ISO-9002 CERTIFIED

established since 1988

Ashfaq Textile Mills Ltd.

26TH ANNUAL REPORT 2014

بسم الله الرحمن الرحيم

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

M/s 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 Consulting One (Pvt) Ltd.
478-D,Peoples Colony 1, Faisalabad.

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

AHFAQ TEXTILE MILLS LIMITED.

NOTICE OF MEETING

26th 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, 31st October, 2014 at 09:00 a.m. to transect the following business:-

Ordinary Business:

1. To confirm minutes of the last Annual General Meeting held on October 31, 2013.
2. To receive, consider and adopt audited financial statements of the company for the year ended on 30th June 2014 together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2015 and to fix their remuneration.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Faisalabad: October 03, 2014.

Ashfaq Ahmad
Chief Executive

NOTES:

1. The share transfer books of the Company shell remain closed from 24th October, 2014 to 31st October, 2014 (both days inclusive) and no transfer will be accepted during this period.
2. Share transfer received at the Companies Registrars office, M/s Consulting One (Pvt.) Ltd., 478-D Peoples Colony No. 1, Faisalabad before the close of business on 23rd October 2014 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 Karachi Stock Exchange (Guarantee) Limited. 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 234 Sulzer Shuttleless Machines in operation.

At present the average production capacity of the plant is 29.700 Million Sq. Meters on 60 picks per annum three shifts per day. The Company has produced 28.841 Million Sq. Meters on 60 picks on the basis of 358 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 26th Annual Report and Audited Accounts for the year ended June 30, 2014.

Highlights	2014 '000' Rs.	2013 '000' Rs.	Variance %
Sales	518,405	795,248	(34.81)
Gross Profit	97,471	125,474	(22.32)
Profit Before Tax	41,587	75,904	(45.21)
Profit After Tax	41,587	68,501	(39.29)
EPS	1.19	2.26	(47.35)

Your Company earned a net profit of Rs.41.587 million for the current year in comparison to Rs. 68.501 million during the same period last year. The major reason of the reduction in profits is overall market slow down, Rupee revaluation and sharp increase in the utility prices by the Government. Unfortunately revaluation of Rupee came at a time which coincided with a market slow down, thus triggering an abnormal fall in sales as customers became shy to engage in any future commitments. However, our quick positioning to shift our sales to domestic market helped us to keep our nose above water.

The production capacity of the plant has been increased by installing twenty additional looms under a newly constructed production shed. This increase would help reduce our cost per unit.

A mile stone was achieved this year, which is paying off all of our short and long term loans back to the banks. Good financial management of the Company has born fruits and today we can proudly state that the Company owes not a single panny to any financial institution.

Keeping in view the decline the slowdown in the textile market, the managemet regrets its inability not to recommend payment of dividends or bonus shars this year.

Marketing strategy and future prospects

We are constantly looking into the domistic market as it is growing rapidly and the demand of woven fabrics is increasing. We feel that a good mix of domistic and foreign market would help sales of the Company and reduce the risks of any abnormal slowdown.

The cost of doing business is keeping its traditional trend of going up every year. Electriclty shortfall, gas load shedding and increase on their prices are pushing our costs up while the market is not responding in the same manner, thus making its negative impact on the revenues.

Corporate Social Responsibility

We feel proud to have contributed Rs.1,100,000/- to Liver Foundation Trust, Faisalabad. This contribution would be spent on needy patients for free charge treatment of Hapatitis C.

Corporate Governance

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

Corporate and Financial Reporting Frame Work

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

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

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

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

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

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

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

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

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

Sr.No.	Name of Director	No. of Meetings Attended
1	Mr. Ashfaq Ahmad	05
2	Mr. Nadeem Ashfaq	04
3	Mr. Waseem Ashfaq	05
4	Mr. Amjad Aslam	05
5	Mrs. Shazia Amjad	05
6	Mrs. Nazia Irfan	4
7	Mirza Muhammad Idrees	05
8	Khawaja Muhammad Ilyas	05

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 eight times during the year with an average participation of 92% 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

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 their spouses and minor children have made the following transaction of company shares.

	Purchase	Bonus Shares	SALE
Mr. Ashfaq Ahmad	6,000	1,791,968	Nil
Mr. Nadeem Ashfaq	-	1,255,525	Nil
Mr. Waseem Ashfaq	-	1,256,682	Nil
Mrs. Mussarat Ashfaq	17,500	1,475,602	Nil
Mr. Amjad Aslam	-	17,500	Nil
Mrs. Shazia Amjad	-	486,625	Nil
Mrs. Nazia Irfan	-	503,750	Nil
Mrs. Uzma Nadeem	-	867,000	Nil
Mrs. Memona Waseem	-	867,000	Nil
Mr. Muhammad Idrees	-	1,250	Nil
Khawaja Muhammad Ilyas	-	1,250	Nil

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, 2014 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

(ASHFAQ AHMAD)
Chief Executive Officer

FAISALABAD
DATE: October 03, 2014.

