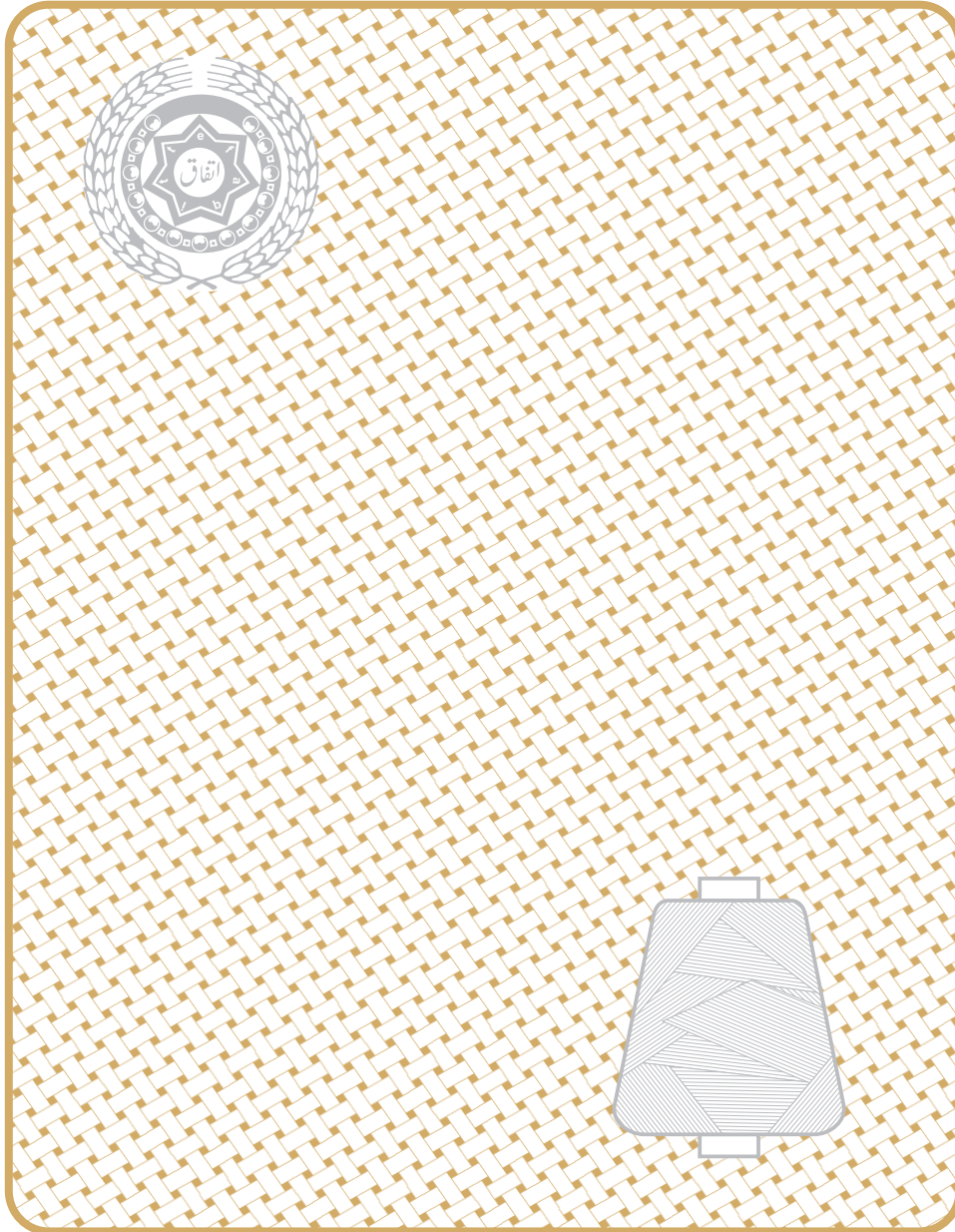


29th Annual Report 2016



Khalid Siraj Textile Mills Ltd.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

KHALID SIRAJ TEXTILE MILLS LIMITED

29TH ANNUAL REPORT 2016

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COMPANY INFORMATION

CHIEF EXECUTIVE OFFICER	-	MIAN TAYYAB IQBAL
DIRECTORS	-	MIAN TAHIR IQBAL
	-	KHAWAJA HAMZA RIAZ
	-	KHAWAJA PERVAIZ ASLAM
	-	MR. AMIR JAHANGIR
	-	MRS. RUKHSANA ARIF
	-	MR. MUHAMMAD ASIF (NIT NOMINEE)
AUDIT COMMITTEE		
- CHAIRMAN	-	MRS. RUKHSANA ARIF
- MEMBERS	-	KHAWAJA HAMZA RIAZ
	-	MR. AMIR JAHANGIR
HR COMMITTEE		
- CHAIRMAN	-	MIAN TAHIR IQBAL
- MEMBERS	-	KHAWAJA HAMZA RIAZ
	-	MR. AMIR JAHANGIR
COMPANY SECRETARY	-	HAJI TARIQ SAMAD
BANKERS	-	NATIONAL BANK OF PAKISTAN
	-	HABIB BANK LIMITED
	-	FAYSAL BANK LIMITED
	-	DUBAI ISLAMIC BANK PAKISTAN LIMITED
	-	HABIB METROPOLITAN BANK LIMITED
AUDITORS	-	KAMRAN & CO. CHARTERED ACCOUNTANTS A/2, INGOLA APPARTMENTS, 24-JAIL ROAD, LAHORE
INTERNAL AUDITOR	-	MR. MUHAMMAD NAEEM WAZIR
LEGAL ADVISOR	-	MR. MAJID ALI RANA (ADVOCATE)
SHARE REGISTRAR	-	M/S. CORPLINK (PVT) LIMITED WINGS ARCADE, 1-K, COMMERCIAL, MODEL TOWN, LAHORE PH: 042-35916714, FAX: 042-35869037
REGISTERED OFFICE	-	135 - UPPER MALL, LAHORE.
WEBSITE ADDRESS	-	www.kstml.com
MILLS	-	48 - KM, LAHORE - MULTAN ROAD, PHOOL NAGAR (BHAI PHERU), TEHSIL PATTOKI, DISTT. KASUR.

V i s i o n

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by manufacturing and marketing high quality of yarn through team work by means of honesty, integrity and commitment.

M i s s i o n

To provide maximum satisfaction to customers by supplying fine quality yarn for knitting and Weaving for well known textile Brands through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees and sharing profits with our shareholders. We do have social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the shareholders of Khalid Siraj Textile Mills Limited will be held on Monday, October 31, 2016 at 10:00 a.m. at the registered office of the company i.e. 135-Upper Mall, Lahore, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra Ordinary General Meeting of the shareholders held on March 22, 2016.
2. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2016.
3. To appoint Auditors for the year ending June 30, 2017 and fix their remuneration. The retiring Auditors are eligible for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board
Khalid Siraj Textile Mills Limited

Lahore
Dated: October 10, 2016

Haji Tariq Samad
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 25, 2016 to October 31, 2016 (both days inclusive)
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy must be received at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. An individual beneficial owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport in original to prove his/her identity and in case of a proxy, must enclose an attested copy of his/her CNIC or Passport along with CDC A/C No. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to promptly notify the change in their addresses, if any, to the Company Registrar i.e. M/S Corplink (Pvt) Ltd., Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35916714, Fax: 042-35869037.

DIRECTORS' REPORT TO THE SHAREHOLDERS

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

DEAR SHAREHOLDERS:

The Directors of your Company welcome you at the 29th Annual General Meeting and are pleased to present the Audited Accounts and Auditors Report thereon for the year ended June 30, 2016.

The company incurred a net loss of Rs. 49.946, continuance losses are due to the crisis facing by textile sector Pakistan, the whole industry is in recession and enduring financial and industrial losses, the management is taking steps to recommence operations and the Company is in negotiations with financial institutions / sponsors of the Company for borrowing of funds to manage working capital requirements. The Company managed its liquidity constraints largely thru financing from its sponsors. The management is of the view that its efforts will be materialized and the company's operations will revive in future.

APPROPRIATIONS

	2016	2015
	Rupees	
Loss before taxation	(43,294,510)	(59,102,704)
Taxation	(6,652,465)	5,036,568
Loss after taxation	(49,946,975)	(54,066,136)
Other comprehensive income for the year		
Incremental depreciation of surplus on revaluation of property, plant and equipment realized for the year (net of tax)	11,330,461	12,380,466
Other comprehensive income for the year (net of tax)	11,330,461	12,380,466
Total comprehensive loss for the year	(38,616,514)	(41,685,670)
Loss per share (basic and anti-dilutive)	(4.67)	(5.05)

CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Board of Directors state that:

- a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts have been maintained by the company;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements based on reasonable and prudent judgement;
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There is no significant doubt the company's ability to continue as a going concern;
- g) The main reason for non declaration of dividend is after tax loss of Rs. 49.947 million;
- h) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

PATTERN OF SHAREHOLDINGS

A statement reflecting the pattern of shareholdings is attached to the Annual Report on page 10-11.

