد ادریس	ممبر

آڈٹ کمیٹی کی میٹنگ ہر کوارٹر سے پہلے ہوتی ہے۔اور حساب کتاب کی چھان بین کر کے عبوری اور سالانہ حساب کتاب کی منظوری دیتی ہے۔میٹنگ میں سی-ایف-او، انٹرنل آڈیٹرز کے سنئیر اور ایکسٹرنل آڈیٹر بھی شریک ہوتے ہیں۔

11- **انسانی وسائل اور معاوضہ کمیٹی**

انسانی وسائل اور معاوضہ کمیٹی بورڈ آف ڈائریکٹر کی طرف سے منظور شدہ قواعد وضوابط کے مطابق چلتی ہے۔مندرجہ ذیل اس کے ممبران ہیں۔

امجد اسلم صاحب	چیئرمین
مسز نازیہ عرفان صاحبہ	ممبر
خواجہ محمد الیاس صاحب	ممبر

اس کمیٹی کے سال میں چھ اجلاس ہوئے جس میں حاضری 96 فیصدی رہی۔اس کمیٹی میں بورڈ کو اپنی سفارشات پیش کیں کہ کس طرح کمپنی کو ایک مضبوط ادارے کے طور پر چلایا جائے۔ملازموں کی فلاح وبہبود کے متعلق بھی بہت سے پلان اور پالیسیوں پر عملدرآمد کے لیے سفارشات کیں تاکہ ادارہ اپنے اہداف حاصل کر سکے۔

12- حفاظتی اقدام اور ماحولیاتی آلودگی سے بچاو

ادارہ اس بات پر سختی سے عمل کرتا ہے کہ حفاظتی اقدامات پر پوری طرح عمل کیا جائے جو کہ قانون کے مطابق واجب ہیں اور ماحول کو صاف ستھرا رکھنے کے لیے ہر ممکن اقدام کیا جاتا ہے۔ جس کی وجہ سے ہمارے ادارے کا ماحول صاف ستھرا ہے اور ماحولیاتی ادارے اُس کی تعریف کر چکے ہیں۔

13- کمیٹی کے حصص کی تجارت

کمپنی کے جملہ ڈائریکٹران بشمول چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری نے کمپنی کے شیئروں کی کوئی تجارت نہیں کی۔

چیف ایگزیکٹو آفیسر، ڈائریکٹرز، چیف فنانشل آفیسر اور ایگزیکٹوز کو ماسوائے اُن شیئروں کے جن کو بتا دیا گیا ہے اور کسی چیز میں دلچسپی نہ ہے۔

14- آڈیٹرز

موجودہ آڈیٹرز میسرز اویس حیدر لیاقت نعمان، چارٹرڈ اکاونٹنٹس مستعفی ہو رہے ہیں مگر وہ دوبارہ اپائنٹمنٹ کے لیے اپنے آپ کو پیش کر سکتے ہیں۔ آڈٹ کمیٹی نے اُن کی دوبارہ اپائنٹمنٹ کی سفارش کی ہے۔

15- حصص کی تفصیل

حصص کی تفصیل جو کہ 30 جون، 2018 کو کمپنی کے حصے دار ہیں اُن کی تفصیل منسلک ہے۔

16- اعتراف

ہم یہ بات ریکارڈ پر لانا چاہتے ہیں اور ہم شکریہ کے ساتھ تعریف کرتے ہیں۔ اپنی مینجمنٹ کی، اپنے بینکرز میسرز یونائیٹڈ بینک لمٹیڈ کی جنھوں نے ہر موقع پر ہمارے ساتھ تعاون کیا۔ ڈائریکٹر صاحبان خوشی سے اپنے کارکیگروں کی محنت اور دل لگی سے کام کرنے کی تعریف کرتے ہیں۔

--Sd--

بورڈ آف ڈائریکٹران کی طرف سے

اشفاق احمد

چیف ایگزیکٹو آفیسر

فیصل آباد

27 ستمبر، 2018

فنانشل جھلکیاں

روپے ہزاروں میں

	2018	2017	2016	2015	2014	2013	
فروخت	286,602	285,395	299,055	384,695	518,405	795,248	روپے
مجموعی نفع	16,970	35,729	32,645	38,386	97,471	125,474	روپے
خالص نفع بعد از ٹیکس	15,748	3,628	3,120	5,646	41,587	68,501	روپے
اثاثہ جات	729,115	725,415	739,657	726,357	747,629	466,235	روپے
طویل مدتی ذمے داری (مالیاتی ادارہ)	-	-	-	-	-	-	روپے
طویل مدتی ذمے داری (ڈائریکٹرز)	-	-	-	-	-	50,000	روپے
مجموعی نفع (نقصان)	205,908	207,446	204,513	184,444	164,855	202,746	روپے
نفع کا شرح کا تناسب	5.92	12.52	10.92	9.98	18.80	15.77	٪
خالص نفع (نقصان) کا تناسب	(5.49)	1.27	1.04	1.47	8.02	8.61	٪
لین دین کا تناسب	0:100	0:100	0:100	0:100	0:100	10:90	٪
موجودہ تناسب	5.78	5.36	4.93	9.66	10.55	1.80	٪
آمدنی (نقصان) فی شیئر	(0.45)	0.10	0.09	0.16	1.19	2.26	٪
بونس شیئر	-	-	-	-	-	58.33	٪
ڈیوڈنڈ	-	-	-	-	-	-	روپے

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 Friday, October26, 2018at 09.00 a.m. at any adjournment thereof.

Signd this _________________________ day of ______________________________2018.

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.

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.