FINANCIAL HIGHLIGHTS

		2014	2013	2012	2011	2010	2009
				(Rupees in Thousand)			
SALES	Rs.	518,405	795,248	931,187	1,036.471	883.856	680.360
GROSS PROFIT	Rs.	97,471	125,474	159,285	123.627	106.256	95.311
NET PROFIT AFTER TAX	Rs.	41,587	68,501	68,578	29.730	12.751	10.323
FIXED ASSTES	Rs.	747,629	466,235	439,500	431.288	421.332	332.143
LONG TERM LIABILITIES (FINANCIAL INSTITUTION)	Rs.	-	-	-	-	-	5.733
LONG TERM LIABILITIES (DIRECTORS)	Rs.	-	50,000	139,740	107.000	107.000	137.000
ACCUMULATED PROFIT / (LOSS)	Rs.	164,855	202,746	181,144	102.769	62.222	38.207
GROSS PROFIT RATIO	%	18.80	15.77	17.11	11.93	11.99	14.01
NET PROFIT RATIO	%	8.02	8.61	7.36	2.87	1.44	1.52
DEBT EQUITY RATIO	%	0:100	10:90	15:85	10:90	11:89	25:75
CURRENT RATIO	%	10.55	1.80	1.35	0.95	0.85	0.90
EARNING PER SHARE	%	1.19	2.26	5.60	4.25	1.82	1.48
BONUS SHARES	%	-	58.33	-	-	-	-
DIVIDEND	Rs.	-	-	-	-	-	-

ASHFAQ TEXTILE MILLS LIMITED

PATERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2014

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM		TO	TOTAL SHARES HELD
30	1	-	100	644
163	101	-	500	47,928
211	501	-	1000	172,036
54	1001	-	5000	135,588
16	5001	-	10000	130,995
2	10001	-	15000	24,166
4	15001		20000	65,665
1	35001		40000	40,000
1	65001		70000	70,000
1	130001	-	135000	133,233
1	140001		145000	141,631
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	5900001	-	5905000	5,902,909
1	7170001	-	7175000	7,173,873
492				34,985,000

S.NO.	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	488	34,976,252	99.97
2	COMPANIES	3	582	0.00
3	FINANCIAL INSTITUTIONS	1	8,166	0.02
		492	34,985,000	100.00

CATEGORIES OF SHARE HOLDING

AS AT JUNE 30, 2014

DIRECTORS AND THEIR SPOUSE:	SHARES HELD	%
Mr. Ashfaq Ahmad	7,173,873	20.51
Mr. Nadeem Ashfaq	5,022,102	14.36
Mr. Waseem Ashfaq	5,026,730	14.37
Mr. Amjad Aslam	70,000	0.20
Mrs. Shazia Amjad	1,946,500	5.56
Mrs. Nazia Irfan	2,015,000	5.76
Mirza Muhammad Idrees	5,000	0.01
Khawaja Muhammad Ilyas	5,000	0.01
Mrs. Musarat Ashfaq	5,902,909	16.87
Mrs. Uzma Nadeem	3,468,000	9.91
Mrs. Memona Waseem	3,468,000	9.91
SHAREHOLDERS HOLDING 10% OR MORE:		
Mr. Ashfaq Ahmad	7,173,873	20.51
Mrs. Musarat Ashfaq	5,902,909	16.87
Mr. Nadeem Ashfaq	5,022,102	14.36
Mr. Waseem Ashfaq	5,026,730	14.37
FINANCIAL INSTITUTIONS:		
IDBP (ICP UNIT)	8,166	0.02
JOINT STOCK COMPANIES:		
Z.S. Investment (Pvt) Limited.	62	0.00
Darsons Securities (Pvt) Ltd.	333	0.00
Z.S. Investments (Pvt) Ltd.	187	0.00
GENERAL PUBLIC:	873,138	2.50
TOTAL	**34,985,000**	**100**

STATEMENT OF COMPLIANCE WITH 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 Karachi Stock Exchange for the purpose of establishing a framework whereby a listed Company is managed with best practices for good Corporate Governance.

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

1. The Company encourages representations of independent non-executive Directors and Directors representing minority interest on the Board of the Company. 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 i(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. The Company Secretary and CFO attended the meetings of the Board.

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 till June 30, 2016.

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 Company has outsourced Internal Audit function to an independent firm of Chartered Accountants 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 Karachi Stock Exchange.

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

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

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

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

478-D, Peoples Colony No. 1
Faisalabad - Pakistan
T: +92 (41) 854 1165, 854 1965 F: +92 (41) 854 2765
E: faisalabad@ahln.com.pk W: www.ahln.com.pk

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of Ashfaq Textile Mills Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code also requires the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

As per clause (xi) of the Code, it is mandatory for all the directors of the company (excluding the directors who are exempt under the Code) to have certification under any director's training program by institutions (local or foreign) that mat the criteria specified by SECP. A minumum of one director is required to acquire the said certification every year from June 30, 2012 to June 30, 2016. No director of the company has acquired the said certification to date.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended June 30, 2014.