KEY OPERATING AND FINANCIAL DATA

A statement summarizing the key operating and financial data of last seven years along with current year is attached to the Annual Report on page 12.

STATUTORY PAYMENTS

As on the closing date, no government taxes, duties, levies and charges were outstanding/overdue except the routine payments of various levies.

TRADE IN THE SHARES OF THE COMPANY

There was no trading in the shares of the Company by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children during the year under review.

BOARD MEETINGS

During the period under consideration, six (6) meetings were held and the attendance by the respective Directors was as follows:

DIRECTORS	NUMBER OF MEETINGS ATTENDED
------------------	------------------------------------

Mian Tayyab Iqbal	6
Mian Tahir Iqbal	6
Mrs. Rabia Fahad	3
Mrs. Tayyaba Waseem	3
Mrs. Rukhsana Arif	6
Khawaja Hamza Riaz	6
Khawaja Pervaiz Aslam	2
Mr. Amir Jahangir	2
Mr. Muhammad Asif (NIT Nominee)	5

Leave of absence was granted by the board to the non attending directors.

FUTURE PROSPECTS

The Management of the company is taking steps to restart the operation of the mills. For this purpose, the directors of the company are making strong efforts to arrange funds in the near future.

AUDITORS

The Auditors M/s.Kamran & Co., Chartered Accountants, are retiring at the conclusion of the Annual General Meeting, scheduled to be held on 31-10-2016. The retiring auditors have offered their services for re-appointment.

MANAGEMENT / EMPLOYEES RELATIONS

The labour management relations remained cordial throughout the year. The Directors take the opportunity to express their appreciation of the spirit of understanding and good will reciprocated by the workers of the company. We trust that this spirit of harmony and mutual understanding will prevail in the times to come, Insha Allah.

Your Directors also place on record their appreciation for the loyalty and devotion to duty of the officers and members of the staff of the company.

APPRECIATION

The Directors place on record their appreciation for the support and co-operation extended by its bankers and other financial institutions to the company.

For and on behalf of the Board of Directors

Lahore: October 06, 2016.

MIAN TAYYAB IQBAL
CHAIRMAN/CHIEF EXECUTIVE OFFICER

Statement of Compliance with the Code of Corporate Governance
KHALID SIRAJ TEXTILE MILLS LIMITED
For the year ended 30 June 2016

This statement is being presented to comply with Code of Corporate Governance (the Code) contained in Regulation No. 35 of listing regulations of Karachi and Lahore stock exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the board includes:

Category	Names
Independent Director	None
Non - Executive Directors	Khawaja Hamza Riaz Mr. Amir Jahangir Khawaja Pervaiz Aslam Mrs. Rukhsana Arif Mr. Muhammad Asif (NIT Nominee)
Executive Directors	Mian Tayyab Iqbal Mian Tahir Iqbal

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 director of the company are registered as tax payers and none of them has defaulted in payment of any loan to a Banking Company, a Development Finance Institution or a Non Banking Financial Institution or, being a member of a Stock Exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board of directors during the year ended 30 June 2016.
5. The company has prepared a "Code of Conduct" and has insured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other Executives and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman or by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. The Company arranged orientation course for all its seven directors, who are fully aware of their duties and responsibilities. However, another fresh course for the directors will be arranged very shortly and no training program has been arranged during the year.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer 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 Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises of 3 members, of whom, all are non-executive directors and the Chairman of the committee is a not an independent director but a non-executive director.
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 Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The board has also formed a HR and Remuneration Committee. It comprises of 3 members, of whom 2 are non-executive directors and the Chairman of the committee is an executive director.
18. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partner of the firm, their spouses and 'minor children do not hold shares of the Company and that the firm all its partners are in compliance with international federation of accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The '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 exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through all the stock exchanges.
23. The board evaluation process has been implemented to evaluate the Board as a whole.
24. We confirm that all other material principles enshrined in the Code have been complied with except for the matters stated in para 1 and 9 toward which reasonable progress is being made by the Company to seek compliance by the end of the next fiscal year.

For and on behalf of the Board
MIAN TAYYAB IQBAL
CHIEF EXECUTIVE OFFICER
CNIC # 35202-7317351-7

Lahore: October 06, 2016.

A/2, Ingola Apartments, 24-Jail Road, Lahore-Pakistan
Tel: +92 (042)37424020-22, Fax: +92 (042)37424019
E-contacts: fatah@brain.net.pk / ca@kamranco.com.pk

REVIEW REPORT TO THE MEMBERS'

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

We have reviewed the Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance ('the Code') for the year ended 30 June 2016 prepared by the Board of Directors of KHALID SIRAJ TEXTILE MILLS LIMITED ('the Company') to comply with the requirements of Listing Regulations number 35 of Pakistani Stock Exchange where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal controls 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 of 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 requirement to the extent of approval of 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, except for para (a) to (c) below, 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 of Corporate Governance as applicable to the Company for the year ended 30 June 2016.

- a) No independent director has been appointed on the Board by the Company;
- b) The directors of the Company (excluding the directors who are exempt under the Code) are required to have certification under director's training program. No director of the Company has obtained the said certification during the year.
- c) Various non-compliance to the requirements of the Code of Corporate Governance.

We have also expressed an adverse opinion in our audit report to the financial statements for the year ended 30 June 2016.

PATTERN OF SHAREHOLDING

1. Incorporation Number **0017345**
2. Name of the Company **KHALID SIRAJ TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30/06/2016**

4. No. of Shareholders	From	----Shareholding----	To	Total Shares Held
484	1		100	20,763
267	101		500	81,058
232	501		1,000	149,793
208	1,001		5,000	431,030
32	5,001		10,000	226,923
7	10,001		15,000	102,049
2	15,001		20,000	38,000
3	20,001		25,000	75,000
1	25,001		30,000	27,500
5	35,001		40,000	184,400
1	50,001		55,000	54,000
1	55,001		60,000	56,129
2	60,001		65,000	126,413
2	70,001		75,000	149,400
1	85,001		90,000	86,567
1	100,001		105,000	102,800
3	105,001		110,000	324,712
10	110,001		115,000	1,128,987
2	145,001		150,000	298,530
1	150,001		155,000	152,100
1	155,001		160,000	159,160
1	160,001		165,000	162,500
1	225,001		230,000	227,000
1	240,001		245,000	240,750
1	295,001		300,000	299,600
1	305,001		310,000	306,062
2	365,001		370,000	733,163
1	370,001		375,000	373,002
1	380,001		385,000	382,232
1	395,001		400,000	399,431
1	420,001		425,000	420,304
1	545,001		550,000	546,682
1	550,001		555,000	553,840
1	680,001		685,000	682,998
2	695,001		700,000	1,397,122
1282				10,700,000

5. Categories of shareholders	Share held	Percentage %
5.1 Directors, Chief Executive Officers, and their spouse and minor children	142,929	1.335785
5.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.000000
5.3 NIT and ICP	7,900	0.073832
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions	4,899	0.045785
5.5 Insurance Companies	420,304	3.928075
5.6 Modarabas and Mutual Funds	694,233	6.488159
5.7 Share holders holding 10% or more	0	0.000000
5.8 General Public		
a. Local	9,351,690	87.398972
b. Foreign	0	0.000000
5.9 Others (to be specified)		
1- Joint Stock Companies	11,511	0.107579
2- Pension Funds	64,042	0.598523
3- Others Companies	2,492	0.023290

**CATEGORIES 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 0.0000

682,998 6.3832

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

1	MIAN TAYYAB IQBAL	130,929	1.2236
2	KHAWAJA PERVAIZ ALSAM	500	0.0047
3	MIAN TAHIR IQBAL	10,000	0.0935
4	MR. AMIR JAHANGIR	500	0.0047
5	MRS. RUKHSANA ARIF	500	0.0047
6	KHAWAJA HAMZA RIAZ	500	0.0047
7	MR. MUHAMMAD ASIF (NIT NOMINEE)	-	-

Executives: 1,607,764 15.0258

Public Sector Companies & Corporations: - 0.0000

Banks, Development Finance Institutions, Non Banking Finance 500,480 4.6774

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

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

S. No.	NAME	Holding	%Age
1	MIAN HASSAN BARKAT	927,230	8.6657
2	MIAN HUSSAIN BARKAT	697,892	6.5224
3	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	682,998	6.3832
4	MIAN IQBAL BARKAT	909,872	8.5035
5	MIAN FAROOQ BARKAT	616,211	5.7590

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
	NIL	0	0

FINANCIAL HIGHLIGHTS

Seven Years at a Glance

(All amounts in thousand)

Particulars	2016	2015	2014	2013	2012	2011	2010
Turnover (Net) (Rupees)	17,437	0,000	278,100	1,084,470	796,442	1,110,715	724,343
Profit/Loss before taxation (Rupees)	(43,295)	(59,103)	(66,800)	(38,525)	(38,624)	(51,568)	(25,146)
Profit/Loss after taxation (Rupees)	(49,947)	(54,066)	(62,548)	(30,892)	(43,319)	(50,796)	(6,421)
Paid up capital (Rupees)	107,000	107,000	107,000	107,000	107,000	107,000	107,000
Number of Shares (Ordinary Shares)	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000
Owner's equity (Ordinary Shareholders) (Rupees)	(223,578)	(184,962)	(143,276)	(84,735)	(81,646)	(54,699)	18,262
Break up value of Share of Rs. 10 each (Rupees)	(20.90)	(17.29)	(13.39)	(8.85)	(7.63)	(5.11)	1.71
Earning per share-basic (Rupees)	(4.67)	(5.05)	(5.85)	(2.89)	(4.05)	(4.75)	(0.60)
Total assets (Rupees)	534,683	412,448	451,472	511,660	515,368	528,185	580,858

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KHALID SIRAJ TEXTILE MILLS LIMITED ('the Company') as at 30th 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 purpose 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.

Except for the effects, if any, of the matters referred to in at paragraphs (a) to (c) below, 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) As explained in note 4.3 to the financial statements, the Company has incurred a net loss of Rs. 49.946 million (2015: Rs. 54.066 million) resulting in accumulated losses of Rs. 330.578 million (2015: Rs. 291.935 million) at the close of the year ended 30 June 2016. The Company's current liabilities exceed its current assets by Rs. 133.055 million (2015: Rs. 88.024 million). The Company is facing operational and financial crisis and have lost key management without replacement and the commercial operations of the Company are ceased. These conditions indicate the existence of material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in normal course of business. The financial statements, however, do not disclose this fact and any adjustment to that effect;
- b) Trade debts of Rs. 1.094 million are past due, the recovery of which in our opinion is doubtful. No provision in respect of doubtful receivables has been incorporated in the financial statements. We are unable to determine the quantum of provision with reasonable accuracy and therefore, its impact on results for the year and equity could not be quantified.
- c) The company has neither carried out actuarial valuations nor provided provision for employees retirement benefits as required by 'IAS-19'.
- d) In our opinion, except for the effects, if any, of the matters referred to in paragraphs (a) to (c) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- e) In our opinion, except for the effects, if any, of the matters referred to in paragraphs (a) to (c) above, :
 - i) The balance sheet and profit and loss account / statement of comprehensive income 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;
- f) In our opinion and to the best of our information and according to the explanations given to us, because of the matters as discussed in paragraphs (a) to (c) above, 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, do not conform with approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30th June 2016 and of the loss, its cash flows and changes in equity for the year then ended; and
- g) In our opinion, no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Notwithstanding our adverse opinion, we have considered the adequacy of the disclosures made in note 14 to the financial statements concerning the possible outcomes of lawsuits alleging sponsors and previous associated undertakings. The said matters are subjudice before the Honorable Lahore High Court, Lahore. The ultimate outcome of the matters cannot presently be

BALANCE SHEET AS AT 30 JUNE 2016

		30 / June / 2016	30 / June / 2015
	Note	Rupees	Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	6	107,000,000	107,000,000
Accumulated loss		(330,578,365)	(291,961,851)
		(223,578,365)	(184,961,851)
Surplus on revaluation of property, plant and equipment	7	267,461,080	141,991,893
Non-current liabilities			
Long-term finances	8	237,436,293	243,013,620
Deferred liabilities	9	54,707,357	3,804,981
		292,143,650	246,818,601
Current liabilities			
Trade and other payables	10	113,685,525	116,489,479
Mark-up accrued on borrowings	11	16,790,575	16,790,575
Short-term borrowings	12	68,180,179	68,217,251
Current portion of long-term finances	13	-	7,102,122
		198,656,279	208,599,427
Contingencies and commitments	14	-	-
		534,682,644	412,448,070
ASSETS			
Non-current assets			
Property, plant and equipment	15	431,429,470	274,246,274
Long-term deposits	16	2,001,000	2,001,000
Long-term advances	17	15,650,727	15,650,727
		449,081,197	291,898,001
Current assets			
Stores, spare parts and loose tools	18	22,393,281	29,857,709
Stock in trade	19	6,787,800	33,853,128
Trade debts	20	1,093,523	1,093,523
Loans and advances	21	517,338	532,338
Trade deposits and short-term prepayments	22	507,100	507,100
Balances due from government	23	53,489,608	53,663,632
Cash and bank balances	24	812,797	1,042,639
		85,601,447	120,550,069
		534,682,644	412,448,070

The annexed notes from 1 to 41 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT / STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	30 / June / 2016 Rupees	30 / June / 2015 Rupees
Sales (net)	25	17,436,863	-
Cost of sales	26	24,802,728	-
Gross loss		(7,365,865)	-
Other operating income	27	-	-
Distribution and marketing cost	28	180,240	-
Administrative and general expenses	29	35,745,393	50,626,979
Finance cost	30	3,012	8,475,725
		35,928,645	59,102,704
Loss before taxation		(43,294,510)	(59,102,704)
Taxation	31	(6,652,465)	5,036,568
Loss after taxation		(49,946,975)	(54,066,136)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Incremental depreciation of surplus on revaluation of property, plant and equipment realized for the year (net of tax)		11,330,461	12,380,466
Other comprehensive income for the year (net of tax)		11,330,461	12,380,466
Total comprehensive loss for the year		(38,616,514)	(41,685,670)
Loss per share (basic and anti-dilutive)	32	(4.67)	(5.05)

The annexed notes from 1 to 41 form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	30 / June / 2016 Rupees	30 / June / 2015 Rupees
A Cash flow from operating activities			
Loss before taxation		(43,294,510)	(59,102,704)
Add / (Less): Adjustment for non-cash items:			
Depreciation on property, plant and equipment	15.3	24,040,734	26,379,352
Impairment of stores and stocks		9,727,028	14,600,330
Provision for employee retirement benefits	9.1	-	1,171,958
Finance cost	30	3,012	8,475,725
		33,770,774	50,627,365
Operating (loss) before working capital changes		(9,523,736)	(8,450,339)
Working capital changes			
(Increase) / Decrease in current assets			
Stores, spare parts and loose tools		7,464,428	211,158
Stock in trade		17,338,300	-
Trade debts		-	342
Loans and advances		15,000	186,844
Trade deposits and short-term prepayments		-	259,550
Balances due from government		-	(9,263)
(Decrease) in trade and other payables		(2,803,954)	(12,274,758)
		22,013,774	(11,626,127)
Net cash (used in) operations		12,490,038	(20,076,466)
Income taxes paid		(345)	(52,535)
Employee retirement benefits paid	9.1	-	(97,228)
Finance cost paid		(3,012)	(103,126)
Net cash (used in) operating activities		12,486,681	(20,329,355)
B Cash flow from investing activities			
Fixed capital expenditure	15.1	-	(2,708,100)
Net cash out flow in investing activities		-	(2,708,100)
C Cash flow from financing activities			
Proceeds from long-term finances - net		(12,679,449)	25,925,640
Repayment of short-term borrowings		(37,072)	(3,029,383)
Net cash in flow in financing activities		(12,716,521)	22,896,257
Net (decrease) in cash and cash equivalents (A+B+C)		(229,842)	(141,198)
Cash and cash equivalents at beginning of the year	24	1,042,639	1,183,837
Cash and cash equivalents at end of the year	24	812,797	1,042,639

The annexed notes from 1 to 41 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Share Capital	Accumulated Loss	Total Equity
	----- Rupees -----		
As at 30 June 2014	107,000,000	(250,276,181)	(143,276,181)
Total comprehensive loss for the year			
Loss for the year	-	(54,066,136)	(54,066,136)
Other comprehensive income for the year			
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	12,380,466	12,380,466
	-	12,380,466	12,380,466
	-	(41,685,670)	(41,685,670)
As at 30 June 2015	107,000,000	(291,961,851)	(184,961,851)
Total comprehensive loss for the year			
Loss for the year	-	(49,946,975)	(49,946,975)
Other comprehensive income for the year			
Revaluation			
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	11,330,461	11,330,461
	-	(38,616,514)	(38,616,514)
As at 30 June 2016	<u>107,000,000</u>	<u>(330,578,365)</u>	<u>(223,578,365)</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2016

1 STATUS AND ACTIVITIES

Khalid Siraj Textile Mills Limited (the "Company") was incorporated in Pakistan as a public limited company on 17 January 1988 under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges in Pakistan.

