



**Ashfaq Textile Mills Ltd.**

ISO-9002 CERTIFIED

established since 1988



**31<sup>TH</sup> ANNUAL REPORT 2019**

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Ashfaq Ahmad  
(Chief Executive / Managing 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)

Mr. Saad Zubair  
(Independent, Non-Executive Director)

### COMPANY SECRETARY

Mr. Waseem Ashfaq

### CHIEF FINANCIAL OFFICER (CFO)

Mr. Mohammad Anwar Javed

### AUDITORS

RSM Avais Hyder Liaqat Nauman.  
Chartered Accountants

### BANKERS

United Bank Limited.

### AUDIT COMMITTEE

Mr. Saad Zubair (Chairman)  
Mr. Nisar Ahmad (Secretary)  
Mrs. Shazia Amjad (Member)  
Mr. Mohammad Idrees (Member)

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Saad Zubair (Chairman)  
Mrs. Nazia Irfan (Member)  
Mr. Amjad Aslam (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](mailto:info@ashfaqtextile.com)

### Web-Site

[www.ashfaqtextile.com](http://www.ashfaqtextile.com)

## ASHFAQ TEXTILE MILLS LIMITED.

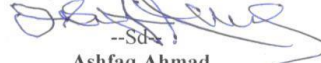
### NOTICE OF MEETING

31<sup>st</sup> Annual General Meeting of ASHFAQ TEXTILE MILLS LIMITED, will be held at the Registered Office of the Company, 17 K.M. Jaranwala Road, Faisalabad on Monday 28<sup>th</sup> October, 2019 at 09:00 a.m. to transact 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 30<sup>th</sup> June 2019 together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2020 and to fix their remuneration.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

  
--Sd--  
Ashfaq Ahmad  
Chief Executive

Faisalabad: September 30, 2019.

#### NOTES:

1. The share transfer books of the Company shall remain closed from 20<sup>th</sup> October, 2019 to 28<sup>th</sup> October, 2019 (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 20<sup>th</sup> October 2019 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 30.711 Million Sq. Meters on 60 picks per annum three shifts per day. The Company has produced 30.624 Million Sq. Meters on 60 picks on the basis of 357 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 31st Annual Report and Audited Accounts for the year ended June 30, 2019.

Highlights	2019 Rupees in Million	2018 Rupees in Million	Variance %
Sales	321.650	286.602	12.23
Gross Profit	42.223	16.970	148.81
Profit / (Loss) Before Tax	6.454	(13.017)	(149.58)
Profit / (Loss) After Tax	3.454	(15.748)	(121.93)
EPS	0.10	(0.45)	(122.22)

Your company made a profit of Rs.6.454 million before tax in comparison to a loss of Rs.(13.017) for the same period last year. This is a positive turnaround and we are hopeful that with the growing increase in demand of textile woven fabrics, we would be able to push the sales further up for more profits.

The new Government is showing resolve to provide ease of doing business and focusing especially on Textiles, we are hoping that this would translate to practical decisions and implementation which would help the business to be more competitive.

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

### Marketing strategy and future prospects

Our policy to target domestic business has been proving to be a success and we are very hopeful the profitability of the company would increase as there is growing demand within the domestic market of Pakistan.

### Corporate Social Responsibility

We are proud to be a regular contributor to help poor patients of Hepatitis by giving them free medicines through one of the most reputable organization "Faisalabad Liver Foundation Trust" by contributing Rs.600,000/- during last year. Furthermore, we contributed Rs. 60,000/- for construction of dams in Pakistan in the Supreme Court of Pakistan account through Faisalabad Chamber of Commerce and Industry.

### Principal Risks and Uncertainties

The Company is exposed to certain inherent risks and uncertainties. However, we consider the following as key risks:

- Adverse movement in foreign exchange rates and commodity prices;
- Market disruption due to changes in tax laws and regulations to widen the tax net.

### Internal Financial Controls

The directors are aware of their responsibility with respect to internal financial controls. Through discussions with management and auditors (both internal and external), they confirm that adequate controls have been implemented by the Company.

### 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 Pakistan Stock Exchange.
8. The Board held four meetings during the year. Attendance by each director was as follows;

Sr.No.	Name of Director	No. of Meetings Attended
1	Mr. Ashfaq Ahmad	04
2	Mr. Nadeem Ashfaq	04
3	Mr. Waseem Ashfaq	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.

Mr. Saad Zubair was appointed as director on June 29, 2019.

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

### 10. **Audit Committee**

Mr. Saad Zubair	(Chairman)
Mr. Nisar Ahmad	(Secretary)
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 formed an Human Resources and Remuneration Committee, which comprises of the following:

Mr. Saad Zubair	(Chairman)
Mrs. Nazia Irfan	(Member)
Mr. Amjad Aslam	(Member)

The Human Resources and Remuneration Committee met four 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

12. **Composition of Board**

The board consists of 6 male and 2 female directors with following composition:

Independent directors	1
Other non-executive directors	4
Executive directors	3
<b>Total number of directors</b>	<b>8</b>

13. **Remuneration Policy of Non-Executive Directors**

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

14. **Subsequent Events**

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year and the date of this report.

15. **Safety and Environments**

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

16. **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.

17. **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.

18. **Pattern of Shareholding**

Pattern of share holding of the Company as on June 30, 2019 is annexed.

19. **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: September 30, 2019.

## FINANCIAL HIGHLIGHTS

		2019	2018	2017	2016	2015	2014
(Rupees in Thousand)							
SALES	Rs.	321.650	286.602	285,395	299,055	384,695	518,405
GROSS PROFIT	Rs.	42.223	16.970	35,729	32,645	38,386	97,471
NET PROFIT / (LOSS) AFTER TAX	Rs.	3.454	(15.748)	3,628	3,120	5,646	41,587
FIXED ASSTES	Rs.	978.871	729.115	725,415	739,657	726,357	747,629
LONG TERM LIABILITIES (FINANCIAL INSTITUTION)	Rs.	-	-	-	-	-	-
LONG TERM LIABILITIES (DIRECTORS)	Rs.	-	-	-	-	-	-
ACCUMULATED PROFIT / (LOSS)	Rs.	221.280	205.908	207,446	204,513	184,444	164,855
GROSS PROFIT RATIO	%	13.13	5.92	12.52	10.92	9.98	18.80
NET PROFIT / (LOSS) RATIO	%	1.07	(5.49)	1.27	1.04	1.47	8.02
DEBT EQUITY RATIO	%	0:100	0:100	0:100	0:100	0:100	0:100
CURRENT RATIO	%	6.40	5.78	5.36	4.93	9.66	10.55
EARNING / (LOSS) PER SHARE	%	0.10	(0.45)	0.10	0.09	0.16	1.19
BONUS SHARES	%	-	-	-	-	-	-
DIVIDEND	Rs.	-	-	-	-	-	-