Avais Hyder Liaquat Nauman

Dated: 03 OCT 2014
Place: Faisalabad

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Other Offices at:
Lahore : (92-42) 3587 2731/2/3
Karachi : (92-21) 3565 5975/6
Islamabad : (92-51) 211 4096/7/8
Peshawar : (92-91) 527 7205/527 8310
Quetta : (92-81) 282 9809

Avais Hyder Liaquat Nauman
Chartered Accountants

RSM

478-D, Peoples Colony No. 1
Faisalabad - Pakistan
T: +92 (41) 854 1165, 854 1965 F: +92 (41) 854 2765
E: faisalabad@ahln.com.pk W: www.ahln.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ashfaq Textile Mills Limited (the company) as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except change in accounting policy as stated in Note 2.4 to the annexed financial statements with which we concur;

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

Other Offices at:
Lahore : (92-42) 3587 2731/2/3
Karachi : (92-21) 3565 5975/6
Islamabad : (92-51) 211 4096/7/8
Peshawar : (92-91) 527 7205/527 8310
Quetta : (92-81) 282 9809

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Avais Hyder Liaquat Nauman

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Hamid Masood

Dated: 03 OCT 2014
Place: Faisalabad

ASHFAQ TEXTILE MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees	2012 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	400,000,000
Issued, subscribed and paid up capital	3	349,850,000	262,387,500	69,970,000
Unappropriated profit		164,855,317	202,745,510	181,144,409
		514,705,317	465,133,010	251,114,409
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	370,038,231	111,259,531	119,505,923
NON CURRENT LIABILITIES				
Long term financing		-	-	139,740,000
Deferred liability				
Staff retirement gratuity	5	15,189,426	14,299,254	9,601,548
		15,189,426	14,299,254	149,341,548
CURRENT LIABILITIES				
Trade and other payables	6	15,954,470	24,837,204	59,077,084
Current portion of long term financing		-	50,000,000	-
Interest / mark up payable on short term bank borrowings		-	256,719	1,693,936
Short term bank borrowings	7	-	72,964,000	158,447,600
Provision for taxation - income tax		-	7,402,749	8,728,958
		15,954,470	155,460,672	227,947,578
CONTINGENCIES AND COMMITMENT	8	-	-	-
		915,887,444	746,152,467	747,909,458

	Note	2014 Rupees	2013 Rupees	2012 Rupees
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	9	743,124,237	461,730,653	434,995,073
Long term security deposits	10	4,504,782	4,504,782	4,504,782
		747,629,019	466,235,435	439,499,855
CURRENT ASSETS				
Stores, spares and loose tools	11	26,898,644	28,509,754	15,727,230
Stock in trade	12	45,327,120	85,961,448	107,620,593
Trade debts	13	39,198,882	110,506,849	104,936,431
Loans and advances	14	12,656,378	19,666,520	17,141,504
Deposit and prepayments	15	223,076	373,815	199,268
Other receivables	16	1,198,501	6,079,439	3,523,237
Tax refunds due from Government	17	24,100,562	14,194,889	10,746,302
Cash and bank balances	18	18,655,262	14,624,318	48,515,038
		168,258,425	279,917,032	308,409,603
		915,887,444	746,152,467	747,909,458

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales	19	518,405,327	795,248,492
Cost of goods sold	20	420,934,180	669,774,805
Gross profit		97,471,147	125,473,687
Other income		-	23,040,836
		97,471,147	148,514,523
Distribution cost	21	11,188,170	28,340,244
Administrative expenses	22	31,315,779	27,904,435
Other operating expenses	23	4,139,957	4,021,445
Finance cost	24	9,239,716	12,344,222
		55,883,622	72,610,346
Profit for the year before taxation		41,587,525	75,904,177
Provision for taxation	25	-	7,402,749
Profit for the year		41,587,525	68,501,428
Earnings per share - Basic and diluted	26	1.19	2.26

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Profit for the year		41,587,525	68,501,428
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Incremental depreciation on revalued assets for the year	4	7,453,024	8,246,392
Remeasurement of staff retirement gratuity		(531,758)	2,669,219
		6,921,266	10,915,611
Total comprehensive income for the year		48,508,791	79,417,039

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
(a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	41,587,525	75,904,177
Adjustments for:		
Depreciation of property, plant and equipment	35,974,658	31,660,394
Provision for staff retirement gratuity	3,366,780	3,997,677
Loss on disposal of property, plant and equipment	1,803	10,397
Reversal of provision for foreign commission and claims	-	(22,268,050)
Balances written off / (written back) - net	1,836,829	(772,786)
Finance cost	9,239,716	12,344,222
Operating cash flows before working capital changes	92,007,311	100,876,031
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	1,611,110	(12,782,524)
Stock in trade	40,634,328	21,659,145
Trade debts	71,307,967	(5,570,418)
Loans and advances	4,018,696	(2,592,703)
Deposit and prepayments	150,739	(174,547)
Other receivables	4,880,938	(2,556,202)
Tax refunds due from Government	(8,498,817)	(3,300,253)
(Decrease) in current liabilities		
Trade and other payables	(10,719,563)	(11,199,044)
Cash generated from operating activities	195,392,709	84,359,485
Finance cost paid	(9,496,435)	(13,781,439)
Income tax paid	(5,818,159)	(8,809,605)
Staff retirement gratuity paid	(1,944,850)	(1,969,190)
Net cash generated from operating activities	178,133,265	59,799,251
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(51,683,321)	(60,695,371)
Proceeds from disposal of operating assets	545,000	2,289,000
Net cash (used in) investing activities	(51,138,321)	(58,406,371)

