

# ISHAQ

TEXTILE MILLS LIMITED

35th  
Annual Report  
2016





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## **VISION STATEMENT**

To be a customer oriented Company having wide and diversified customer base with a team of professionals working together to add value to all the stakeholders and contributing to society to help build a strong and progressive Pakistan.

## **MISSION STATEMENT**

The mission of Ishaq Textile Mills Limited is, recognition of its project as the most modern units, and to produce fine quality of product with the understanding of customer behavior. Build the Company on sound financial footings, increase earnings for handsome distribution of dividend to its shareholders, and to earn foreign exchange for the country.

## COMPANY INFORMATION

|                                      |   |                         |
|--------------------------------------|---|-------------------------|
| <b>Board of Directors</b>            | Mrs. Nazma Amer   | Chairperson             |
|                                      | Mr. Aized Amer  | Chief Executive Officer |
|                                      | Mrs. Zareen Akhtar  | Director                |
|                                      | Mr. Anns Amer   | Director                |
|                                      | Mrs. Hajra Raza   | Director                |
|                                      | Ms. Muhammad Raza   | Director                |
|                                      | Mr. Abdul Rauf  | Director                |
| <b>Audit Committee</b>               | Mr. Abdul Rauf  | Chairman                |
|                                      | Mrs. Hajra Raza   | Member                  |
|                                      | Mrs. Zareen Akhtar  | Member                  |
| <b>HR and Remuneration Committee</b> | Mrs. Zareen Akhtar  | Chairperson             |
|                                      | Mr. Abdul Rauf  | Member                  |
|                                      | Mr. Muhammad Raza   | Member                  |
| <b>Chief Financial Officer</b>       | Mr. Muhammad Saqib Ehsan  |                         |
| <b>Company Secretary</b>             | Mr. Tahir Shahzad   |                         |
| <b>Auditors</b>                      | Riaz Ahmad and Company<br>Chartered Accountants<br>560-F, Raja Road, Gulistan Colony,<br>Faisalabad   |                         |
| <b>Bankers</b>                       | Bank Al Habib Limited<br>Habib Metropolitan Bank Limited<br>Al-Baraka Bank (Pakistan) Limited<br>Faysal Bank Limited<br>Habib Bank Limited<br>National Bank of Pakistan |                         |
| <b>Share Registrar</b>               | Corplink (Private) Limited<br>Wings Arcade, I-K, Commercial, Model Town, Lahore   |                         |
| <b>Registered Office &amp; Mills</b> | 35 Kilometer, Sheikhpura Road,<br>Tehsil Jaranwala, Faisalabad  |                         |

### NOTICE OF MEETING

Notice is hereby given that the 35th Annual General Meeting of ISHAQ TEXTILE MILLS LIMITED will be held at its Registered Office situated at 35 K.M. Sheikhupura Road, Faisalabad on Monday, October 31, 2016 at 11:00 a.m. to transact the following business:

#### **ORDINARY BUSINESS:**

- 1.
2. To confirm the minutes of the last Extra Ordinary General Meeting held on April 23, 2016.
3. To receive, consider and adopt the audited financial statements for the year ended June 30, 2016 together with the Auditors' and Directors' Reports thereon.
4. To appoint the auditors and fix their remuneration for the next financial year. The retiring auditors Messrs Riaz Ahmad and Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.

#### **OTHER BUSINESS:**

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

By order of the Board



**Tahir Shahzad**  
(Company Secretary)

Dated: October 10, 2016  
Faisalabad

#### **NOTES:**

1. The share transfer books of the Company shall remain closed from October 24, 2016 to October 31, 2016 (both days inclusive). Transfers received in order at Registered Office of the Company or our Share Registrar, M/s Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on October 23, 2016 will be considered 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. Moreover, the members who have not yet submitted their Computerized National Identity Cards to the Company are requested to send at their earliest.
5. 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.
6. 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, 2016 are being placed on the Company's website: [www.ishaqtextile.com](http://www.ishaqtextile.com) for the information and review of shareholders.

## DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors of the Company are pleased to present their 35<sup>th</sup> Annual Report, comprising of Annual Financial Statements of the Company for the financial year ended June 30, 2016 along with Auditors' Report thereon and other required information prescribed under the Code of Corporate Governance. The comparative financial results of the Company are reproduced hereunder:

### FINANCIAL RESULTS:

|  | 2016                 | 2015        |
|--|----------------------|-------------|
|  | (RUPEES IN THOUSAND) |             |
|  |                      | Restated    |
| <b>CONTINUING OPERATIONS:</b>  |                      |             |
| SALES  | 1,466,267            | 1,358,792   |
| COST OF SALES  | (1,506,150)          | (1,402,838) |
| GROSS LOSS   | (39,883)             | (44,046)    |
| DISTRIBUTION COST  | (7,342)              | (6,169)     |
| ADMINISTRATIVE EXPENSES  | (54,796)             | (44,187)    |
| OTHER EXPENSES   | -                    | (540)       |
| OTHER INCOME   | 2,416                | 8,490       |
| FINANCE COST   | (41,573)             | (24,027)    |
| LOSS BEFORE TAXATION   | (141,178)            | (110,479)   |
| TAXATION   | 39,293               | 37,183      |
| LOSS AFTER TAXATION FROM CONTINUING OPERATIONS                                       | (101.885)            | (73.296)    |
| <b>DISCONTINUED OPERATION:</b>   |                      |             |
| PROFIT / (LOSS) AFTER TAXATION FROM DISCONTINUED OPERATION                           | 19,757               | (200,234)   |
| LOSS AFTER TAXATION  | (82,128)             | (273,530)   |
| LOSS PER SHARE - BASIC AND DILUTED FROM CONTINUING OPERATIONS (RUPEES)               | (10.55)              | (7.59)      |
| EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED FROM DISCONTINUED OPERATION (RUPEES) | 2.05                 | (20.73)     |

### REVIEW OF OPERATING RESULTS

During the year under review, sales proceeds were Rupees 1,466.267 million as compared to previous year's sales amounting to Rupees 1,358.792 million. The cost of sales was Rupees 1,506.150 million as compared to Rupees 1,402.838 million to previous year.

The current financial year has not been very good for textile industry as a whole. Erratic trends in the prices of raw material and disproportionate selling prices of yarn, adverse economic situation, load shedding of power and gas sector, imposing GIDC over gas billing, short production of cotton and uncertainty in the economic policies of the Government have resulted in loss to the Company.

Due to the above-mentioned factors the company faced loss after taxation of Rupees 101.885 million from continuing operations as compared to loss after taxation of Rupees 73.296 million of previous year.



Moreover the company earned profit after taxation amounting to Rupees 19.757 million as compared to previous year's loss after taxation of Rupees 200.234 million from discontinued operation.

## **FUTURE OUTLOOK**

Financial year 2015-16 was riddled with difficulties and challenges. This trend may also continue in next year. The management of the Company is anticipating that besides domestic problems demand for textile products in international market will also remain low in next financial year. The management does not expect any improvement in overall business scenario in the near future. Therefore, in view of above, the management feels that financial year 2016-2017 is expected to remain sluggish in terms of profitability. However, efforts will be continued towards improvement wherever possible. Despite these anticipated difficulties, we hope our performance in the coming year will improve.

## **DIVIDEND**

Since the Company has incurred gross loss, therefore, the directors have not recommended any dividend for the year.

## **OUTSTANDING STATUTORY PAYMENTS**

All outstanding payments are nominal and of routine nature.

## **PATTERN OF SHAREHOLDING**

Pattern of shareholding as on June 30, 2016 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.

## **AUDITORS**

The auditors Messrs Riaz Ahmad & Company, Chartered Accountants retired and being eligible for re-appointment. The Board of Directors has been suggested by the Audit Committee, the re-appointment of Messrs Riaz Ahmad & Company, Chartered Accountants, as auditors of your company for the next financial year.

## **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. The 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.

#### **BOARD OF DIRECTORS AND COMMITTEES CHANGES**

No change has been made in the Board of Directors during the year. However, the Board has re-constituted the Audit Committee and HR and Remuneration Committee as under:

##### **Audit Committee**

|                    |          |
|--------------------|----------|
| Mr. Abdul Rauf     | Chairman |
| Mrs. Hajra Raza    | Member   |
| Mrs. Zareen Akhtar | Member   |

##### **HR and Remuneration Committee**

|                    |             |
|--------------------|-------------|
| Mrs. Zareen Akhtar | Chairperson |
| Mr. Abdul Rauf     | Member      |
| Mr. Muhammad Raza  | Member      |

#### **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:

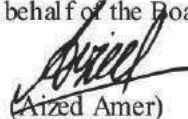
| <b>NAME OF DIRECTOR</b> | <b>MEETINGS ATTENDED</b> |
|-------------------------|--------------------------|
| Mr. Aized Amer          | 05                       |
| Mrs. Zareen Akhtar      | 04                       |
| Mrs. Nazma Amer         | 05                       |
| Mr. Anns Amer           | 05                       |
| Mrs. Hajra Raza         | 05                       |
| Mr. Muhammad Raza       | 04                       |
| Mr. Abdul Rauf          | 05                       |

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



(Aized Amer)

Chief Executive Officer

FAISALABAD.  
Dated: October 10, 2016

## **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) contained in Chapter 5.19 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing the framework of good governance, whereby a listed company is managed in compliance with the best practices

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 Directors**

Mr. Aized Amer

Mr. Anns Amer

### **Non-Executive Directors**

Mrs. Nazma Amer

Mrs. Zareen Akhtar

Mrs. Hajra Raza

### **Independent Directors**

Mr. Muhammad Raza

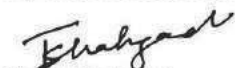
Mr. Abdul Rauf

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

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident 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 NBFIs or being a broker of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred in the Board during the year ended 30 June 2016.
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 and other non-executive directors, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairperson and, in his absence, by a Director elected by the Board for this purpose. The Board met at least once in each quarter during the year ended 30 June 2016. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has arranged the prescribed training program for one of its Director to carry out its orientation course, to acquaint him with the code, applicable laws, his duties and responsibilities to enable him to effectively manage the affairs of the Company.