# ڈائریکٹر رپورٹ

ڈائریکٹر 30 جون 2019 کو ختم ہونے والے سال کے اکتیسویں سالانہ آڈیٹڈ مالیاتی اسٹیٹمنٹ بمعہ آڈیٹر رپورٹ پیش کرتے ہیں۔ اس سال کے مالیاتی نتائج درج ذیل ہیں۔

تفصیل	روپے ملین میں	سالانہ اختتام 30 جون 2019	روپے ملین میں	سالانہ اختتام 30 جون 2018	فرق %
فروخت (Sale)	321.650		286.602		12.23
کل نفع / نقصان	42.223		16.970		148.81
سال کے لیے قبل از ٹیکس نقصان / نفع	6.454		(13.017)		(149.58)
سال کے لیے بعد از ٹیکس نقصان / نفع	3.454		(15.748)		(121.93)
آمدنی فی شیئر (EPS)	0.100		(0.450)		(122.22)

آپ کی کمپنی نے اس سال قبل از ٹیکس منافع 6.454 ملین پچھلے سال کے مطابق نقصان 13.017 ملین کیا ہے۔ یہ ایک مثبت موڑ ہے اور ہم پر امید ہیں کہ ٹیکسٹائل کے کپڑے کی بڑھتی ہوئی طلب ہمیں اس قابل کر دے گی کہ ہم کپڑے کی فروخت کے ساتھ منافع بھی بڑھا سکیں گے۔

نئی گورنمنٹ کاروبار کے مسائل کو حل کر رہی ہے۔ خاص طور پر ٹیکسٹائل انڈسٹری میں آسانیاں پیدا کر رہی ہے۔ ہمیں امید ہے کہ حقیقی معنوں میں کاروبار کے متعلق فیصلے اور ان پر عمل درآمد ہو گا جو کہ کاروبار کو آگے لے جانے میں مددگار ہو گا۔

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

## مارکیٹ کے حالات اور مستقبل کے خدو خال

ہماری پالیسی جو کہ ملکی مارکیٹ کی طرف مرکوز ہے۔ اور اس میں کامیابی ہو رہی ہے اور پاکستان کی ٹھیکہ مارکیٹ میں طلب بڑھ رہی ہے جس کی وجہ سے ہمیں امید ہے کہ منافع بڑھے گا

## 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 فاؤنڈیشن کو ادا کیے ہیں یہ رقم غریب اور نادار پیمانائٹس کے مریضوں کے مفت علاج کے لیے خرچ کی گئی۔ اس کے علاوہ ایم کی تعمیر کے لیے 60,000 روپے کا تعاون فیصل آباد چیمبر آف کامرس اینڈ انڈسٹری کے ذریعے سپریم کورٹ آف پاکستان کے اکاؤنٹ میں جمع کروایا ہے

## بنیادی خطرات اور بے اعتمادی

کمپنی کو شدید مورٹی خطرات اور بے اعتمادی کی وجہ سے درج ذیل بنیادی خطرات متوقع ہیں۔

ملکی منفی تحریک کی وجہ سے غیر ملکی تجارتی قیمتوں اور فارن ایکسچینج ریٹ میں اتار چڑھاؤ۔

ٹیکس نیٹ کو وسیع کرنے کے لئے ٹیکس قوانین اور ضابطوں میں تبدیلی کاروباری رکاوٹ کا باعث ہے۔

## اندرونی فنانشل کنٹرول

آڈیٹر اور مینجمنٹ کے مشترکہ فیصلوں سے کافی حد تک کمپنی نے کنٹرولز یقینی بنائے ہیں

## کارپوریٹ گورننس

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

## کارپوریٹ اور فنانسینشل رپورٹنگ کا فریم ورک

کوڈف کارپوریٹ گورننس پر عمل کرتے ہوئے اہم کارپوریٹ اور فنانسینشل رپورٹنگ کا فریم ورک درج کر رہے ہیں

- 2- کمپنی کے حساب کا اندراج کمپنی آرڈیننس کے مطابق کیا جاتا ہے۔
- 3- مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل سے لاگو کیا گیا ہے۔ اکاؤنٹنگ یا اندازے معقول اور دانشمندانہ فیصلے پر مبنی ہے۔
- 4- مالی گوشواروں کو بین الاقوامی اکاؤنٹنگ سٹینڈرڈز کے مطابق رکھا گیا ہے۔
- 5- اندرونی کنٹرول کا نظام منظوم ہے اور اس کی منوثر طریقے سے نگرانی اور عملدرآمد کیا گیا ہے۔
- 6- کاروبار جاری رکھنے کے لیے کمپنی کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 7- پاکستان کے اسٹاک ایکسچینج کے اصولوں کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی مادی تجاوز نہیں ہوا۔
- 8- شیڈول 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۔

مسٹر سعد زبیر 29-جون 2019 کو ڈائریکٹر منتخب ہوئے ہیں

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۔

مسٹر سعد زبیر	چئیرمین
مسٹر نثار احمد	سکرٹری
مسز شازیہ امجد	ممبر
مرزا محمد ادریس	ممبر

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

11- انسانی وسائل اور معاوضہ کمیٹی

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

مسٹر سعد زبیر	چئیرمین
مسز نازیہ عرفان صاحبہ	ممبر
مسٹر امجد اسلم	ممبر

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

## 12- مجموعی بورڈ

کمیٹی کا بورڈ مندرجہ ذیل 6 مردوں اور 2 عورتوں پر مشتمل ہے

1	خود کار ڈائریکٹر۔
4	غیر عملی ڈائریکٹرز۔
3	عملی ڈائریکٹرز۔
8	ڈائریکٹران کی کل تعداد۔

## 13- خود کار ڈائریکٹر اور غیر عملی ڈائریکٹرز کی معاوضہ کی پالیسی۔

خود کار ڈائریکٹر اور غیر عملی ڈائریکٹران کا بورڈ میٹنگز اور کمیٹی کے اجلاس میں شرکت کا معاوضہ کمیٹی بورڈ کے ذریعہ وقت کے ساتھ تعین کرتی ہے۔

## 14- ضمنی واقعات۔

اس مالی سال کے اختتام اور اس رپورٹ کے دوریہ میں کوئی بڑی تبدیلی اور واعدے کمیٹی کی مالی حالت کو متاثر نہیں کرتے

## 15- حفاظتی اقدام اور ماحولیاتی آلودگی سے بچاؤ

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 رہے اور ماحولیاتی ادارے اُس کی تعریف کر چکے ہیں۔