	2014 Rupees	2013 Rupees
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	139,940,000
Repayment of long term financing	(50,000,000)	(89,740,000)
Net (decrease) in short term bank borrowings	(72,964,000)	(85,483,600)
Net cash (used in) financing activities	(122,964,000)	(35,283,600)
Net increase / (decrease) in cash and cash equivalents (a+b+c)	4,030,944	(33,890,720)
Cash and cash equivalents at the beginning of the year	14,624,318	48,515,038
Cash and cash equivalents at the end of the year	18,655,262	14,624,318

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ASHFAQ TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid up capital	Unappropriated profit	Total
	-----	Rupees	-----
Balance as at July 01, 2012 as previously reported	69,970,000	180,472,575	250,442,575
Effect of change in accounting policy (Note 2.4)			
Recognition of cumulative unrecoginzed actuarial gain for the year ended June 30, 2012	-	671,834	671,834
Balance as at July 01, 2012 as restated	69,970,000	181,144,409	251,114,409
Transactions with owners:			
Ordinary shares issued during the year	139,940,000	-	139,940,000
Bonus shares issued during the year (One share for each four shares held)	52,477,500	(52,477,500)	-
Total comprehensive income for the year			
Profit for the year	-	68,501,428	68,501,428
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Incremental depreciation on revalued assets for the year	-	8,246,392	8,246,392
Remeasurement of defined benefit liability	-	(2,669,219)	(2,669,219)
	-	74,078,601	74,078,601
Balance as at June 30, 2013 as restated	262,387,500	202,745,510	465,133,010
Transactions with owners:			
Bonus shares issued during the year (One share for each three shares held)	87,462,500	(87,462,500)	-
Total comprehensive income for the year			
Profit for the year	-	41,587,525	41,587,525
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Incremental depreciation on revalued assets for the year	-	7,453,024	7,453,024
Remeasurement of defined benefit liability	-	531,758	531,758
	-	49,572,307	49,572,307
Balance as at June 30, 2014	349,850,000	164,855,317	514,705,317

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. GENERAL INFORMATION

1.1 Ashfaq Textile Mills Limited (the Company) was incorporated in Pakistan on January 14, 1988 as a private limited company under the Companies Ordinance, 1984 and subsequently converted into a public limited company. The Company is currently listed on Karachi Stock Exchange. The business of the Company is manufacturing and sale of textiles and rendering of sizing and conversion services. The registered office and mills of the Company are located at 17 K.M. Jaranwala Road, Faisalabad in the Province of Punjab.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

2.2.1 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, 2013 and therefore, have been applied in preparing these financial statements:

- IFRS 7 (Amendments) "Financial Instruments Disclosures" on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Company does not have any offsetting arrangements in place, therefore, the amendments do not have material impact on the disclosures.

- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard does not have any material impact on the Company's financial statements.

- IAS 19 "Employee Benefits" The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest: recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  The amendments have resulted in change in accounting policy of the Company with respect to staff retirement gratuity (Refer Note 2.4).

2.2.2 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, 2013 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 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): A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment hedge accounting, de-recognition:

  Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. Introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The standard is effective for accounting period beginning on or after January 01, 2018.

  IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015. 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 recognised, 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, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

- Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets": In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Company's financial statements.

- Amendments to IAS 19 "Employee Benefits": These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for accounting periods beginning on or after July 01, 2014. The application of amendments is not expected to have nay material impact on the Company's financial statements.

- IAS 32 (Amendment) "Financial Instruments: Presentation". This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company's financial statements.

- Amendments to IAS 36 "Impairment of Assets": These amendments address the disclosures and clarify the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- Amendments to IAS 39 "Financial Instruments Recognition and Measurement": These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2010-2012 Cycle

  Amendments to the following standards were made which are effective for accounting periods beginning on or after July 01, 2014:

  IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

  IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

  IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

  IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

These amendments are not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRS's 2011-2013 Cycle

  Amendments to the following standards were made which are effective for accounting periods beginning on or after July 01, 2014:

  IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

  IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52

  IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

  These amendments are not expected to have any material impact on the Company's financial statements.

- IFRIC 21 Levies

  This interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

  The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies. The interpretation is effective for accounting periods beginning on or after January 01, 2014. The application of the interpretation is not expected to have material impact on the Company's financial statements.

2.2.4 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.

2.3 Basis of preparation

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

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

The principal accounting policies adopted are set out below:

2.4 Change in accounting policy

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.

The policy of staff retirement gratuity has been changed to comply with the requirements of amended IAS-19 (Refer Note 2.2.1). The change has been applied retrospectively in accordance with the requirements of IAS-8 "Accounting Policies, Change in Accounting Estimates and Errors".