10. The Board has approved terms of appointment and remuneration including terms and conditions of employment of Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit.
11. The Directors' Report for this year 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, who are non-executive directors including the chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of 3 members, who are non-executive directors including the Chairperson of the committee.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

By order of the Board



Tahir Shahzad  
Company Secretary

Date: October 10, 2016

**KEY OPERATING & FINANCIAL DATA  
FOR LAST SIX YEARS**

| <b><u>PARTICULARS</u></b>                   | <b><u>2016</u></b>             | <b><u>2015</u></b> | <b><u>2014</u></b> | <b><u>2013</u></b> | <b><u>2012</u></b> | <b><u>2011</u></b> |
|---|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | .....(Rupees in Thousand)..... |                    |                    |                    |                    |                    |
| <b><u>FINANCIAL POSITION</u></b>            |                                |                    |                    |                    |                    |                    |
| 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                        | 1,485,900                      | 1,393,255          | 1,833,702          | 1,805,257          | 1,511,009          | 1,490,470          |
| Accumulated depreciation                    | 602,354                        | 612,542            | 917,942            | 859,297            | 811,855            | 759,620            |
| Current assets                              | 579,574                        | 636,257            | 1,307,361          | 1,446,087          | 1,414,012          | 1,383,501          |
| Current liabilities                         | 737,370                        | 753,606            | 1,206,483          | 1,308,931          | 1,297,014          | 1,219,159          |
| <b><u>INCOME</u></b>                        |                                |                    |                    |                    |                    |                    |
| Sales                                       | 1,466,267                      | 1,358,792          | 4,150,048          | 3,731,271          | 3,748,190          | 4,210,345          |
| Other income                                | 2,416                          | 8,560              | 12,091             | 6,788              | 4,903              | 4,080              |
| Pre tax (loss) / profit                     | (141,178)                      | (110,479)          | 31,226             | 91,620             | 34,277             | 165,700            |
| Taxation                                    | 39,293                         | 37,183             | 23,070             | 19,557             | 23,630             | 46,240             |
| <b><u>STATISTICS AND RATIOS</u></b>         |                                |                    |                    |                    |                    |                    |
| Pre tax (loss) / profit to sales %          | (9.63)                         | (8.12)             | 0.75               | 2.45               | 0.91               | 3.94               |
| Pre tax (loss) / profit to capital %        | (146.15)                       | (114.29)           | 32.32              | 94.84              | 35.48              | 171.53             |
| Current ratio                               | 1:0.79                         | 1:0.84             | 1:0.92             | 1:0.91             | 1:0.92             | 1:0.88             |
| 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.) | (10.55)                        | (7.59)             | 0.84               | 7.46               | 1.10               | 12.37              |
| Cash dividend %                             | -                              | -                  | -                  | 10.00              | --                 | 5.00               |
| Break up value per share (Rs.)              | 28.24                          | 33.80              | 59.30              | 58.35              | 50.53              | 49.31              |

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH  
BEST PRACTICES OF 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 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, 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 personnel and reviews of various documents prepared by the Company to comply with the Code.

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

The 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 2016.

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

*Liaqat Ali Panwar & Co.*

Name of engagement partner:

Liaqat Ali Panwar

Date: October 10, 2016

**FAISALABAD**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ISHAQ TEXTILE MILLS LIMITED** ("the Company") as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984:
- (b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 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 10, 2016.**  
**FAISALABAD**



**BALANCE SHEET AS AT 30 JUNE 2016**

|  | NOTE | 2016<br>(RUPEES IN THOUSAND) | 2015<br>(RUPEES IN THOUSAND) | NOTE | 2016<br>(RUPEES IN THOUSAND) | 2015<br>(RUPEES IN THOUSAND) |
|--|------|------------------------------|------------------------------|------|------------------------------|------------------------------|
| <b>EQUITY AND LIABILITIES</b>  |      |                              |                              |      |                              |                              |
| <b>SHARE CAPITAL AND RESERVES</b>  |      |                              |                              |      |                              |                              |
| Authorized share capital   |      | 100,000                      | 100,000                      |      |                              |                              |
| 10 000 000 (2015: 10 000 000) ordinary shares of Rupees 10 each                      |      |                              |                              |      |                              |                              |
| Issued, subscribed and paid up share capital   | 3    | 96,600                       | 96,600                       |      | 886,546                      | 783,453                      |
| Reserves   | 4    | 176,241                      | 229,953                      |      | 7,149                        | 1,266                        |
| Total equity   |      | 272,841                      | 326,553                      |      | 3,851                        | 3,787                        |
| Surplus on revaluation of property, plant and equipment - net of deferred income tax | 5    | 273,904                      | 233,749                      |      | 897,546                      | 788,506                      |
| <b>LIABILITIES</b>   |      |                              |                              |      |                              |                              |
| <b>NON-CURRENT LIABILITIES</b>   |      |                              |                              |      |                              |                              |
| Long term financing  | 6    | 176,736                      | 91,695                       |      | 37,621                       | 36,572                       |
| Deferred income tax liability  | 7    | 8,262                        | 17,986                       |      | 282,710                      | 248,513                      |
| Staff retirement gratuity  | 8    | 8,007                        | 1,174                        |      | 89,749                       | 168,910                      |
|  |      | 193,005                      | 110,855                      |      | 49,571                       | 34,597                       |
| <b>CURRENT LIABILITIES</b>   |      |                              |                              |      |                              |                              |
| Trade and other payables   | 9    | 155,124                      | 128,661                      |      | 2,438                        | 2,525                        |
| Accrued mark-up  | 10   | 9,586                        | 8,005                        |      | 33,382                       | 31,459                       |
| Short term borrowings  | 11   | 570,752                      | 605,713                      |      | -                            | 6,622                        |
| Current portion of long term financing   | 6    | 1,552                        | -                            |      | 5,582                        | 2,765                        |
| Provision for taxation   |      | 356                          | -                            |      | 501,053                      | 533,963                      |
| TOTAL LIABILITIES  |      | 737,370                      | 753,606                      |      | 78,521                       | 102,294                      |
|  |      | 930,375                      | 864,461                      |      | 579,574                      | 636,257                      |
| <b>CONTINGENCIES AND COMMITMENTS</b>   |      |                              |                              |      |                              |                              |
| TOTAL EQUITY AND LIABILITIES   | 12   | 1,477,120                    | 1,424,763                    |      | 1,477,120                    | 1,424,763                    |

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 2016**

|   | NOTE | 2016<br>(RUPEES IN THOUSAND) | 2015<br>Restated   |
|---|------|------------------------------|--------------------|
| <b>CONTINUING OPERATIONS:</b>   |      |                              |                    |
| SALES   | 24   | 1,466,267                    | 1,358,792          |
| COST OF SALES   | 25   | <u>(1,506,150)</u>           | <u>(1,402,838)</u> |
| GROSS LOSS  |      | (39,883)                     | (44,046)           |
| DISTRIBUTION COST   | 26   | (7,342)                      | (6,169)            |
| ADMINISTRATIVE EXPENSES   | 27   | (54,796)                     | (44,187)           |
| OTHER EXPENSES  |      | -                            | (540)              |
| OTHER INCOME  | 28   | 2,416                        | 8,490              |
| FINANCE COST  | 29   | <u>(41,573)</u>              | <u>(24,027)</u>    |
| LOSS BEFORE TAXATION  |      | (141,178)                    | (110,479)          |
| TAXATION  | 30   | 39,293                       | 37,183             |
| LOSS AFTER TAXATION FROM<br>CONTINUING OPERATIONS                                       |      | <u>(101,885)</u>             | <u>(73,296)</u>    |
| <b>DISCONTINUED OPERATION:</b>  |      |                              |                    |
| PROFIT / (LOSS) AFTER TAXATION FROM<br>DISCONTINUED OPERATION                           | 23   | 19,757                       | (200,234)          |
| LOSS AFTER TAXATION   |      | <u>(82,128)</u>              | <u>(273,530)</u>   |
| <br>  |      |                              |                    |
| LOSS PER SHARE - BASIC AND DILUTED<br>FROM CONTINUING OPERATIONS (RUPEES)               | 31   | <u>(10.55)</u>               | <u>(7.59)</u>      |
| <br>  |      |                              |                    |
| EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED<br>FROM DISCONTINUED OPERATION (RUPEES) | 31   | <u>2.05</u>                  | <u>(20.73)</u>     |

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 2016**

|   | <b>2016</b>                 | <b>2015</b>      |
|---|-----------------------------|------------------|
|   | <b>(RUPEES IN THOUSAND)</b> |                  |
|   |                             | <b>Restated</b>  |
| LOSS AFTER TAXATION   | (82,128)                    | (273,530)        |
| OTHER COMPREHENSIVE INCOME  |                             |                  |
| Items that will not be reclassified subsequently to profit or loss: |                             |                  |
| Surplus on revaluation of property, plant and equipment (i)         | -                           | -                |
| Items that may be reclassified subsequently to profit or loss       | -                           | -                |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>                        | <b>(82,128)</b>             | <b>(273,530)</b> |

(i) Surplus on revaluation of property, plant and equipment is presented under separate head below equity in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

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 2016**

|   | NOTE | 2016<br>(RUPEES IN THOUSAND) | 2015      |
|---|------|------------------------------|-----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |      |                              |           |
| Cash generated from operations  | 31   | 16,595                       | 561,811   |
| Finance cost paid   |      | (29,590)                     | (71,840)  |
| Income tax paid   |      | (19,070)                     | (14,597)  |
| Staff retirement gratuity paid  |      | (378)                        | (2,633)   |
| Workers' profit participation fund paid                               |      | -                            | (1,812)   |
| Net decrease in long term loans                                       |      | -                            | 37        |
| Net increase in long term deposits and prepayments                    |      | (64)                         | (46)      |
| <b>NET CASH (USED IN) / GENERATED FROM<br/>OPERATING ACTIVITIES</b>   |      | (32,507)                     | 470,920   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |      |                              |           |
| Capital expenditure on property, plant and equipment                  |      | (75,995)                     | (66,245)  |
| Proceeds from sale of property, plant and equipment                   |      | 461                          | 21,014    |
| Proceeds from non-current assets held for sale                        |      | 47,041                       | 8,750     |
| Profit on long term investment received                               |      | 1,225                        | -         |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                          |      | (27,268)                     | (36,481)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |      |                              |           |
| Proceeds from long term financing                                     |      | 100,000                      | 126,500   |
| Repayment of long term financing                                      |      | (2,447)                      | (273,203) |
| Short term borrowings - net   |      | (34,961)                     | (294,962) |
| <b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>                 |      | 62,592                       | (441,665) |
| <b>NET INCREASE / (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>     |      | 2,817                        | (7,226)   |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>BEGINNING OF THE YEAR</b>     |      | 2,765                        | 9,991     |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>END OF THE YEAR (NOTE 22)</b> |      | 5,582                        | 2,765     |

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 2016**

| SHARE CAPITAL   | RESERVES         |                                      |           |                       |           | TOTAL     | TOTAL EQUITY |
|---|------------------|--------------------------------------|-----------|-----------------------|-----------|-----------|--------------|
|   | CAPITAL RESERVES |                                      |           | REVENUE RESERVE       | TOTAL     |           |              |
|   | Share premium    | Equity portion of shareholder's loan | Sub total | Unappropriated profit |           |           |              |
| ----- (RUPEES IN THOUSAND) -----  |                  |                                      |           |                       |           |           |              |
| <b>Balance as at 30 June 2014</b>   | 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        |
| Surplus transferred to unappropriated profit on account of disposal of property, plant and equipment - net of deferred income tax         | -                | -                                    | -         | -                     | 70        | 70        | 70           |
| Loss for the year - Restated  | -                | -                                    | -         | -                     | (273,530) | (273,530) | (273,530)    |
| Other comprehensive income for the year   | -                | -                                    | -         | -                     | -         | -         | -            |
| Total comprehensive loss for the year   | -                | -                                    | -         | -                     | (273,530) | (273,530) | (273,530)    |
| Equity portion of shareholder's loan  | -                | -                                    | 23,416    | 23,416                | -         | 23,416    | 23,416       |
| <b>Balance as at 30 June 2015</b>   | 96,600           | 17,250                               | 23,416    | 40,666                | 189,287   | 229,953   | 326,553      |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | -                | -                                    | -         | -                     | 7,054     | 7,054     | 7,054        |
| Loss for the year   | -                | -                                    | -         | -                     | (82,128)  | (82,128)  | (82,128)     |
| Other comprehensive income for the year   | -                | -                                    | -         | -                     | -         | -         | -            |
| Total comprehensive loss for the year   | -                | -                                    | -         | -                     | (82,128)  | (82,128)  | (82,128)     |
| Equity portion of shareholder's loan  | -                | -                                    | 21,362    | 21,362                | -         | 21,362    | 21,362       |
| <b>Balance as at 30 June 2016</b>   | 96,600           | 17,250                               | 44,778    | 62,028                | 114,213   | 176,241   | 272,841      |

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 2016**

**1. THE COMPANY AND ITS OPERATIONS**

Ishaq Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on Pakistan Stock Exchange Limited. Its registered office was situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi which has been transferred at mills premises located at 35 Kilometers Sheikhpura Road, Faisalabad with effect from 20 June 2016. 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:

**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.

## **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.

## **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**

Certain actuarial assumptions have been adopted as disclosed in Note 8 to the financial statements for determination of present value of staff retirement gratuity. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

## **Inventories**

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

### **d) Standard that is effective in current year and is relevant to the Company**

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015) is mandatory for the Company's accounting periods beginning on or after 01 July 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 does not have significant impact on these financial statements, except for certain additional disclosures.

