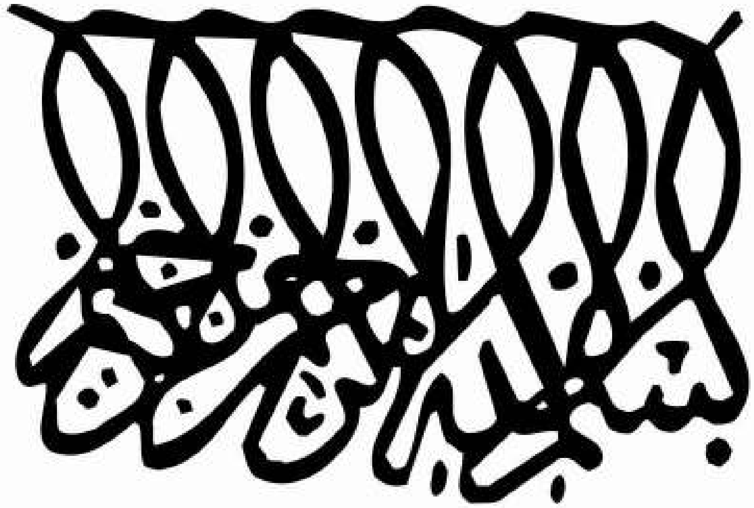
**34th**
**Annual Report**
**2015**

# ISHAQ
## TEXTILE MILLS LIMITED

www.ishaqtextile.com



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## COMPANY INFORMATION

| | |
|---|---|
| CHAIRMAN | : Mrs. Nazma Amer |
| Chief Executive | :Mr. Aizad Amer |
| Directors | :Mrs. Zareen Akhter<br>:Mr. Anns Amer<br>:Mrs. Hajra Raza<br>:Mr. Muhammad Raza<br>:Mr. Abdul Rauf |
| Audit Committee | :Mr. Abdul Rauf<br>:Mr. Aizad Amer<br>:Mr. Anns Amer |
| HR & Remuneration Committee | :Mrs. Zareen Akhter<br>:Mr. Abdul Rauf<br>:Mr. Anns Amer |
| Chief Financial Officer | : Mr. S. Muhammad Abbas Rizvi |
| Company Secretary | :Mr. Tahir Shahzad |
| Auditors | :Riaz Ahmad & Company<br>Chartered Accountants. |
| Bankers | :Habib Bank Limited<br>:Bank Al Habib Limited<br>:Habib Metropolitan Bank Limited<br>:Al Baraka Bank (Pakistan) Limited |
| Registered Office | :404-405, 4th Floor, Business Centre<br>:Mumtaz Hassan Road<br>:Karachi, PH: 02132412814 |
| Share Registrar | :Consulting One (Pvt) Limited<br>:478=D, Peoples Colony. No. 1<br>:Faisalabad |
| Factory | :Sheikhupura Road<br>:Tehsil Jaranwal<br>:Distrct Faisalabad |

# NOTICE OF MEETING

Notice is hereby given that the 34th Annual General Meeting of ISHAQ TEXTILE MILLS LIMITED will be held at Haji Abdullah Haroon Muslim Gymkhana (Auditorium), Aiwan-e-Saddar Road, Behind Shaheen Complex, Karachi-74200 on Saturday, October 31, 2015 at 11:00 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the minutes of the Extra-Ordinary General Meeting held on March 31, 2015.

2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2015 together with the Auditors' and Directors' Reports thereon.

3. To appoint the auditors for the year 2015-2016 and to fix their remuneration. The present auditors Messrs Riaz Ahmad and Company, Chartered Accountants, being eligible have offered themselves for re-appointment.

**OTHER BUSINESS:**

4. To transact any other business with the permission of the chair.

By order of the Board

Shahzad

Tahir Shahzad

(Company Secretary)

Karachi

Dated: October 09, 2015

**Notes:**

1. The Share Transfer Books of the Company will remain closed from October 23, 2015 to October 31, 2015 (both days inclusive). Transfers received at Shares Registrar M/S Consulting One (Private) Limited, 478-D, Peoples Colony No.1, Faisalabad at the close of business hours on October 22, 2015 will be treated in time.

2. **A member entitled to attend and vote at this general meeting is entitled to appoint another member as proxy. Proxies must be received in order to effective at the registered office of the Company not less than 48 hours before the time for the meeting.**

3. **Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original CNIC or Passport to prove his / her identity and in case of Proxy must enclose an attested copy of his / her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.**

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

5. **Submission of copy of CINC (Mandatory)**

   **The Securities and Exchange Commission of Pakistan (SECP) vide their SRO 779(i) 2011 dated August 18, 2011 has directed the company to print your CINC number on you dividend warrants and if your CINC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with the regulatory requirement, you are requested to kindly send photocopy of you CNIC to your Participant / Investor Account Services or to us (in case of physical shareholding) immediately to Company's Shares Registrar, Consulting One (Private) Limited.**

6. **<u>Transmission of Annual Financial Statements through E-Mail:</u>**

   **SECP vide SRO 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email. Hence, members who hold shares in physical form and are interested in receiving the annual reports electronically in future are required to submit their e-mail addresses and consent for electronic transmission to the Shares Registrar of the Company. CDC shareholders are requested to submit their email address and consent directly to their broker (Participant) / CDC investor Account Services.**

7. **In compliance with SECP notification No.634(1)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for year ended June 30, 2015 are being placed on the Company's website:www.ishaqtextile.com for the information and review of shareholders.**

# DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors of your Company feel pleasure in submitting audited financial statements of your Company for the year ended June 30, 2015.

## FINANCIAL RESULTS:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **CONTINUING OPERATIONS:** | | |
| Sales | 1,358,792 | 4,150,048 |
| Cost of sales | (1,402,838) | (3,814,020) |
| Gross (loss) / profit | (44,046) | 336,028 |
| Distribution cost | (6,169) | (107,830) |
| Administrative expenses | (44,187) | (66,275) |
| Other expenses | (540) | (2,364) |
| | (50,896) | (176,469) |
| | (94,942) | 159,559 |
| Other income | 8,560 | 12,091 |
| (Loss) / profit from operations | (86,382) | 171,650 |
| Finance cost | (24,027) | (140,424) |
| (Loss) / profit before taxation | (110,409) | 31,226 |
| Taxation | 37,183 | (23,070) |
| (Loss) / profit after taxation from continuing operations | (73,226) | 8,156 |
| **DISCONTINUED OPERATION:** | | |
| Loss after taxation from discontinued operation | (200,234) | - |
| (Loss) / profit after taxation | (273,460) | 8,156 |
| (Loss) / earnings per share - basic and diluted from continuing operations (Rupees) | (7.58) | 0.84 |
| (Loss) per share - basic and diluted from discontinued operation (Rupees) | (20.73) | - |

## REVIEW OF OPERATING RESULTS

During the year under review, sales proceeds were Rs.1,358.792 million as compared to previous year's sales valuing Rs. 4,150.048 million. The cost of sales was Rs.1,402.838 million as compared to Rs. 3,814.020 million to previous year.

The textile industry in Punjab badly suffered due to severe interruption of energy crises ( gas and electricity) during the year. Moreover the rates of yarn remained on very lower side comparing with cost of production. Furthermore the company discontinued its weaving segment and its huge losses also affected over all results of the company . Due to the above-mentioned factors the company faced loss after taxation of Rs.73.226 million from continuing operations as compared to profit of Rs. 8.156 million of previous year. Moreover the company also faced Rs. 200.234 million loss after taxation from discontinued operation.

**FUTURE OUTLOOK**

Power shortage has impacted on the production of the Company which may continue in the next financial year. However the management has decided to enhance the production capacity of the spinning segment through installation of new machinery. Although there is an abnormal increase in electricity / gas rates, the management has fully focused on quality products to fetch attractive prices in local markets as well as in international markets.

**OUTSTANDING STATUTORY PAYMENTS**

All outstanding payments are nominal and of routine nature.

**STAFF RETIREMENT BENEFITS**

The Company has started unfunded gratuity scheme for all of its permanent employees with effect from 1st of April 2015 by replacing provident fund scheme.

**AUDITORS**

The present Auditors M/S Riaz Ahmad & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.

**PATTERN OF SHAREHOLDING**

Pattern of shareholding as on June 30, 2015 is annexed.

**RELATED PARTY TRANSACTIONS**

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable un-controlled price method. The Company has complied with best practices on transfer pricing as contained in listing regulations of the Stock Exchanges of Pakistan.

**CORPORATE GOVERNANCE**

The statement of compliance of best practices of Code of Corporate Governance is annexed.

**CORPORATE AND FINANCIAL REPORTING FRAMEWORK:**

In compliance to listing regulations of stock exchanges and as required under the Companies Ordinance, 1984, your Directors are pleased to state as under:

1. The financial statements prepared by the Management of your Company present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates, which are based on reasonable and prudent judgment.

4. International Financial Reporting Standards and International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
5. System of internal control is sound in design and has been effectively implemented and monitored.
6. There is no doubt 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.
8. Key operating financial data of last six years in summarized form is annexed.

**NO. OF BOARD MEETINGS HELD:**

During the period under review five (05) meetings of Board of Directors were held. Attendance of each director is as follows:

| NAME OF DIRECTOR | MEETINGS ATTENDED |
|---|---|
| Mr. Nisar Ahmad Sheikh | 04 |
| Mr. Muhammad Arshad | 02 |
| Mrs. Noreen Shahzad | 03 |
| Mrs. Memoona Wasim | 02 |
| Mr. Shahzad Ahmad Sheikh | 02 |
| Mr. Shehryar Arshad | 03 |
| Mr. Aizad Amer | 05 |
| Mrs. Zareen Akhtar | 05 |
| Mrs. Nazma Amer | 02 |
| Mr. Anns Amer | 02 |
| Mrs. Hajra Raza | 03 |
| Mr. Muhammad Raza | 01 |
| Mr. Abdul Rauf | 01 |

Directors who did not attend the above meetings were granted leave of absence by the Board of Directors.

**ACKNOWLEDGEMENT:**

The Board places on record its appreciation for the cooperation, commitment and hard work extended to the Company by the customers, suppliers, bankers and all the employees of the Company.

**On behalf of the Board**

FAISALABAD.
Dated: October 09, 2015

**(Aizad Amer)**
Chief Executive Officer

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the Code of Corporate Governance (CCG) as contained in the Listing Regulations of the Stock Exchanges of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (The Board). At present the board includes:

   **Executive Director**
   i) Mr. Aizad Amer

   **Non-Executive Directors**
   i) Mrs.Nazma Amer
   ii) Mrs.Zareen Akhter
   iii) Mr. Anns Amer
   iv) Mrs. Hajra Raza

   **Independent Directors**
   i) Mr. Muhammad Raza
   ii) Mr. Abdul Rauf

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred in the Board during the year ended 30 June 2015.
5. The company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board / shareholders.
8. All the meetings of the Board were presided over by the Chairperson and, in her absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter during the year ended 30 June 2015 including once in every quarter to approve the financial statements of the Company. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board of Directors of the Company arranged appropriate training programs for its Directors during the year.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for the year ended 30 June 2015 has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.

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

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members, two of them are non-executive directors. The Chairman of the Committee is an independent director..

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been framed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises 3 members, who are non-executive directors including the Chairman of the Committee.

18. The Board has set-up an effective internal audit function having suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), 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.

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

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

By order of the Board

Aizad Amer
Chief Executive Officer

Date: 09 October 2015

# KEY OPERATING & FINANCIAL DATA
# FOR LAST SIX YEARS

| PARTICULARS | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | | | (Rupees in Thousand) | | | |
| **FINANCIAL POSITION** | | | | | | |
| Paid up capital | 96,600 | 96,600 | 96,600 | 96,600 | 96,600 | 96,600 |
| Share premium | 17,250 | 17,250 | 17,250 | 17,250 | 17,250 | 17,250 |
| Fixed assets at cost | 1,393,255 | 1,833,702 | 1,805,257 | 1,511,009 | 1,490,470 | 1,482,528 |
| Accumulated depreciation | 612,542 | 917,942 | 859,297 | 811,855 | 759,620 | 703,368 |
| Current assets | 636,257 | 1,307,361 | 1,446,087 | 1,414,012 | 1,383,501 | 1,046,076 |
| Current liabilities | 753,606 | 1,206,483 | 1,308,931 | 1,297,014 | 1,219,159 | 964,863 |
| **INCOME** | | | | | | |
| Sales | 1,358,792 | 4,150,048 | 3,731,271 | 3,748,190 | 4,210,345 | 3,196,504 |
| Other income | 8,560 | 12,091 | 6,788 | 4,903 | 4,080 | 3,085 |
| Pre tax profit/ (loss) | (110,409) | 31,226 | 91,620 | 34,277 | 165,700 | 96,308 |
| Taxation | 37,183 | 23,070 | 19,557 | 23,630 | 46,240 | 50,424 |
| **STATISTICS AND RATIOS** | | | | | | |
| Pre tax profit/ (loss) to sales % | (8.12) | 0.75 | 2.45 | 0.91 | 3.94 | 3.01 |
| Pre tax profit/ (loss) to capital % | (114.29) | 32.32 | 94.84 | 35.48 | 171.53 | 99.70 |
| Current ratio | 1:1.18 | 1:0.92 | 1:0.91 | 1:0.92 | 1:0.88 | 1:0.92 |
| Paid up value per share (Rs.) | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| (Loss)/ Earnings after tax per share (Rs.) | (7.58) | 0.84 | 7.46 | 1.10 | 12.37 | 4.75 |
| Cash dividend % | - | - | 10.00 | --- | 5.00 | 8.00 |
| Break up value per share (Rs.) | 33.80 | 59.30 | 58.35 | 50.53 | 49.31 | 36.95 |

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **ISHAQ TEXTILE MILLS LIMITED** ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulations of the respective Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

**RIAZ AHMAD & COMPANY**
**Chartered Accountants**

Riaz Ahmad & Co.

**Name of engagement partner:**
**Liaqat Ali Panwar**
**Date: October 09, 2015**
**FAISALABAD**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ISHAQ TEXTILE MILLS LIMITED** ("the Company") as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in Note 2.9(a) to the financial statements with which we concur:

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended: and

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

**RIAZ AHMAD & COMPANY**
**Chartered Accountants**

Riaz Ahmad & Co.

**Name of engagement partner:**
**Liaqat Ali Panwar**
**Date: October 09, 2015**
**FAISALABAD**

## BALANCE SHEET AS AT 30 JUNE 2015

| | NOTE | 2015 (RUPEES IN THOUSAND) | 2014 (RUPEES IN THOUSAND) |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| **Authorized share capital** | | | |
| 10 000 000 (2014: 10 000 000) ordinary shares of Rupees 10 each | | 100,000 | 100,000 |
| **Issued, subscribed and paid up share capital** | 3 | 96,600 | 96,600 |
| **Reserves** | 4 | 229,953 | 476,234 |
| **Total equity** | | 326,553 | 572,834 |
| Surplus on revaluation of property, plant and equipment - net of deferred income tax | 5 | 233,749 | 237,582 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing | 6 | 91,695 | 154,056 |
| Deferred income tax liability | 7 | 17,986 | 64,844 |
| Staff retirement gratuity | 8 | 1,174 | 3,126 |
| | | 110,855 | 222,026 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | 128,661 | 121,520 |
| Accrued mark-up | 10 | 8,005 | 25,875 |
| Short term borrowings | 11 | 605,713 | 900,675 |
| Current portion of non-current liabilities | 12 | - | 116,979 |
| Provision for taxation | | 11,227 | 41,434 |
| | | 753,606 | 1,206,483 |
| **TOTAL LIABILITIES** | | 864,461 | 1,428,509 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 1,424,763 | 2,238,925 |

| | NOTE | 2015 (RUPEES IN THOUSAND) | 2014 (RUPEES IN THOUSAND) |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | 783,453 | 920,427 |
| Long term investments | 15 | 1,266 | 7,359 |
| Long term loans | 16 | - | 37 |
| Long term deposits and prepayments | 17 | 3,787 | 3,741 |
| | | 788,506 | 931,564 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | 18 | 38,572 | 49,396 |
| Stock in trade | 19 | 248,513 | 503,512 |
| Trade debts | 20 | 168,910 | 625,999 |
| Loans and advances | 21 | 34,597 | 61,149 |
| Short term deposits and prepayments | 22 | 2,525 | 652 |
| Other receivables | 23 | 31,459 | 56,662 |
| Current portion of long term investment | 15 | 6,622 | - |
| Cash and bank balances | 24 | 2,765 | 9,991 |
| | | 533,963 | 1,307,361 |
| Non-current assets held for sale | 25 | 102,294 | - |
| | | 636,257 | 1,307,361 |
| **TOTAL ASSETS** | | 1,424,763 | 2,238,925 |

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

**KH. AIZAD AMER**
**Chief Executive Officer**

**KH. AANS AMER**
**Director**

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 30 JUNE 2015

| | NOTE | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **CONTINUING OPERATIONS:** | | | |
| SALES | 26 | 1,358,792 | 4,150,048 |
| COST OF SALES | 27 | (1,402,838) | (3,814,020) |
| GROSS (LOSS) / PROFIT | | (44,046) | 336,028 |
| DISTRIBUTION COST | 28 | (6,169) | (107,830) |
| ADMINISTRATIVE EXPENSES | 29 | (44,187) | (66,275) |
| OTHER EXPENSES | 30 | (540) | (2,364) |
| | | (50,896) | (176,469) |
| | | (94,942) | 159,559 |
| OTHER INCOME | 31 | 8,560 | 12,091 |
| (LOSS) / PROFIT FROM OPERATIONS | | (86,382) | 171,650 |
| FINANCE COST | 32 | (24,027) | (140,424) |
| (LOSS) / PROFIT BEFORE TAXATION | | (110,409) | 31,226 |
| TAXATION | 33 | 37,183 | (23,070) |
| (LOSS) / PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS | | (73,226) | 8,156 |
| **DISCONTINUED OPERATION:** | | | |
| LOSS AFTER TAXATION FROM DISCONTINUED OPERATION | 25 | (200,234) | - |
| (LOSS) / PROFIT AFTER TAXATION | | (273,460) | 8,156 |
| (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED FROM CONTINUING OPERATIONS (RUPEES) | 34 | (7.58) | 0.84 |
| LOSS PER SHARE - BASIC AND DILUTED FROM DISCONTINUED OPERATION (RUPEES) | 34 | (20.73) | - |

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

KH. AIZAD AMER
**Chief Executive Officer**

KH. AANS AMER
**Director**

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| (LOSS) / PROFIT AFTER TAXATION | (273,460) | 8,156 |
| OTHER COMPREHENSIVE INCOME | | |
| Items that will not be reclassified subsequently to profit or loss | - | - |
| Items that may be reclassified subsequently to profit or loss | - | - |
| | - | - |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR | (273,460) | 8,156 |

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

KH. AIZAD AMER
Chief Executive Officer

KH. AANS AMER
Director

## CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2015

| | NOTE | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash generated from operations** | 35 | 561,811 | 285,511 |
| Finance cost paid | | (71,840) | (141,852) |
| Income tax paid | | (14,597) | (42,341) |
| Staff retirement benefits paid | | (2,633) | (5,454) |
| Workers' profit participation fund paid | | (1,812) | (5,283) |
| Dividend paid | | - | (1,549) |
| Net decrease in long term loans | | 37 | 22 |
| Net (increase) / decrease in long term deposits and prepayments | | (46) | 215 |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | | 470,920 | 89,269 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure on property, plant and equipment | | (66,245) | (36,507) |
| Proceeds from sale of property, plant and equipment | | 21,014 | 2,201 |
| Proceeds from sale of non-current assets held for sale | | 8,750 | - |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (36,481) | (34,306) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long term financing | | 126,500 | 68,000 |
| Repayment of long term financing | | (273,203) | (59,425) |
| Short term borrowings - net | | (294,962) | (109,204) |
| **NET CASH USED IN FINANCING ACTIVITIES** | | (441,665) | (100,629) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (7,226) | (45,666) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | 9,991 | 55,657 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 24)** | | 2,765 | 9,991 |