The effects of retrospective application of the change in accounting policy are as follows :

	Staff retirement gratuity Rupees	Unappropriated profit Rupees
Balance as at June 30, 2013 as previously reported	12,301,869	204,742,895
Recognition of cumulative net unrecognised actuarial gain for the year ended June 30, 2012	(671,834)	671,834
Recognition of unrecognised actuarial loss for the year ended June 30, 2013	2,669,219	(2,669,219)
	1,997,385	(1,997,385)
Balance as at June 30, 2013 as restated	14,299,254	202,745,510

2.5 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

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

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

3. Issued, subscribed and paid up capital

2013	2014		2014	2013
Number of shares			Rupees	Rupees
6,997,000	20,991,000	Ordinary shares of Rs. 10/- each fully paid in cash	209,910,000	69,970,000
-	5,247,750	Ordinary shares of Rs. 10/- each fully paid bonus shares	52,477,500	-
13,994,000	-	Ordinary shares of Rs. 10/- each fully paid in cash issued during the year	-	139,940,000
5,247,750	8,746,250	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares during the year	87,462,500	52,477,500
26,238,750	34,985,000		349,850,000	262,387,500

4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2014	2013
Opening balance	111,259,531	119,505,923
Surplus arisen on revaluation carried out during the year	266,231,724	-
	377,491,255	119,505,923
Transferred to Comprehensive Income for the year		
Incremental depreciation for the year	(7,453,024)	(8,246,392)
	370,038,231	111,259,531

4.1 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 .

5. Staff retirement gratuity

5.1 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, 2014 using Projected Unit Credit Method.

	Note	2014 Rupees	2013 Rupees
5.2 Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		15,189,426	14,299,254
5.3 Movement in net liability recognised			
Opening balance		14,299,254	9,601,548
Expenses recognised in profit and loss account	5.4	3,366,780	3,997,677
Paid / adjusted during the year		(1,944,850)	(1,969,190)
Remeasurement on obligation		(531,758)	2,669,219
Balance at June 30,		15,189,426	14,299,254
5.4 Expenses recognised in profit and loss account			
Current service cost		2,243,917	3,088,871
Interest cost		1,122,863	908,806
		3,366,780	3,997,677

	2014	2013
5.5 Principal actuarial assumptions		
Discount factor used	13% Per annum	12% Per annum
Expected rate of increase in salaries	12% Per annum	10% Per annum
Expected average remaining working lives of participating employees	6 years	6 years

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

	Change in assumptions	Reworked defined benefit obligation Increase in assumptions	 Decrease in assumptions
		---------------Rupees	----------------
Discount rate	100 bps	13,768,319	16,801,799
Salary increase rate	100 bps	16,126,290	14,301,742

5.7 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	2014 Rupees	2013 Rupees

6. Trade and other payables

	Note	2014 Rupees	2013 Rupees
Creditors		5,072,819	13,511,638
Advance from customer		102,358	300,000
Accrued liabilities		7,924,010	6,767,414
Workers' profit participation fund	6.1	2,301,325	4,011,048
Other		553,958	247,104
		15,954,470	24,837,204

6.1 Workers' profit participation fund

	2014 Rupees	2013 Rupees
Opening balance	4,011,048	4,076,472
Interest on funds utilised in the Company's business	300,829	305,735
	4,311,877	4,382,207
Amount paid to workers on behalf of the fund	4,311,877	4,382,207
	-	-
Allocation for the year	2,301,325	4,011,048
	2,301,325	4,011,048

7. Short term bank borrowings

	Note	2014 Rupees	2013 Rupees
Secured			
Under mark up arrangements			
From banking companies			
In foreign currency	7.2	-	72,964,000

7.1 The aggregate unavailed short-term borrowing facilities available to the Company are Rs. 180.00 million (2013: Rs. 212.04 million).

7.2 These are secured against lien on export documents and first charge over fixed and current assets of the Company. These are further secured by personal guarantee of directors of the Company. Facilities in local currency are subject to markup at three months KIBOR plus 1.5% per annum and facility in foreign currency is subject to markup at six months LIBOR plus 3.25% per annum.

Effective mark up rate ranges from 3.68% to 11.70 % per annum (2013: 3.66% to 13.74 % per annum).

8. CONTINGENCIES AND COMMITMENT

	2014 Rupees	2013 Rupees
Contingencies		
Liability of workers' welfare fund not acknowledged. The Company is claiming exemption from the levy.	4,706,891	3,855,433
Commitments		
Under letters of credit for:		
Plant and machinery	-	11,832,000
Raw material	-	4,008,682

9. Property, plant and equipment

	Note	2014 Rupees	2013 Rupees
Operating assets	9.1	741,037,370	372,735,156
Capital work in progress	9.4	2,086,867	88,995,497
		743,124,237	461,730,653