Registered office of the Company is situated at 135-Upper Mall, Lahore. The project of the Company is located at 48 KM, Lahore Multan Road, Phool Nagar (Bhai Pheru), Tehsil Pattoki, District Kasur.

The principle business of the Company is manufacturing and sale of yarn and the other related / allied operations.

2 STATEMENT OF COMPLIANCE

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

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Adoption of new and revised International Financial Reporting Standards ('IFRSs'), International Accounting Standards ('IASs') and interpretations

3.1 Standards, interpretations and amendments to accounting standards that are effective and relevant

Title	Standard / Interpretation	Effective date (annual reporting periods beginning on or after)
IFRS 13	Fair Value Measurement	January 1, 2015

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact (or are not applicable) on the Company's financial statements other than in presentations / disclosures.

3.2 Standards, interpretations and amendments to accounting standards that are effective but not relevant

The other new standards and amendments to approved accounting standards that are mandatory for the financial year beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the company's financial reporting and operations.

3.3 Standards, interpretations and amendments to accounting standards that are not yet effective and have not been early adopted by the company

IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IAS 1	Amendments to 'Presentation of Financial Statements'	January 1, 2016

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the company and therefore have not been presented here.

4 BASIS OF PREPARATION

4.1 Measurement

These financial statements have been prepared under historical cost convention modified by:

- financial instruments at fair value;
- employee retirement benefits at present value; and
- revaluation of certain items of property, plant and equipment.

4.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- a) Depreciation method, rates and useful lives of property, plant and equipment (note 15)
- b) Revaluation of property, plant and equipment (note 7)
- c) Employee benefits (note 9.1)
- d) Recoverable amount of assets/cash generating units and impairment (note 15)
- e) Taxation (note 31)
- f) Provisions (note 10)
- g) Contingencies (note 14)

4.3 Going concern assumption

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Company incurred a net loss of Rs. 49.946 million (2015: Rs. 54.066 million) resulting in accumulated losses of Rs. 330.578 million (2015: Rs. 291.961 million) at the close of the year ended 30 June 2016. The Company's current liabilities exceed its current assets by Rs. 113.055 million (2015: Rs. 88.024 million).

The Company had ceased its operations since November 2013 due to working capital. However, subsequent to the balance sheet date, the management is taking steps to recommence operations and the Company is in negotiations with financial institutions / sponsors of the Company for borrowing of funds to manage working capital requirements. The Company managed its liquidity constraints largely thru financing from its sponsors. The Company's ability to continue as a going concern is dependent on continued financing from sponsors. Management's efforts for obtaining finances from financial institutions are not so far materilized, however, management is confident that efforts will be realized and that the Company will be able to continue as a going concern.

4.4 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been adopted and applied consistently to the period presented in the preparation of these financial statements:

5.1 Property, plant and equipment

Property, plant and equipment except freehold land is stated at cost / revalued amounts (if any) less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress and stores held for capital expenditure are stated at cost less accumulated impairment losses, if any. Cost also includes borrowing costs wherever applicable.

Assets' residual values, if significant and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

Depreciation is charged to profit and loss account applying reducing balance method over estimated useful life at the rates specified in note 15 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which they are available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its un-appropriated profit.

Exchange differences in respect of foreign currency loans obtained for acquisition of property, plant and equipment are incorporated in the cost of the relevant assets. Gains or losses on disposal of property, plant and equipment, if any, are recognized in the income of the relevant year, as and when incurred. Subsequent costs are recognized as a part of asset, 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 the income during the period in which they are incurred.

Surplus on revaluation of fixed assets

Surplus arising on revaluation of items of property, plant and equipment is credited directly to equity after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously recognized in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, is recognized, net of deferred tax, if any.

5.3 Taxation

Income tax expense comprise current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in 'profit and loss account / statement of comprehensive income' or 'equity', in which case it is recognized in 'profit and loss account / statement of comprehensive income' or 'equity'.

a) Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits and exemptions available, if any or minimum taxation at the rate of one percent of the gross turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

b) Deferred

Deferred taxation if applicable, is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirements of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged in the profit and loss account, except in the case of items credited or charged to equity, in that case it is included in equity.

5.4 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Subsequent to initial recognition, borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amount as reduced by periodic payments and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. Finance cost are accounted for on an accrual basis and are included in interest accrued on loans to the extent of amount remaining unpaid, if any.

5.5 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost as the case may be.

a) Classification

The Company classifies each of its financial assets and liabilities into one of the categories provided under International Accounting Standard - 39 "Financial Instruments, Recognition and Measurement". The classifications depend on the purpose for which the financial assets and liabilities are acquired or incurred. Management of the Company determines the classification of its financial assets and liabilities at initial recognition. As at the reporting date, all financial assets and financial liabilities of the Company are classified as "Loans and Receivables" and "Financial Liabilities at Amortized Cost" respectively. The Company does not hold financial assets and liabilities in any of the other categories as at the reporting date.

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The Company's loans and receivables comprise advances, deposits, trade and other receivables, and cash equivalents. Regular way purchases and sales of financial assets are recognized on trade dates.

c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as non-current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The Company's financial liabilities at amortized cost comprise trade and other payables, and borrowings.

d) Recognition / Measurement / De-recognition

A financial instrument is recognized when Company becomes a party to contractual provisions of the instrument. Particular measurement method adopted is disclosed in individual policy statement associated with each instrument. A financial liability is de-recognized when the Company's obligations specified in the contract expire or are discharged or cancelled. Gains or losses arising on de-recognition are recognized in profit or loss.

e) Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

5.7 Trade debts and other receivables

a) Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

b) Non-financial assets

These on initial recognition and subsequently are measured at cost.

5.8 Trade and other payables

a) Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

b) Non-financial liabilities

These on initial recognition and subsequently are measured at cost.

5.9 Dividend distribution

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed, in the Company's financial statements in the year in which the dividends are approved by Company's shareholders.

5.10 Provisions

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.11 Borrowing cost

Borrowing costs directly attributable to acquisition, construction / production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss account.

5.12 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used. Gains and losses arising on translation are included in profit and loss account, except as stated in respective note to the financial statements.

5.13 Employee benefits

a) *Short-term employee benefits / Compensated absences*

The Company provides for compensated absences of its employees on unavailed balance of leaves according to the Company's policy in the period in which the leaves are earned. Charge for the year is included in profit and loss account.

b) *Post-employment benefits*

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 9.1 also refer note 4.1 to the financial statements.

5.14 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.15 Stores, spare parts and loose tools

These are normally held for internal use and valued at moving average cost less allowances for obsolete and slow moving items except stores in transit which are valued at invoice values plus other charges incurred thereon up to the balance sheet date. For items which are slow moving and/ or identified as surplus to the Company's requirements, adequate impairment is recognized. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

5.16 Stock-in-trade

Basis of valuations are as follows:

Particulars

Raw material - at warehouse
- in transit

Work-in-process

Finished goods

Waste

Mode of Valuation

at lower of weighted average cost and net realizable value
at cost accumulated to the balance sheet date
at estimated manufacturing cost
at lower of cost and net realizable value
at realizable value

Cost in relation to work-in-process and finished goods represents average manufacturing cost which consists of prime cost and proportion of manufacturing overheads based on normal capacity. Net realizable value signifies selling price in ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

5.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for goods and services provided in the normal course of business.

Revenue is recognized when goods are dispatch and title has been passed to the customers.

Export rebate is recognized on accrual basis at the time of making the export sale.

Profit on saving account is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.

5.18 Impairment

a) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. 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 amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized as expense in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. For nonfinancial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognized in profit and loss account.

5.19 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income.

Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of comprehensive income'.

5.20 Earnings per share ("EPS")

The Company calculates both basic and diluted EPS in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic EPS is computed using weighted average number of shares outstanding during the year. Diluted EPS is computed using weighted average number of shares outstanding plus dilutive effect of stock options outstanding during the year.

5.21 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or realize the asset and settle the liability simultaneously.

5.22 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. The accounting methods adopted for various types of transactions and balances with related parties are as follows:

a) Sale of goods and services

Revenue from sale of goods and services to related parties is recognized in accordance with the revenue recognition policy of the Company for such transactions. Receivables against sale of goods outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

b) Purchases of goods and services

Purchases of goods from related parties are recognized at actual cost to the Company. Payables against purchases from related parties outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

c) Dividend distribution

Distribution to related parties having shareholding in the Company is recognized in accordance with the accounting policy of the Company for dividend distribution to ordinary shareholders.

5.23 Determination of fair value

A number of Company's accounting policies require determination of fair value, for both financial and non-financial assets and liabilities. Fair values of assets and liabilities is determined as follows:

a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future net cash in flows, discounted at the market rate of interest at the reporting date.

b) Trade and other payables

The fair value of trade and other payables is estimated as the present value of future net cash out flows, discounted at the market rate of interest at the reporting date.

c) Borrowings

The fair value of borrowings is determined using effective interest method.

5.24 Figures

Figures have been rounded off to the nearest of rupee.

	2016	2015	30 / June / 2016	30 / June / 2015
	----- Number of shares -----		Rupees	Rupees
6 SHARE CAPITAL				
Authorized capital				
Ordinary shares of Rs. 10 each	<u>12,000,000</u>	<u>12,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>
Issued subscribed and paid up capital				
Ordinary shares of Rs. 10 each				
- fully paid in cash	<u>10,000,000</u>	<u>10,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
- fully paid as bonus shares	<u>700,000</u>	<u>700,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
	<u>10,700,000</u>	<u>10,700,000</u>	<u>107,000,000</u>	<u>107,000,000</u>

6.1 There is no movement in capital of the Company during the year

6.2 The Company has only one class of ordinary shares which carry no right to fixed income.

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	<i>At beginning of the year</i>	<i>Increase in surplus due to change in tax rate</i>	<i>Increase in surplus due to revaluation during the year</i>	<i>Incremental depreciation (net of deferred tax)</i>	<i>At end of the year</i>
	----- Rupees -----				
7.1 Reconciliation of carrying values at end of year - 30 June 2016					
Freehold land	26,284,453	-	37,001,250	-	63,285,703
Building on freehold land					
- Factory	25,790,468	384,932	45,849,731	(2,617,540)	69,407,591
- Others	8,138,148	121,465	-	(412,980)	7,846,633
	33,928,616	506,397	45,849,731	(3,030,520)	77,254,224
Plant and machinery	74,389,546	1,110,291	52,221,691	(7,549,984)	120,171,544
Electric installations	3,333,127	49,748		(338,288)	3,044,587
Laboratory equipment	4,056,151	60,540		(411,669)	3,705,022
	<u>141,991,893</u>	<u>1,726,976</u>	<u>135,072,672</u>	<u>(11,330,461)</u>	<u>267,461,080</u>

7.2 Reconciliation of carrying values at end of year - 30 June 2015

Freehold land	26,284,453	-	-	26,284,453
Building on freehold land				
- Factory	27,800,669	855,406	-	25,790,468
- Others	8,310,756	255,716	-	8,138,148
	36,111,425	1,111,122	-	33,928,616
Plant and machinery	80,187,736	2,467,315	-	74,389,546
Electric installations	3,592,922	110,552	-	3,333,127
Laboratory equipment	4,372,301	134,533	-	4,056,151
	<u>150,548,837</u>	<u>3,823,522</u>	<u>-</u>	<u>141,991,893</u>

7.3 The Company, revalued its freehold land, buildings on freehold land and plant and machinery on 30 June 2010. The said revaluation exercise was carried-out to replace the carrying amounts of assets with the market values / depreciated market values. Previous revaluation exercise was conducted by independent valuers on 30 June 2010, 30 September 2001 and 30 April 2008.

The revaluation exercise was carried out by independent valuers M/s Anderson Consulting (Private) Limited (who are on the list of approved valuers of Pakistan Banks' Association, the same revaluation exercise is also certified by M/s. Avais Hyder Liaquat Nauman, Chartered Accountants) and revaluation adjustments were incorporated.

- 7.4 In accordance with the amendment introduced in Section 235 of the Ordinance and subsequent notifications of SECP, an amount equal to incremental depreciation for the year has been transferred to unappropriated profit to record realization of surplus to the extent of incremental depreciation charged.

- 7.5 The basis of revaluation are as under:

Freehold land	The value of land is based on inquiries in the activity of land and also information obtained from different sources in the area.
Buildings on freehold land (both factory and non-factory)	The value of building is based on information of construction details, covered areas and quality of constructions were noted and new rate of construction per square foot was determined based upon estimates of balance life to arrive at new construction value.
Plant and machinery (inclusive of electric and lab equipments)	The value is based on inquiries from the local market, market based comparisons and setting price of machinery to obtain prevalent replacement values of similar local and imported machinery items.

		30 / June / 2016	30 / June / 2015
		Rupees	Rupees
8 LONG-TERM FINANCES			
<i>From related parties (current and prior) - unsecured</i>			
Sponsors	- note 8.1	30,400,000	30,400,000
Sponsors' uncalled dividends	- note 8.2	24,058,182	24,058,182
Previous associated undertakings	- note 8.3	32,329,798	32,329,798
		86,787,980	86,787,980
Ex-directors			
Long-term loan	- note 8.5	150,648,313	163,327,762
Less: Current portion	- note 13	-	(7,102,122)
		150,648,313	156,225,640
		237,436,293	243,013,620

8.1 Loan from sponsors

These represents unsecured loan from sponsors of the Company. The terms of repayment has not yet been decided so far. The above loan along with uncalled dividends is subjudice before the Honorable Lahore High Court, Lahore (also refer note 8.2).

8.2 Sponsors' uncalled dividends

These represents uncalled dividends by sponsors of the Company. The above uncalled dividend alongwith loans from sponsors is subjudice before the Honorable Lahore High Court, Lahore (also refer note 8.1).

8.3 Previous associated undertakings

This represents unsecured loans from various companies which were previously associated undertakings but now have been allocated by the Honorable Lahore High Court, Lahore to other families of ex-Ittefaq group. This amount includes principal amount of Rs. 13.440 million (2015: Rs. 13.440 million) and mark-up accrued on said loans amounting to Rs. 18.890 million (2015: Rs. 18.890 million). The matter is still pending adjudication.

- 8.4 The legal council of the Company is of the view that these cases are not expected to be resolved / decided within next twelve months and as such the current maturities of the same have not been presented.

8.5 Long-term loans from ex-directors

These represents unsecured and interest free loans from chief executive officer, directors and sponsors. The terms of repayment has not yet been decided so far, however, the directors and sponsors have given undertaking that they have no intention to demand such loan within period of next twelve months, as such the current maturity has not been presented.

- 8.6 These are classified as 'financial liabilities' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these long term loans have no fixed maturity date as discussed above, are carried at cost as their amortized cost is impracticable to determine.

		30 / June / 2016	30 / June / 2015
		Rupees	Rupees
9 DEFERRED LIABILITIES			
Employee retirement benefits	- note 9.1	6,193,238	6,193,238
Deferred taxation	- note 9.2	48,514,119	(2,388,257)
		54,707,357	3,804,981

9.1 Employee retirement benefits

The amount recognized in balance sheet is as follows:

Net liability at beginning of the year	6,193,238	5,118,508
Add: Charge to profit and loss account	-	1,171,958
Less: Re-measurement of actuarial gains recognized in OCI	-	-
Less: Payments made during the year to outgoing members	-	(97,228)
	6,193,238	6,193,238

The movement in present value of defined benefit obligations is as under:

At beginning of the year	6,193,238	5,118,508
Current service cost	-	634,515
Interest cost	-	537,443
Benefits paid	-	(97,228)
Actuarial gains recognized in other comprehensive income (OCI)	-	-
At end of the year	6,193,238	6,193,238

Amount charged in profit and loss account

Current service cost	-	634,515
Interest cost	-	537,443
	-	1,171,958

Allocation of expense is as follows -

Cost of sales	-	-
Administrative expenses	-	1,171,958
	-	1,171,958

Principal actuarial assumptions

Present value of obligation has been determined using projected unit credit method. The liability is based on actuarial valuation carried out by independent valuers. The assumptions used are:

Discount rate	10.50%	10.50%
Expected rates of increase in salary	9.50%	9.50%
Expected average remaining working lives of employees	4 years	4 years

Historical information

Comparison of present value of defined benefit obligations and experience adjustments on obligations for five years is as follows:

	30/Jun/2016	30/Jun/2015	30/Jun/2014	30/Jun/2013	30/Jun/2012
			Rupees		
Present values	6,193,238	6,193,238	5,118,508	7,689,588	8,557,124
Experience adjustments	-	-	685,723	3,026,692	-

Year end sensitivity analysis on present value of defined benefit obligations -

	Rupees
Discount rate + 0.50%	6,488,154
Discount rate - 0.50%	5,898,322
Increase in salary level + 0.50%	-
Increase in salary level - 0.50%	-

				30 / June / 2016	30 / June / 2015
				Rupees	Rupees
9.2	Deferred taxation				
	<i>Deferred tax liability on taxable temporary differences</i>				
	Accelerated tax depreciation on property, plant and equipment			33,084,394	16,062,970
	Surplus on revaluation of property, plant and equipment			96,082,529	56,990,229
	<i>Deferred tax asset on deductible temporary differences</i>				
	Employee retirement benefits			(1,981,836)	(2,043,769)
	Unused tax losses			(78,670,968)	(73,397,687)
				48,514,119	(2,388,257)
	<i>Charge of deferred tax</i>				
	In surplus on revaluation of property, plant and equipment			(1,726,976)	(3,823,522)
	In profit and loss account			6,478,096	(5,051,484)
				4,751,120	(8,875,006)
10	TRADE AND OTHER PAYABLES				
	Trade creditors			86,996,876	89,371,112
	Accrued liabilities			25,432,544	25,863,006
	Withholding taxes payable			956,105	955,361
	Securities payable			300,000	300,000
				113,685,525	116,489,479
10.1	Workers profit participation fund / Workers' welfare fund				
	As the Company is in loss for the year as in last year, hence no provision for workers' profit participation fund and 'workers' welfare fund' has been provided in these financial statements.				
11	MARK-UP ACCRUED ON BORROWINGS				
	Short-term borrowings			16,790,575	16,790,575
	----- Sanctioned Limits -----			----- Amount Availed -----	
		2016	2015	30 / June / 2016	30 / June / 2015
		Rupees	Rupees	Rupees	Rupees
12	SHORT-TERM BORROWINGS				
	Cash finances	- note 12.1	160,000,000	160,000,000	60,680,179
	FATR	- note 12.2	7,500,000	7,500,000	7,500,000
			167,500,000	167,500,000	68,180,179
	Book overdrawn		-	-	37,072
			167,500,000	167,500,000	68,217,251
12.1	Cash finances				
	This facility has been obtained from National Bank of Pakistan for working capital requirements, and is secured by way of first pari passu charge amounting to Rs. 67.00 million (2015: Rs. 67.00 million) over the fixed assets of the Company, ranking charge amounting to Rs. 178.33 million (2015: Rs. 178.33 million) over the current assets of the Company, pledge of stocks of cotton bales and yarn and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2015: 3 months KIBOR plus 300 bps) per annum payable on quarterly basis. This facility had expired on 31 December 2013 and had not been renewed by the bank till the authorization for issue of these financial statements.				
12.2	Finance against trust receipts (FATR)				
	This facility has been obtained from National Bank of Pakistan for cotton procurement, and is secured by way of first pari passu charge amounting to Rs. 25.00 million on current assets of the Company, trust receipts duly executed by the Company and personal guarantees of sponsoring directors of the Company. This facility carries mark-up at the rate of 3 months KIBOR plus 300 bps (2015: 3 months KIBOR plus 300 bps) per annum. This facility had expired on 31 December 2013 and had not been renewed by the bank till the authorization for issue of these financial statements.				

		30 / June / 2016	30 / June / 2015
		Rupees	Rupees
13	CURRENT PORTION OF LONG-TERM FINANCES		
	Long-term finances (from ex-directors)	- note 8.5	-
			7,102,122

14 CONTINGENCIES AND COMMITMENTS

Contingencies

Guarantees issued on behalf of the Company by financial institutions	507,100	507,100
Unavailed letters of credit (sight) facility	20,000,000	20,000,000

The Company is in litigation as regard to balances payable to sponsors amounting to Rs. 30.40 million (2015: Rs. 30.40 million), uncalled dividends of sponsors amounting to Rs. 24.06 million (2015: Rs. 24.06 million), previous associated undertakings amounting to Rs. 32.33 million (2015: Rs. 32.33 million) and balance receivable from previous associated undertakings amounting to Rs. 15.65 million (2015: Rs. 15.65 million). The said matters are subjudice with the Honorable Lahore High Court, Lahore.

Short-term borrowing facilities from National Bank of Pakistan have not been renewed by the financial institution during the year. Further, the bank is has filed a case against company at 24 June 2016. First hearing of the case has been fixed at 29 September 2016.

Other than above, there is no known contingent liability of the Company as on year end (2015: Nil).

Commitments

There are no outstanding commitments of the Company as on year end (2015: Nil).

15.3 Depreciation for the year has been allocated as -

Cost of sales	- note 26	-	-
Selling and distribution cost	- note 28	-	-
Administrative and general expenses	- note 29	24,040,734	26,379,352
		<u>24,040,734</u>	<u>26,379,352</u>

As the commercial operations of the Company has been ceased, hence entire depreciation is allocated to 'administrative and general expenses'.

As at 30 June 2016

	Cost	Accumulated depreciation	Book value
		Rupees	
Freehold land	1,064,297	-	1,064,297
Buildings on freehold land			
- Factory	34,577,413	26,216,148	8,361,265
- Non factory	7,380,828	5,722,277	1,658,551
Plant and machinery	317,571,940	266,394,802	51,177,138
Electric installations	6,881,121	5,107,812	1,773,309
Laboratory equipment	6,692,987	6,295,695	397,292
	<u>374,168,586</u>	<u>309,736,734</u>	<u>64,431,852</u>

As at 30 June 2015

	Cost	Accumulated depreciation	Book value
		Rupees	
Freehold land	1,064,297	-	1,064,297
Buildings on freehold land			
- Factory	34,577,413	25,287,119	9,290,294
- Non factory	7,380,828	5,634,985	1,745,843
Plant and machinery	317,571,940	260,708,453	56,863,487
Electric installations	6,881,121	4,910,778	1,970,343
Laboratory equipment	6,692,987	6,251,551	441,436
	<u>374,168,586</u>	<u>302,792,886</u>	<u>71,375,700</u>

15.4 Disposals of property, plant and equipment

For the year ended 30 June 2016

There is no disposal of any asset classified under 'property, plant and equipment' during the year.

For the year ended 30 June 2015

There is no disposal of any asset classified under 'property, plant and equipment' during the year.

15 PROPERTY, PLANT AND EQUIPMENT

15.1 Reconciliation of carrying values at end of the year - 30 June 2016

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE		Annual rate of dep. % age
	As at 1/July/2015	Additions / (Disposals)	As at 30/June/2016	As at 1/July/2015	Adjustments in depreciation	Charge for the year	As at 30/June/2016	As at 30/June/2016	
----- Rupees -----									
Freehold land									
Cost	1,064,297	-	1,064,297	-	-	-	-	1,064,297	-
Revaluation	26,284,453	37,001,250	63,285,703	-	-	-	-	63,285,703	-
	27,348,750	37,001,250	64,350,000	-	-	-	-	64,350,000	-
Factory building on freehold land									
Cost	34,577,413	-	34,577,413	25,287,119	-	929,029	26,216,148	8,361,265	10
Revaluation	92,860,508	67,426,075	160,286,583	54,367,275	-	3,849,323	58,216,598	102,069,985	10
	127,437,921	67,426,075	194,863,996	79,654,394	-	4,778,352	84,432,746	110,431,250	-
Non-factory building on freehold land									
Cost	7,380,828	-	7,380,828	5,634,985	-	87,292	5,722,277	1,658,551	5
Revaluation	16,869,044	-	16,869,044	4,722,556	-	607,324	5,329,880	11,539,164	5
	24,249,872	-	24,249,872	10,357,541	-	694,616	11,052,157	13,197,715	-
Plant and machinery									
Cost	317,571,940	-	317,571,940	260,708,453	-	5,686,349	266,394,802	51,177,138	10
Revaluation	300,795,024	76,796,605	377,591,629	189,765,850	-	11,102,917	200,868,767	176,722,862	10
	618,366,964	76,796,605	695,163,569	450,474,303	-	16,789,266	467,263,569	227,900,000	-
Electric installations									
Cost	6,881,121	-	6,881,121	4,910,778	-	197,034	5,107,812	1,773,309	10
Revaluation	16,214,684	-	16,214,684	11,239,868	-	497,482	11,737,350	4,477,334	10
	23,095,805	-	23,095,805	16,150,646	-	694,516	16,845,162	6,250,643	-
Laboratory equipment									
Cost	6,692,987	-	6,692,987	6,251,551	-	44,144	6,295,695	397,292	10
Revaluation	18,295,338	-	18,295,338	12,241,383	-	605,395	12,846,778	5,448,560	10
	24,988,325	-	24,988,325	18,492,934	-	649,539	19,142,473	5,845,852	-
Tools and equipment									
Concrete mixer	154,960	-	154,960	144,991	-	997	145,988	8,972	10
	300,000	-	300,000	280,865	-	1,914	282,779	17,221	10
Weighing scales	233,200	-	233,200	217,070	-	1,613	218,683	14,517	10
Furniture and fixtures	7,609,088	-	7,609,088	5,195,057	-	241,403	5,436,460	2,172,628	10
Tube well	1,292,880	-	1,292,880	779,516	-	51,336	830,852	462,028	10
Arms and ammunition	27,350	-	27,350	23,230	-	412	23,642	3,708	10
Bicycles	11,880	-	11,880	11,594	-	57	11,651	229	20
Motor vehicles	13,263,417	-	13,263,417	12,351,997	-	136,713	12,488,710	774,707	15
Total - 30/June/2016	868,380,412	181,223,930	1,049,604,342	594,134,138	-	24,040,734	618,174,872	431,429,470	-

15.2 Reconciliation of carrying values at beginning of the year - 30 June 2015

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION			BOOK VALUE		Annual rate of dep.
	As at 1/July/2014	Additions for the year	As at 30/June/2015	As at 1/July/2014	Adjustments in depreciation	Charge for the year	As at 30/June/2015	As at 30/June/2015	
----- Rupees -----									
Freehold land									% age
Cost	1,064,297	-	1,064,297	-	-	-	-	1,064,297	-
Revaluation	26,284,453	-	26,284,453	-	-	-	-	26,284,453	-
	27,348,750	-	27,348,750	-	-	-	-	27,348,750	
Factory building on freehold land									
Cost	32,841,298	1,736,115	34,577,413	24,447,766	-	839,353	25,287,119	9,290,294	10
Revaluation	92,860,508	-	92,860,508	50,090,249	-	4,277,026	54,367,275	38,493,233	10
	125,701,806	1,736,115	127,437,921	74,538,015	-	5,116,379	79,654,394	47,783,527	
Non-factory building on freehold land									
Cost	7,380,828	-	7,380,828	5,543,098	-	91,887	5,634,985	1,745,843	5
Revaluation	16,869,044	-	16,869,044	4,083,267	-	639,289	4,722,556	12,146,488	5
	24,249,872	-	24,249,872	9,626,365	-	731,176	10,357,541	13,892,331	
Plant and machinery									
Cost	316,599,955	971,985	317,571,940	254,498,286	-	6,210,167	260,708,453	56,863,487	10
Revaluation	300,795,024	-	300,795,024	177,429,275	-	12,336,575	189,765,850	111,029,174	10
	617,394,979	971,985	618,366,964	431,927,561	-	18,546,742	450,474,303	167,892,661	
Electric installations									
Cost	6,881,121	-	6,881,121	4,691,851	-	218,927	4,910,778	1,970,343	10
Revaluation	16,214,684	-	16,214,684	10,687,111	-	552,757	11,239,868	4,974,816	10
	23,095,805	-	23,095,805	15,378,962	-	771,684	16,150,646	6,945,159	
Laboratory equipment									
Cost	6,692,987	-	6,692,987	6,202,503	-	49,048	6,251,551	441,436	10
Revaluation	18,295,338	-	18,295,338	11,568,722	-	672,661	12,241,383	6,053,955	10
	24,988,325	-	24,988,325	17,771,225	-	721,709	18,492,934	6,495,391	
Tools and equipment	154,960	-	154,960	143,883	-	1,108	144,991	9,969	10
Concrete mixer	300,000	-	300,000	278,739	-	2,126	280,865	19,135	10
Weighing scales	233,200	-	233,200	215,278	-	1,792	217,070	16,130	10
Furniture and fixtures	7,609,088	-	7,609,088	4,926,831	-	268,226	5,195,057	2,414,031	10
Tube well	1,292,880	-	1,292,880	722,475	-	57,041	779,516	513,364	10
Arms and ammunition	27,350	-	27,350	22,772	-	458	23,230	4,120	10
Bicycles	11,880	-	11,880	11,522	-	72	11,594	286	20
Motor vehicles	13,263,417	-	13,263,417	12,191,158	-	160,839	12,351,997	911,420	15
Total - 30/ June/2015	865,672,312	971,985	868,380,412	567,754,786	-	26,379,352	594,134,138	274,246,274	

		30 / June / 2016	30 / June / 2015
		Rupees	Rupees
16	LONG-TERM DEPOSITS		
	Deposits with various institutions - note 16.1	2,001,000	2,001,000
16.1	Deposits with various institutions		
	At beginning of the year	2,001,000	2,001,000
	Add: Deposits during the year	-	-
	At end of the year	2,001,000	2,001,000
	These are interest free refundable deposits with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.		
17	LONG-TERM ADVANCES		
	Due from previously associated undertakings - note 17.1	15,650,727	15,650,727
17.1	This represents the amount receivable from various companies which were previously associated undertakings but have been allocated by the Honorable Lahore High Court, Lahore to other families involved in ex-Ittefaq group. The matter is still pending adjudication.		
	These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date as discussed above, are carried at cost as their amortized cost is impracticable to determine.		
18	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores	1,567,421	2,089,895
	Spare parts and loose tools	12,241,671	16,322,228
	Packing material	8,584,189	11,445,586
		22,393,281	29,857,709
18.1	Entire 'stores, spare parts and loose tools' have been carried at net realizable value.		
19	STOCK IN TRADE		
	Raw material	-	24,802,728
	Work in process	-	-
	Finished goods	-	-
	Waste	6,787,800	9,050,400
		6,787,800	33,853,128
19.1	Stock in trade is pledged with National Bank of Pakistan against short-term borrowings.		
19.2	Entire 'stock in trade' have been carried at net realizable value.		
20	TRADE DEBTS		
	Local debts (unsecured but considered good)	1,093,523	1,093,523
21	LOANS AND ADVANCES		
	Advances to suppliers (unsecured but considered good)	517,338	532,338
22	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
	Bank guarantee deposits	507,100	507,100
	Prepayments	-	-
		507,100	507,100



		30 / June / 2016	30 / June / 2015
		Rupees	Rupees
23	BALANCES DUE FROM GOVERNMENT		
	Income tax recoverable - note 23.1	49,185,255	49,359,279
	Sales tax refundable - note 23.2	4,003,640	4,003,640
	Excise duty	300,713	300,713
		53,489,608	53,663,632
23.1	Income tax recoverable		
	At beginning of the year	49,359,279	49,321,660
	Add: Income tax deducted / paid during the year	345	37,619
		49,359,624	49,359,279
	Less: Provision for taxation - note 31.1	(174,369)	-
	At end of the year	49,185,255	49,359,279
23.2	Sales tax refundable		
	It represents accumulated differences of input tax on purchases and sales tax payable.		
24	CASH AND BANK BALANCES		
	In hand	30,341	295,108
	With banks (on current accounts)	782,456	747,531
		812,797	1,042,639
25	SALES (NET)		
	Gross sales		
	Cotton	17,436,863	-
		17,436,863	-
	Less: Sales tax	-	-
	Net sales	17,436,863	-
		30 / June / 2016	30 / June / 2015
		Rupees	Rupees
26	COST OF SALES		
	Raw material consumed - note 26.1	24,802,728	-
		24,802,728	-
	Adjustment of work in process		
	Opening stocks	-	9,640,068
	Less: Impairment of stocks	-	(1,406,148)
	Less: Transferred to cotton waste stocks	-	(8,233,920)
	Less: Closing stocks	-	-
		-	-
	Adjustment of finished goods		
	Opening stocks	-	950,721
	Less: Impairment of stocks	-	(134,241)
	Less: Transferred to cotton waste stocks	-	(816,480)
	Less: Closing stocks	-	-
		-	-
	Total cost of sales	24,802,728	-
26.1	Raw material consumed		
	Opening stocks	24,802,728	31,987,249
	Add: Purchases and direct expenses	-	-
	Less: Impairment of stocks	-	(7,184,521)
	Less: Closing stocks	-	(24,802,728)
		24,802,728	-