### **e) Standards and amendments to published standards that are effective in current year but not 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.

### **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 2016 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 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). 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 aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in 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 which is based on revenue, generated by an activity by using 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.

On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012 – 2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 19 'Employee Benefits' and IAS 34 'Interim Financial Reporting', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2016. The amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.



**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 2016 but are considered not to be relevant to 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 recognized impairment loss. 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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to surplus on revaluation of operating fixed assets except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss account, in which case the increase is recognized in profit and loss account. A revaluation deficit is recognized in profit and loss account, except to the extent that it offsets an existing surplus on the same asset recognized in surplus on revaluation of operating fixed assets.

An annual transfer from surplus on revaluation of operating fixed assets to unappropriated profit is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

**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 13.1.1 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.

## Change in accounting estimate

Previously buildings on freehold land, plant and machinery, electric installations / appliances and generators of the Weaving segment of the Company were depreciated at the rate of 10 % per annum. Now the Company has changed the depreciation rate of these operating fixed assets to 5 % per annum as a result of annual review of useful lives of assets. This change in accounting estimate has been applied prospectively in accordance with IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors'. Had there been no change in this accounting estimate, the figures recognized in these financial statements would have been different as follows:

|  | <b>RUPEES IN<br/>THOUSAND</b> |
|--|-------------------------------|
| Net book value of property, plant and equipment would have been lower by | 5,836                         |
| Deferred income tax liability would have been lower by                   | 1,255                         |
| Stock in trade would have been higher by                                 | 506                           |
| Loss after taxation would have been higher by                            | 4,075                         |
| Loss per share would have been higher by                                 | 0.42                          |

## 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**

**a) Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

## b) **Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

## 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 valued at cost comprising 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 benefit**

The Company operates unfunded gratuity scheme for all its permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. 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 or loss currently. 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 had 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 as mentioned in Note 37. Therefore, there is just a single business segment of the Company i.e. Spinning.

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

| 2016<br>(NUMBER OF SHARES) | 2015             |   | 2016<br>(RUPEES IN THOUSAND) | 2015          |
|----------------------------|------------------|---|------------------------------|---------------|
| 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         |
| <u>9 660 000</u>           | <u>9 660 000</u> |   | <u>96,600</u>                | <u>96,600</u> |

## 4. RESERVES

Composition of reserves is as follows:

### Capital reserves

|  |        |        |
|--|--------|--------|
| Share premium (Note 4.1)                         | 17,250 | 17,250 |
| Equity portion of shareholder's loans (Note 4.2) | 44,778 | 23,416 |

### Revenue reserve

|                       |                |                |
|-----------------------|----------------|----------------|
| Unappropriated profit | 114,213        | 189,287        |
|                       | <u>176,241</u> | <u>229,953</u> |

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 Equity portion of shareholder's loans

|   |               |               |
|---|---------------|---------------|
| Opening balance   | 23,416        | -             |
| Gain on recognition of shareholder's loans at fair value (Note 4.2.1) | 21,362        | 23,416        |
| Closing balance   | <u>44,778</u> | <u>23,416</u> |

4.2.1 Fair value of shareholder's loans has been estimated at the present value of future cash flows discounted at effective interest rates ranging from 8.34% to 9.30% (2015: 9.30%) per annum.

|  | 2016<br>(RUPEES IN THOUSAND) | 2015           |
|--|------------------------------|----------------|
| <b>5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX</b>                                   |                              |                |
| Surplus on revaluation of property, plant and equipment as at 01 July  | 233,749                      | 237,582        |
| <b>Add:</b>  |                              |                |
| Net increase in surplus on revaluation of property, plant and equipment - net of deferred income tax                             | 47,209                       | -              |
|  | <u>280,958</u>               | <u>237,582</u> |
| <b>Less:</b>   |                              |                |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred income tax | (7,054)                      | (3,763)        |
| Adjustment of surplus on sale of plant and machinery - net of deferred income tax  | -                            | (70)           |
|  | <u>(7,054)</u>               | <u>(3,833)</u> |
|  | <u>273,904</u>               | <u>233,749</u> |

5.1 Freehold land, buildings thereon, plant and machinery, electric installations / appliances, generators and laboratory equipment of the Company were revalued by an independent valuer, Messrs Zafar Iqbal and Company on 30 June 2016 on the basis of prevailing market prices. Previously these assets related to Spinning segment were revalued by independent valuers on 30 September 2001, 01 July 2003, 10 April 2007 and 28 June 2013.

## 6. LONG TERM FINANCING

### Secured

|                               |        |        |
|-------------------------------|--------|--------|
| Habib Bank Limited (Note 6.1) | 12,664 | 15,111 |
|-------------------------------|--------|--------|

### Unsecured

|  |                |               |
|--|----------------|---------------|
| From sponsor director / shareholder (Note 6.2) | 165,624        | 76,584        |
|  | <u>178,288</u> | <u>91,695</u> |

|   |                |               |
|---|----------------|---------------|
| Less: Current portion shown under current liabilities | 1,552          | -             |
|   | <u>176,736</u> | <u>91,695</u> |

6.1 This fixed asset finance is repayable in eighteen equal quarterly installments commenced on 08 August 2013 and ending on 08 November 2017 and chargeable at 3 Month KIBOR + 2.25% per annum rate of interest. This fixed asset finance is secured against 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.

### 6.2 From sponsor director / shareholder

|   |                |                |
|---|----------------|----------------|
| Opening balance   | 76,584         | -              |
| Loan obtained during the year                                 | 100,000        | 100,000        |
|   | <u>176,584</u> | <u>100,000</u> |
| Add: Fair value adjustment (Note 29)                          | 10,402         | -              |
| Less: Gain on recognition of shareholder's loan at fair value | (21,362)       | (23,416)       |
| Closing balance   | <u>165,624</u> | <u>76,584</u>  |



6.2.1 These represent unsecured interest free loans obtained from sponsor director / shareholder of the Company. Loan obtained during the year is repayable in one bullet installment on 31 December 2018. While remaining loan is repayable in one bullet installment on 30 June 2018. An amount of Rupees 60.500 million (2015: Rupees 60.500 million) of these loans is subordinated to the bank borrowings.

|   | 2016                            | 2015                            |
|---|---------------------------------|---------------------------------|
|   | (RUPEES IN THOUSAND)            |                                 |
| <b>7. DEFERRED INCOME TAX LIABILITY</b>                               |                                 |                                 |
| This comprises the following:   |                                 |                                 |
| <b>Taxable temporary difference</b>                                   |                                 |                                 |
| Accelerated tax depreciation  | 155,295                         | 94,318                          |
| <b>Deductible temporary differences</b>                               |                                 |                                 |
| Staff retirement gratuity   | (1,937)                         | (235)                           |
| Accumulated tax losses  | (80,512)                        | (76,097)                        |
| Minimum tax   | (64,584)                        | -                               |
|   | (147,033)                       | (76,332)                        |
|   | <u>8,262</u>                    | <u>17,986</u>                   |
| <b>8. STAFF RETIREMENT GRATUITY</b>                                   |                                 |                                 |
| The amount included in the balance sheet is as follows:               |                                 |                                 |
| Present value of defined benefit obligation                           | <u>8,007</u>                    | <u>1,174</u>                    |
| <b>8.1 Movement in present value of defined benefit obligation</b>    |                                 |                                 |
| Balance as at 01 July   | 1,174                           | -                               |
| Provision for the year (Note 8.2)                                     | 7,211                           | 1,174                           |
| Retirement benefit paid   | (378)                           | -                               |
| Balance as at 30 June   | <u>8,007</u>                    | <u>1,174</u>                    |
| <b>8.2 Provision for the year</b>                                     |                                 |                                 |
| Current service cost  | 7,097                           | 1,174                           |
| Interest cost   | 114                             | -                               |
|   | <u>7,211</u>                    | <u>1,174</u>                    |
| <b>8.3 Principal actuarial assumptions used</b>                       | <b>2016</b>                     | <b>2015</b>                     |
| Discount rate for interest cost in profit and loss charge (per annum) | 10.50%                          | 10.50%                          |
| Discount rate for year end obligation (per annum)                     | 9.75%                           | 9.75%                           |
| Expected rate of increase in salaries (% per annum)                   | 8.75%                           | 8.75%                           |
| Average duration of the benefit                                       | 6                               | 6                               |
| Mortality rates   | SLIC 2001-05<br>set back 1 year | SLIC 2001-05<br>set back 1 year |
| Withdrawal rate   | Age based                       | Age based                       |
| Retirement assumption   | Age 60                          | Age 60                          |

#### 8.4 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation as at reporting date to changes in the weighted principal assumption is:

|   | 2016 | 2015  |
|---|------|-------|
| Discount rate                               | -    | 1.00% |
| Increase in assumption (Rupees in thousand) | -    | (68)  |
| Decrease in assumption (Rupees in thousand) | -    | 77    |
| Future salary increase                      | -    | 1.00% |
| Increase in assumption (Rupees in thousand) | -    | 77    |
| Decrease in assumption (Rupees in thousand) | -    | (69)  |

#### 8.6 Amounts for the current and previous four years:

|   | 2016                         | 2015  | 2014  | 2013   | 2012   |
|---|------------------------------|-------|-------|--------|--------|
|   | -----RUPEES IN THOUSAND----- |       |       |        |        |
| Present value of defined benefit obligation         | 8,007                        | 1,174 | 3,126 | 19,681 | 24,536 |
| Remeasurement arising on defined benefit obligation | -                            | -     | -     | -      | (352)  |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit plan to significant actuarial assumptions, the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

#### 9. TRADE AND OTHER PAYABLES

|                               | 2016<br>(RUPEES IN THOUSAND) | 2015           |
|-------------------------------|------------------------------|----------------|
| Creditors (Note 9.1)          | 109,521                      | 74,849         |
| Accrued liabilities           | 13,341                       | 37,366         |
| Advances from customers       | 31,053                       | 14,830         |
| Income tax deducted at source | 101                          | 37             |
| Sales tax deducted at source  | 360                          | 831            |
| Unclaimed dividend            | 748                          | 748            |
|                               | <u>155,124</u>               | <u>128,661</u> |

9.1 These include Rupees 6.825 million (2015: Rupees 4.300 million) due to associated undertakings.

#### 10. ACCRUED MARK-UP

|                       |              |              |
|-----------------------|--------------|--------------|
| Long term financing   | 314          | 116          |
| Short term borrowings | 9,272        | 7,889        |
|                       | <u>9,586</u> | <u>8,005</u> |

2016                      2015  
(RUPEES IN THOUSAND)

**11. SHORT TERM BORROWINGS**

**From banking companies - secured**

|                                       |         |         |
|---------------------------------------|---------|---------|
| Running and cash finances (Note 11.1) | 435,285 | 410,260 |
|---------------------------------------|---------|---------|

**Others - unsecured**

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| Other related parties (Note 11.2) | 135,467        | 195,453        |
|                                   | <u>570,752</u> | <u>605,713</u> |

**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 615 million (2015: Rupees 600 million). The rates of mark-up range from 6.15% to 10.48% (2015: 7.00% to 11.67%) per annum on the balance outstanding.

**11.2** These represent interest free loans obtained from directors of the Company which are repayable on demand.

**12. CONTINGENCIES AND COMMITMENTS**

**a) Contingencies**

i) The Company is contingently liable for Rupees 2.400 million (2015: Rupees 2.400 million) to Director Excise and Taxation on account of import duty.

ii) Guarantees of Rupees 36.841 million (2015: Rupees 36.841 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.

iii) Post dated cheques of Rupees 18 million (2015: Rupees Nil) are issued to Sitara Energy Limited as security for one month electricity bill. If bill is not paid on due date, cheques issued as security shall be encashable.

iv) The Company has filed an appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeals) for Rupees 1.914 million regarding certain additions in the declared income for tax year 2007. The related provision is not made in these financial statements in view of favourable outcome of the appeal.

v) A liability of Rupees 21.666 million was created by the Assistant Commissioner (Withholding Tax) for the tax year 2014. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) against this liability. The related provision is not made in these financial statements in view of favourable outcome of the appeal.

**b) Commitments**

i) Letters of credit for capital expenditure are of Rupees Nil (2015: Rupees 36.968 million).

ii) There was no letter of credit other than for capital expenditure (2015: Rupees Nil).

**13. PROPERTY, PLANT AND EQUIPMENT**

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Operating fixed assets (Note 13.1)   | 883,546        | 780,713        |
| Capital work-in-progress (Note 13.2) | 3,000          | 2,740          |
|                                      | <u>886,546</u> | <u>783,453</u> |

## OPERATING FIXED ASSETS

|   | Buildings on<br>freehold land |          | Plant and<br>machinery | Electric<br>installations /<br>appliances | Factory<br>equipment | Generators | Laboratory<br>equipment | Furniture,<br>fixtures | Office<br>equipment | Computers | Vehicles | Total     |
|---|-------------------------------|----------|------------------------|---|----------------------|------------|-------------------------|------------------------|---------------------|-----------|----------|-----------|
|   | Mills                         | Other    |                        |   |                      |            |                         |                        |                     |           |          |           |
| <b>At 30 June 2014</b>                          |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Cost / revalued amount                          | 178,300                       | 57,775   | 1,343,647              | 25,446                                    | 1,634                | 86,196     | 9,644                   | 2,835                  | 3,125               | 3,727     | 31,557   | 1,833,702 |
| Accumulated depreciation                        | (77,106)                      | (14,852) | (734,602)              | (10,908)                                  | (1,283)              | (49,818)   | (3,785)                 | (2,283)                | (2,414)             | (3,246)   | (17,615) | (817,942) |
| Net book value                                  | 101,194                       | 42,923   | 609,045                | 14,538                                    | 351                  | 36,378     | 5,859                   | 552                    | 711                 | 481       | 13,942   | 915,760   |
| <b>Year ended 30 June 2015</b>                  |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Opening net book value                          | 101,274                       | 43,093   | 609,045                | 14,538                                    | 351                  | 36,378     | 5,659                   | 552                    | 711                 | 481       | 13,742   | 915,760   |
| Additions                                       | 289                           | 6,200    | 40,268                 | 2,139                                     | -                    | 1,170      | -                       | 913                    | 238                 | 120       | 16,837   | 68,172    |
| Disposals:                                      |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Cost / revalued amount                          | -                             | -        | (19,117)               | -   | -                    | -          | -                       | -                      | -                   | -         | (11,802) | (30,918)  |
| Accumulated depreciation                        | -                             | -        | (17,072)               | -   | -                    | -          | -                       | -                      | -                   | -         | (2,626)  | (19,698)  |
| Classified as non-current assets held for sale: |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Cost  | -                             | -        | (477,700)              | -   | -                    | -          | -                       | -                      | -                   | -         | -        | (477,700) |
| Accumulated depreciation                        | -                             | -        | 343,722                | -   | -                    | -          | -                       | -                      | -                   | -         | -        | 343,722   |
| Depreciation charge                             | (5,876)                       | (2,374)  | (31,650)               | (1,004)                                   | (35)                 | (3,331)    | (293)                   | (127)                  | (87)                | (175)     | (4,591)  | (49,543)  |
| Closing net book value                          | 95,687                        | 46,919   | 466,613                | 15,673                                    | 316                  | 34,217     | 5,566                   | 1,338                  | 860                 | 426       | 23,362   | 780,713   |
| <b>At 30 June 2015</b>                          |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Cost / revalued amount                          | 178,669                       | 63,975   | 887,098                | 27,565                                    | 1,634                | 87,366     | 9,644                   | 3,748                  | 3,381               | 3,847     | 36,592   | 1,393,265 |
| Accumulated depreciation                        | (82,982)                      | (17,056) | (420,485)              | (11,912)                                  | (1,318)              | (53,149)   | (4,078)                 | (2,410)                | (2,501)             | (3,421)   | (13,230) | (612,542) |
| Net book value                                  | 95,687                        | 46,919   | 466,613                | 15,673                                    | 316                  | 34,217     | 5,566                   | 1,338                  | 860                 | 426       | 23,362   | 780,713   |
| <b>Year ended 30 June 2016</b>                  |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Opening net book value                          | 95,687                        | 46,919   | 466,613                | 15,673                                    | 316                  | 34,217     | 5,566                   | 1,338                  | 860                 | 426       | 23,362   | 780,713   |
| Additions                                       | 2,923                         | 605      | 67,394                 | 605                                       | -                    | -          | 925                     | 150                    | 7                   | -         | 3,741    | 75,736    |
| Effect of revaluation as at 30 June 2016:       |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Increase in revaluation                         | 76,853                        | 16,464   | -                      | 471                                       | -                    | 17,494     | 2,291                   | -                      | -                   | -         | -        | 124,586   |
| Decrease in revaluation:                        |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Revalued amount                                 | -                             | -        | (105,377)              | -   | -                    | -          | -                       | -                      | -                   | -         | -        | (105,377) |
| Accumulated depreciation                        | -                             | -        | 49,236                 | -   | -                    | -          | -                       | -                      | -                   | -         | -        | 49,236    |
| Disposals:                                      |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Cost  | -                             | -        | -                      | -   | -                    | -          | -                       | -                      | -                   | -         | (2,311)  | (2,311)   |
| Accumulated depreciation                        | -                             | -        | -                      | -   | -                    | -          | -                       | -                      | -                   | -         | (237)    | (237)     |
| Depreciation charge                             | (4,873)                       | (2,355)  | (25,483)               | (799)                                     | (32)                 | (1,711)    | (282)                   | (149)                  | (88)                | (130)     | (5,222)  | (41,122)  |
| Closing net book value                          | 170,590                       | 61,028   | 452,373                | 15,950                                    | 284                  | 50,000     | 8,500                   | 1,339                  | 774                 | 303       | 21,644   | 893,546   |
| <b>At 30 June 2016</b>                          |                               |          |                        |   |                      |            |                         |                        |                     |           |          |           |
| Cost / revalued amount                          | 258,446                       | 80,439   | 849,105                | 28,661                                    | 1,634                | 104,860    | 12,860                  | 3,898                  | 3,381               | 3,854     | 38,022   | 1,485,900 |
| Accumulated depreciation                        | (67,856)                      | (19,411) | (396,732)              | (12,711)                                  | (1,360)              | (64,860)   | (4,360)                 | (2,559)                | (2,581)             | (3,581)   | (16,378) | (602,354) |
| Net book value                                  | 170,590                       | 61,028   | 452,373                | 15,950                                    | 284                  | 50,000     | 8,500                   | 1,339                  | 774                 | 303       | 21,644   | 883,546   |
| <b>Annual rate of depreciation (%)</b>          | 5.10                          | 5.10     | 5.10                   | 5.10                                      | 10                   | 5.10       | 5                       | 10                     | 10                  | 30        | 20       |           |

**13.1.1 Depreciation charge for the year has been allocated as follows:**

|                                   | 2016                 | 2015          |
|-----------------------------------|----------------------|---------------|
|                                   | (RUPEES IN THOUSAND) |               |
| Cost of sales (Note 25)           | 35,535               | 28,146        |
| Administrative expenses (Note 27) | 5,587                | 4,637         |
| Discontinued operation (Note 23)  | -                    | 16,760        |
|                                   | <u>41,122</u>        | <u>49,543</u> |

**13.1.2** Uptill last year, the operating fixed assets of the Company were segregated between Spinning and Weaving segments. However from the current year, operating fixed assets of the Weaving segment has been merged into Spinning segment and a single fixed assets schedule has been disclosed.

**13.1.3 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 | Gain       | Mode of disposal | Particulars of purchasers |
|--|------|--------------|--------------------------|----------------|---------------|------------|------------------|---------------------------|
| ----- (RUPEES IN THOUSAND) -----   |      |              |                          |                |               |            |                  |                           |
| <b>Vehicles</b>  |      |              |                          |                |               |            |                  |                           |
| Mitsubishi Lancer FSF-6666   | 1    | 1,385        | 1,258                    | 127            | 140           | 13         | Negotiation      | Nadeem Ahmed, Faisalabad  |
| Toyota Corolla FSC-9815  | 1    | 855          | 790                      | 65             | 250           | 185        | Negotiation      | Ejaz Zafar, Faisalabad    |
|  |      | <u>2,240</u> | <u>2,048</u>             | <u>192</u>     | <u>390</u>    | <u>198</u> |                  |                           |
| <b>Other item of property, plant and equipment with book value not exceeding Rupees 50,000</b> |      |              |                          |                |               |            |                  |                           |
|  |      | 71           | 26                       | 45             | 71            | 26         |                  |                           |
|  |      | <u>2,311</u> | <u>2,074</u>             | <u>237</u>     | <u>461</u>    | <u>224</u> |                  |                           |

**13.2 Capital work-in-progress**

|  | 2016                 | 2015         |
|--|----------------------|--------------|
|  | (RUPEES IN THOUSAND) |              |
| Letter of credit against plant and machinery | -                    | 1,189        |
| Advance against vehicle                      | -                    | 1,551        |
| Advance to civil contractor                  | 3,000                | -            |
|  | <u>3,000</u>         | <u>2,740</u> |

- 13.3** Had there been no revaluation, cost, accumulated depreciation and book value of the revalued assets as at 30 June 2016 would have been as follows:

|                                     | <b>Cost</b>      | <b>Accumulated depreciation</b> | <b>Net book value</b> |
|-------------------------------------|------------------|---------------------------------|-----------------------|
| ----- (RUPEES IN THOUSAND) -----    |                  |                                 |                       |
| Freehold land                       | 2,515            | -                               | 2,515                 |
| Buildings on freehold land:         |                  |                                 |                       |
| Mills                               | 106,261          | 82,832                          | 23,429                |
| Other                               | 22,184           | 14,943                          | 7,241                 |
| Plant and machinery                 | 915,733          | 465,688                         | 450,045               |
| Electric installations / appliances | 21,672           | 12,292                          | 9,380                 |
| Generators                          | 81,212           | 52,378                          | 28,834                |
| Laboratory equipment                | 11,433           | 6,143                           | 5,290                 |
|                                     | <u>1,161,010</u> | <u>634,276</u>                  | <u>526,734</u>        |

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| (RUPEES IN THOUSAND)                             |              |              |
| <b>14. LONG TERM INVESTMENTS</b>                 |              |              |
| <b>Held-to-maturity</b>                          |              |              |
| Izafa certificates (Note 14.1)                   | 825          | 825          |
| Term deposit receipt (Note 14.2)                 | 5,500        | 5,500        |
|  | 6,325        | 6,325        |
| Interest / profit accrued (Note 14.3)            | 824          | 1,563        |
|  | 7,149        | 7,888        |
| Less: Current portion shown under current assets | -            | 6,622        |
|  | <u>7,149</u> | <u>1,266</u> |

**14.1** 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 (2015: 16.67) percent per annum. This investment is under lien against bank guarantee issued by the Bank to Sui Northern Gas Pipelines Limited.

**14.2** This represents deposit with National Bank of Pakistan having maturity period of 36 months. Rate of profit is 7.10 (2015: 7.10) percent per annum. This investment was matured during the year and immediately rolled over on 18 August 2015.

|   | 2016                 | 2015           |
|---|----------------------|----------------|
|   | (RUPEES IN THOUSAND) |                |
| <b>14.3 Interest / profit accrued</b>   |                      |                |
| Balance as on 01 July   | 1,563                | 1,034          |
| Interest / profit accrued during the year (Note 28)   | 486                  | 529            |
| Profit received during the year   | (1,225)              | -              |
| Balance as on 30 June   | <u>824</u>           | <u>1,563</u>   |
| <b>15. LONG TERM DEPOSITS AND PREPAYMENTS</b>   |                      |                |
| Long term deposits  | 3,721                | 3,721          |
| Long term prepayments   | 343                  | 304            |
|   | <u>4,064</u>         | <u>4,025</u>   |
| Less: Current portion shown under current assets (Note 20)  | 213                  | 238            |
|   | <u>3,851</u>         | <u>3,787</u>   |
| <b>16. STORES, SPARE PARTS AND LOOSE TOOLS</b>  |                      |                |
| Stores  | 11,214               | 11,027         |
| Spare parts (Note 16.1)   | 26,256               | 27,358         |
| Loose tools   | 151                  | 187            |
|   | <u>37,621</u>        | <u>38,572</u>  |
| <b>16.1</b> These include spare parts in transit of Rupees Nil (2015: Rupees 0.102 million).                              |                      |                |
| <b>17. STOCK IN TRADE</b>   |                      |                |
| Raw materials   | 158,504              | 175,948        |
| Work-in-process   | 1,645                | 8,245          |
| Finished goods  | 122,561              | 64,320         |
|   | <u>282,710</u>       | <u>248,513</u> |
| <b>17.1</b> Stock in trade of Rupees 0.399 million (2015: Rupees 0.882 million) is being carried at net realizable value. |                      |                |

**2016**                      **2015**  
**(RUPEES IN THOUSAND)**

**18. TRADE DEBTS**

**Considered good:**

Unsecured:

|   |        |         |
|---|--------|---------|
| - Related party - AN Clothing (Private) Limited (Note 18.1) | -      | 8,294   |
| - Others (Note 18.2)  | 89,749 | 160,616 |
|   | 89,749 | 168,910 |

**18.1** As at 30 June 2016, trade debts due from related party amounting to Rupees Nil (2015: Rupees 8.294 million) were past due but not impaired. The ageing analysis of these trade debts was as follows:

|              |   |       |
|--------------|---|-------|
| Upto 1 month | - | 8,294 |
|--------------|---|-------|

**18.2** As at 30 June 2016, trade debts due from other than related parties of Rupees 66.169 million (2015: Rupees 123.501 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:

|                    |        |         |
|--------------------|--------|---------|
| Upto 1 month       | 15,015 | 6,258   |
| 1 to 6 months      | 7,738  | 13,001  |
| More than 6 months | 43,416 | 104,242 |
|                    | 66,169 | 123,501 |

**19. LOANS AND ADVANCES**

**Considered good:**

|   |        |        |
|---|--------|--------|
| Employees - interest free                 | 188    | 201    |
| Advances to suppliers / service providers | 2,187  | 3,259  |
| Letters of credit                         | -      | 83     |
| Income tax                                | 47,196 | 31,032 |
| Other advances                            | -      | 22     |
|   | 49,571 | 34,597 |

**20. SHORT TERM DEPOSITS AND PREPAYMENTS**

|   |       |       |
|---|-------|-------|
| Deposits  | 2,173 | 2,173 |
| Prepayments   | 52    | 114   |
| Current portion of long term deposits and prepayments (Note 15) | 213   | 238   |
|   | 2,438 | 2,525 |

**21. OTHER RECEIVABLES**

**Considered good:**

|  |        |        |
|--|--------|--------|
| Export rebate and claims                     | 1,618  | 4,859  |
| Sales tax and special excise duty refundable | 31,484 | 26,318 |
| Miscellaneous                                | 280    | 282    |
|  | 33,382 | 31,459 |



**2016**                      **2015**  
**(RUPEES IN THOUSAND)**

**22. CASH AND BANK BALANCES**

**With banks:**

|                        |              |              |
|------------------------|--------------|--------------|
| On current accounts    | 2,124        | 2,379        |
| On PLS saving accounts | 10           | 10           |
|                        | 2,134        | 2,389        |
| <b>Cash in hand</b>    | <b>3,448</b> | <b>376</b>   |
|                        | <b>5,582</b> | <b>2,765</b> |

**23. 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:

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

|   |        |         |
|---|--------|---------|
| Property, plant and equipment - Weaving segment (Note 23.1.1) | 78,521 | 102,294 |
|---|--------|---------|

Certain items of property, plant and equipment related to Weaving segment 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. Some of the non-current assets held for sale were disposed of during the year against sale consideration of Rupees 47.041 million. The management is hopeful of completing the sale transactions of remaining assets during the next financial year.

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

|  |         |         |
|--|---------|---------|
| Plant and machinery                                    | 102,294 | 133,978 |
| Less: Book value of assets disposed of during the year | 23,773  | 31,684  |
|  | 78,521  | 102,294 |
|  | 78,521  | 102,294 |

**23.2 Analysis of results of discontinued operation**

|   |         |           |
|---|---------|-----------|
| SALES   | -       | 211,082   |
| COST OF SALES   | -       | (343,692) |
| GROSS LOSS  | -       | (132,610) |
| DISTRIBUTION COST   | -       | (2,313)   |
| ADMINISTRATIVE EXPENSES                                     | (1,797) | (13,050)  |
| OTHER EXPENSES  | (2,116) | (23,166)  |
| OTHER INCOME  | 24,026  | 2,682     |
| FINANCE COST  | -       | (30,074)  |
| PROFIT / (LOSS) BEFORE TAXATION FROM DISCONTINUED OPERATION | 20,113  | (198,531) |
| TAXATION  | (356)   | (1,703)   |
| PROFIT / (LOSS) AFTER TAXATION FROM DISCONTINUED OPERATION  | 19,757  | (200,234) |

**2016**                      **2015**  
**(RUPEES IN THOUSAND)**

**23.3 Analysis of the cash flows of discontinued operation**

|                      |               |            |
|----------------------|---------------|------------|
| Operating cash flows | (4,269)       | 571,508    |
| Investing cash flows | 47,041        | 8,399      |
| Financing cash flows | -             | (579,231)  |
|                      | <u>42,772</u> | <u>676</u> |

**24. SALES**

|                 |                  |                  |
|-----------------|------------------|------------------|
| Sales           | 1,492,593        | 1,367,801        |
| Waste           | 14,810           | 18,166           |
|                 | <u>1,507,403</u> | <u>1,385,967</u> |
| Less: Sales tax | 41,136           | 27,175           |
|                 | <u>1,466,267</u> | <u>1,358,792</u> |

**25. COST OF SALES**

|  |                  |                  |
|--|------------------|------------------|
| Raw materials consumed (Note 25.1)           | 1,147,987        | 994,514          |
| Cost of raw material sold                    | -                | 488              |
| Loading and unloading charges                | 4,315            | 3,355            |
| Salaries, wages and other benefits           | 131,463          | 106,804          |
| Staff retirement benefits                    | 4,857            | 3,051            |
| Stores, spare parts and loose tools consumed | 32,268           | 30,307           |
| Packing materials consumed                   | 26,778           | 20,013           |
| Repair and maintenance                       | 638              | 323              |
| Fuel and power                               | 167,379          | 149,802          |
| Insurance                                    | 2,441            | 2,305            |
| Other factory overheads                      | 1,166            | 481              |
| Depreciation (Note 13.1.1)                   | 35,535           | 28,146           |
|  | <u>1,554,827</u> | <u>1,339,589</u> |

Work-in-process

|               |              |            |
|---------------|--------------|------------|
| Opening stock | 8,245        | 9,014      |
| Closing stock | (1,645)      | (8,245)    |
|               | <u>6,600</u> | <u>769</u> |

|                            |           |           |
|----------------------------|-----------|-----------|
| Cost of goods manufactured | 1,561,427 | 1,340,358 |
|----------------------------|-----------|-----------|

Finished goods

|               |                 |               |
|---------------|-----------------|---------------|
| Opening stock | 64,320          | 126,800       |
| Closing stock | (122,561)       | (64,320)      |
|               | <u>(58,241)</u> | <u>62,480</u> |

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Cost of sales - purchased for resale | 2,964            | -                |
|                                      | <u>1,506,150</u> | <u>1,402,838</u> |

**25.1 Raw materials consumed**

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Opening stock                  | 175,948          | 111,618          |
| Add: Purchased during the year | 1,130,543        | 1,059,415        |
|                                | <u>1,306,491</u> | <u>1,171,033</u> |

Less:

|                         |                  |                |
|-------------------------|------------------|----------------|
| Cotton lost due to fire | -                | 571            |
| Closing stock           | 158,504          | 175,948        |
|                         | <u>158,504</u>   | <u>176,519</u> |
|                         | <u>1,147,987</u> | <u>994,514</u> |

**2016**                      **2015**  
**(RUPEES IN THOUSAND)**

**26. DISTRIBUTION COST**

|                              |       |       |
|------------------------------|-------|-------|
| Outward freight and handling | 256   | 264   |
| Commission to selling agents | 7,086 | 5,905 |
|                              | 7,342 | 6,169 |

**27. ADMINISTRATIVE EXPENSES**

|                                    |        |        |
|------------------------------------|--------|--------|
| Salaries and other benefits        | 20,512 | 16,788 |
| Directors' remuneration            | 2,754  | 1,800  |
| Staff retirement benefits          | 2,354  | 834    |
| Rent, rates and taxes              | 2,343  | 1,545  |
| Insurance                          | 1,213  | 900    |
| Travelling and conveyance          | 1,865  | 1,738  |
| Vehicles' running                  | 5,137  | 4,426  |
| Entertainment                      | 2,738  | 1,658  |
| Auditors' remuneration (Note 27.1) | 600    | 675    |
| Advertisement                      | 133    | 188    |
| Postage and telephone              | 1,807  | 1,262  |
| Utilities                          | 9      | 1,796  |
| Printing and stationery            | 334    | 318    |
| Repair and maintenance             | 407    | 1,191  |
| Fee and subscription               | 2,566  | 2,418  |
| Legal and professional             | 42     | 42     |
| Miscellaneous                      | 4,395  | 1,991  |
| Depreciation (Note 13.1.1)         | 5,587  | 4,637  |
|                                    | 54,796 | 44,187 |

**27.1 Auditors' remuneration:**

|  |     |     |
|--|-----|-----|
| Audit fee                                  | 500 | 600 |
| Half yearly review and other certification | 100 | 75  |
|  | 600 | 675 |

**2016**                      **2015**  
**(RUPEES IN THOUSAND)**  
**Restated**

**28. OTHER INCOME**

**Income from financial assets**

|  |     |     |
|--|-----|-----|
| Interest / profit on long term investments (Note 14.3) | 486 | 529 |
|--|-----|-----|

**Income from non-financial assets**

|   |       |       |
|---|-------|-------|
| Gain on sale of property, plant and equipment | 224   | 1,334 |
| Credit balances written back                  | 1,706 | 6,627 |
|   | 1,930 | 7,961 |
|   | 2,416 | 8,490 |

**28.1** During the financial year ended 30 June 2015, the Company included in the gain on sale of property, plant and equipment, the amount of realized surplus on revaluation of the assets sold. For compliance of the provisions of IAS 16 'Property, Plant and Equipment', this prior period error has been corrected retrospectively in these financial statements by transferring related surplus of assets sold to statement of changes in equity. Consequently, as at 30 June 2015, the gain on sale of property, plant and equipment has decreased by Rupees 0.070 million while its corresponding effect has been made in statement of changes in equity. Loss per share has increased by Rupee 0.01.