9.1 Operating assets

	Freehold land	Building on freehold land	Plant and machinery	Factory equipment	Office equipment	Furniture and fixture	Vehicles	Arms and ammunitions	Total
	-----	-----	-----	-----	Rupees	-----	-----	-----	-----
At July 01, 2012									
Cost / valuation	40,447,600	65,894,970	350,251,346	1,538,518	8,369,312	2,633,475	19,880,308	34,100	489,049,629
Accumulated depreciation	-	(9,398,271)	(87,738,374)	(498,201)	(2,464,042)	(1,256,224)	(8,011,567)	(19,571)	(109,386,250)
Net book value	40,447,600	56,496,699	262,512,972	1,040,317	5,905,270	1,377,251	11,868,741	14,529	379,663,379
Year ended June 30, 2013									
Opening net book value	40,447,600	56,496,699	262,512,972	1,040,317	5,905,270	1,377,251	11,868,741	14,529	379,663,379
Additions	-	-	8,300,649	230,000	1,150,250	48,000	17,302,669	-	27,031,568
Disposal:									
Cost	-	-	-	-	-	-	(3,661,884)	-	(3,661,884)
Accumulated depreciation	-	-	-	-	-	-	1,362,487	-	1,362,487
	-	-	-	-	-	-	(2,299,397)	-	(2,299,397)
Depreciation charge	-	(2,824,835)	(26,603,778)	(54,891)	(335,521)	(69,863)	(1,770,780)	(726)	(31,660,394)
Closing net book value	40,447,600	53,671,864	244,209,843	1,215,426	6,719,999	1,355,388	25,101,233	13,803	372,735,156
At July 01, 2013									
Cost / valuation	40,447,600	65,894,970	358,551,995	1,768,518	9,519,562	2,681,475	33,521,093	34,100	512,419,313
Accumulated depreciation	-	(12,223,106)	(114,342,152)	(553,092)	(2,799,563)	(1,326,087)	(8,419,860)	(20,297)	(139,684,157)
Net book value	40,447,600	53,671,864	244,209,843	1,215,426	6,719,999	1,355,388	25,101,233	13,803	372,735,156
Year ended June 30, 2014									
Opening net book value	40,447,600	53,671,864	244,209,843	1,215,426	6,719,999	1,355,388	25,101,233	13,803	372,735,156
Additions	-	-	18,455,399	400,500	602,984	36,550	11,749,465	-	31,244,898
Transferred from capital work in progress	-	67,908,814	39,438,239	-	-	-	-	-	107,347,053
Revaluation surplus / (deficit)	11,714,900	(1,530,736)	256,047,560	-	-	-	-	-	266,231,724
Disposal:									
Cost	-	-	-	-	-	-	(1,118,480)	-	(1,118,480)
Accumulated depreciation	-	-	-	-	-	-	571,677	-	571,677
	-	-	-	-	-	-	(546,803)	-	(546,803)
Depreciation charge	-	(4,664,267)	(27,453,541)	(62,440)	(358,574)	(68,389)	(3,366,757)	(690)	(35,974,658)
Closing net book value	52,162,500	115,385,675	530,697,500	1,553,486	6,964,409	1,323,549	32,937,138	13,113	741,037,370
At June 30, 2014									
Cost / valuation	52,162,500	115,385,675	530,697,500	2,169,018	10,122,546	2,718,025	44,152,078	34,100	757,441,442
Accumulated depreciation	-	-	-	(615,532)	(3,158,137)	(1,394,476)	(11,214,940)	(20,987)	(16,404,072)
Net book value	52,162,500	115,385,675	530,697,500	1,553,486	6,964,409	1,323,549	32,937,138	13,113	741,037,370
Annual rate of depreciation (%)	-	5	10	5	5	5	10	5	

	2014 Rupees	2013 Rupees

9.1.1 Depreciation for the year has been allocated as under:

	2014 Rupees	2013 Rupees
Cost of goods sold	32,180,248	29,483,504
Administrative expenses	3,794,410	2,176,890
	35,974,658	31,660,394

9.2 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery at June 30, 2014 and 2013 would have been as follows:

	2014		
	Cost	**Accumulated depreciation**	**Written down value**
	Rupees		
Freehold land	9,659,905	-	9,659,905
Building on freehold land	130,268,020	24,640,636	105,627,384
Plant and machinery	398,306,833	185,386,678	212,920,155
	538,234,758	210,027,314	328,207,444

	2013		
	Cost	**Accumulated depreciation**	**Written down value**
	Rupees		
Freehold land	9,659,905	-	9,659,905
Building on freehold land	62,359,206	20,570,528	41,788,678
Plant and machinery	340,413,195	164,792,002	175,621,193
	412,432,306	185,362,530	227,069,776

9.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars of buyer
	Rupees				
Vehicles (By negotiation)	1,118,480	571,677	546,803	545,000	Mr. Ali Asghar S/O Qaisar Hussain, Madina Town, Faisalabad
2013	3,661,884	1,362,487	2,299,397	2,289,000	

9.4 Capital work in progress

	Civil work	Plant and machinery	Total
	Rupees		
Balance as at July 01, 2012	55,331,694	-	55,331,694
Additions	11,489,961	22,173,842	33,663,803
Balance as at June 30, 2013	66,821,655	22,173,842	88,995,497
Additions	3,174,026	17,264,397	20,438,423
Transferred to operating assets	(67,908,814)	(39,438,239)	(107,347,053)
Balance as at June 30, 2014	2,086,867	-	2,086,867