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

**KH. AIZAD AMER**
**Chief Executive Officer**

**KH. AANS AMER**
**Director**

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2015

| | SHARE CAPITAL | RESERVES | | | | | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|
| | | CAPITAL RESERVES | | | REVENUE RESERVE | TOTAL | |
| | | Share premium | Equity portion of shareholder's | Sub total | Unappropriated profit | | |
| | (RUPEES IN THOUSAND) | | | | | | |
| **Balance as at 30 June 2013** | 96,600 | 17,250 | - | 17,250 | 449,763 | 467,013 | 563,613 |
| Transaction with owners - Final dividend for the year ended 30 June 2013 at the rate of Rupee one per share | - | - | - | - | (1,622) | (1,622) | (1,622) |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | - | - | - | - | 2,687 | 2,687 | 2,687 |
| Profit for the year | - | - | - | - | 8,156 | 8,156 | 8,156 |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 8,156 | 8,156 | 8,156 |
| **Balance as at 30 June 2014** | 96,600 | 17,250 | - | 17,250 | 458,984 | 476,234 | 572,834 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | - | - | - | - | 3,763 | 3,763 | 3,763 |
| Loss for the year | - | - | - | - | (273,460) | (273,460) | (273,460) |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | - | (273,460) | (273,460) | (273,460) |
| Transaction with owners - Equity portion of shareholder's loan | - | - | 23,416 | 23,416 | - | 23,416 | 23,416 |
| **Balance as at 30 June 2015** | 96,600 | 17,250 | 23,416 | 40,666 | 189,287 | 229,953 | 326,553 |

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

**KH. AIZAD AMER**
**Chief Executive Officer**

**KH. AANS AMER**
**Director**

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2015

### 1. THE COMPANY AND ITS OPERATIONS

Ishaq Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan under the Comapnies Act, 1913 (Now Companies Ordinance, 1984) and listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. The mills premises are located at Tehsil Jaranwala, District Faisalabad, in the Province of Punjab. The principal activity of the Company is manufacturing, sale and trading of yarn and cloth.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

### 2.1 Basis of preparation

**a) Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**b) Accounting convention**

These financial statements have been prepared under the historical cost convention, except for certain operating fixed assets measured at revalued amounts.

**c) Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

**Inventories**

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

**Taxation**

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

**Useful lives, patterns of economic benefits and impairments**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

**Provision for doubtful debts**

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

**Employees retirement benefit**

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Changes in these assumptions in future years may effect the liability / asset under these plans in those years.

**d) Amendments to published approved standards and interpretation that are effective in current year and are relevant to the Company**

Following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 July 2014:

IAS 19 (Amendment) 'Employee Benefits' (effective for annual periods beginning on or after 01 July 2014). This amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employees service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The Interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IAS 24 'Related Party Disclosures', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. The amendments to IFRS 8 require an entity to disclose the judgments made by the management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. Further, the amendment to IFRS 8 clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of the above amendments and interpretation does not result in any impact on profit or loss, other comprehensive income / (loss) and total comprehensive income / (loss).

**e) Amendments to published standards that are effective in current year but not relevant to the Company**

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**f) Standards and amendments to published standards that are not yet effective but relevant to the Company**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2015 or later periods:

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

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted. Associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

**g) Standards and amendments to published standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## 2.2 Property, plant, equipment and depreciation

### Operating fixed assets

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss and is transferred to the operating fixed assets as and when asset is available for use. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the construction / erection period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation.

### Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 14.1.1 and Note 14.1.2. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions upto the month when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

### De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

## 2.3 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

## 2.4 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

**a) Investment at fair value through profit or loss**

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

**b) Held-to-maturity**

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

**c) Available-for-sale**

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

**Quoted**

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

**Unquoted**

The investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, subsequent to after initial recognition are carried at cost less any identified impairment loss.

**2.5 Impairment**

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

**2.6 Borrowing cost**

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

**2.7 Inventories**

Inventories, except for stock in transit and waste materials, are stated at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale. Cost is determined as follows:

**Stores, spare parts and loose tools**

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are stated at invoice amount plus other charges paid thereon.

**Stock in trade**

Cost of raw materials, work-in-process and finished goods is determined as follows:

| | |
|---|---|
| Raw materials | |
| In hand | Weighted average cost. |
| In transit | Cost comprising invoice value plus other charges paid thereon. |
| Work-in-process and finished goods | Cost of direct materials, labour and appropriate manufacturing overheads. |
| Waste | Net realizable value. |

**2.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

**2.9 Staff retirement benefits**

The main features of the funds operated by the Company for its employees are as follows:

**a) Employees' Provident Fund**

**Change in accounting policy**

The Company operated provident fund for all of its permanent employees. Equal monthly contibutions were made to the fund both by the Compnay and the employees at the rate of 8.25 percent of the basic salary. However, with effect from 01 April 2015, the Company has curtailed the provident fund scheme and started unfunded gratuity scheme for all its permanent employees. Had there been no change in this accounting policy, the figures recognised in these financial statements would have been different as follows:

| | RUPEES IN THOUSAND |
|---|---|
| Staff retirement gratuity would have been lower by | 1,174 |
| Trade and other payables would have been higher by | 1,054 |
| Deffered income tax liability would have been higher by | 245 |
| Loss after taxation would have been higher by | 125 |

**b) Gratuity**

The Company operates unfunded gratuity scheme for all its permanent employees with effect from 01 April 2015. Provision is made in the books of account on the basis of actuarial computation. Latest actuarial valuation has been made as at 30 June 2015 by the consulting actuaries using Projected Unit Credit Actuarial Cost Method.

**2.10 Provisions**

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

**2.11 Taxation**

**Current**

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

**Deferred**

Deferred income tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

**2.12 Dividend and other appropriations**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

**2.13 Foreign currencies**

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

**2.14 Financial instruments**

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, accrued mark-up, trade and other payables and short term borrowings etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which are measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit and loss account. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

**2.15 Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

**2.16 Borrowings**

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

**2.17 Trade and other receivables**

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

**2.18 Revenue recognition**

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

**2.19 Offsetting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

**2.20 Segment reporting**

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres) and Weaving (Producing different quality of greige fabric using yarn). However the Company has decided to dispose of major part of plant and machinery of Weaving segment.

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

## 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| (NUMBER OF SHARES) | | | (RUPEES IN THOUSAND) | |
| 9 060 000 | 9 060 000 | Ordinary shares of Rupees 10 each fully paid in cash | 90,600 | 90,600 |
| 600 000 | 600 000 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | 6,000 | 6,000 |
| 9 660 000 | 9 660 000 | | 96,600 | 96,600 |

## 4. RESERVES

**Composition of reserves is as follows:**

| | | |
|---|---|---|
| **Capital reserve** | | |
| Share premium (Note 4.1) | 17,250 | 17,250 |
| Equity portion of shareholder's loan (Note 4.2) | 23,416 | - |
| **Revenue reserve** | | |
| Unappropriated profit | 189,287 | 458,984 |
| | 229,953 | 476,234 |

4.1 This reserve can be utilized by the Company only for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

4.2 Loan from director of the Company has been recognized at amortized cost using discount rate of 9.30% per annum. The resulting change has been charged to equity portion of shareholder's loan.

## 5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX

| | | |
|---|---|---|
| Surplus on revaluation of property, plant and equipment as at 01 July | 237,582 | 240,269 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred income tax | (3,763) | (2,687) |
| Adjustment of surplus on sale of plant and machinery - net of deferred income tax | (70) | - |
| | 233,749 | 237,582 |

5.1 The Company has already paid the installments of financing which were originially due as per repayment schedule uptill February 2017. Therefore no current portion of long term financing is taken in these financial statements.Freehold land, building thereon, plant and machinery, electric installations / appliances, generators and laboratory equipment of Spinning segment were revalued by an independent valuer, Messrs Creative

## 6. LONG TERM FINANCING

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Secured** | | |
| From banking companies (Note 6.1) | 15,111 | 144,814 |
| **Unsecured** | | |
| From directors (Note 6.2) | 76,584 | 117,000 |
| | 91,695 | 261,814 |
| Less: Current portion shown under current liabilities (Note 6.1.1 and Note 12) | - | 107,758 |
| | 91,695 | 154,056 |

### 6.1 From banking companies

| LENDER | FACILITY | 2015 | 2014 | RATE OF INTEREST PER ANNUM | NUMBER OF INSTALLMENTS | INTEREST REPRICING | INTEREST PAYABLE | SECURITY |
|---|---|---|---|---|---|---|---|---|
| | | (RUPEES IN THOUSAND) | | | | | | |
| Habib Bank Limited | Term Finance | - | 18,164 | 3 months KIBOR + 2.50% per annum | Last installment was paid on 22 October 2014. | Quarterly | Quarterly | First joint pari passu charge on fixed assets of the Company for an amount of Rupees 255 million and personal guarantees of sponsor directors of the Company. |
| Habib Bank Limited | Fixed Assets Finance | 15,111 | 81,650 | 3 months KIBOR + 2.25% per annum | Eighteen equal quarterly installments commenced on 08 August 2013 and ending on 08 November 2017. | Quarterly | Quarterly | |
| Bank Al - Habib Limited | Term Finance | - | 45,000 | 3 months KIBOR + 2.00% per annum | Last installment was paid on 24 September 2014. | Quarterly | Quarterly | Ranking charge for Rupees 70 million over plant and machinery and personal guarantee of one director of the Company. |
| | | 15,111 | 144,814 | | | | | |

6.1.1 The Company has already paid the installments of financing which were originially due as per repayment schedule uptill February 2017. Therefore no current portion of long term financing is taken in these financial statements.

6.2

These represent unsecured interest free loans obtained from director of the Company and are repayable after 30 June 2018. These have been recognized at amortized cost under IAS-39 'Financial Instruments: Recognition and Measurement' using discount rate of 9.30% per annum. The resulting difference has been transferred to equity and is being amortized over the remaining term of the loan as referred to in Note 4.2. Out of this loan, an amount of Rupees 60.500 million (2014: Rupees 60.500 million) is subordinated to the bank borrowings.

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **7.** | **DEFERRED INCOME TAX LIABIITY** | | |
| | This comprises the following: | | |
| | **Taxable temporary difference** | | |
| | Accelerated tax depreciation | 94,318 | 68,907 |
| | **Deductible temporary differences** | | |
| | Staff retirement gratuity | (235) | (2,011) |
| | Unused tax losses | (76,097) | - |
| | Tax credits | - | (2,052) |
| | | (76,332) | (4,063) |
| | | 17,986 | 64,844 |
| **8.** | **STAFF RETIREMENT GRATUITY** | | |
| | Old liability of gratuity (Note 8.1) | - | 3,126 |
| | Gratuity as per actuarial valuation (Note 8.2) | 1,174 | - |
| | | 1,174 | 3,126 |
| **8.1** | **Old liability for gratuity** | | |
| | Opening liability | 12,347 | 19,681 |
| | Less: | | |
| | Transferred to Employees' Provident Fund Trust | (697) | (1,880) |
| | Transferred to trade and other payables | (9,017) | - |
| | Paid during the year | (2,633) | (5,454) |
| | | (12,347) | (7,334) |
| | | - | 12,347 |
| | Less: Current portion shown under current liabilities (Note 12) | - | 9,221 |
| | | - | 3,126 |
| **8.2** | **Gratuity as per actuarial valuation** | | |
| | Current service cost | 1,174 | - |
| **8.3** | **Principal actuarial assumptions used** | | |
| | Discount rate used (% per annum) | 9.75% | - |
| | Expected rate of increase in salaries (% per annum) | 8.75% | - |
| | Expected remaining working life time of employees (years) | 6 | - |

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **9.** | **TRADE AND OTHER PAYABLES** | | |
| | Creditors (Note 9.1) | 74,849 | 44,309 |
| | Accrued liabilities | 37,366 | 68,176 |
| | Advances from customers | 14,830 | 4,222 |
| | Income tax deducted at source | 37 | 25 |
| | Sales tax deducted at source | 831 | 536 |
| | Unclaimed dividend | 748 | 748 |
| | Security deposits - Interest free | - | 15 |
| | Payable to Employees' Provident Fund Trust | - | 556 |
| | Workers' profit participation fund (Note 9.2) | - | 1,681 |
| | Workers' welfare fund | - | 1,252 |
| | | 128,661 | 121,520 |

**9.1** These include Rupees 4.300 million (2014: Rupees 4.713 million) due to associated undertakings.

**9.2 Workers' profit participation fund**

| | 2015 | 2014 |
|---|---|---|
| Balance as on 01 July | 1,681 | 4,877 |
| Add: Provision for the year | - | 1,681 |
| Interest for the year (Note 32) | 81 | 406 |
| | 1,762 | 6,964 |
| Less: Payments during the year | 1,762 | 5,283 |
| Balance as on 30 June | - | 1,681 |

**9.2.1** The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

| | | 2015 | 2014 |
|---|---|---|---|
| **10.** | **ACCRUED MARK-UP** | | |
| | Long term financing | 116 | 4,690 |
| | Short term borrowings | 7,889 | 21,185 |
| | | 8,005 | 25,875 |
| **11.** | **SHORT TERM BORROWINGS** | | |
| | **From banking companies:** | | |
| | **Secured** | | |
| | Running and cash finances (Note 11.1) | 403,013 | 431,856 |
| | Export finances (Note 11.2) | - | 451,690 |
| | **Unsecured** | | |
| | Loan from directors (Note 11.3) | 195,453 | 17,000 |
| | Temporary bank overdraft | 7,247 | 129 |
| | | 605,713 | 900,675 |

11.1 These finances are obtained from banking companies under mark-up arrangements and secured against hypothecation of stocks and further secured against the pledge of cotton, polyester and yarn. These form part of total credit facility of Rupees 600 million (2014: Rupees 915 million). The rates of mark-up range from 7.00% to 11.67% (2014: 10.93% to 12.07%) per annum on the balance outstanding.

11.2 These finances were obtained from banking companies under mark-up arrangements and secured against lien on export documents, hypothecation of stock in trade, charge over book debts and first pari passu charge over fixed assets of the Company. Total credit facility for these loans is of Rupees 65 million (2014: Rupees 1,575 million). The rates of mark-up range from 4.32% to 13.94% (2014: 4.32% to 13.68%) per annum on the balance outstanding.

11.3 This represents interest free loans obtained from directors of the Company which is repayable on demand.

## 12. CURRENT PORTION OF NON-CURRENT LIABILITIES

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| Current portion of long term financing (Note 6) | - | 107,758 |
| Current portion of staff retirement gratuity (Note 8) | - | 9,221 |
| | - | 116,979 |

## 13. CONTINGENCIES AND COMMITMENTS

**a) Contingencies**

i) The Company is contingently liable for Rupees 2.400 million (2014: Rupees 2.400 million) to Director Excise and Taxation on account of import duty.

ii) Guarantees of Rupees 36.841 million (2014: Rupees 34.442 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Faisalabad Electric Supply Company (FESCO) against electricity connection.

**b) Commitments**

i) Letters of credit for capital expenditure are of Rupees 36.968 million (2014: Rupees Nil).

ii) There was no letter of credit or contract other than for capital expenditure (2014: Rupees Nil).

## 14. PROPERTY, PLANT AND EQUIPMENT

**Operating fixed assets**

| | | |
|---|---|---|
| Spinning Section (Note 14.1.1) | 660,973 | 643,865 |
| Weaving Section (Note 14.1.2) | 119,740 | 271,895 |
| Capital work-in-progress (Note 14.2) | 2,740 | 4,667 |
| | 783,453 | 920,427 |

### 14.1.1 OPERATING FIXED ASSETS - SPINNING SECTION

| | Freehold land | Buildings on freehold land | | Plant and machinery | Electric installations/ appliances | Factory equipment | Generators | Laboratory equipment | Furniture, fixtures | Office equipment | Computers | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Mills | Other | | | | | | | | | | |
| | (RUPEES IN THOUSAND) | | | | | | | | | | | | |
| **At 30 June 2013** | | | | | | | | | | | | | |
| Cost / revalued amount | 88,165 | 101,904 | 49,232 | 559,525 | 13,234 | 611 | 9,562 | 9,644 | 1,304 | 1,419 | 2,226 | 13,665 | 850,491 |
| Accumulated depreciation | - | (12,243) | (4,689) | (160,902) | (2,236) | (441) | (4,062) | (3,477) | (1,115) | (1,151) | (1,893) | (7,776) | (199,985) |
| Net book value | 88,165 | 89,661 | 44,543 | 398,623 | 10,998 | 170 | 5,500 | 6,167 | 189 | 268 | 333 | 5,889 | 650,506 |
| **Year ended 30 June 2014** | | | | | | | | | | | | | |
| Opening net book value | 88,165 | 89,661 | 44,543 | 398,623 | 10,998 | 170 | 5,500 | 6,167 | 189 | 268 | 333 | 5,889 | 650,506 |
| Additions | - | - | - | 15,195 | - | 32 | 1,270 | - | - | - | - | 9,829 | 26,326 |
| Disposals: | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | - | - | - | (4,091) | (4,091) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | 2,505 | 2,505 |
| | - | - | - | - | - | - | - | - | - | - | - | (1,586) | (1,586) |
| Depreciation charge | - | (4,483) | (2,227) | (20,608) | (550) | (19) | (338) | (308) | (19) | (27) | (100) | (2,702) | (31,381) |
| Closing net book value | 88,165 | 85,178 | 42,316 | 393,210 | 10,448 | 183 | 6,432 | 5,859 | 170 | 241 | 233 | 11,430 | 643,865 |
| **At 30 June 2014** | | | | | | | | | | | | | |
| Cost / revalued amount | 88,165 | 101,904 | 49,232 | 574,720 | 13,234 | 643 | 10,832 | 9,644 | 1,304 | 1,419 | 2,226 | 19,403 | 872,726 |
| Accumulated depreciation | - | (16,726) | (6,916) | (181,510) | (2,786) | (460) | (4,400) | (3,785) | (1,134) | (1,178) | (1,993) | (7,973) | (228,861) |
| Net book value | 88,165 | 85,178 | 42,316 | 393,210 | 10,448 | 183 | 6,432 | 5,859 | 170 | 241 | 233 | 11,430 | 643,865 |
| **Year ended 30 June 2015** | | | | | | | | | | | | | |
| Opening net book value | 88,165 | 85,178 | 42,316 | 393,210 | 10,448 | 183 | 6,432 | 5,859 | 170 | 241 | 233 | 11,430 | 643,865 |
| Additions | - | 6,200 | 289 | 39,917 | 2,139 | - | 1,170 | - | 913 | 236 | 120 | 16,837 | 67,821 |
| Disposals: | | | | | | | | | | | | | |
| Cost | - | - | - | (19,117) | - | - | - | - | - | - | - | (3,446) | (22,563) |
| Accumulated depreciation | - | - | - | 2,045 | - | - | - | - | - | - | - | 2,588 | 4,633 |
| | - | - | - | (17,072) | - | - | - | - | - | - | - | (858) | (17,930) |
| Depreciation charge | - | (4,267) | (2,297) | (20,341) | (595) | (18) | (336) | (293) | (89) | (40) | (100) | (4,407) | (32,783) |
| Closing net book value | 88,165 | 87,111 | 40,308 | 395,714 | 11,992 | 165 | 7,266 | 5,566 | 994 | 437 | 253 | 23,002 | 660,973 |
| **At 30 June 2015** | | | | | | | | | | | | | |
| Cost / revalued amount | 88,165 | 108,104 | 49,521 | 595,520 | 15,373 | 643 | 12,002 | 9,644 | 2,217 | 1,655 | 2,346 | 32,794 | 917,984 |
| Accumulated depreciation | - | (20,993) | (9,213) | (199,806) | (3,381) | (478) | (4,736) | (4,078) | (1,223) | (1,218) | (2,093) | (9,792) | (257,011) |
| Net book value | 88,165 | 87,111 | 40,308 | 395,714 | 11,992 | 165 | 7,266 | 5,566 | 994 | 437 | 253 | 23,002 | 660,973 |
| **Annual rate of depreciation (%)** | - | 5 | 5 | 5 | 5 | 10 | 5 | 5 | 10 | 10 | 30 | 20 | |

14.1.2 OPERATING FIXED ASSETS - WEAVING SECTION

| | Freehold land | Buildings on freehold land | | Plant and machinery | Electric installations/ appliances | Factory equipment | Generators | Furniture, fixtures | Office equipment | Computers | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Mills | Other | | | | | | | | | |
| | (RUPEES IN THOUSAND) | | | | | | | | | | | |
| **At 30 June 2013** | | | | | | | | | | | | |
| Cost | 1,571 | 76,476 | 8,543 | 763,607 | 12,212 | 949 | 74,061 | 1,531 | 1,706 | 1,453 | 12,657 | 954,766 |
| Accumulated depreciation | - | (58,591) | (7,680) | (529,434) | (7,668) | (806) | (42,144) | (1,107) | (1,184) | (1,153) | (9,545) | (659,312) |
| Net book value | 1,571 | 17,885 | 863 | 234,173 | 4,544 | 143 | 31,917 | 424 | 522 | 300 | 3,112 | 295,454 |
| **Year ended 30 June 2014** | | | | | | | | | | | | |
| Opening net book value | 1,571 | 17,885 | 863 | 234,173 | 4,544 | 143 | 31,917 | 424 | 522 | 300 | 3,112 | 295,454 |
| Additions | - | - | - | 5,320 | - | 42 | 1,303 | - | - | 48 | 71 | 6,784 |
| Disposals: | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | - | - | (574) | (574) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | 329 | 329 |
| | - | - | - | - | - | - | - | - | - | - | (245) | (245) |
| Depreciation charge | - | (1,789) | (86) | (23,658) | (454) | (17) | (3,274) | (42) | (52) | (100) | (626) | (30,098) |
| Closing net book value | 1,571 | 16,096 | 777 | 215,835 | 4,090 | 168 | 29,946 | 382 | 470 | 248 | 2,312 | 271,895 |
| **At 30 June 2014** | | | | | | | | | | | | |
| Cost | 1,571 | 76,476 | 8,543 | 768,927 | 12,212 | 991 | 75,364 | 1,531 | 1,706 | 1,501 | 12,154 | 960,976 |
| Accumulated depreciation | - | (60,380) | (7,766) | (553,092) | (8,122) | (823) | (45,418) | (1,149) | (1,236) | (1,253) | (9,842) | (689,081) |
| Net book value | 1,571 | 16,096 | 777 | 215,835 | 4,090 | 168 | 29,946 | 382 | 470 | 248 | 2,312 | 271,896 |
| **Year ended 30 June 2015** | | | | | | | | | | | | |
| Opening net book value | 1,571 | 16,096 | 777 | 215,835 | 4,090 | 168 | 29,946 | 382 | 470 | 248 | 2,312 | 271,895 |
| Additions | - | - | - | 351 | - | - | - | - | - | - | - | 351 |
| Disposals: | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | - | - | (8,356) | (8,356) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | 6,588 | 6,588 |
| | - | - | - | - | - | - | - | - | - | - | (1,768) | (1,768) |
| Classified as non-current assets held for sale: | | | | | | | | | | | | |
| Cost | - | - | - | (477,700) | - | - | - | - | - | - | - | (477,700) |
| Accumulated depreciation | - | - | - | 343,722 | - | - | - | - | - | - | - | 343,722 |
| | - | - | - | (133,978) | - | - | - | - | - | - | - | (133,978) |
| Depreciation charge | - | (1,609) | (77) | (11,309) | (409) | (17) | (2,995) | (38) | (47) | (75) | (184) | (16,760) |
| Closing net book value | 1,571 | 14,487 | 700 | 70,899 | 3,681 | 151 | 26,951 | 344 | 423 | 173 | 360 | 119,740 |
| **At 30 June 2015** | | | | | | | | | | | | |
| Cost | 1,571 | 76,476 | 8,543 | 291,578 | 12,212 | 991 | 75,364 | 1,531 | 1,706 | 1,501 | 3,798 | 475,271 |
| Accumulated depreciation | - | (61,989) | (7,843) | (220,679) | (8,531) | (840) | (48,413) | (1,187) | (1,283) | (1,328) | (3,438) | (355,531) |
| Net book value | 1,571 | 14,487 | 700 | 70,899 | 3,681 | 151 | 26,951 | 344 | 423 | 173 | 360 | 119,740 |
| **Annual rate of depreciation (%)** | - | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 30 | 20 | |

14.1.3 Depreciation charge for the year has been allocated as follows:

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| Cost of sales (Note 27) | 28,146 | 57,811 |
| Administrative expenses (Note 29) | 4,637 | 3,668 |
| | 32,783 | 61,479 |

**14.1.4 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:**

| Description | Qty. | Cost | Accumulated depreciation | Net book value | Sale proceeds | (Loss) / gain | Mode of disposal | Particulars of purchasers |
|---|---|---|---|---|---|---|---|---|
| | | ---------------- | (RUPEES IN THOUSAND) | ---------------- | | | | |
| **Plant and machinery** | | | | | | | | |
| Rewinding Machine | 1 | 1,200 | 98 | 1,102 | 900 | (202) | Negotiation | Arshad Corporation (Private) Limited |
| Automatic Winder | 1 | 17,917 | 1,947 | 15,970 | 15,000 | (970) | Negotiation | Arshad Textile Mills Limited |
| | | 19,117 | 2,045 | 17,072 | 15,900 | (1,172) | | |
| **Vehicles** | | | | | | | | |
| Honda CD-70 FDM-3397 | 1 | 71 | 19 | 52 | 71 | 19 | Company Policy | Muhammad Ashraf, Faisalabad |
| Honda CD-100 FDO-4418 | 1 | 87 | 21 | 66 | 87 | 21 | Company Policy | Ahmad Ali, Faisalabad |
| Suzuki Cultus FDY-106 | 1 | 930 | 517 | 413 | 930 | 517 | Company Policy | Muhammad Tariq Iqbal, Faisalabad |
| Honda CD-70 FDO-4418 | 1 | 87 | 24 | 63 | 87 | 24 | Company Policy | Fahad, Faisalabad |
| Mitsubishi Lancer FSJ-3667 | 1 | 1,113 | 974 | 139 | 495 | 356 | Company Policy | Ali Raza, Faisalabad |
| Suzuki Cultus FS-9454 | 1 | 608 | 557 | 51 | 360 | 309 | Company Policy | Amir Shahzad, Faisalabad |
| BMW LI-740 | 1 | 6,055 | 4,648 | 1,407 | 1,456 | 49 | Negotiation | Arshad Corporation (Private) Limited |
| Suzuki Cultus FSJ-7447 | 1 | 702 | 602 | 100 | 310 | 210 | Company Policy | Nasir Raza, Faisalabad |
| Suzuki Cultus FSF-5860 | 1 | 602 | 539 | 63 | 370 | 307 | Company Policy | Amir Shahzad, Faisalabad |
| Suzuki Cultus FSF-9454 | 1 | 830 | 699 | 131 | 360 | 229 | Company Policy | Amir Shahzad, Faisalabad |
| | | 11,085 | 8,600 | 2,485 | 4,526 | 2,041 | | |
| **Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000** | | 717 | 576 | 141 | 588 | 447 | | |
| | | 30,919 | 11,221 | 19,698 | 21,014 | 1,316 | | |

**14.2 Capital work-in-progress**

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| Buildings on freehold land | - | 4,667 |
| Letter of credit against plant and machinery | 1,189 | - |
| Advance against vehicle | 1,551 | - |
| | 2,740 | 4,667 |

14.3 Had there been no revaluation, cost, accumulated depreciation and book value of the revalued assets as at 30 June 2015 would have been as follows:

| | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| | (RUPEES IN THOUSAND) | | |
| Freehold land | 943 | - | 943 |
| Buildings on freehold land: | | | |
| Mills | 32,772 | 19,661 | 13,111 |
| Other | 7,730 | 6,717 | 1,013 |
| Plant and machinery | 556,773 | 222,602 | 334,171 |
| Electric installations / appliances | 8,854 | 3,281 | 5,573 |
| Generators | 5,847 | 2,449 | 3,398 |
| Laboratory equipment | 10,508 | 5,909 | 4,599 |
| | 623,427 | 260,619 | 362,808 |

## 15. LONG TERM INVESTMENTS

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Held-to-maturity** | | |
| Izafa certificates (Note 15.1) | 825 | 825 |
| Term deposit receipt (Note 15.2) | 5,500 | 5,500 |
| | 6,325 | 6,325 |
| Interest / profit accrued (Note 15.3) | 1,563 | 1,034 |
| | 7,888 | 7,359 |
| Less: Current portion of shown under current assets | 6,622 | - |
| | 1,266 | 7,359 |

15.1 These certificates were issued by Habib Metropolitan Bank Limited on 16 April 2012 with the maturity period of six years. Rate of interest is 16.67 (2014: 16.67) percent per annum. These investments are under lien against bank guarantee issued by the Bank to Sui Northern Gas Pipelines Limited.

15.2 This represents deposit with National Bank of Pakistan made on 16 August 2012 having maturity period of 36 months. Rate of profit is 7.10 (2014: 7.10) percent per annum.

### 15.3 Interest / profit accrued

| | 2015 | 2014 |
|---|---|---|
| Balance as on 01 July | 1,034 | 506 |
| Interest / profit accrued during the year (Note 31) | 529 | 528 |
| Balance as on 30 June | 1,563 | 1,034 |

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **16.** | **LONG TERM LOANS** | | |
| | **Considered good:** | | |
| | Other employees - secured (Note 16.1) | - | 123 |
| | Less: Current portion shown under current assets (Note | - | 86 |
| | | - | 37 |

**16.1** These represented interest free loans given to employees for meeting their personal expenditure and were secured against balance to the credit of employees in retirement benefits. These were recoverable in equal monthly installments.

| | | 2015 | 2014 |
|---|---|---|---|
| **17.** | **LONG TERM DEPOSITS AND PREPAYMENTS** | | |
| | Long term deposits | 3,721 | 3,895 |
| | Long term prepayments | 304 | 75 |
| | | 4,025 | 3,970 |
| | Less: Current portion shown under current assets (Note 22) | 238 | 229 |
| | | 3,787 | 3,741 |
| **18.** | **STORES, SPARE PARTS AND LOOSE TOOLS** | | |
| | Stores | 11,027 | 11,273 |
| | Spare parts (Note 18.1) | 27,358 | 37,937 |
| | Loose tools | 187 | 186 |
| | | 38,572 | 49,396 |

**18.1** These include spare parts in transit of Rupees 0.102 million (2014: Rupees Nil).

| | | 2015 | 2014 |
|---|---|---|---|
| **19.** | **STOCK IN TRADE** | | |
| | Raw materials | 175,948 | 124,127 |
| | Work-in-process | 8,245 | 10,428 |
| | Finished goods | 64,320 | 368,957 |
| | | 248,513 | 503,512 |

**19.1** Stock in trade of Rupees 0.882 million (2014: Rupees 142.511 million) is being carried at net realizable value.

**19.2** The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees Nil (2014: Rupees 2.025 million).

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **20.** | **TRADE DEBTS** | | |
| | **Considered good:** | | |
| | Secured (against letters of credit) | - | 18,785 |
| | Unsecured: | | |
| | - Related parties (Note 20.1 and Note 20.2) | 8,294 | 394,349 |
| | - Others (Note 20.3) | 160,616 | 212,865 |
| | | 168,910 | 625,999 |

**20.1** These represent amounts due from following related parties:

| | 2015 | 2014 |
|---|---|---|
| AN Clothings (Private) Limited | 8,294 | - |
| Arshad Corporation (Private) Limited | - | 394,349 |
| | 8,294 | 394,349 |

**20.2** As at 30 June 2015, trade debts due from related parties amounting to Rupees 8.294 million (2014: Rupees 136.799 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

| | 2015 | 2014 |
|---|---|---|
| Upto 1 month | 8,294 | 68,467 |
| 1 to 6 months | - | 68,332 |
| More than 6 months | - | - |
| | 8,294 | 136,799 |

**20.3** As at 30 June 2015, trade debts due from other than related parties of Rupees 123.501 million (2014: Rupees 194.604 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

| | 2015 | 2014 |
|---|---|---|
| Upto 1 month | 6,258 | 64,454 |
| 1 to 6 months | 13,001 | 19,195 |
| More than 6 months | 104,242 | 110,955 |
| | 123,501 | 194,604 |

**21. LOANS AND ADVANCES**

| | 2015 | 2014 |
|---|---|---|
| **Considered good:** | | |
| Employees - interest free | 201 | 99 |
| Current portion of long term loans (Note 16) | - | 86 |
| Advances to suppliers / service providers (Note 21.1) | 3,259 | 2,936 |
| Letters of credit | 83 | - |
| Income tax | 31,032 | 58,002 |
| Other advances | 22 | 26 |
| | 34,597 | 61,149 |

**21.1** These include Rupees Nil (2014: Rupees 0.670 million) due from Arshad Corporation (Private) Limited, a related party.

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **22.** | **SHORT TERM DEPOSITS AND PREPAYMENTS** | | |
| | Deposits | 2,173 | - |
| | Prepayments | 114 | 423 |
| | Current portion of long term deposits and prepayments (Note 17) | 238 | 229 |
| | | 2,525 | 652 |
| **23.** | **OTHER RECEIVABLES** | | |
| | **Considered good:** | | |
| | Export rebate and claims | 4,859 | 11,862 |
| | Sales tax and special excise duty refundable | 26,318 | 29,312 |
| | Due from a related party | - | 15,204 |
| | Miscellaneous | 282 | 284 |
| | | 31,459 | 56,662 |
| **24.** | **CASH AND BANK BALANCES** | | |
| | **With banks:** | | |
| | On current accounts | 2,379 | 9,596 |
| | On PLS saving accounts | 10 | 10 |
| | | 2,389 | 9,606 |
| | **Cash in hand** | 376 | 385 |
| | | 2,765 | 9,991 |

**25. NON-CURRENT ASSETS HELD FOR SALE**

The non-current assets classified as held for sale under IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' are summarized hereunder:

**25.1 Non-current assets classified as held for sale**

| | 2015 | 2014 |
|---|---|---|
| Property, plant and equipment - Weaving segment (Note 25.1.1) | 102,294 | - |

Certain items of property, plant and equipment related to Weaving Unit has been presented as held for sale following the approval of the Board of Directors and shareholders of the Company in Annual General Meeting held on 31 October 2014 regarding the disposal of certain items of plant and machinery of Weaving segment of the Company. The Company is in process to take all necessary steps including negotiation and signing of documents, deeds, papers, agreements and all other documents as may be necessary for the completion of the transactions. The management is hopeful of completing the sale transactions during the next financial year.

**25.1.1** Book value of assets transferred from property, plant and equipment:

| | 2015 | 2014 |
|---|---|---|
| Plant and machinery | 133,978 | - |
| Less: Book value of assets disposed of during the year | 31,684 | - |
| Carrying value of non-current assets held for sale as at 30 June | 102,294 | - |

Some of the non-current assets held for sale were disposed of during the year to Messrs Jacatex against sale consideration of Rupees 8.750 million.

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **25.2** | **Analysis of results of discontinued operation** | | |
| | SALES | 211,082 | - |
| | COST OF SALES | (343,692) | - |
| | GROSS LOSS | (132,610) | - |
| | DISTRIBUTION COST | (2,313) | - |
| | ADMINISTRATIVE EXPENSES | (13,050) | - |
| | OTHER EXPENSES | (23,166) | - |
| | | (38,529) | - |
| | | (171,139) | - |
| | OTHER INCOME | 2,682 | - |
| | LOSS FROM DISCONTINUED OPERATION | (168,457) | - |
| | FINANCE COST | (30,074) | - |
| | LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION | (198,531) | - |
| | TAXATION | (1,703) | - |
| | LOSS AFTER TAXATION FROM DISCONTINUED OPERATION | (200,234) | - |
| **25.3** | **Analysis of the cash flows of discontinued operation** | | |
| | Operating cash flows | 571,508 | - |
| | Investing cash flows | 8,399 | - |
| | Financing cash flows | (579,231) | - |
| | | 676 | - |
| **26.** | **SALES** | | |
| | Local (Note 26.1) | 1,358,792 | 2,744,870 |
| | Export | - | 1,398,502 |
| | Export rebate | - | 6,676 |
| | | 1,358,792 | 4,150,048 |
| **26.1** | **Local sales** | | |
| | Sales: | | |
| | Yarn | 1,367,365 | 1,507,300 |
| | Cloth | - | 1,257,253 |
| | Conversion income | - | 9,691 |
| | Waste | 18,166 | 34,758 |
| | Viscose | 436 | - |
| | | 1,385,967 | 2,809,002 |
| | Less: Sales tax | 27,175 | 64,132 |
| | | 1,358,792 | 2,744,870 |

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **27.** | **COST OF SALES** | | |
| | Raw materials consumed (Note 27.1) | 994,514 | 2,422,739 |
| | Cost of raw material sold | 488 | - |
| | Cloth and yarn purchased | - | 274,634 |
| | Processing charges | - | 305,350 |
| | Sizing and beam filing | - | 38,466 |
| | Loading and unloading charges | 3,355 | 9,088 |
| | Salaries, wages and other benefits | 106,804 | 185,727 |
| | Staff retirement benefits | 3,051 | 5,975 |
| | Stores, spare parts and loose tools consumed | 30,307 | 68,185 |
| | Packing materials consumed | 20,013 | 28,967 |
| | Repair and maintenance | 323 | 6,985 |
| | Fuel and power | 149,802 | 349,673 |
| | Insurance | 2,305 | 4,418 |
| | Other factory overheads | 481 | 3,625 |
| | Depreciation (Note 14.1.3) | 28,146 | 57,811 |
| | | 1,339,589 | 3,761,643 |
| | Work-in-process | | |
| | Opening stock | 9,014 | 53,189 |
| | Closing stock | (8,245) | (10,428) |
| | | 769 | 42,761 |
| | Cost of goods manufactured | 1,340,358 | 3,804,404 |
| | Finished goods | | |
| | Opening stock | 126,800 | 378,573 |
| | Closing stock | (64,320) | (368,957) |
| | | 62,480 | 9,616 |
| | | 1,402,838 | 3,814,020 |
| **27.1** | **Raw materials consumed** | | |
| | Opening stock | 111,618 | 248,201 |
| | Add: Purchased during the year | 1,059,415 | 2,298,665 |
| | | 1,171,033 | 2,546,866 |
| | Less: | | |
| | Cotton lost due to fire | 571 | - |
| | Closing stock | 175,948 | 124,127 |
| | | 176,519 | 124,127 |
| | | 994,514 | 2,422,739 |
| **28.** | **DISTRIBUTION COST** | | |
| | Outward freight and handling | 264 | 33,803 |
| | Commission to selling agents | 5,905 | 62,668 |
| | Shipping and other expenses | - | 8,802 |
| | Local freight | - | 2,557 |
| | | 6,169 | 107,830 |

| | | |
|---|---|---|
| Directors' remuneration | 1,800 | 3,840 |
| Staff retirement benefits | 834 | 1,117 |
| Rent, rates and taxes | 1,545 | 2,650 |
| Insurance | 900 | 884 |
| Travelling and conveyance | 1,738 | 3,229 |
| Vehicles' running | 4,426 | 5,590 |
| Entertainment | 1,658 | 703 |
| Auditors' remuneration (Note 29.1) | 675 | 650 |
| Advertisement | 168 | 66 |
| Postage and telephone | 1,262 | 2,546 |
| Utilities | 1,796 | - |
| Printing and stationery | 318 | 1,149 |
| Repair and maintenance | 1,191 | 346 |
| Fee and subscription | 2,460 | 3,109 |
| Legal and professional | - | 210 |
| Miscellaneous | 1,991 | 747 |
| Depreciation (Note 14.1.3) | 4,637 | 3,668 |
| | 44,187 | 66,275 |

**29.1 Auditors' remuneration:**

| | | |
|---|---|---|
| Audit fee | 600 | 600 |
| Half yearly review | 75 | 50 |
| | 675 | 650 |

## 30. OTHER EXPENSES

| | | |
|---|---|---|
| Workers' profit participation fund | - | 1,681 |
| Workers' welfare fund | - | 313 |
| Stores, spare parts and loose tools written off | - | 25 |
| Trade debts written off | 289 | 345 |
| Donations (Note 30.1) | 8 | - |
| Other receivables written off | 243 | - |
| | 540 | 2,364 |

**30.1** There is no interest of any director or his / her spouse in donees' fund.

## 31. OTHER INCOME

| | | |
|---|---|---|
| **Income from financial assets** | | |
| Interest / profit on long term investments (Note 15.3) | 529 | 528 |
| Exchange gain on foreign currency loans | - | 2,537 |
| | 529 | 3,065 |
| **Income from non-financial assets** | | |
| Gain on sale of property, plant and equipment | 1,404 | 370 |
| Scrap sales | - | 3,262 |
| Credit balances written back | 6,627 | 5,394 |
| | 8,031 | 9,026 |
| | 8,560 | 12,091 |

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |

**32. FINANCE COST**

| | 2015 | 2014 |
|---|---|---|
| **Mark-up on:** | | |
| Long term financing | 6,339 | 15,531 |
| Short term borrowings | 16,185 | 115,997 |
| Interest on workers' profit participation fund (Note 9.2) | 81 | 406 |
| Bank charges and commission | 1,422 | 8,490 |
| | 24,027 | 140,424 |

**33. TAXATION**

| | 2015 | 2014 |
|---|---|---|
| Charge for the year: | | |
| Current (Note 33.1) | 9,524 | 41,434 |
| Prior year adjustment | 133 | 2,183 |
| Deferred (Note 33.2) | (46,840) | (20,547) |
| | (37,183) | 23,070 |

**33.1** Provision for current taxation represents minimum tax on local sales, tax deducted against export sales and tax on other income under the relevant provisions of the Income Tax Ordinance, 2001. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented, being impracticable.

**33.2** Deferred income tax effect due to:

| | 2015 | 2014 |
|---|---|---|
| Accelerated tax depreciation | 94,318 | 68,907 |
| Staff retirement gratuity | (235) | (2,011) |
| Unused tax losses | (76,097) | - |
| Tax credits | - | (2,052) |
| | 17,986 | 64,844 |
| Opening balance as at 01 July | (64,844) | (85,391) |
| Adjustment of deferred income tax liability on sale of property, plant and equipment | 18 | - |
| | (64,826) | (85,391) |
| | (46,840) | (20,547) |

**34. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**

There is no dilutive effect on the basic (loss) / earnings per share which is based on:

| | | 2015 | 2014 |
|---|---|---|---|
| **Continuing operations** | | | |
| (Loss) / profit for the year after taxation | (Rupees in thousand) | (73,226) | 8,156 |
| Weighted average number of ordinary shares | (Numbers) | 9 660 000 | 9 660 000 |
| (Loss) / earnings per share | (Rupees) | (7.58) | 0.84 |
| **Discontinued operation** | | | |
| Loss for the year after taxation | (Rupees in thousand) | (200,234) | - |
| Weighted average number of ordinary shares | (Numbers) | 9 660 000 | - |
| Loss per share | (Rupees) | (20.73) | - |

| | | 2015 | 2014 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **35.** | **CASH GENERATED FROM OPERATIONS** | | |
| | **(Loss) / profit before taxation** | (308,940) | 31,226 |
| | **Adjustments for non-cash charges and other items:** | | |
| | Depreciation | 49,543 | 61,479 |
| | Gain on sale of property, plant and equipment | (1,404) | (370) |
| | Loss on disposal of non-current assets held for sale | 22,934 | - |
| | Provision for staff retirement gratuity | 1,174 | - |
| | Transfer of staff retirement gratuity to Employees' Provident Fund Trust | (697) | (1,880) |
| | Stores, spare parts and loose tools written off | - | 25 |
| | Trade debts written off | 289 | 345 |
| | Other receivables written off | 243 | - |
| | Credit balances written back | (7,285) | (5,394) |
| | Interest / profit on long term investments | (529) | (528) |
| | Finance cost | 54,101 | 140,424 |
| | Provision for workers' profit participation fund | - | 1,681 |
| | Provision for workers' welfare fund | - | 313 |
| | Working capital changes (Note 35.1) | 752,382 | 58,190 |
| | | 561,811 | 285,511 |
| **35.1** | **Working capital changes** | | |
| | Decrease / (increase) in current assets | | |
| | Stores, spare parts and loose tools | 10,824 | 11,624 |
| | Stock in trade | 254,999 | 176,451 |
| | Trade debts | 456,800 | (83,622) |
| | Loans and advances | (419) | 9,017 |
| | Short term deposits and prepayments | (1,873) | (274) |
| | Other receivables | 15,246 | (7,690) |
| | | 735,577 | 105,506 |
| | Decrease / (increase) in trade and other payables | 16,805 | (47,316) |
| | | 752,382 | 58,190 |

**36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the financial statements for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

| | Chief Executive Officer | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (RUPEES IN THOUSAND) | | | | | |
| **Managerial remuneration** | 1,200 | 1,200 | - | 1,360 | 5,645 | 5,905 |
| **Allowances** | | | | | | |
| House rent | 540 | 540 | - | 612 | 2,540 | 2,658 |
| Utilities | 60 | 60 | - | 68 | 282 | 37 |
| Others | - | - | - | | - | 188 |
| **Contribution to provident fund** | - | - | - | - | 466 | 479 |
| | 1,800 | 1,800 | - | 2,040 | 8,933 | 9,267 |
| **Number of persons** | 1 | 1 | - | 2 | 6 | 7 |

**36.1** Chief Executive Officer and some of the Directors of the Company are provided with free Company maintained

**36.2** Chief Executive Officer, Directors and some Executives are entitled to reimbursement of travelling expenses, electricity, gas and water bills.

**36.3** No meeting fee was paid to any director during the year (2014: Rupees Nil).

## 37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies / undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements is as follows:

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Associated companies / undertakings:** | | |
| Purchase of goods | 761 | 357,694 |
| Fuel and power purchased | 3,074 | 9,043 |
| Doubling, processing, packing, conversion and stitching charges | - | 232,252 |
| Expenses paid | - | 42,139 |
| Purchase of operating fixed assets | 1,125 | |
| Sale of goods | 60,096 | 1,296,670 |
| Doubling and conversion income | - | 8,043 |
| Sale of operating fixed assets | 1,487 | 1,540 |
| Expenses recovered | - | 25,412 |
| **Other related parties** | | |
| Loan obtained from directors | 126,500 | 35,000 |
| Loan repaid to director | 143,500 | - |
| Company's contribution to Employees' Provident Fund Trust | 3,600 | 7,092 |

## 38. NUMBER OF EMPLOYEES

| | 2015 | 2014 |
|---|---|---|
| | (NUMBER OF PERSONS) | |
| Number of employees as on 30 June | 649 | 1,060 |
| Average number of employees during the year | 715 | 1,186 |

## 39. PLANT CAPACITY AND ACTUAL PRODUCTION

| | | 2015 | 2014 |
|---|---|---|---|
| **Spinning** | | | |
| 100% plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2014: 1 095 shifts) | (Kgs.) | 4 858 000 | 4 858 000 |
| Actual production converted to 20s count based on 3 shifts per day for 1 095 shifts (2014: 1 095 shifts) | (Kgs.) | 4 924 123 | 5 088 691 |
| **Weaving** | | | |
| 100% plant capacity at 60 picks based on 3 shifts per day for 270 shifts (2014: 1095 shifts) | (Sq.Mtr.) | 10 392 623 | 41 570 493 |
| Actual production converted to 60 picks based on 3 shifts per day for 270 shifts (2014: 1095 shifts) | (Sq.Mtr.) | 1 099 443 | 24 137 238 |

## 39.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity of Weaving segment was due to management's plan to dispose of the major part of plant and machinery of this segment.

## 40. SEGMENT INFORMATION

| | Spinning | | Weaving * | | Elimination of Inter-segment transactions | | Total - Company | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (RUPEES IN THOUSAND) | | | | | | | |
| Sales | 1,358,792 | 1,856,372 | - | 2,694,052 | - | (400,376) | 1,358,792 | 4,150,048 |
| Cost of sales | (1,402,838) | (1,754,471) | - | (2,459,925) | - | 400,376 | (1,402,838) | (3,814,020) |
| Gross (loss) / profit | (44,046) | 101,901 | - | 234,127 | - | - | (44,046) | 336,028 |
| Distribution cost | (6,169) | (7,703) | - | (100,127) | - | - | (6,169) | (107,830) |
| Administrative expenses | (44,187) | (32,568) | - | (33,707) | - | - | (44,187) | (66,275) |
| Other expenses | (540) | (1,261) | - | (1,103) | - | - | (540) | (2,364) |
| | (50,896) | (41,532) | - | (134,937) | - | - | (50,896) | (176,469) |
| | (94,942) | 60,369 | - | 99,190 | - | - | (94,942) | 159,559 |
| Other income | 8,560 | 548 | - | 11,543 | - | - | 8,560 | 12,091 |
| Finance cost | (24,027) | (28,797) | - | (111,627) | - | - | (24,027) | (140,424) |
| (Loss) / profit before taxation | (110,409) | 32,120 | - | (894) | - | - | (110,409) | 31,226 |
| Taxation | | | | | | | 37,183 | (23,070) |
| (Loss) / profit after taxation | | | | | | | (73,226) | 8,156 |

### 40.1 Reconciliation of reportable segment assets and liabilities

| | Spinning | | Weaving | | Total - Company | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (RUPEES IN THOUSAND) | | | | | |
| **Total assets for reportable segments** | 1,067,998 | 1,055,263 | 356,765 | 1,183,662 | 1,424,763 | 2,238,925 |
| **Total liabilities for reportable segments** | 673,630 | 534,478 | 172,845 | 829,187 | 846,475 | 1,363,665 |
| **Unallocated liabilities:** | | | | | | |
| Deferred income tax liability | | | | | 17,986 | 64,844 |
| **Total liabilities as per balance sheet** | | | | | 864,461 | 1,428,509 |

* The Company has discontinued the operations of Weaving segment during the year. Analysis of results of discontinued operations has been given in Note 25 to these financial statements.

**40.2 Geographical Information**

The Company's revenue from external customers by geographical location is detailed below:

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| South America | - | 20,095 |
| North America | - | 5,193 |
| Asia | - | 23,432 |
| Europe | - | 1,144,798 |
| Africa | - | 165,557 |
| Pakistan | 1,358,792 | 2,790,973 |
| | 1,358,792 | 4,150,048 |

**40.3** All non-current assets of the Company as at reporting date are located and operating in Pakistan.

**40.4 Revenue from major customers**

Revenue from major customers of the Company represents Rupees Nil (2014: Rupees 604.322 million) related to Weaving segment and Rupees Nil (2014: Rupees 1,301.399 million) related to both segments.

**41. FINANCIAL RISK MANAGEMENT**

**41.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

**(a) Market risk**

**(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

| | 2015 | 2014 |
|---|---|---|
| Trade debts - USD | 1,003,274 | 2,030,521 |
| Trade debts - Euro | - | 1,942 |
| Trade and other payables - USD | - | 230,567 |
| Trade and other payables - Euro | - | 29,816 |
| Short term borrowings - USD | - | 200,162 |
| Net exposure - USD | 1,003,274 | 1,599,792 |
| Net exposure - Euro | - | (27,874) |

Following significant exchange rates were applied during the year:

| | 2015 | 2014 |
|---|---|---|
| **Rupees per US Dollar** | | |
| Average rate | 101.39 | 101.87 |
| Reporting date rate | 101.50 | 98.55 |
| **Rupees per Euro** | | |
| Average rate | - | 138.23 |
| Reporting date rate | - | 134.46 |

**Sensitivity analysis**

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on (loss) / profit after taxation for the year would have been Rupees 5.092 million (2014: Rupees 7.339 million higher / lower) and Rupees Nil (2014: Rupees 0.174 million) lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

**(iii) Interest rate risk**

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

The Company has no interest-bearing assets except for long term investments and bank balances in saving accounts. The Company's interest rate risk arises from long term financing, short term borrowings, long term investments and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| **Fixed rate instruments:** | | |
| **Financial assets** | | |
| Long term investments | 6,325 | 6,325 |
| **Floating rate instruments:** | | |
| **Financial assets** | | |
| Bank balances-saving accounts | 10 | 10 |
| **Financial liabilities** | | |
| Long term financing | 15,111 | 144,814 |
| Short term borrowings | 403,013 | 883,546 |

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

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, (loss) / profit after taxation for the year would have been Rupees 4.118 million higher / lower (2014: Rupees 9.574 million lower / higher), mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of financial instruments outstanding at balance sheet date were outstanding for the whole year.