**2016**                      **2015**  
**(RUPEES IN THOUSAND)**

**29. FINANCE COST**

**Mark-up on:**

|   |               |               |
|---|---------------|---------------|
| Long term financing   | 1,292         | 6,339         |
| Short term borrowings   | 27,839        | 16,185        |
| Fair value adjustment of loans from sponsor director / shareholder (Note 6.2) | 10,402        | -             |
| Interest on workers' profit participation fund                                | -             | 81            |
| Bank charges and commission   | 2,040         | 1,422         |
|   | <b>41,573</b> | <b>24,027</b> |

**30. TAXATION**

Charge for the year:

|                       |                 |                 |
|-----------------------|-----------------|-----------------|
| Current (Note 30.1)   | -               | 9,524           |
| Prior year adjustment | (8,321)         | 133             |
| Deferred (Note 30.2)  | (30,972)        | (46,840)        |
|                       | <b>(39,293)</b> | <b>(37,183)</b> |

**30.1** The Company has not made provision for minimum tax under section 113 of the Income Tax Ordinance, 2001 as it has gross loss for the year before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001. The Company has accumulated tax losses of Rupees 259.716 million including unabsorbed depreciation as at 30 June 2016 (2015: Rupees 237.803 million). Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company.

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

|  |                 |                 |
|--|-----------------|-----------------|
| Accelerated tax depreciation   | 155,295         | 94,318          |
| Staff retirement gratuity  | (1,937)         | (235)           |
| Accumulated tax losses   | (80,512)        | (76,097)        |
| Minimum tax  | (64,584)        | -               |
|  | <b>8,262</b>    | <b>17,986</b>   |
| Opening balance as at 01 July  | (17,986)        | (64,844)        |
| Related to surplus on revaluation of property, plant and equipment                   | (21,248)        | -               |
| Adjustment of deferred income tax liability on sale of property, plant and equipment | -               | 18              |
|  | <b>(39,234)</b> | <b>(64,826)</b> |
|  | <b>(30,972)</b> | <b>(46,840)</b> |

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

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

**Continuing operations**

|  |                      |           |           |
|--|----------------------|-----------|-----------|
| Loss for the year after taxation           | (Rupees in thousand) | (101,885) | (73,296)  |
| Weighted average number of ordinary shares | (Numbers)            | 9 660 000 | 9 660 000 |
| Loss per share                             | (Rupees)             | (10.55)   | (7.59)    |

**Discontinued operation**

|   |                      |           |           |
|---|----------------------|-----------|-----------|
| Profit / (loss) for the year after taxation | (Rupees in thousand) | 19,757    | (200,234) |
| Weighted average number of ordinary shares  | (Numbers)            | 9 660 000 | 9 660 000 |
| Earnings / (loss) per share                 | (Rupees)             | 2.05      | (20.73)   |

**2016**      **2015**  
**(RUPEES IN THOUSAND)**

**32. CASH GENERATED FROM OPERATIONS**

|  |               |                |
|--|---------------|----------------|
| <b>Loss before taxation</b>  | (121,065)     | (309,010)      |
| <b>Adjustments for non-cash charges and other items:</b>                 |               |                |
| Depreciation   | 41,122        | 49,543         |
| Gain on sale of property, plant and equipment                            | (224)         | (1,334)        |
| (Gain) / loss on sale of non-current assets held for sale                | (23,268)      | 22,934         |
| Provision for staff retirement gratuity                                  | 7,211         | 1,174          |
| Transfer of staff retirement gratuity to Employees' Provident Fund Trust | -             | (697)          |
| Trade debts written off  | -             | 289            |
| Other receivables written off  | -             | 243            |
| Credit balances written back   | (1,706)       | (7,285)        |
| Interest / profit on long term investments                               | (486)         | (529)          |
| Finance cost   | 41,573        | 54,101         |
| Working capital changes (Note 32.1)                                      | 73,438        | 752,382        |
|  | <b>16,595</b> | <b>561,811</b> |

**32.1 Working capital changes**

|   |               |                |
|---|---------------|----------------|
| Decrease / (increase) in current assets |               |                |
| Stores, spare parts and loose tools     | 951           | 10,824         |
| Stock in trade                          | (34,197)      | 254,999        |
| Trade debts                             | 79,161        | 456,800        |
| Loans and advances                      | 1,190         | (419)          |
| Short term deposits and prepayments     | 87            | (1,873)        |
| Other receivables                       | (1,923)       | 15,246         |
|   | 45,269        | 735,577        |
| Decrease in trade and other payables    | 28,169        | 16,805         |
|   | <b>73,438</b> | <b>752,382</b> |

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

The aggregate amount charged in these 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   |              |
|---------------------------------------|----------------------------------|--------------|------------|----------|--------------|--------------|
|                                       | 2016                             | 2015         | 2016       | 2015     | 2016         | 2015         |
|                                       | ----- (RUPEES IN THOUSAND) ----- |              |            |          |              |              |
| <b>Managerial remuneration</b>        | 1,200                            | 1,200        | 636        | -        | 6,666        | 5,645        |
| <b>Allowances</b>                     |                                  |              |            |          |              |              |
| House rent                            | 540                              | 540          | 286        | -        | 3,000        | 2,540        |
| Utilities                             | 60                               | 60           | 32         | -        | 309          | 282          |
| <b>Contribution to provident fund</b> | -                                | -            | -          | -        | -            | 466          |
|                                       | <b>1,800</b>                     | <b>1,800</b> | <b>954</b> | <b>-</b> | <b>9,975</b> | <b>8,933</b> |
| <b>Number of persons</b>              | <b>1</b>                         | <b>1</b>     | <b>1</b>   | <b>-</b> | <b>7</b>     | <b>6</b>     |

**33.1** Chief Executive Officer and some of the Directors of the Company are provided with free Company maintained vehicles.

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

**33.3** No meeting fee was paid to any director during the year (2015: Rupees Nil). Moreover no remuneration was paid to non-executive directors of the Company.

#### 34. 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:

|   | 2016<br>(RUPEES IN THOUSAND) | 2015     |
|---|------------------------------|----------|
| <b>Associated companies / undertakings</b>                |                              |          |
| Purchase of goods   | 3,188                        | 3,835    |
| Purchase of operating fixed assets                        | -                            | 1,125    |
| Sale of goods   | 572                          | 60,096   |
| Sale of operating fixed assets                            | -                            | 1,487    |
| <b>Other related parties</b>                              |                              |          |
| Loan obtained from / (repaid to) directors - net          | 40,014                       | (17,000) |
| Company's contribution to Employees' Provident Fund Trust | -                            | 3,600    |

#### 35. NUMBER OF EMPLOYEES

|   | 2016<br>(NUMBER OF PERSONS) | 2015 |
|---|-----------------------------|------|
| Number of employees as on 30 June           | 733                         | 649  |
| Average number of employees during the year | 705                         | 715  |

#### 36. PLANT CAPACITY AND ACTUAL PRODUCTION

|   | 2016      | 2015       |
|---|-----------|------------|
| <b>Spinning</b>   |           |            |
| 100% plant capacity converted to 20s count based on 3 shifts per day for 1 098 shifts (2015: 1 098 shifts) (Kgs.) | 6 566 717 | 4 858 000  |
| Actual production converted to 20s count based on 3 shifts per day for 1 098 shifts (2015: 1 098 shifts) (Kgs.)   | 6 137 387 | 4 924 123  |
| <b>Weaving</b>  |           |            |
| 100% plant capacity at 60 picks based on 3 shifts per day for 270 shifts in 2015 (Sq.Mtr.)                        | -         | 10 392 623 |
| Actual production converted to 60 picks based on 3 shifts per day for 270 shifts in 2015 (Sq.Mtr.)                | -         | 1 099 443  |

#### 36.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity of Spinning segment is due to normal maintenance. Weaving segment did not operate in the current year as the management decided to dispose of the major part of its plant and machinery.

**37. SEGMENT INFORMATION**

**37.1 Reconciliation of reportable segment assets and liabilities:**

|  | Spinning                         |                  | Weaving * |                | Total - Company  |                  |
|--|----------------------------------|------------------|-----------|----------------|------------------|------------------|
|  | 2016                             | 2015             | 2016      | 2015           | 2016             | 2015             |
|  | ----- (RUPEES IN THOUSAND) ----- |                  |           |                |                  |                  |
| <b>Total assets for reportable segments</b>      | <u>1,398,599</u>                 | <u>1,067,998</u> | <u>-</u>  | <u>254,471</u> | <u>1,398,599</u> | <u>1,322,469</u> |
| <b>Unallocated assets:</b>                       |                                  |                  |           |                |                  |                  |
| Non-current assets held for sale                 |                                  |                  |           |                | 78,521           | 102,294          |
| <b>Total assets as per balance sheet</b>         |                                  |                  |           |                | <u>1,477,120</u> | <u>1,424,763</u> |
| <b>Total liabilities for reportable segments</b> | <u>922,113</u>                   | <u>673,630</u>   | <u>-</u>  | <u>172,845</u> | <u>922,113</u>   | <u>846,475</u>   |
| <b>Unallocated liabilities:</b>                  |                                  |                  |           |                |                  |                  |
| Deferred income tax liability                    |                                  |                  |           |                | 8,262            | 17,986           |
| <b>Total liabilities as per balance sheet</b>    |                                  |                  |           |                | <u>930,375</u>   | <u>864,461</u>   |

**37.1.1** Segments results are not given for the current year because the Company has discontinued the operation of Weaving segment during the year ended 30 June 2015. Analysis of results of discontinued operation has been given in Note 23 to these financial statements.

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

\* The Company has transferred its assets and liabilities related to Weaving segment which were not related to non-current assets held for sale to Spinning segment during the year.