	2014 Rupees	2013 Rupees

10. Long term security deposits

	2014 Rupees	2013 Rupees
Against utilities	4,467,696	4,467,696
Others	37,086	37,086
	4,504,782	4,504,782

11. Stores, spares and loose tools

	2014 Rupees	2013 Rupees
Stores	15,826,799	14,249,929
Spares	10,990,153	14,183,069
Loose tools	81,692	76,756
	26,898,644	28,509,754

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

12. Stock in trade

	2014 Rupees	2013 Rupees
Raw material	17,039,656	25,959,755
Work in process	3,106,626	9,662,020
Finished goods	25,180,838	50,339,673
	45,327,120	85,961,448

13. Trade debts

	2014 Rupees	2013 Rupees
Considered good		
Secured		
Foreign	-	75,449,685
Unsecured		
Local	39,198,882	35,057,164
	39,198,882	110,506,849

14. Loans and advances

	2014 Rupees	2013 Rupees
Considered good		
Loans		
Executives	3,237,073	516,000
Other employees	3,298,049	6,020,664
	6,535,122	6,536,664
Advances		
Suppliers	282,627	2,215,211
For expenses	20,470	15,605
Income tax	5,818,159	8,809,605
Letters of credit fee margin and expenses	-	2,089,435
	12,656,378	19,666,520

15. Deposit and prepayments

	2014 Rupees	2013 Rupees
Considered good		
Security deposit	5,000	160,000
Prepayments	218,076	213,815
	223,076	373,815

	Note	2014 Rupees	2013 Rupees
16. Other receivables			
Considered good			
Export rebate / duty drawback		776,900	1,182,200
Insurance claim		305,000	4,865,564
Other		116,601	31,675
		1,198,501	6,079,439
17. Tax refunds due from Government			
Sales tax		21,896,992	13,398,175
Income tax		2,203,570	796,714
		24,100,562	14,194,889
18. Cash and bank balances			
Cash in hand		389,163	936,298
Cash at banks			
In current accounts		18,266,099	13,688,020
		18,655,262	14,624,318
19. Sales			
Cloth			
Export	19.1	234,988,385	661,906,185
Local	19.2	26,078,471	13,999,027
		261,066,856	675,905,212
Conversion and sizing income		259,425,878	125,405,682
		520,492,734	801,310,894
Add: Export rebate / duty drawback		178,001	193,536
		520,670,735	801,504,430
Less: Commission and claims		2,265,408	6,255,938
		518,405,327	795,248,492

19.1 It includes exchange gain of Rs. 3,151,515/- (2013: Rs. 5,427,334/-).

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

	Note	2014 Rupees	2013 Rupees
20. Cost of goods sold			
Cost of goods manufactured	20.1	395,775,345	669,171,453
Finished goods			
Opening stock		50,339,673	50,943,025
Closing stock		(25,180,838)	(50,339,673)
		25,158,835	603,352
		420,934,180	669,774,805

	Note	2014 Rupees	2013 Rupees
20.1 Cost of goods manufactured			
Raw material consumed	20.1.1	122,178,131	413,150,107
Sizing cost		42,855,609	51,925,222
Salaries, wages and benefits		78,114,411	71,458,158
Staff retirement benefits		2,861,763	3,198,142
Fuel and power		89,180,296	67,816,320
Stores, spares and loose tools		13,882,224	18,754,025
Packing material		2,192,913	3,349,849
Repairs and maintenance		976,455	1,476,021
Insurance		4,797,901	3,258,823
Depreciation	9.1.1	32,180,248	29,483,504
		389,219,951	663,870,171
Work in process			
Opening stock		9,662,020	14,963,302
Closing stock		(3,106,626)	(9,662,020)
		6,555,394	5,301,282
		395,775,345	669,171,453

20.1.1 Raw material consumed

	2014 Rupees	2013 Rupees
Opening stock	25,959,755	37,738,065
Purchases including purchase expenses	113,258,032	401,371,797
	139,217,787	439,109,862
Closing stock	(17,039,656)	(25,959,755)
	122,178,131	413,150,107

21. Distribution cost

	2014 Rupees	2013 Rupees
Ocean freight	7,648,804	21,513,564
Clearing and forwarding	3,539,366	6,826,680
	11,188,170	28,340,244

22. Administrative expenses

	Note	2014 Rupees	2013 Rupees
Directors' remuneration	27	7,875,000	4,440,000
Salaries and benefits		4,326,933	5,097,777
Staff retirement benefits		505,017	799,535
Electricity and gas		448,142	340,786
Insurance		846,319	467,723
Rent, rates and taxes		181,820	178,655
Vehicles running and maintenance		5,053,329	3,968,242
Travelling and conveyance		1,395,551	4,270,384
Postage, telephone and telex		817,813	1,112,797
Printing and stationery		450,734	610,778
Auditors' remuneration	22.1	575,000	537,500
Legal and professional		362,000	970,929
Fees and subscriptions		2,628,217	765,241
Entertainment		524,443	658,006
Newspaper and periodicals		10,052	7,968
Charity and donations	22.2	1,125,000	725,000
Depreciation	9.1.1	3,794,410	2,176,889
Other		395,999	776,225
		31,315,779	27,904,435

	2014 Rupees	2013 Rupees

22.1 Auditors' remuneration

	2014 Rupees	2013 Rupees
Audit fee	500,000	500,000
Sundry services	75,000	37,500
	575,000	537,500

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. 1,100,000/- (2013: Rs. 600,000) to Liver Foundation Trust during the year.