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2015 | 2014 |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| Investments | 7,888 | 7,359 |
| Loans and advances | 223 | 125 |
| Deposits | 5,894 | 3,895 |
| Trade debts | 168,910 | 625,999 |
| Other receivables | 282 | 15,488 |
| Bank balances | 2,389 | 9,606 |
| | 185,586 | 662,472 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate.

| | Rating | | | 2015 | 2014 |
|---|---|---|---|---|---|
| | Short Term | Long term | Agency | (RUPEES IN THOUSAND) | |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | 145 | 388 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 113 | 113 |
| Askari Bank Limited | A-1+ | AA | JCR-VIS | 34 | 50 |
| Bank Alfalah Limited | A1+ | AA | PACRA | 44 | 1,581 |
| Faysal Bank Limited | A1+ | AA | PACRA | 84 | 52 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 743 | 106 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 43 | 5,607 |
| MCB Bank Limited | A1+ | AAA | PACRA | 499 | 1,219 |
| Soneri Bank Limited | A1+ | AA - | PACRA | 15 | 12 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 20 | 20 |
| Al-Baraka Bank (Pakistan) Limited | A1 | A | JCR-VIS | 552 | 53 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | 30 | 258 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 15 | 95 |
| The Bank of Punjab | A1+ | AA - | PACRA | 52 | 52 |
| | | | | 2,389 | 9,606 |

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.

Due to the Company's long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2015, the Company had Rupees 261.99 million (2014: Rupees 1,606.454 million) available borrowing limits from financial institutions and Rupees 2.765 million (2014: Rupees 9.991 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2015:

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | More than 2 years |
|---|---|---|---|---|---|---|
| | (RUPEES IN THOUSAND) | | | | | |
| **Non-derivative financial liabilities:** | | | | | | |
| Long term financing | 91,695 | 94,532 | 705 | 697 | 16,546 | 76,584 |
| Trade and other payables | 112,963 | 112,963 | 112,963 | - | - | - |
| Accrued mark-up | 8,005 | 8,005 | 8,005 | - | - | - |
| Short term borrowings | 605,713 | 622,326 | 622,326 | - | - | - |
| | 818,376 | 837,826 | 743,999 | 697 | 16,546 | 76,584 |

Contractual maturities of financial liabilities as at 30 June 2014:

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | More than 2 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities:** | | | | | | |
| Long term financing | 261,814 | 289,868 | 94,940 | 27,165 | 130,203 | 37,560 |
| Trade and other payables | 113,248 | 113,248 | 113,248 | - | - | - |
| Accrued mark-up | 25,875 | 25,875 | 25,875 | - | - | - |
| Short term borrowings | 900,675 | 1,040,040 | 1,040,040 | - | - | - |
| | 1,301,612 | 1,469,031 | 1,274,103 | 27,165 | 130,203 | 37,560 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 6 and Note 11 to these financial statements.

Carrying amount of long term financing as at 30 June 2015 includes overdue installments of principal amounting to Rupees Nil (2014: Rupees 17.535 million).

**41.2 Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

**41.3 Financial instruments by categories**

| | Held-to-maturity | Loans and receivables | Total | Held-to-maturity | Loans and receivables | Total |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| | (RUPEES IN THOUSAND) | | | | | |
| **Assets as per balance sheet** | | | | | | |
| Investments | 7,888 | - | 7,888 | 7,359 | - | 7,359 |
| Loans and advances | - | 223 | 223 | - | 248 | 248 |
| Deposits | - | 5,894 | 5,894 | - | 3,895 | 3,895 |
| Trade debts | - | 168,910 | 168,910 | - | 625,999 | 625,999 |
| Other receivables | - | 282 | 282 | - | 15,488 | 15,488 |
| Cash and bank balances | - | 2,765 | 2,765 | - | 9,991 | 9,991 |
| | 7,888 | 178,074 | 185,962 | 7,359 | 655,621 | 662,980 |

| | Financial liabilities at amortized cost | |
|---|---|---|
| | 2015 | 2014 |
| | (RUPEES IN THOUSAND) | |
| **Liabilities as per balance sheet** | | |
| Long term financing | 91,695 | 261,814 |
| Accrued mark-up | 8,005 | 25,875 |
| Short term borrowings | 605,713 | 900,675 |
| Trade and other payables | 112,963 | 113,248 |
| | 818,376 | 1,301,612 |

### 41.4 Offsetting financial assets and financial liabilities

As on balance sheet date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

### 41.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order 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 sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing (except subordinated loans) and short term borrowings obtained by the Company as referred to in Note 6 and Note 11 respectively. Equity represents 'total equity' as shown in the balance sheet and directors' loans which are subordinated to long term financing as referred in Note 6.2. Total capital employed includes 'equity' plus 'borrowings'. The Company's overall strategy remained unchanged from last year.

| | | 2015 | 2014 |
|---|---|---|---|
| Borrowings | Rupees in thousand | 636,908 | 1,101,989 |
| Total equity | Rupees in thousand | 387,053 | 633,334 |
| Total capital employed | Rupees in thousand | 1,023,961 | 1,735,323 |
| Gearing ratio | Percentage | 62.20 | 63.50 |

The decrease in the gearing ratio resulted primarily from significant decrease in borrowings of the Company.

## 42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 09, 2015 by the Board of Directors of the Company.

## 43. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant re-arrangements have been made except for grouping 'Income Tax Refundable' from 'Other Receivables' with 'Income Tax' in 'Loans and Advances'.

## 44. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

**KH. AIZAD AMER**
**Chief Executive Officer**

**KH. AANS AMER**
**Director**

## PATTERN OF SHAREHOLDINGS
## AS ON 30- 06-2015

| SERIAL | TYPE OF SHARE HOLDERS | | NUMBER OF SHARE HOLDERS | TOTAL SHARES HELD |
|---|---|---|---|---|
| 1 | 1 | 100 | 720 | 22171 |
| 2 | 101 | 500 | 263 | 62844 |
| 3 | 501 | 1000 | 65 | 59750 |
| 4 | 1001 | 5000 | 106 | 292208 |
| 5 | 5001 | 10000 | 26 | 203220 |
| 6 | 10001 | 20000 | 15 | 215608 |
| 7 | 20001 | 25000 | 4 | 94500 |
| 8 | 40001 | 45000 | 2 | 82087 |
| 9 | 70001 | 85000 | 1 | 82500 |
| 10 | 85001 | 115000 | 1 | 100000 |
| 11 | 310001 | 660000 | 5 | 2366276 |
| 12 | 770001 | 800000 | 1 | 777052 |
| 13 | 840001 | 940000 | 6 | 5301784 |
| | **TOTAL =====>>** | | **1,215** | **9,660,000** |

## Categories of Shareholding
### As at June 30,2015

| Categories of Shareholding | | Numbers | Shares held | Percentage (%) |
|---|---|---|---|---|
| Associated companies,Undertakings and Related Parties | | | | |
| **NIT and ICP** | | 7 | 503606 | 5.21 |
| Directors Chief Executive & thei spouse and adult Children | | | | |
| **Mr.Aized Amer** | (Chief Executive) Director | 2 | 960170 | 9.94 |
| **Mrs.Zareen Akhtar** | ( Director ) | 2 | 961170 | 9.95 |
| **Mrs.Nazima Amer** | ( Director ) | 2 | 961160 | 9.95 |
| **Kh.Amer Khursheed** | | 2 | 818552 | 8.47 |
| **Mr.Anns Amer** | ( Director ) | 1 | 870611 | 9.01 |
| **Mrs.Hajira Raza** | ( Director ) | 1 | 893550 | 9.25 |
| **Mr.Muhammad Raza** | ( Director ) | 1 | 1000 | 0.01 |
| **Mr.Abdul Rauf** | ( Director ) | 1 | 1000 | 0.01 |
| **Executives** | | | | |
| **Public Sector Companies and Corporations** | | | | |
| Banks,Development Finance Institutions, | | 1 | 200 | 0.00 |
| Non - Banking Finance Institutions, | | 2 | 10310 | 0.11 |
| Insurance Companies,Modaraba and Mutual Funds | | 1 | 100 | 0.00 |
| Joint Stock Companies | | 8 | 15933 | 0.16 |
| Individuals | | 1182 | 3661313 | 37.90 |
| Others | | 2 | 1325 | 0.01 |
| **Total** | | **1215** | **9660000** | **100.00** |

**ISHAQ TEXTILE MILLS LIMITED**
Room No. 404-405, 4th Floor, Business Centre,
Mumtaz Hassan Road, Karachi.

## PROXY FORM

I/We ______________________________________________________ of ________________________________________ being member(s) of ISHAQ TEXTILE MILLS LIMITED holding _________ ordinary shares as per Registered Folio No./CDC A/c No. (for members who have shares in CDS) ____________________ hereby appoint Mr./Mrs./Miss ____________________________________ of (full address) __________________________________________ or failing him/her Mr./Mrs./Miss ________________________________________ of (full address)________________________________________________ (being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 34th Annual General Meeting of the Company to be held on October 31, 2015 at 11:00 a.m. and/or any adjournment thereof.

As witness my/our hand seal this ______________ day of ______________ 2015

Signed by ______________________________________________ in the presence of ________________________________________________

Signatures on
Rs.5/-
Revenue Stamps

(Signature must agree with the specimen signatures registered with the Company)

**Notes:**

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company, 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi 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 a person 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. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his / her National Identity Card with him/her to prove his/her identity, and in case of proxy, must enclose an attested copy of his / her National Identity Card. Representatives of Corporate members should bring the usual documents required for such purpose.