## 38. FINANCIAL RISK MANAGEMENT

### 38.1 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 Company's 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). 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:

|                                | 2016    | 2015      |
|--------------------------------|---------|-----------|
| Trade debts - USD              | 269,440 | 1,003,284 |
| Trade and other payables - USD | 8,081   | 8,081     |
| Net exposure - USD             | 261,359 | 995,203   |

Following significant exchange rates were applied during the year:

##### Rupees per US Dollar

|                     |        |        |
|---------------------|--------|--------|
| Average rate        | 104.27 | 101.39 |
| Reporting date rate | 104.50 | 101.50 |

##### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 1.366 million (2015: Rupees 5.051 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.

##### (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'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:

|                                   | 2016                 | 2015    |
|-----------------------------------|----------------------|---------|
|                                   | (RUPEES IN THOUSAND) |         |
| <b>Fixed rate instruments:</b>    |                      |         |
| <b>Financial assets</b>           |                      |         |
| Long term investments             | 6,325                | 6,325   |
| <b>Floating rate instruments:</b> |                      |         |
| <b>Financial assets</b>           |                      |         |
| Bank balances-saving accounts     | 10                   | 10      |
| <b>Financial liabilities</b>      |                      |         |
| Long term financing               | 12,664               | 15,111  |
| Short term borrowings             | 435,285              | 410,260 |

#### 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 after taxation for the year would have been Rupees 4.479 million (2015: Rupees 4.254 million) higher / lower mainly as a result of higher / lower interest expense on floating rate financial instruments. 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:

|                    | 2016                 | 2015           |
|--------------------|----------------------|----------------|
|                    | (RUPEES IN THOUSAND) |                |
| Investments        | 7,149                | 7,888          |
| Loans and advances | 188                  | 223            |
| Deposits           | 5,894                | 3,721          |
| Trade debts        | 89,749               | 168,910        |
| Other receivables  | 280                  | 282            |
| Bank balances      | 2,134                | 2,389          |
|                    | <u>105,394</u>       | <u>183,413</u> |

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     |           |                             | 2016  | 2015  |
|--|------------|-----------|-----------------------------|-------|-------|
|  | Short Term | Long term | Agency (RUPEES IN THOUSAND) |       |       |
| <b>Banks</b>                               |            |           |                             |       |       |
| National Bank of Pakistan                  | A-1+       | AAA       | JCR-VIS                     | 5     | 145   |
| Allied Bank Limited                        | A1+        | AA+       | PACRA                       | 91    | 113   |
| Askari Bank Limited                        | A-1+       | AA        | JCR-VIS                     | 4     | 34    |
| Bank Alfalah Limited                       | A1+        | AA        | PACRA                       | 152   | 44    |
| Faysal Bank Limited                        | A1+        | AA        | PACRA                       | 34    | 84    |
| Habib Bank Limited                         | A-1+       | AAA       | JCR-VIS                     | 31    | 743   |
| Habib Metropolitan Bank Limited            | A1+        | AA+       | PACRA                       | 44    | 43    |
| MCB Bank Limited                           | A1+        | AAA       | PACRA                       | 159   | 499   |
| Soneri Bank Limited                        | A1+        | AA -      | PACRA                       | 14    | 15    |
| Standard Chartered Bank (Pakistan) Limited | A1+        | AAA       | PACRA                       | 20    | 20    |
| Al-Baraka Bank (Pakistan) Limited          | A-1        | A         | JCR-VIS                     | 693   | 552   |
| Bank Al-Habib Limited                      | A1+        | AA+       | PACRA                       | 7     | 30    |
| United Bank Limited                        | A-1+       | AAA       | JCR-VIS                     | 3     | 15    |
| The Bank of Punjab                         | A1+        | AA -      | PACRA                       | 1     | 52    |
| JS Bank Limited                            | A1+        | A+        | PACRA                       | 301   | -     |
| Meezan Bank Limited                        | A-1+       | AA        | JCR-VIS                     | 575   | -     |
|  |            |           |                             | 2,134 | 2,389 |

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 18.

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 2016, the Company had Rupees 179.715 million (2015: Rupees 189.740 million) available borrowing limits from financial institutions and Rupees 5.582 million (2015: Rupees 2.765 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:

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     |           |                             | 2016  | 2015  |
|--|------------|-----------|-----------------------------|-------|-------|
|  | Short Term | Long term | Agency (RUPEES IN THOUSAND) |       |       |
| <b>Banks</b>                               |            |           |                             |       |       |
| National Bank of Pakistan                  | A-1+       | AAA       | JCR-VIS                     | 5     | 145   |
| Allied Bank Limited                        | A1+        | AA+       | PACRA                       | 91    | 113   |
| Askari Bank Limited                        | A-1+       | AA        | JCR-VIS                     | 4     | 34    |
| Bank Alfalah Limited                       | A1+        | AA        | PACRA                       | 152   | 44    |
| Faysal Bank Limited                        | A1+        | AA        | PACRA                       | 34    | 84    |
| Habib Bank Limited                         | A-1+       | AAA       | JCR-VIS                     | 31    | 743   |
| Habib Metropolitan Bank Limited            | A1+        | AA+       | PACRA                       | 44    | 43    |
| MCB Bank Limited                           | A1+        | AAA       | PACRA                       | 159   | 499   |
| Soneri Bank Limited                        | A1+        | AA -      | PACRA                       | 14    | 15    |
| Standard Chartered Bank (Pakistan) Limited | A1+        | AAA       | PACRA                       | 20    | 20    |
| Al-Baraka Bank (Pakistan) Limited          | A-1        | A         | JCR-VIS                     | 693   | 552   |
| Bank Al-Habib Limited                      | A1+        | AA+       | PACRA                       | 7     | 30    |
| United Bank Limited                        | A-1+       | AAA       | JCR-VIS                     | 3     | 15    |
| The Bank of Punjab                         | A1+        | AA -      | PACRA                       | 1     | 52    |
| JS Bank Limited                            | A1+        | A+        | PACRA                       | 301   | -     |
| Meezan Bank Limited                        | A-1+       | AA        | JCR-VIS                     | 575   | -     |
|  |            |           |                             | 2,134 | 2,389 |

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 18.

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.

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Contractual maturities of financial liabilities as at 30 June 2016:

|  | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months  | 1-2 years      | More than 2 years |
|--|-----------------|------------------------|------------------|--------------|----------------|-------------------|
| (RUPEES IN THOUSAND)                         |                 |                        |                  |              |                |                   |
| <b>Non-derivative financial liabilities:</b> |                 |                        |                  |              |                |                   |
| Long term financing                          | 178,288         | 214,709                | 545              | 2,097        | 112,067        | 100,000           |
| Trade and other payables                     | 123,610         | 123,610                | 123,610          | -            | -              | -                 |
| Accrued mark-up                              | 9,586           | 9,586                  | 9,586            | -            | -              | -                 |
| Short term borrowings                        | 570,752         | 588,099                | 588,099          | -            | -              | -                 |
|  | <u>882,236</u>  | <u>936,004</u>         | <u>721,840</u>   | <u>2,097</u> | <u>112,067</u> | <u>100,000</u>    |

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)                         |                 |                        |                  |             |              |                   |
| <b>Non-derivative financial liabilities:</b> |                 |                        |                  |             |              |                   |
| Long term financing                          | 91,695          | 119,305                | 705              | 697         | 6,201        | 111,702           |
| 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          | -           | -            | -                 |
|  | <u>818,376</u>  | <u>862,599</u>         | <u>743,999</u>   | <u>697</u>  | <u>6,201</u> | <u>111,702</u>    |

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.

### 38.2 Financial instruments by categories

| Held-to-maturity     | Loans and receivables | Total | Held-to-maturity | Loans and receivables | Total |
|----------------------|-----------------------|-------|------------------|-----------------------|-------|
| 2016                 |                       |       | 2015             |                       |       |
| (RUPEES IN THOUSAND) |                       |       |                  |                       |       |

#### Financial assets as per balance sheet

|                        |              |                |                |              |                |                |
|------------------------|--------------|----------------|----------------|--------------|----------------|----------------|
| Investments            | 7,149        | -              | 7,149          | 7,888        | -              | 7,888          |
| Loans and advances     | -            | 188            | 188            | -            | 223            | 223            |
| Deposits               | -            | 5,894          | 5,894          | -            | 5,894          | 5,894          |
| Trade debts            | -            | 89,749         | 89,749         | -            | 168,910        | 168,910        |
| Other receivables      | -            | 280            | 280            | -            | 282            | 282            |
| Cash and bank balances | -            | 5,582          | 5,582          | -            | 2,765          | 2,765          |
|                        | <u>7,149</u> | <u>101,693</u> | <u>108,842</u> | <u>7,888</u> | <u>178,074</u> | <u>185,962</u> |

At amortized cost  
2016      2015  
(RUPEES IN THOUSAND)

#### Financial liabilities as per balance sheet

|                          |                |                |
|--------------------------|----------------|----------------|
| Long term financing      | 178,288        | 91,695         |
| Accrued mark-up          | 9,586          | 8,005          |
| Short term borrowings    | 570,752        | 605,713        |
| Trade and other payables | 123,610        | 112,963        |
|                          | <u>882,236</u> | <u>818,376</u> |

### 38.3 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.

### 38.4 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 loan) 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 loan from sponsor director / shareholder which is subordinated to long term financing as referred in Note 6.2. Total capital employed includes 'total equity' plus 'borrowings' as shown in the balance sheet.

|                        |                    | 2016             | 2015             |
|------------------------|--------------------|------------------|------------------|
| Borrowings             | Rupees in thousand | 688,540          | 636,908          |
| Total equity           | Rupees in thousand | 333,341          | 387,053          |
| Total capital employed | Rupees in thousand | <u>1,021,881</u> | <u>1,023,961</u> |
| Gearing ratio          | Percentage         | <u>67.38</u>     | <u>62.20</u>     |

The increase in the gearing ratio resulted primarily due to loss after taxation of the Company.

### 39. RECOGNIZED FAIR VALUE MEASUREMENTS

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. Due to the short-term nature, carrying amounts of most of the financial assets and financial liabilities are considered to be the same as their fair value.

### 40. RECOGNIZED FAIR VALUE MEASUREMENTS - NON FINANCIAL ASSETS

#### (i) Fair value hierarchy

The judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

| At 30 June 2016                     | Level 1 | Level 2        | Level 3 | Total          |
|-------------------------------------|---------|----------------|---------|----------------|
| -----RUPEES IN THOUSAND-----        |         |                |         |                |
| Freehold land                       | -       | 100,761        | -       | 100,761        |
| Buildings on free hold land         | -       | 231,618        | -       | 231,618        |
| Plant and machinery                 | -       | 452,373        | -       | 452,373        |
| Electric installations / appliances | -       | 15,950         | -       | 15,950         |
| Generators                          | -       | 50,000         | -       | 50,000         |
| Laboratory equipment                | -       | 8,500          | -       | 8,500          |
| Non-current assets held for sale    | -       | 78,521         | -       | 78,521         |
| <b>Total non-financial assets</b>   | -       | <u>937,723</u> | -       | <u>937,723</u> |
| At 30 June 2015                     | Level 1 | Level 2        | Level 3 | Total          |
| -----RUPEES IN THOUSAND-----        |         |                |         |                |
| Freehold land                       | -       | 88,165         | -       | 88,165         |
| Buildings on free hold land         | -       | 127,419        | -       | 127,419        |
| Plant and machinery                 | -       | 395,714        | -       | 395,714        |
| Electric installations / appliances | -       | 11,992         | -       | 11,992         |
| Generators                          | -       | 7,266          | -       | 7,266          |
| Laboratory equipment                | -       | 5,566          | -       | 5,566          |
| Non-current assets held for sale    | -       | 102,294        | -       | 102,294        |
| <b>Total non-financial assets</b>   | -       | <u>738,416</u> | -       | <u>738,416</u> |

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfer between level 1 and 2 for recurring fair value measurement during the year. Further, there was no transfer in and out of level 3.