## 16- کمیٹی کے حصص کی تجارت

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

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

## 17- آڈیٹرز

موجودہ آڈیٹرز میسرز اولیس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس مستعفی ہو رہے ہیں مگر وہ دوبارہ اپائنٹمنٹ کے لیے اپنے آپ کو پیش کر سکتے ہیں۔

آڈٹ کمیٹی نے ان کی دوبارہ اپائنٹمنٹ کی سفارش کی ہے۔

## 19- حصص کی تفصیل

حصص کی تفصیل جو کہ 30 جون، 2019 کو کمیٹی کے حصے دار ہیں ان کی تفصیل منسلک ہے۔

## 19- اعتراف

ہم یہ بات ریکارڈ پر لانا چاہتے ہیں اور ہم شکر یہ کے ساتھ تعریف کرتے ہیں۔ اپنی مہجنت کی، اپنے ڈینکریز میسرز یونائیٹڈ بینک لمیٹڈ کی جنھوں نے ہر موقع

پر ہمارے ساتھ تعاون کیا۔ ڈائریکٹر صاحبان خوشی سے اپنے کارنگروں کی محنت اور دل لگی سے کام کرنے کی تعریف کرتے ہیں۔

  
بورڈ آف ڈائریکٹران کی طرف سے

فیصل آباد

30 ستمبر، 2019

اشفاق احمد

چیف ایگزیکٹو آفیسر



## Review Report by the Chairman

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2017 an annual evaluation of the Board of Directors of Ashfaq Textile Mills Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended Jun 30, 2019, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The above overall assessment is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's responsibility.

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

Dated : Sep. 30, 2019



SAAD ZUBIAR  
Chairman

## چیرمین کی جائزہ رپورٹ

اشفاق ٹیکسٹائل ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ لیسٹڈ کمپنیز (کوڈ آف کارپوریٹ) گورننس ریگولیشنز 2017 کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے 30 جون، 2019 کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزہ ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دوراندیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسی کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی ذمہ داری کو موثر انداز سے پورا کرنا شامل ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو اور اس کی کمیٹی کی ملاقاتوں میں ایجنڈا معیاد دیگر ضروری دستاویزات قبل از وقت موصول ہوئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر طریقے سے انجام دینے کے لیے باقاعدگی سے ملاقات کرتا ہے۔ نان ایگزیکٹو اور آڈاڈائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔

نسہ Zub  
سعد ذبیر

چیرمین

مورخہ 30 ستمبر، 2019

## ASHFAQ TEXTILE MILLS LIMITED

PATTERN OF SHAREHOLDING  
FORM "34"  
SHAREHOLDERS STATISTICS  
AS AT JUNE 30, 2019

NUMBER OF SHAREHOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
38	1	-	100	1,044
182	101	-	500	55,956
199	501	-	1000	164,308
57	1001	-	5000	147,169
16	5001	-	10000	126,914
4	10001	-	15000	46,999
6	15001	-	20000	105,332
2	20001	-	25000	47,000
1	30001	-	35000	31,000
1	40001	-	45000	42,000
1	45001	-	50000	48,000
2	65001	-	70000	140,000
1	90001	-	95000	90,164
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	518	34,976,834	99.98
2	COMPANIES	0	-	-
3	FINANCIAL INSTITUTIONS	1	8,166	0.02
		519	34,985,000	100.00

## CATEGORIES OF SHARE HOLDING

AS AT JUNE 30, 2019

<b>DIRECTORS AND THEIR SPOUSE:</b>	<b>SHARES HELD</b>	<b>%</b>
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
Mr. Saad Zubair	212,164	0.6064
Mrs. Musarat Ashfaq	5,696,909	16.2839
Mrs. Uzma Nadeem	3,468,000	9.9128
Mrs. Memona Waseem	3,468,000	9.9128
<b>SHAREHOLDERS HOLDING 10% OR MORE:</b>		
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
<b>FINANCIAL INSTITUTIONS:</b>		
IDBL (ICP UNIT)	8,166	0.0233
<b>JOINT STOCK COMPANIES:</b>		
Darson Securities (Pvt) Limited.	-	-
<b>GENERAL PUBLIC:</b>	872,556	2.49
<b>TOTAL</b>	<b>34,985,000</b>	<b>100</b>

**Statement of Compliance with Listed Companies  
(Code of Corporate Governance) Regulations, 2017.**

**Ashfaq Textile Mills Limited  
For the year ended June 30, 2019.**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eight as per the following:

Gender	Number
Male	6
Female	2

2. The composition of Board is as follows:

Category	Names
Independent Director	Mr. Saad Zubair
Other Non-Executive Directors	Mr. Amjad Aslam Mr. Mirza Muhammad Idrees Mrs. Shazia Amjad Mrs. Nazia Irfan
Executive Directors	Mr. Ashfaq Ahmad Mr. Nadeem Ashfaq Mr. Waseem Ashfaq

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. During the year, the board has not arranged any Directors' Training Program nor exemptions certificate from Commission have been obtained.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

**a) Audit Committee**

1) Mr. Saad Zubair	Chairman
2) Mrs. Shazia Amjad	Member
3) Mr. Muhammad Idrees	Member

**b) HR and Remuneration Committee**

1) Mr. Saad Zubair	Chairman
2) Mrs. Nazia Irfan	Member
3) Mr. Amjad Aslam	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

- a. Audit Committee: four quarterly meetings
- b. HR and Remuneration Committee: four quarterly meetings

15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with except for matters as stated in point 2, 9 and 12 above.

**For and on behalf of the Board of Directors**



Mr. Saad Zubair  
Chairman



Mr. Ashfaq Ahmad  
Chief Executive Officer



RSM Avals Hyder Liaquat Nauman  
Chartered Accountants

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

T: +92 (41) 854 1165 854 1965  
F: +92 (41) 854 2765

[www.rsm-pakistan.pk](http://www.rsm-pakistan.pk)

**To the members of Ashfaq Textile Mills Limited**

**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, 2019 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.

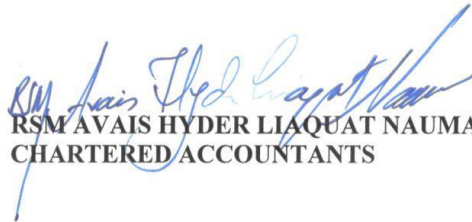
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.



Further, we highlight below instances of non-compliance with the requirements of the code as reflected in the paragraph reference where it is stated in the statement of compliance:

Sr No.	Reference	Description
i.	2	1/3 <sup>rd</sup> of the total members of the Board have not been appointed as Independent Directors.
ii.	9	The Board has not arranged any Directors' Training Program nor was the exemption certificate obtained from Commission (where applicable).
iii.	12	Chairman of audit committee is also the Chairman of Board.

Date: 30 SEP 2019  
Place: Lahore

  
RSM AVAIS HYDER LIAQUAT NAUMAN  
CHARTERED ACCOUNTANTS



RSM Awaiz Hyder Liaquat Nauman  
Chartered Accountants

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

T: +92 (41) 854 1165, 854 1965  
F: +92 (41) 854 2765

[www.rsm-pakistan.pk](http://www.rsm-pakistan.pk)

## 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 June 30, 2019, and the statement of profit or loss, and 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 and 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, 2019 and of the profit and other comprehensive income, 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 ICAP Code of Ethics for Chartered Accountants (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.

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 a separate opinion on these matters.

Following are the Key audit matter(s):

Key Audit Matter	How our audit addressed the key audit matter
<b>Revaluation of property, plant and equipment</b> (Refer Note 4 in Financial Statements)	
<p>During the year, the Company has recognized revaluation surplus amounting to Rs. 220,358,304/- on property, plant and equipment. Fair values of freehold land, building on freehold land and plant and machinery were determined based on independent external valuations.</p> <p>We consider this as key audit matter due to significant amount involved and significant judgments made by the management.</p>	<p>Our procedures in relation to management's valuation assessment of revalued assets include the following:</p> <ul style="list-style-type: none"> <li>- Assessing the methodologies used by the external valuer to estimate values;</li> <li>- Evaluating the independent external valuer's competence, capabilities and objectivity;</li> <li>- Checked the accuracy and relevance of the input data provided by management to the external valuer;</li> <li>- Obtained relevant underlying supports for the disclosures and assessed their appropriateness for the sufficient audit evidence; and</li> <li>- Verified the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made.</li> </ul>

### 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.

*RSM*



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.

RSM



- 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.

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### **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.

  
**RSM AVAIS HYDER LIAQUAT NAUMAN**  
**CHARTERED ACCOUNTANTS**

Place: Lahore

Date: 30 SEP 2019


**ASHFAQ TEXTILE MILLS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

		2019	2018			2019	2018
	Note	Rupees	Rupees		Note	Rupees	Rupees
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL AND RESERVE</b>				<b>NON CURRENT ASSETS</b>			
Authorised capital 100,000,000 ordinary shares of Rs.10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>	Property, plant and equipment	9	974,361,422	724,604,957
				Long term security deposits	10	4,509,782	4,509,782
						978,871,204	729,114,739
Issued, subscribed and paid up capital	3	349,850,000	349,850,000				
Capital reserve							
Revaluation surplus on property, plant and equipment	4	517,348,940	310,152,679				
Revenue reserve							
Unappropriated profit		221,279,700	205,908,348				
		1,088,478,640	865,911,027				
<b>NON CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Deferred liability				Stores, spares and loose tools	11	28,684,175	31,079,777
Staff retirement gratuity	5	56,523,081	46,914,385	Stock in trade	12	3,864,957	3,595,311
				Contract costs	19.1.2	1,009,789	-
				Trade debts	13	59,275,733	37,655,499
				Loans and advances	14	41,686,141	48,408,279
				Prepayments		506,095	551,645
				Other receivables	15	1,451,447	1,258,621
				Tax refunds due from Government	16	55,649,157	52,703,710
				Cash and bank balances	17	4,754,610	46,818,814
						196,882,134	222,071,656
<b>CONTINGENCY AND COMMITMENT</b>	8						
		<u>1,175,753,338</u>	<u>951,186,395</u>			<u>1,175,753,338</u>	<u>951,186,395</u>

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

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**ASHFAQ TEXTILE MILLS LIMITED  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
Sales	18	321,650,337	286,601,858
Cost of sales	19	<u>279,427,661</u>	<u>269,631,627</u>
Gross profit		42,222,676	16,970,231
Distribution cost	20	<u>1,618,485</u>	<u>2,564,074</u>
Administrative expenses	21	31,949,170	27,075,730
Other operating expenses	22	339,706	9,870
Finance cost	23	<u>1,860,896</u>	<u>337,702</u>
		<u>35,768,257</u>	<u>29,987,376</u>
Profit / (Loss) for the year before taxation		6,454,419	(13,017,145)
Provision for taxation	24	3,000,301	2,731,197
Profit / (Loss) for the year		<u>3,454,118</u>	<u>(15,748,342)</u>
Earnings / (loss) per share - Basic and diluted	25	<u>0.10</u>	<u>(0.45)</u>

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

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**ASHFAQ TEXTILE MILLS LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
Profit / (Loss) for the year		3,454,118	(15,748,342)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Surplus on revaluation of property, plant and equipment arisen during the year	4	220,358,304	-
Remeasurement of staff retirement gratuity		(1,244,809)	361,608
		219,113,495	361,608
Total comprehensive income / (loss) for the year		222,567,613	(15,386,734)

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



**CHIEF EXECUTIVE OFFICER**



**DIRECTOR**



**CHIEF FINANCIAL OFFICER**

**ASHFAQ TEXTILE MILLS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019 Rupees	2018 Rupees
<b>(a) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) for the year before taxation	6,454,419	(13,017,145)
Adjustments for:		
Depreciation of property, plant and equipment	32,277,419	32,546,606
Provision for staff retirement gratuity	12,342,900	10,329,522
Loss on disposal of property, plant and equipment	-	9,870
Finance cost	1,860,896	337,702
Operating cash flows before working capital changes	52,935,634	30,206,555
Changes in working capital		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	2,395,602	4,829,370
Stock in trade	(269,676)	13,119,723
Contract costs	(1,009,789)	-
Trade debts	(21,620,234)	(2,596,196)
Loans and advances	6,774,673	4,068,022
Prepayments	45,550	(13,096)
Other receivables	(192,826)	(20,042)
Tax refunds due from Government	(1,848,775)	5,928,526
Increase / (decrease) in current liabilities		
Trade and other payables	3,981,916	(5,808,413)
Cash generated from operating activities	41,192,075	49,714,449
Finance cost paid	(1,597,247)	(372,615)
Income tax paid	(3,981,212)	(3,928,677)
Staff retirement gratuity paid	(3,979,013)	(4,386,565)
Net cash generated from operating activities	31,634,603	41,026,592
<b>(b) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions in property, plant and equipment	(61,675,580)	(36,916,008)
Proceeds from disposal of operating assets	-	660,000
Net cash (used in) investing activities	(61,675,580)	(36,256,008)

	2019 Rupees	2018 Rupees
<b>(c) CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) in short term bank borrowings - net	(12,023,227)	(989,546)
Net cash (used in) financing activities	<u>(12,023,227)</u>	<u>(989,546)</u>
Net (decrease) / Increase in cash and cash equivalents (a+b+c)	(42,064,204)	3,781,039
Cash and cash equivalents at the beginning of the year	46,818,814	43,037,775
Cash and cash equivalents at the end of the year	<u><u>4,754,610</u></u>	<u><u>46,818,814</u></u>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

**ASHFAQ TEXTILE MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Capital Reserve	Revenue Reserve	Total	
	Revaluation surplus on property, plant and equipment	Unappropriated profit		
	Rupees			
Balance as at June 30, 2017	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 income				
Items that will not be subsequently reclassified to profit or loss				
Remeasurement of staff retirement gratuity	-	-	361,608	361,608
	-	-	(15,386,734)	(15,386,734)
Incremental depreciation on revalued assets for the year	-	(13,848,831)	13,848,831	-
Balance as at June 30, 2018	349,850,000	310,152,679	205,908,348	865,911,027
Total comprehensive income for the year				
Profit for the year	-	-	3,454,118	3,454,118
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss				
Surplus on revaluation of property, plant and equipment arisen during the year	-	220,358,304	-	220,358,304
Remeasurement of staff retirement gratuity	-	-	(1,244,809)	(1,244,809)
	-	220,358,304	2,209,309	222,567,613
Incremental depreciation on revalued assets for the year	-	(13,162,043)	13,162,043	-
Balance as at June 30, 2019	349,850,000	517,348,940	221,279,700	1,088,478,640

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

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**ASHFAQ TEXTILE MILLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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 repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act 2017 on May 30, 2017) 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 Rupees, which is the Company's functional and presentation currency.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 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's) 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's, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**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, 2018 and therefore, have been applied in preparing these financial statements.

**- IFRS 9 Financial Instruments:**

In the current year the company has applied IFRS-9, "Financial Instruments".

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.

As per notification by the SECP this standard is effective for annual periods ending on or after June 30, 2019.

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

In the current year, the company has applied IFRS-15 "Revenue from Contracts with Customers (as amended in April 2016)".

This standard was notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any material impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is not material. Therefore, the comparative information has not been restated and continues to be reported under the previous accounting policy.

Based on the assessment performed by the management, there is no significant impact of the changes laid down by IFRS 9 and IFRS 15 on these financial statements of the Company. Further, consequent to the adoption of above mentioned standards, changes in accounting policies have been reflected in note 2.18.

- **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's accounting treatment is already in line with this interpretation.

**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, 2018 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**

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- **IAS 19 Employee Benefits on plan amendment, curtailment or settlement:**

These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The application of standard 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.

- **Amendments to IAS 28 - Investments in Associates and Joint Ventures**

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.

- **Annual improvements 2015-2017 Cycle**

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

- IAS 12: Income Taxes - Income Tax consequences of dividends.

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.

**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 are stated at valuation.
- staff retirement benefits carried at present value.

**The principal accounting policies adopted are set out below:**

#### **2.4 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.

#### **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 date of statement of financial position 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 date of statement of financial position 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 date of statement of financial position.

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.

Any revaluation increase arising on the revaluation of land, buildings and 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 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 on buildings and plant and equipment improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

## **2.10 Impairment**

The company assesses at each date of statement of financial position 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 statement of profit or loss, 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 statement of profit or loss.

## **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 Contract costs**

Contract costs are recognised at average manufacturing costs incurred that will be used in satisfying performance obligation in the future less amortisation and impairment loss, if any.

## **2.15 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.

## **2.16 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, 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.

## **2.17 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 date of statement of financial position, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the date of statement of financial position 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.

## **2.18 Financial instruments**

### **2.18.1 Financial assets**

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

#### **- Financial assets at amortised cost**

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the 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. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

#### **- Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are held within a business model whose objective is both collecting contractual cash flows and selling financial assets and the 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.

#### **- Financial assets at fair value through profit or loss**

Financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets are measured at fair value at initial recognition and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

#### **2.18.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

#### **2.19 Offsetting of financial asset and financial liability**

A financial asset and financial liability is offset and the net amount reported in the statement of financial position, 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.

#### **2.20 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.

#### **2.21 Revenue recognition**

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

## 2.22 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, revaluation of land, buildings and plant and equipment, 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

2018	2019		2019 Rupees	2018 Rupees
Number of shares				
20,991,000	20,991,000	Ordinary shares of Rs. 10/- each fully paid in cash	209,910,000	209,910,000
		Ordinary shares of Rs. 10/- each fully paid bonus shares	139,940,000	139,940,000
<u>13,994,000</u>	<u>13,994,000</u>		<u>349,850,000</u>	<u>349,850,000</u>
<u>34,985,000</u>	<u>34,985,000</u>			

### 4. Revaluation surplus on property, plant and equipment

Opening balance	310,152,679	324,001,510
Surplus arisen on revaluation carried out during the year	220,358,304	-
	530,510,983	324,001,510
Incremental depreciation for the year	(13,162,043)	(13,848,831)
	<u>517,348,940</u>	<u>310,152,679</u>

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 Impulse (Private) Limited" on June 30, 2019.

### 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, 2019 using Projected Unit Credit Method.

	Note	2019 Rupees	2018 Rupees
<b>5.2 The amount recognised in the statement of financial position is as follows :</b>			
Present value of defined benefit obligation		<u>56,523,081</u>	<u>46,914,385</u>
<b>5.3 Movement in net liability recognised</b>			
Opening balance		46,914,385	41,333,036
Expenses recognised in statement of profit or loss	5.4	12,342,900	10,329,522
Paid / adjusted during the year		(3,979,013)	(4,386,565)
Remeasurement loss / (gain) on obligation		1,244,809	(361,608)
Balance at June 30,		<u>56,523,081</u>	<u>46,914,385</u>

	Note	2019 Rupees	2018 Rupees
<b>5.4 Expenses recognised in statement of profit or loss</b>			
Current service cost		8,299,661	7,296,191
Interest cost		4,043,239	3,033,331
		<u>12,342,900</u>	<u>10,329,522</u>

**5.5 Principal actuarial assumptions**

Discount factor used	14.25% Per annum	9.00% Per annum
Expected rate of increase in salaries	13.25% Per annum	8.00% Per annum
Expected average remaining working lives of participating employees	7 years	8 years

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

		Reworked defined benefit obligation	
	Change in assumptions	Increase in assumptions	Decrease in assumptions
		-----Rupees-----	
Discount rate	100 bps	52,787,534	60,763,971
Salary increase rate	100 bps	60,898,021	52,600,849

**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	2019 Rupees	2018 Rupees
<b>6. Trade and other payables</b>			
Creditors		4,683,477	7,992,507
Accrued liabilities		13,847,515	6,877,724
Workers' profit participation fund	6.1	339,706	-
Other		668,744	687,295
		<u>19,539,442</u>	<u>15,557,526</u>
<b>6.1 Workers' profit participation fund</b>			
Opening balance		-	346,254
Interest on funds utilised in the Company's business		-	13,063
		-	359,317
Amount paid to workers on behalf of the fund		-	(359,317)
		-	-
Allocation for the year		339,706	-
		<u>339,706</u>	<u>-</u>
<b>7. Short term bank borrowings</b>			
Secured			
Under mark up arrangement			
From banking company			
Cash finance	7.2	7,939,474	19,962,701

7.1 The aggregate unavailed short-term borrowing facilities available to the Company are Rs. 42.06 million (2018: Rs. 30.04 million).

7.2 This is secured against 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 3 months KIBOR plus 1.5% per annum. (2018: 3 months KIBOR plus 1.5% per annum).

Effective mark up rate ranges from 8.42% to 12.49% per annum (2018: 7.40% to 7.64% per annum).

Note	2019 Rupees	2018 Rupees
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## 8. CONTINGENCY AND COMMITMENT

### Contingencies

Liability of authorities under the Payment of Wages Act due to pending appeal	8.1	148,553	148,553
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8.1 The commissioner of authority under the Payment of Wages Act passed order on August 23, 2017 and created demand of Rs. 148,553/- in respect of filed claims under Payment of Wages Act, 1936. Currently the case is pending for adjudication before Honorable Labour Court, Faisalabad. The management, based on opinion of its legal advisor, believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.

Note	2019 Rupees	2018 Rupees
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Sales tax demand not acknowledged due to pending appeal	8.2	145,473	-
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8.2 The assessing officer of Inland Revenue passed order on February 14, 2019 and created demand of Rs. 145,473/- in respect of tax period July-2013 to November-2014. Currently the case is pending for adjudication before Commissioner Inland Revenue (Appeals), Faisalabad. The management, based on opinion of its tax consultant, believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.

2019 Rupees	2018 Rupees
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### Commitment

Under letter of credit for stores	4,910,313	2,659,320
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	Note	2019 Rupees	2018 Rupees
<b>Property, plant and equipment</b>			
Operating assets	9.1	971,480,177	724,604,957
Capital work in progress - plant and machinery		2,881,245	-
		<u>974,361,422</u>	<u>724,604,957</u>

#### 9.1 Operating assets

	Freehold land (note 9.2)	Building on freehold land	Plant and machinery	Factory equipment	Office equipment	Furniture and fixture	Vehicles	Arms and ammunitions	Total
<b>Rupees</b>									
<b>At July 01, 2017</b>									
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	<u>52,162,500</u>	<u>129,498,999</u>	<u>496,119,210</u>	<u>5,711,111</u>	<u>8,210,503</u>	<u>1,345,497</u>	<u>25,132,363</u>	<u>11,242</u>	<u>718,191,425</u>
<b>Year ended June 30, 2018</b>									
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	-	-	-	-	-	-	803,890	-	803,890
	-	-	-	-	-	-	(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	<u>52,162,500</u>	<u>126,261,524</u>	<u>497,592,224</u>	<u>5,702,866</u>	<u>8,955,878</u>	<u>1,285,665</u>	<u>32,633,620</u>	<u>10,680</u>	<u>724,604,957</u>
<b>At July 01, 2018</b>									
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	<u>52,162,500</u>	<u>126,261,524</u>	<u>497,592,224</u>	<u>5,702,866</u>	<u>8,955,878</u>	<u>1,285,665</u>	<u>32,633,620</u>	<u>10,680</u>	<u>724,604,957</u>
<b>Year ended June 30, 2019</b>									
Opening 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
Additions	-	48,483,714	9,461,933	57,677	791,011	-	-	-	58,794,335
Revaluation surplus arisen during the year	17,387,500	88,308	202,882,496	-	-	-	-	-	220,358,304
Depreciation charge	-	(3,257,546)	(24,936,653)	(287,174)	(467,868)	(64,283)	(3,263,362)	(533)	(32,277,419)
Closing net book value	<u>69,550,000</u>	<u>171,576,000</u>	<u>685,000,000</u>	<u>5,473,369</u>	<u>9,279,021</u>	<u>1,221,382</u>	<u>29,370,258</u>	<u>10,147</u>	<u>971,480,177</u>
<b>At June 30, 2019</b>									
Cost / valuation	69,550,000	187,047,086	813,308,031	7,200,077	14,534,196	2,966,695	51,981,142	34,100	1,146,621,327
Accumulated depreciation	-	(15,471,086)	(128,308,031)	(1,726,708)	(5,255,175)	(1,745,313)	(22,610,884)	(23,953)	(175,141,150)
Net book value	<u>69,550,000</u>	<u>171,576,000</u>	<u>685,000,000</u>	<u>5,473,369</u>	<u>9,279,021</u>	<u>1,221,382</u>	<u>29,370,258</u>	<u>10,147</u>	<u>971,480,177</u>
Annual rate of depreciation (%)	-	2.5	5	5	5	5	10	5	

2019  
Rupees

2018  
Rupees

**9.1.1 Depreciation for the year has been allocated as under:**

Cost of goods sold	28,481,373	28,642,442
Administrative expenses	3,796,046	3,904,164
	32,277,419	32,546,606

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

**9.3 Disposal of property, plant and equipment**

Year	Cost	Written down value	Sale proceeds	(Loss) on disposal	Mode of disposal	Nature of relationship	Particulars of buyer
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**Operating assets -Vehicle**

2018	1,473,750	669,870	660,000	(9,870)	Negotiation	None	Mr.Abdul Hameed Shahid,Gillani Muhalla, Jaranwala Distt. Faisalabad.
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**9.4 Fair value measurement of the Company's property, plant and equipment**

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The fair value of the building on freehold land was determined using the market comparable approach that reflects the recent transaction prices for assets of comparable utility and age, adjusted for obsolescence.

The fair value of the plant and machinery was determined based on the market comparable approach that reflects recent transaction prices for similar assets adjusted for depreciation.