		30 / June / 2016	30 / June / 2015
		Rupees	Rupees
28	DISTRIBUTION AND MARKETING COST		
	Advertisements	180,240	-
		<u>180,240</u>	<u>-</u>
29	ADMINISTRATIVE AND GENERAL EXPENSES		
	Directors remuneration	-	1,548,678
	Salaries and allowances - note 29.1	145,761	5,770,471
	Vehicle running and maintenance	65,425	296,423
	Repairs and maintenance	937,000	27,870
	Traveling and conveyance	-	22,405
	Printing and stationery	80,967	145,917
	Communications	-	358,612
	Electricity, gas and water	-	220,611
	Insurance	-	259,550
	Legal and professional charges	308,264	330,200
	Auditors' remuneration - note 29.2	220,000	232,500
	Fee and subscription	197,689	294,817
	Impairments of stocks and stores, spare parts and loose tools	9,727,028	14,600,330
	Depreciation on property, plant and equipment - note 15.3	24,040,734	26,379,352
	Other expenses	22,525	139,243
		<u>35,745,393</u>	<u>50,626,979</u>
29.1	Salaries and allowances		
	This include employee retirement benefits amounting to Rs. NIL (2015: Rs. 1.172 Million).		
29.2	Auditors' remuneration		
	Audit fee	200,000	150,000
	Fee for interim review and other certifications	20,000	70,000
	Out of pocket expenses	-	12,500
		<u>220,000</u>	<u>232,500</u>
30	FINANCE COST		
	Mark-up on short-term borrowings	-	8,372,599
	Bank charges and commission	3,012	103,126
		<u>3,012</u>	<u>8,475,725</u>
31	TAXATION		
	Current - note 23.1	174,369	-
	Prior periods	-	14,916
	Deferred - note 9.2	6,478,096	(5,051,484)
		<u>6,652,465</u>	<u>(5,036,568)</u>

31.1 Current year's taxation

The charge for current taxation is based on the applicable tax rates, after taking into account the applicable tax credits available, if any under the Income Tax Ordinance, 2001.

31.2 Numerical reconciliation between the average tax rate and the applicable tax rate

	2016 % age	2015 % age	30 / June / 2016 Rupees	30 / June / 2015 Rupees
Applicable tax rate	33.00%	33.00%	14,287,188	19,495,642
Tax effects of amounts that are:				
Inadmissible expenses	15.58%	12.70%	6,745,589	7,500,049
Difference in tax rates	-33.22%	-54.21%	(14,380,312)	(32,024,009)
Effective tax rate/tax	15.36%	-8.51%	6,652,465	(5,028,318)

		30 / June / 2016	30 / June / 2015
32 LOSS PER SHARE (BASIC AND ANTI-DILUTIVE)			
Loss attributable to ordinary equity holders of the Company	(Rupees)	(49,946,975)	(54,066,136)
Weighted average number of ordinary shares	(Number)	10,700,000	10,700,000
Loss per share - basic and anti dilutive	(Rupees)	(4.67)	(5.05)

32.1 There is no anti dilutive effect on the basic loss per share of the Company. Moreover, there are no anti dilutive potential ordinary shares outstanding as at 30 June 2015 and 2014.

33 PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	17,280	17,280
Installed capacity after conversion into 20 / S counts (Kgs.)	4,668,224	4,668,224

It is difficult to determine precisely production / rated capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, twist per inch and raw materials used etc.

34 NUMBER OF EMPLOYEES

Total number of employees (inclusive of contractual staff) at end of year	2	10
Average number of employees during the year	2	19

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities approximate their fair values.

36 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

36.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering application for credit approvals, granting, renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, financial viability of all counterparties is regularly monitored/assessed.

Concentration of credit risk arise when a number of counterparties are engaged in a similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Credit risk primarily arises from long-term advances, trade debts, loans and advances and balances with banks. To manage exposures to credit risk in respect of trade debts, management performs credit reviews taking into account the customers' financial position, past experience and other relevant factors. Where considered necessary advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce credit risk. Credit risk on bank balances is limited as the counterparties are banks with reasonably high credit ratings.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 / June / 2016	30 / June / 2015
	Rupees	Rupees
Long-term advances	15,650,727	15,650,727
Trade debts	1,093,523	1,093,523
Loans and advances	517,338	532,338
Bank balances	782,456	747,531
	18,044,044	18,024,119

Geographically, there is no concentration of credit risk. All trade debts at balance sheet date represents domestic parties.

There is no single significant customer in the trade debts of the Company.

The aging of trade debts at the balance sheet date was as follows:

Falling within 1 to 30 days	-	715,678
Falling within 30 to 90 days and over	1,093,523	378,187
	1,093,523	1,093,865

Impairment losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

36.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 14 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see note 12 to these financial statements. Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

30 / June / 2016				
	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year
	----- Rupees -----			
Long-term finances	237,436,293	237,436,293	-	237,436,293
Trade payables	113,685,525	113,685,525	113,685,525	-
Short-term borrowings	68,180,179	84,970,754	84,970,754	-
	<u>419,301,997</u>	<u>436,092,572</u>	<u>198,656,279</u>	<u>237,436,293</u>
30 / June / 2015				
	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year
	----- Rupees -----			
Long-term finances	250,115,742	250,115,742	4,602,122	245,513,620
Trade payables	116,489,479	116,489,479	116,489,479	-
Short-term borrowings	68,217,251	85,007,826	85,007,826	-
	<u>434,822,472</u>	<u>451,613,047</u>	<u>206,099,427</u>	<u>245,513,620</u>

36.3 Market risk

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

a) Foreign currency risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials and plant and machinery, if any. The Company is not exposed to any foreign currency risk as there are very minimal such transactions.

b) Interest rate risk

The interest rate risk is the risk that value of financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and liabilities that mature in given period. At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Variable rate instruments	30 / June / 2016	30 / June / 2015	30 / June / 2016	30 / June / 2015
	-----%	-----	----- Rupees	-----
Short-term borrowings	<u>3M KIBOR + 3%</u>	<u>3M KIBOR + 3%</u>	<u>68,180,179</u>	<u>68,217,251</u>

Fair value sensitivity analysis for floating rate instruments

The Company does not account for any fixed / floating rate financial assets and liabilities at fair value through profit and loss therefore, a change in interest rate would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

At 30 June 2015, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, the Company's profit before tax for the year would have been Rs. 0.680 million (2014: Rs. 0.715 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities. There is only an immaterial impact on the Company's equity.

c) Price risk management

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuates as a result 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 traded in the market. The Company is not exposed to any significant price risk.

36.4 Determination of fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

37 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.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for maintenance of debt to equity ratio under the financing agreements.

38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of holding company, subsidiaries and associated undertakings, other related group companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amount due from related parties is shown under note 19 to the financial statements.

Nature and description of related party transactions during the year along with monetary value are as follows:

Nature of relation	Nature of transactions	30 / June / 2016 Rupees	30 / June / 2015 Rupees
Companies under common management of control	Loan Repaid	2,347,608	-
	Purchase of yarn / others	(1,707,414)	-
Key management personnel	Remuneration and other benefits	-	1,548,678

39 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year as remuneration and benefits of the chief executive officer, directors and executives of the Company are as follows:

		30 / June / 2016		
		Directors	Executives	Aggregate
		Rupees.....		
Managerial remuneration	-	-	-	-
House rent allowance	-	-	-	-
Utilities	-	-	-	-
Total 2016	-	-	-	-
Number of persons	1	-	1	
		30 / June / 2015		
		Directors	Executives	Aggregate
		Rupees.....		
Managerial remuneration	1,032,452	-	1,032,452	
House rent allowance	412,981	-	412,981	
Utilities	103,245	-	103,245	
Total 2015	1,548,678	-	1,548,678	
Number of persons	1	-	1	

39.1 Chief executive officer of the Company had not drawn salary during the year as well as last year.

39.2 The chief executive officer, directors and certain executives of the Company have been provided with Company maintained cars.

39.3 Meeting fee has not been paid to directors of the Company(2015: Rs. 15,000).

40 RECLASSIFICATIONS AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-classification and re-arrangements are made.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on October 06, 2016.



FORM OF PROXY

No. of Shares

Please Quote Folio No.

I/We _____ of _____

a member(s) of KHALID SIRAJ TEXTILE MILLS LIMITED and holding _____

ordinary shares, as per Register folio / CDC A/c No. _____

hereby appoint Mr. _____ of _____

of failing his _____ of _____

who is also a member of the company vide Register Folio / CDC A/c No. _____ as my/our proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on October 31, 2016 at 10:00 a.m. and at any adjournment thereof

As witness my/our hand this _____ day of _____ 2016.

Revenue
Stamp

1. Witness _____

2. Witness _____

Signature of Member (s)

A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of his behalf. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The proxies shall be lodged with the company not later than 48 hours before the time of meeting.

For CDC account holders:

- The proxy form shall be witnessed by two persons where names, addresses and CNIC number shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of meeting.