The Company obtains independent valuation for its freehold land, buildings thereon, plant and machinery, electric installations / appliances, generators and laboratory equipment. At the end of each reporting period, the management updates the assessment of the fair value of freehold land, buildings thereon, plant and machinery, electric installations / appliances, generators and laboratory equipment taking into account the most recent independent valuation. The management determines the value of these assets within a range of reasonable fair value estimates. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery, electric installations / appliances, generators and laboratory equipment is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the replacement value / new purchase of the same assets. Plant and machinery classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The fair value of the plant and machinery was determined using the sales comparison approach.

#### Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land, building thereon, plant and machinery, electric installations / appliances, generators and laboratory equipment. As at 30 June 2016, the fair value of these assets has been determined by Messrs Zafar Iqbal and Company.

Changes in fair values are analyzed at the reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

#### 41. INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

41.1

| Description                                | Note  | 2016                        |                      | 2015                     |                      |
|--|---|-----------------------------|----------------------|--------------------------|----------------------|
|  |   | Carried under               |                      | Carried under            |                      |
|  |   | Non-Shariah arrangements    | Shariah arrangements | Non-Shariah arrangements | Shariah arrangements |
| ----- RUPEES IN THOUSAND -----             |   |                             |                      |                          |                      |
| <b>Assets</b>                              |   |                             |                      |                          |                      |
| <b>Loans and advances</b>                  |   |                             |                      |                          |                      |
| Loans to employees                         | 19  | -                           | 188                  | -                        | 201                  |
| Advances to suppliers / contractors        | 19  |                             | 2,187                |                          | 3,259                |
| <b>Deposits</b>                            |   |                             |                      |                          |                      |
| Deposits                                   | 15 and 20                                     | -                           | 5,894                | -                        | 5,894                |
| <b>Bank balances</b>                       | 22  | 10                          | 2,124                | 10                       | 2,379                |
| <b>Liabilities</b>                         |   |                             |                      |                          |                      |
| <b>Loan and advances</b>                   |   |                             |                      |                          |                      |
| Long term financing                        | 6   | 12,664                      | 165,624              | 15,111                   | 76,584               |
| Short term borrowings                      | 11  | 405,285                     | 165,467              | 380,260                  | 225,453              |
| <b>Income</b>                              |   |                             |                      |                          |                      |
| Interest / profit on long term investments | 28  | 486                         | -                    | 529                      | -                    |
|  |   | <b>2016</b>                 |                      | <b>2015</b>              |                      |
|  |   | <b>(RUPEES IN THOUSAND)</b> |                      |                          |                      |
| 41.2                                       | <b>Sources of other income</b>                | 28                          |                      |                          |                      |
|  | Gain on sale of property, plant and equipment |                             |                      | 224                      | 1,334                |
|  | Interest / profit on long term investments    |                             |                      | 486                      | 529                  |
|  | Credit balances written back                  |                             |                      | 1,706                    | 6,627                |
|  |   |                             |                      | <b>2,416</b>             | <b>8,490</b>         |

### 41.3 Relationship with banks

| Name                                       | Relationship                  |                                 |
|--|-------------------------------|---------------------------------|
|  | Non Islamic window operations | With Islamic windows operations |
| Standard Chartered Bank (Pakistan) Limited | ✓                             |                                 |
| Al-Baraka Bank (Pakistan) Limited          |                               | ✓                               |
| Meezan Bank Limited                        |                               | ✓                               |
| Habib Metropolitan Bank Limited            | ✓                             |                                 |
| MCB Bank Limited                           | ✓                             |                                 |
| Allied Bank Limited                        | ✓                             |                                 |
| United Bank Limited                        | ✓                             |                                 |
| Faysal Bank Limited                        | ✓                             |                                 |
| National Bank of Pakistan                  | ✓                             |                                 |
| Habib Bank Limited                         | ✓                             |                                 |
| Askari Bank Limited                        | ✓                             |                                 |
| Bank Alfalah Limited                       | ✓                             |                                 |
| Bank Al-Habib Limited                      | ✓                             |                                 |
| The Bank of Punjab                         | ✓                             |                                 |
| Soneri Bank Limited                        | ✓                             |                                 |
| JS Bank Limited                            | ✓                             |                                 |

### 42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 10, 2016 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.

### 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

**THE COMPANIES ORDINANCE 1984**  
**(Section 236(1) and 464)**  
**PATTERN OF SHAREHOLDING**

1. Incorporation Number 0009217
2. Name of the Company ISHAQ TEXTILE MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at 30-06-2016

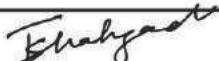
| 4. No. of Shareholders | -----Shareholding----- |         | Total Shares Held |
|------------------------|------------------------|---------|-------------------|
|                        | From                   | To      |                   |
| 781                    | 1                      | 100     | 23,710            |
| 262                    | 101                    | 500     | 62,464            |
| 52                     | 501                    | 1,000   | 47,150            |
| 82                     | 1,001                  | 5,000   | 214,947           |
| 17                     | 5,001                  | 10,000  | 139,422           |
| 7                      | 10,001                 | 15,000  | 87,408            |
| 5                      | 15,001                 | 20,000  | 84,109            |
| 3                      | 20,001                 | 25,000  | 70,500            |
| 1                      | 40,001                 | 45,000  | 40,587            |
| 2                      | 45,001                 | 50,000  | 96,500            |
| 2                      | 55,001                 | 60,000  | 115,000           |
| 1                      | 75,001                 | 80,000  | 79,000            |
| 1                      | 80,001                 | 85,000  | 82,500            |
| 1                      | 95,001                 | 100,000 | 100,000           |
| 1                      | 430,001                | 435,000 | 431,946           |
| 1                      | 550,001                | 555,000 | 554,768           |
| 1                      | 605,001                | 610,000 | 608,456           |
| 1                      | 740,001                | 745,000 | 742,697           |
| 1                      | 775,001                | 780,000 | 777,052           |
| 1                      | 860,001                | 865,000 | 860,170           |
| 1                      | 870,001                | 875,000 | 870,611           |
| 4                      | 890,001                | 895,000 | 3,571,003         |
| <b>1,228</b>           |                        |         | <b>9,660,000</b>  |

| 5. Categories of shareholders   | Share held | Percentage |
|---|------------|------------|
| 5.1 Directors, Chief Executive Officers, and their spouse and minor children      | 5,504,713  | 56.9846    |
| 5.2 Associated Companies, undertakings and related parties. (Parent Company)      | 0          | 0.0000     |
| 5.3 NIT and ICP   | 17,649     | 0.1827     |
| 5.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 310        | 0.0032     |
| 5.5 Insurance Companies   | 0          | 0.0000     |
| 5.6 Modarabas and Mutual Funds  | 438,546    | 4.5398     |



|                                       |           |         |
|---------------------------------------|-----------|---------|
| 5.7 Share holders holding 10% or more | 1,297,465 | 13.4313 |
| 5.8 General Public                    |           |         |
| a. Local                              | 3,620,841 | 37.4828 |
| b. Foreign                            | 172       | 0.0018  |
| 5.9 Others (to be specified)          |           |         |
| 1- Joint Stock Companies              | 24,233    | 0.2509  |
| 2- Investment Companies               | 200       | 0.0021  |
| 3- Pension Funds                      | 40,587    | 0.4202  |
| 4- Others                             | 12,749    | 0.1320  |

6. Signature of Chief Executive/Secretary



7. Name of Signatory

Tahir Shahzad

8. Designation

Company Secretary

9. NIC Number

33100-6689054-9

10 Date

|    |    |      |
|----|----|------|
| 30 | 06 | 2016 |
|----|----|------|

**Catagories of Shareholding required under Code of Corporate Governance (CCG)  
As on June 30, 2016**

| Sr. No. | Name | No. of Shares Held | Percentage |
|---------|------|--------------------|------------|
|---------|------|--------------------|------------|

**Associated Companies, Undertakings and Related Parties (Name Wise Detail):** - 0.0000

**Mutual Funds (Name Wise Detail)**

|   |  |         |        |
|---|--|---------|--------|
| 1 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC) | 431,946 | 4.4715 |
| 2 | GOLDEN ARROW SELECTED STOCKS FUND LIMITED (CDC)      | 6,500   | 0.0673 |

**Directors and their Spouse and Minor Children (Name Wise Detail):**

|   |                       |           |         |
|---|-----------------------|-----------|---------|
| 1 | MRS. ZAREEN AKHTAR    | 624,865   | 6.4686  |
| 2 | MR. AIZED AMER        | 960,170   | 9.9396  |
| 3 | MRS. NAZMA AMER       | 1,297,465 | 13.4313 |
| 4 | MRS. HAJRA RAZA       | 893,550   | 9.2500  |
| 5 | MR. ANNS AMER         | 870,611   | 9.0125  |
| 6 | KHAWAJA AMER KHURSHID | 856,052   | 8.8618  |
| 7 | MR. MUHAMMAD RAZA     | 1,000     | 0.0104  |
| 8 | MR. ABDUL RAUF        | 1,000     | 0.0104  |

**Executives:** - 0.0000

**Public Sector Companies & Corporations:** - 0.0000

**Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:** 40,997 0.4244

**Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)**

| S. No. | Name                    | Holding   | % AGE   |
|--------|-------------------------|-----------|---------|
| 1      | MRS. NAZMA AMER         | 1,297,465 | 13.4313 |
| 2      | MR. AIZED AMER          | 960,170   | 9.9396  |
| 3      | MR. MOEEZ AHMED         | 893,550   | 9.2500  |
| 4      | MRS. HAJRA RAZA         | 893,550   | 9.2500  |
| 5      | MR. MUSTAQEEM ALI       | 892,550   | 9.2396  |
| 6      | MR. SAIF UR REHMAN KHAN | 891,353   | 9.2273  |
| 7      | MR. ANNS AMER           | 870,611   | 9.0125  |
| 8      | KHAWAJA AMER KHURSHID   | 856,052   | 8.8618  |
| 9      | MRS. ZAREEN AKHTAR      | 624,865   | 6.4686  |

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:**

| S. No. | Name                  | Sale    | Purchase |
|--------|-----------------------|---------|----------|
| 1      | MRS. ZAREEN AKHTAR    | 336,305 | -        |
| 2      | MRS. NAZMA AMER       | -       | 336,305  |
| 3      | KHAWAJA AMER KHURSHID | 37,500  | -        |

**ISHAQ TEXTILE MILLS LIMITED  
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 35<sup>th</sup> Annual General Meeting of the Company to be held on October 31, 2016 at 11:00 a.m. and/or any adjournment thereof.

As witness my/our hand seal this \_\_\_\_\_ day of \_\_\_\_\_ 2016  
Signed by \_\_\_\_\_ in the presence of \_\_\_\_\_

|   |
|---|
| Signatures on<br>Rs.5/-<br>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 or its Share Registrar M/S Corplink (Pvt.) Limited, Wings Arcade, 01-K Commercial, Model Town, Lahore 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.