The fair value measurement of revalued assets is based upon unobservable inputs (level 3)

**9.5** Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery at June 30, 2019 and 2018 would have been as follows:

	2019		
	Cost	Accumulated depreciation	Written down value
	-----Rupees-----		
Freehold land	9,659,905	-	9,659,905
Building on freehold land	201,841,123	38,951,419	162,889,704
Plant and machinery	478,034,868	241,807,417	236,227,451
	689,535,896	280,758,836	408,777,060

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

9.6 Forced sale value of revalued assets is Rs. 752,958,000/-

	2019 Rupees	2018 Rupees
<b>10. Long term security deposits</b>		
Against utilities	4,467,696	4,467,696
Others	42,086	42,086
	<u>4,509,782</u>	<u>4,509,782</u>

**11. Stores, spares and loose tools**

Stores	16,505,571	19,292,715
Spares	12,122,870	11,723,965
Loose tools	55,734	63,097
	<u>28,684,175</u>	<u>31,079,777</u>

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

	Note	2019 Rupees	2018 Rupees
<b>12. Stock in trade</b>			
Raw material		-	226,688
Work in process		-	2,427,088
Finished goods		3,864,987	941,535
		<u>3,864,987</u>	<u>3,595,311</u>

**13. Trade debts**

Considered good			
Unsecured			
Local		59,275,733	37,655,499
		<u>59,275,733</u>	<u>37,655,499</u>

**14. Loans and advances**

Considered good			
Loans			
Employees	14.1	14,937,427	16,623,612
Advances			
Suppliers		534,554	3,336,903
For purchases / expenses		21,740,575	24,259,575
Income tax		3,981,212	3,928,677
Letters of credit fee margin and expenses		492,373	259,512
		<u>41,686,141</u>	<u>48,408,279</u>

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

		2019 Rupees	2018 Rupees
<b>15. Other receivables</b>			
Considered good			
Export rebate / duty drawback		316,500	842,900
Insurance claim		723,400	-
Other		411,547	415,721
		<u>1,451,447</u>	<u>1,258,621</u>
<b>16. Tax refunds due from Government</b>			
Sales tax		36,396,781	34,548,006
Income tax		19,252,376	18,155,704
		<u>55,649,157</u>	<u>52,703,710</u>
<b>17. Cash and bank balances</b>			
Cash in hand		906,019	1,757,565
Cash at banks			
In current accounts		3,848,591	45,061,249
		<u>4,754,610</u>	<u>46,818,814</u>
<b>18. Sales</b>			
Cloth			
Export	18.1	-	20,122,340
Local	18.2	-	302,223
		-	20,424,563
Conversion and sizing income		321,650,337	265,770,469
		<u>321,650,337</u>	<u>286,195,032</u>
Add: Rebates		-	406,826
		<u>321,650,337</u>	<u>286,601,858</u>
<b>18.1</b>	It includes exchange gain of Rs.Null (2018: Rs. 147,910/-).		
<b>18.2</b>	It represents sale of left over / waste material out of goods manufactured for export.		
<b>19. Cost of sales</b>			
Cost of goods manufactured	19.1	282,351,113	269,062,945
Finished goods			
Opening stock		941,535	1,510,217
Closing stock		(3,864,987)	(941,535)
		<u>(2,923,452)</u>	<u>568,682</u>
		<u>279,427,661</u>	<u>269,631,627</u>
<b>19.1 Cost of goods manufactured</b>			
Raw material consumed	19.1.1	226,688	10,422,554
Sizing cost		64,279,856	49,463,171
Salaries, wages and benefits		100,378,825	88,923,533
Staff retirement benefits		10,614,894	8,883,389
Fuel and power		53,167,019	52,755,853
Stores, spares and loose tools		16,753,700	14,528,312
Packing material		2,367,084	2,180,197
Repairs and maintenance		1,885,173	1,364,803
Insurance		2,779,202	2,713,436
Depreciation	9.1.1	28,481,373	28,642,442
		<u>280,933,814</u>	<u>259,877,690</u>
Less: Contract costs	19.1.2	(1,009,789)	-
Work in process			
Opening stock		2,427,088	11,612,343
Closing stock		-	(2,427,088)
		<u>2,427,088</u>	<u>9,185,255</u>
		<u>282,351,113</u>	<u>269,062,945</u>

	2019 Rupees	2018 Rupees
<b>19.1.1 Raw material consumed</b>		
Opening stock	226,688	3,592,474
Purchases including purchase expenses	-	7,056,768
	226,688	10,649,242
Closing stock	-	(226,688)
	<u>226,688</u>	<u>10,422,554</u>

19.1.2 It represents costs accumulated on conversion of cloth in process for outside parties.

	Note	2019 Rupees	2018 Rupees
<b>20. Distribution cost</b>			
Ocean freight		-	755,393
Clearing and forwarding		-	356,557
Loading / unloading		1,618,485	1,452,124
		<u>1,618,485</u>	<u>2,564,074</u>

**21. Administrative expenses**

Directors' remuneration	26	9,360,000	5,760,000
Salaries and benefits		6,462,961	5,021,019
Staff retirement benefits		1,728,006	1,446,133
Electricity and gas		496,955	484,358
Insurance		885,996	1,021,508
Rent, rates and taxes		101,400	101,400
Vehicles running and maintenance		4,436,727	4,081,351
Travelling and conveyance		481,293	1,709,588
Postage, telephone and telex		648,583	601,122
Printing and stationery		255,065	228,914
Auditors' remuneration	21.1	537,500	325,000
Legal and professional		126,600	164,600
Fees and subscriptions		931,865	900,676
Entertainment		642,628	562,090
Charity and donations	21.2	660,000	600,000
Depreciation	9.1.1	3,796,046	3,904,164
Other		397,545	163,807
		<u>31,949,170</u>	<u>27,075,730</u>

**21.1 Auditors' remuneration**

**Assurance services**

Annual audit fee	450,000	250,000
Half year review fee	40,000	40,000

**Non-assurance services**

	47,500	35,000
	<u>537,500</u>	<u>325,000</u>

21.2 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/- (2018: Rs.600,000/-) to Liver Foundation Trust during the year.

	Note	2019 Rupees	2018 Rupees
<b>22. Other operating expenses</b>			
Workers' profit participation fund		339,706	-
Loss on disposal of property, plant and equipment		-	9,870
		<u>339,706</u>	<u>9,870</u>

	Note	2019 Rupees	2018 Rupees
<b>23. Finance cost</b>			
Interest / mark up on:			
Short term bank borrowings		1,826,657	93,832
Workers' profit participation fund		-	13,063
Bank charges and commission		34,239	230,807
		<u>1,860,896</u>	<u>337,702</u>

#### 24. Provision for taxation

Current			
For the year		3,000,301	2,832,005
For prior year		-	(100,808)
Deferred	24.1	-	-
		<u>3,000,301</u>	<u>2,731,197</u>

#### 24.1 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.

#### 24.2 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 and 169 of the Income Tax Ordinance, 2001.

		2019	2018
<b>25. Earnings per share - Basic and diluted</b>			
Profit / (loss) for the year	(Rupees)	<u>3,454,118</u>	<u>(15,748,342)</u>
Weighted average number of ordinary shares outstanding during the year	(Number)	<u>34,985,000</u>	<u>34,985,000</u>
Earnings / (Loss) per share - Basic and diluted	(Rupees)	<u>0.10</u>	<u>(0.45)</u>

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

#### 26. REMUNERATION TO CHIEF EXECUTIVE OFFICER , DIRECTORS AND EXECUTIVES

	2019		2018	
	Chief Executive Officer	Directors	Chief Executive Officer	Directors
	-----Rupees-----			
Remuneration	2,340,000	3,900,000	1,440,000	2,400,000
House rent allowance	1,053,000	1,755,000	648,000	1,080,000
Conveyance allowance	117,000	195,000	72,000	120,000
	<u>3,510,000</u>	<u>5,850,000</u>	<u>2,160,000</u>	<u>3,600,000</u>
Number of persons	1	2	1	2

26.1 The Chief Executive Officer and Directors are entitled to reimbursement of telephone bills. The monetary value of these benefits is Rs. 88,870/- (2018: Rs. 138,642/-). The Directors have waived off their meeting fee.

#### 27. 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 and Directors are disclosed in Note 26. The Company has not carried out any other significant transactions with the related parties.

**28. PLANT CAPACITY AND  
ACTUAL PRODUCTION**

	2019	2018
<b>Weaving</b>		
Number of looms installed	243	243
Number of looms worked	243	243
Standard cloth production (Sq. meters)	30,711,000	30,711,000
Actual production (Sq. meters)	30,624,461	27,502,862
<b>Sizing</b>		
Warping machines	3	3
Sizing machines	1	1
Standard production (Kgs.)	4,150,000	4,150,000
Actual production (Kgs.)	2,387,932	2,209,244

**28.1 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.

**29. NUMBER OF EMPLOYEES**

	2019	2018
Total number of employees as at June 30,	479	487
Average number of employees during the year	482	484

**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.

	2019 Rupees	2018 Rupees
<b>30.1 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets at amortized cost:</b>		
Deposits	4,509,782	4,509,782
Trade debts	59,275,733	37,655,499
Loans	14,937,427	16,623,612
Other receivables	723,400	-
Cash and bank balances	4,754,610	46,818,814
	<u>84,200,952</u>	<u>105,607,707</u>

**Financial liabilities at amortized cost:**

Trade and other payables	19,199,736	15,557,526
Interest / markup payable	272,400	8,751
Short term bank borrowings	7,939,474	19,962,701
	<u>27,411,610</u>	<u>35,528,978</u>

**30.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

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

**30.2.1 Credit risk and concentration of credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company is exposed to concentration of credit risk towards a customer which represent 68.31% (2018: 77.62%) of total trade debts. The maximum exposure to credit risk at the reporting date is as follows:

	2019 Rupees	2018 Rupees
Deposits	4,509,782	4,509,782
Trade debts	59,275,733	37,655,499
Loans	14,937,427	16,623,612
Other receivables	723,400	-
Bank balances	3,848,591	45,061,249
	<u>83,294,933</u>	<u>103,850,142</u>

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

2019 Rupees	2018 Rupees
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The aging of trade debts as at reporting date is as under:

Not past due	59,275,733	37,487,685
Past due - within one year	-	167,814
	<u>59,275,733</u>	<u>37,655,499</u>

### 30.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2019 and 2018;

	2019		
	Carrying amount	Contractual cash flows	Six months or less
-----Rupees-----			
<b>Financial liabilities:</b>			
Trade and other payables	19,199,736	19,199,736	19,199,736
Interest / markup payable	272,400	272,400	272,400
Short term bank borrowings	7,939,474	8,457,819	8,457,819
	<b>27,411,610</b>	<b>27,929,955</b>	<b>27,929,955</b>
-----Rupees-----			
	2018		
	Carrying amount	Contractual cash flows	Six months or less
-----Rupees-----			
<b>Financial liabilities:</b>			
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
	<b>35,528,978</b>	<b>36,291,553</b>	<b>36,291,553</b>

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. 136.07 (2018: Rs. 187.46 million) and unavailed short term borrowing facilities of Rs. 42.06 million (2018 : Rs. 30.04 million) (Refer Note 7).

### 30.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

#### i) Interest rate risk

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

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

#### Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

#### Fair value sensitivity analysis for fixed rate instruments

The Company has no fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not effect statement of profit or loss.

#### 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. 139,511/- (2018: Rs. 204,575/-).

#### 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 reporting 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 reporting date, the Company is not exposed to equity price risk.

### 30.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

#### 30.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain long term financing from directors / financial institutions.

The Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view the future investment requirements and expectation of the shareholders. The capital structure of the Company consists of net debt and equity of the Company. Debt is calculated as short term bank borrowings as shown in the statement of financial position. Total capital comprises of shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (debt less cash and cash equivalents). At the reporting date, the Company is not exposed to capital risk.

#### 31. DATE OF AUTHORISATION FOR ISSUE

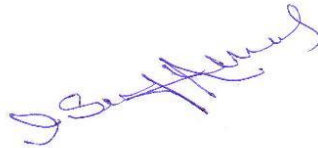
The financial statements were authorised for issue on 30 SEP 2019 by the Board of Directors of the

#### 32. GENERAL

##### 32.1 RE-ARRANGEMENTS

Loading and unloading expense amounting to Rs. 1,452,124/- was grouped under the head of "Clearing and forwarding". It has been shown as "Loading / unloading" as separate line item under the head of "Distribution cost" for better presentation.

32.2 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# PROXY FORM

The Corporate Secretary  
ASHFAQ TEXTILE MILLS LTD.  
8-A/1, Officer Colony,  
Susan Road, Madina Town,  
Faisalabad.

I/We \_\_\_\_\_ of \_\_\_\_\_ being  
member(s) of ASHFAQ TEXTILE MILLS LIMITED., and holder of \_\_\_\_\_  
Ordinary Shares as per Share Register Folio # \_\_\_\_\_ (In case of Central Depository System  
Account Holder A/C # \_\_\_\_\_ Participant I.D. # \_\_\_\_\_ ) hereby  
appoint \_\_\_\_\_ of \_\_\_\_\_ who is member of the  
company as Register Folio # \_\_\_\_\_ or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ who is member of the company as per Register Folio # \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held  
on Monday, October 28, 2019 at 09.00 a.m. at any adjournment thereof.

Signd this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

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 attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.