23. Other operating expenses

	Note	2014 Rupees	2013 Rupees
Workers' profit participation fund		2,301,325	4,011,048
Loss on disposal of property, plant and equipment		1,803	10,397
Balances written off - net		1,836,829	-
		4,139,957	4,021,445

24. Finance cost

	Note	2014 Rupees	2013 Rupees
Interest / mark up on:			
Short term bank borrowings		5,169,628	9,276,110
Workers' profit participation fund		300,829	305,735
Bank charges and commission		848,259	1,801,312
Exchange loss		2,921,000	961,065
		9,239,716	12,344,222

25. Provision for taxation

	Note	2014 Rupees	2013 Rupees
Current			
For the year		-	7,402,749
Deferred	25.1	-	-
		-	7,402,749

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 no provision for current taxation has been made due to tax credit available under the law.

26. Earnings per share - Basic and diluted

		2014	2013
Profit for the year	(Rupees)	41,587,525	68,501,428
Weighted average number of ordinary shares outstanding during the year	(Number)	34,985,000	30,320,333
Earnings per share - Basic and diluted	(Rupees)	1.19	2.26

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

27. REMUNERATION TO CHIEF EXECUTIVE OFFICER , DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executive
	Rupees					
Remuneration	1,983,433	3,266,833	2,386,272	1,000,050	1,960,100	2,269,692
House rent allowance	892,500	1,470,083	1,068,480	450,000	882,050	1,016,280
Conveyance allowance	99,068	163,083	106,848	49,950	97,850	101,628
	2,975,000	4,900,000	3,561,600	1,500,000	2,940,000	3,387,600
Number of persons	1	3	5	1	3	5

27.1 The Chief Executive Officer and Directors are entitled to reimbursement of telephone bills. The monetary value of these benefits is Rs. 146,308 /- (2013: Rs. 127,403 /-).

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

	2014	2013
Weaving		
Number of looms installed	235	214
Number of looms worked	235	214
Standard cloth production (Sq. meters)	29,700,000	27,400,000
Actual production (Sq. meters)	28,841,942	26,670,000
Sizing		
Warping machines	3	3
Sizing machines	1	1
Standard production (Kgs.)	4,150,000	4,150,000
Actual production (Kgs.)	2,040,597	1,648,218

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.
- The production of expansion project is for six months.

30. NUMBER OF EMPLOYEES

	2014	2013
Total number of employees as at June 30,	586	612
Average number of employees for the year	589	571

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

31.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2014 Rupees	2013 Rupees
Financial assets at amortized cost:		
Deposits	4,509,782	4,664,782
Trade debts	39,198,882	110,506,849
Loans	6,535,122	6,536,664
Cash and bank balances	18,655,262	14,624,318
	68,899,048	136,332,613
Financial liabilities at amortized cost:		
Long term financing	-	50,000,000
Trade and other payables	13,550,787	20,826,156
Interest / markup payable	-	256,719
Short term bank borrowings	-	72,964,000
	13,550,787	144,046,875

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 couple of customers which represent 61.72% (2013 : 58.39%) of total trade debts. The maximum exposure to credit risk at the reporting date is as follows:

	2014 Rupees	2013 Rupees
Deposits	4,509,782	4,664,782
Trade debts	39,198,882	110,506,849
Loans	6,535,122	6,536,664
Bank balances	18,266,099	13,688,020
	68,509,885	135,396,315

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.

The aging of trade debts as at balance sheet date is as under:

Not past due	37,466,249	110,506,849
Past due - within one year	1,732,633	-
	39,198,882	110,506,849

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, 2014 and 2013;

	2014			
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Two to five years**
	-----Rupees-----			
Financial liabilities:				
Trade and other payables	13,550,787	13,550,787	13,550,787	-

	2013			
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Two to five years**
	-----Rupees-----			
Financial liabilities:				
Long term financing	50,000,000	50,000,000	50,000,000	-
Trade and other payables	20,826,156	20,826,156	20,826,156	-
Interest / markup payable	256,719	256,719	256,719	-
Short term bank borrowings	72,964,000	75,888,754	75,888,754	-
	144,046,875	146,971,629	146,971,629	-

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. 95.53 million (2013: Rs. 165.47 million) and unavailed short term borrowing facilities of Rs. 180.00 million (2013 : Rs. 212.04 million) (Refer Note 7).

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

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 03 OCT 2014 by the Board of Directors of the Company.

33. GENERAL

33.1 NOMENCLATURE

Nomenclature of " Other operating income " has been changed to " Other income " to comply with the amendments in Fourth Schedule to the Companies Ordinance, 1984.

33.2 Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR