

ANNUAL REPORT 2015



Mahmood Textile Mills Ltd.





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Corporate Information

Board of Directors:

Khawaja Muhammad Masood	Chairman
Khawaja Muhammad Iqbal	Chief Executive Officer
Khawaja Muhammad Ilyas	Director
Khawaja Muhammad Yunus	Director
Jalal-ud-Din Roomi	Director
Mst. Khadija Qureshi	Director
Muhammad Muzaffar Iqbal	Director

Chief Financial Officer / Company Secretary

Muhammad Amin Pal
F.C.A.

Auditors

Hameed Chaudhri & Co
Chartered Accountants
H M House, 7-Bank Square,
Lahore.

Stock Exchange Listing

The Mahmood Textile Mills Limited is a listed Company and its shares are traded on Karachi Stock Exchanges in Pakistan.

Bankers

MCB Bank Limited
United Bank Limited
Habib Bank Limited
Allied Bank Limited
Bank Al-Habib Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Bank Alfalah Limited

Mills

Mahmoodabad, Multan Road, Muzaffargarh.
Masoodabad, D.G. Khan Road, Muzaffargarh.
Chowk Sarwar Shaheed, District Muzaffargarh.

Registered Office

Mehr Manzil, Lohari Gate, Multan.
Tel.: 061-111-181-181 Fax: 061-4511262
E-mail: info@mahmoodgroup.com

Share Registrar

Hameed Majeed Associates (Pvt.) Ltd.
H M House, 7-Bank Square, Lahore.

www.mahmoodgroup.com

Vision

To be recognized internationally and locally
as dynamic, quality conscious and ever progressive
Textile Product manufacturer
in the Textile Industry of Pakistan

Mission

Mahmood Group is committed to:

- Be ethical in its practices.
- Excel through continuous improvement by adopting most modernized technology in production.
- Operate through professional Team work.
- Retain our position as leaders and innovators in the Textile Industry.
- Achieve Excellence in the quality of our product.
- Be a part of country's economic development and social Prosperity.





Notice of Annual General Meeting

Notice is hereby given that 45th Annual General Meeting of the Company will be held on Saturday, 31st October, 2015, at 11:00 A.M., at its Registered Office, Mehr Manzil, Lohari Gate, Multan to transact the following business:

1. To confirm the Minutes of the Annual General Meeting held on 31st October, 2014.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2015 together with Director's and Auditor's Reports thereon.
3. To approve payment of Cash Dividend @ 100 % (Rs.10/- per ordinary Share of Rs.10/- each) for the year ended 30th June, 2015 as recommended by the Board of Directors.
4. To appoint Auditors for the year **2015-16** and to fix their remuneration. The present Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
5. To transact any other ordinary business as may be placed before the Meeting with the Permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-

MUHAMMAD AMIN PAL

Company Secretary

Multan.

Date: 5th October, 2015.

NOTE:-

- i) The Share Transfer Books of the Company will remain closed from 20th October to 31st October, 2015 (Both days inclusive).
- ii) A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly completed should reach the Registered Office of the Company at least 48 hours before the time of Meeting.
- iii) Any individual beneficial owner of CDC entitled to attend and vote at this Meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of Corporate Member should bring the usual documents required for such purpose.
- iv) The Shareholders, who have not yet sent their copies of CNIC to this Company, they are again requested in their own interest to send copies of their CNIC at Head Office address given above, in compliance with the instructions of SECP, vide SRO No.831(1)201, dated 5th July, 2012, otherwise their Dividend Warrants may be with-held.
- v) All Shareholders are requested to send us copy of their NTN Number / Certificate immediately for the payment of Dividend, otherwise Income tax will be deducted @ 15% instead of 10% from the Dividend amount, as per requirement of Finance Act, 2013-14
- vi) Members are requested to notify immediately any Change in their addresses.

Honours and Achievements



Directors' Report To The Shareholders

In the name of Allah, the Most Beneficent, the Most Merciful.

The Directors of the Company are pleased to present the Annual Report of the Company for the year ended June 30, 2015 along with the Audited financial statements.

The Company

The reporting year is another critical year for the Company and industry as a whole. Slump in the international market and internally Government policies have made difficult the viability of textile operations. Spinning business remained depressed mainly on export venue particularly due to fall in yarn export to China. Cotton prices played fundamental role on the operating results of textile sector. The cotton was purchased at Rs.5100-5200 per maund during the cotton season of reporting year. Later on cotton prices dropped significantly to Rs.4500-4700 per maund resultantly prices of yarn also declined manifold. This high volatility in cotton prices created sever indent in the operational profitability of the Company. Moreover, the parity of Pak rupee verses Dollar is not fair while other countries devalued their currencies.

Despite of aforementioned crucial circumstances, the Company has earned net profit of Rs.371.122 million during the current year as compared to Rs.471.699 million earned in corresponding year. This could be possible only because of the managements' commitment towards maintaining the profitability by diversification and exploring new opportunities around the globe. Moreover, our plans and approach is based on professionalism and customer care services. Out of all factors, the most significant is our unwavering commitment to our core and ethical values.

Operating Results & Performance

Operating results along with appropriations are summarized as under:

Description	For the Year ended	
	June 30, 2015	June 30, 2014
 Rupees	
Sales - Net		
Local	2,063,636,019	2,413,020,471
Export	11,695,798,470	13,062,201,813
	<u>13,759,434,489</u>	<u>15,475,222,284</u>
Gross Profit	<u>945,113,634</u>	<u>1,359,444,562</u>
Profit before tax	<u>533,055,736</u>	<u>474,636,964</u>
Profit after tax	<u>371,122,605</u>	<u>471,699,841</u>
Earning per share	<u>24.74</u>	<u>31.45</u>
Unappropriated profit	<u>4,512,425,560</u>	<u>4,291,302,955</u>
Proposed cash dividends		
Rs.10 per share	<u>(150,000,000)</u>	<u>(150,000,000)</u>
Retained earning	<u>4,362,425,560</u>	<u>4,141,302,955</u>

Textile Industry Outlook

It is crystal clear that textile industry is back bone of the Pakistan's economy. Textile sector has a vital bearing on the growth of industrial sector, GDP, exports and employment. It contributes more than 60% share in the total export of the country and continues to be largest employment generating sector. Pakistan is 4th largest producer of cotton in the world with the third largest spinning capacity in Asia after China and India. Despite of all these landmarks, the textile industry appears to be languishing due to being neglected under retrogressive government policies.

The textile industry is passing through difficult situation since last few years. Sever economic slowdown prevailing in the international market and unbusiness trade policies of our Government as

compared to our other competitors specially India has put Pakistani spinners in difficult position.

Limited energy supply of electricity and gas to Punjab based textile mills that constitute 70% of the total size of textile industry in Pakistan has proven a major hurdle in smooth operations and steady growth of textile industry. It has further triggered serious supply chain issues for value added sector right knitting & woven to bed linen, which have consequently failed to avail the GPS plus facility.

Under these circumstances textile industry has entered into vicious circle and its survival is at stack. This is the time to address seriously the issues confronting growth of textile industry as this sector is mainstay of Pakistan economy having backward and forward linkage to create employment and growth opportunities.

Corporate Social Responsibility

Mahmood's CSR policy is driven by the imperative need to positively touch the lives of its stake holders. At Mahmood we remain committed towards supporting the Communities where we live and operate through various social and community initiatives. In this direction, our key areas of focus include health care and education. During The past 45 years Mahmood's philosophy remained to conduct business in an ethical and responsible manner, bringing development to the land where it operates. The Company takes on social initiative which it considers that its contribution would improve the lives of its communities.

Capital Investment

Consistent with our strategic policy to review technical aspects regularly, to run our plant with most modern techniques, to cater the needs of our valued customers and to get quality production in economical way, Rs.268.562 million has been invested to upgrade existing Plant & Machinery of spinning and weaving business.

Dividend Payout

According to dividend payout strategy the management wishes to pay good return to the shareholders of the Company keeping in view profitability for the year. Board has recommended to pay 100% cash dividend @ Rs.10 per share this year which will be put up in the annual general meeting for final approval.

Statement of Compliance with the Code of Corporate Governance

The Company has fully complied with the requirements of the Code of Corporate Governance

as contained in the Listing Regulations of Karachi Stocks Exchange. A statement to the fact is annexed with this report.

Corporate and Financial Reporting Framework

The Company has been in compliance with Corporate Governance and Financial Reporting Frame Work and the Directors confirm that:

- a) The financial statements for the year ended June 30, 2015 prepared by the management of the Company present fairly its true state of affairs, the results 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 and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal controls is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of share holding.
- h) There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations as on June 30, 2015.
- i) Key operating and financial data of the Company for the last six years is annexed.
- j) The attendance of the Directors in Board and its committees meetings held during the year is annexed.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2015 is annexed to this report.

Auditors

The present auditors, M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee has recommended their re-appointment as Auditors of the Company for the year ending June 30, 2016.

Future outlook

The textile exports have been stagnant over last four years despite recent grant of GSP plus status by European Union. Over valuation of rupee, held up of large refunds against zero rating of exports affecting the liquidity of exporters, further, some recent developments such as introduction of various surcharges on the electricity tariff and gas infrastructure development cess and delay in implementing textile policy are rendering textile sector of Pakistan uncompetitive in international markets.

Most disappointing factor for the year 2015-16 is that country's cotton crop which is being reported till to date has been damaged to much extent due to climatic reasons. If this happens, it will add worse position to our Textile Industry.

Good corporate governance, marketing, quality, production efficiency and financial discipline will remain top focus by the management. But optimal results from the textile industry are not possible unless the Government addresses all confronted issues positively. Hence, the future results depend on the response of local and international market along with business friendly policies of the Government for Textile Sector.

Acknowledgement

We present thanks to shareholders, employees, bankers, suppliers, and valued customers for their continuous support.

For and on behalf of the board

Sd/-
(Khawaja Muhammad Masood)
Chairman

Multan
Dated: 5th October 2015



Financial Summary

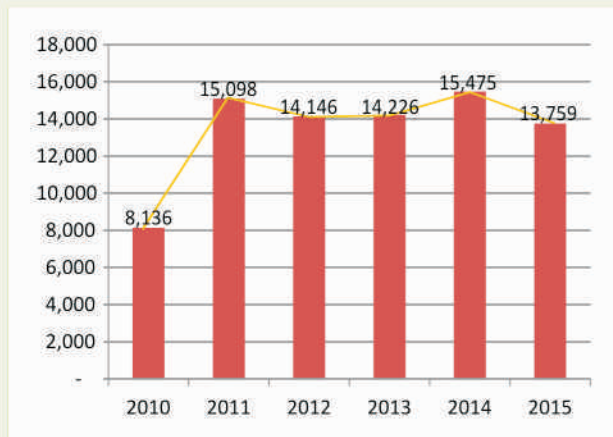
SIX YEARS REVIEW AT A GLANCE

Rupees in Million

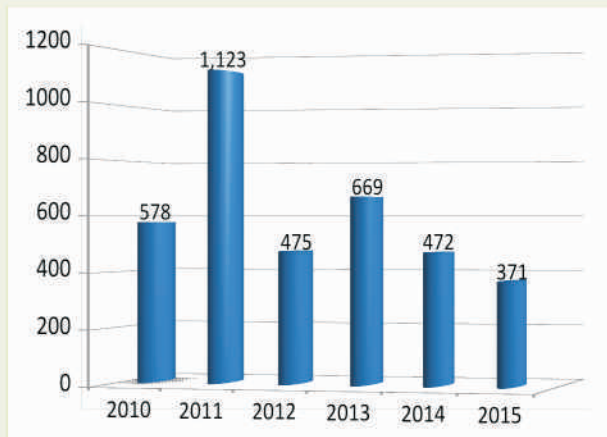
	2015	2014	2013	2012	2011	2010
ASSETS :						
FIXED ASSETS	3,042	3,035	3,057	2,426	2,298	1,774
LONG TERM INVESTMENTS	1,351	1,212	1,074	921	839	562
LONG TERM DEPOSITS	9	9	8	44	42	7
CURRENT ASSETS	7,086	4,866	5,046	3,566	3,560	2,672
TOTAL ASSETS	11,488	9,122	9,185	6,957	6,739	5,015
FINANCED BY:						
EQUITY	4,669	4,449	4,127	3,608	3,283	2,250
LONG TERM LIABILITIES	919	1,040	1,144	830	987	689
DEFERRED LIABILITIES	115	115	115	115	115	120
CURRENT LIABILITIES	5,785	3,518	3,799	2,404	2,354	1,956
TOTAL FUNDS INVESTED	11,488	9,122	9,185	6,957	6,739	5,015
PROFIT AND LOSS:						
SALES - NET	13,759	15,475	14,226	14,146	15,098	8,136
OPERATING PROFIT	855	888	1,127	1,012	1,604	933
PROFIT BEFORE TAXATION	533	475	818	633	1,275	646
PROFIT AFTER TAXATION	371	472	669	475	1,123	578
CASH DIVIDENDS	100%	100%	100%	100%	100%	60%
PROFIT C/F	4,512	4,291	3,970	3,451	3,126	2,093

Graphical Presentation

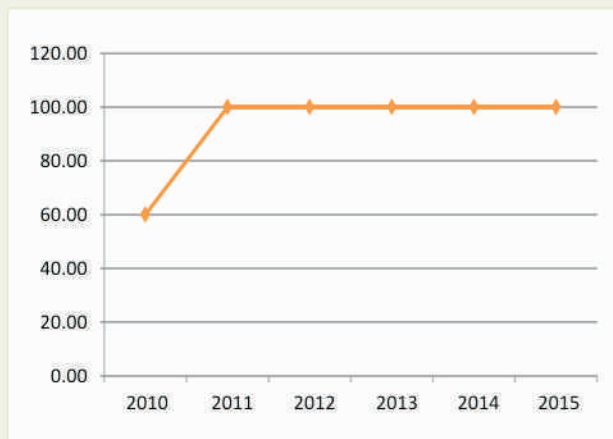
Sales (Rs. in million)



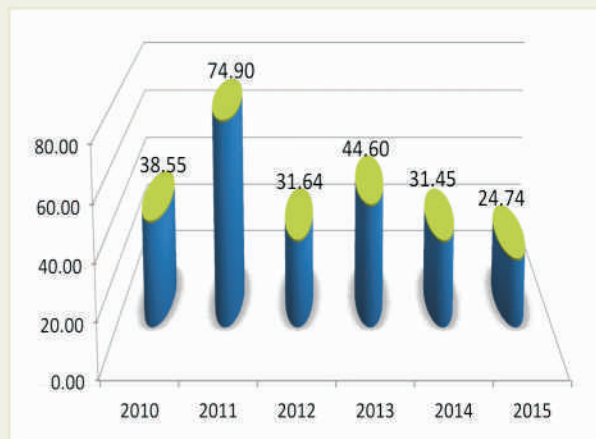
Profit after Taxation (Rs. in million)



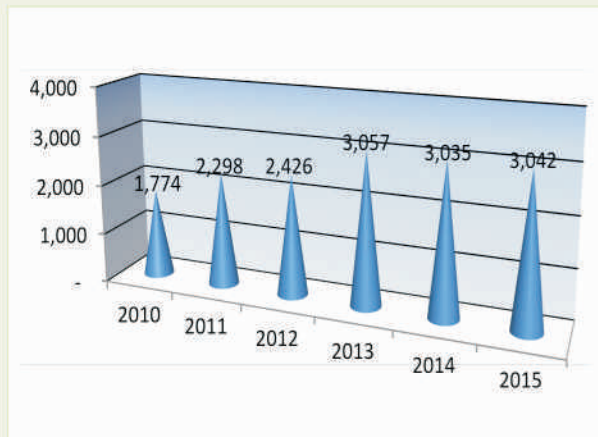
Dividend (Rs. in percentage)



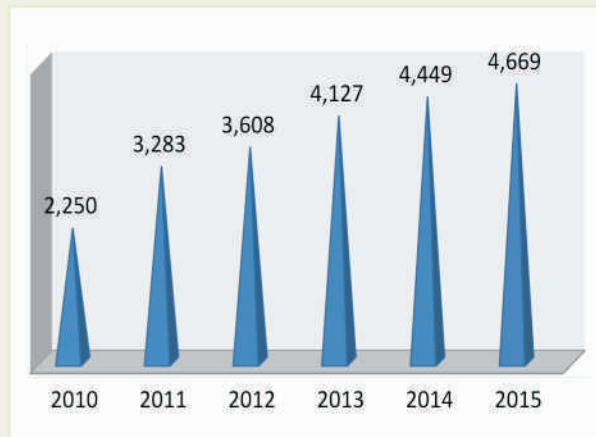
Earning Per Share (Rupees)



Fixed Assets (Rs. in million)



Equity (Rs. in million)



Board Human Resource Committee

Composition:

Khawaja Muhammad Younus
Chairman

Jalaluddin Roomi
Member

Muhammad Muzaffar Iqbal
Member

Terms of Reference

The Committee makes recommendations to the Board for maintaining (i) a sound organizational plan of the Company, (ii) an effective employee development programme and (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve said objectives.

The Terms of Reference of the Board Human Resource Committee include review and recommendations for the Board's approval, matters relating to:

- (i) Changes in organization, functions and relationships affecting management positions.
- (ii) Establishment of Human Resource plans and procedures.
- (iii) Determination of appropriate limits of authority and approval procedures for personnel matters.
- (iv) Review of employee development system and procedures, early identification and development of key personnel and specific succession plans for senior management positions.
- (v) Review and evaluation of compensation policies, practices and procedures.

Board Audit Committee

Composition:

The Board Audit Committee is composed of the following Directors:

Khawaja Muhammad Ilyas
Chairman

Khawaja Muhammad Younus
Member

Muhammad Muzafar Iqbal
Member

Terms of Reference

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

- (i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.
- (ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.
- (iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- (iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.
- (v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.
- (vi) Institute special projects or other investigations on any matters specified by the Board of Directors.

The Board Audit Committee met four (4) times during the year with an average participation of all members.

Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to Company with the Code of Corporate Governance Contained in Regulation No.35 of listing regulations of Karachi Stock of Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, Whereby a listed company is managed in compliance with the best practices of corporate Governance.

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

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

Category	Name
Executive Directors	Khawaja Muhammad Iqbal Khawaja Muhammad Younus Khawaja Jalaluddin Roomi Khawaja Muhammad Muzaffar Iqbal
Non Executive Directors	Khawaja Muhammad Masood Khawaja Muhammad Ilyas Mst. Khadija Qureshi

- 1-1 In the previous election of Directors none of the Director possess criteria of independent Director. Further, no independent shareholder came forward to contest the election as a director, hence the shareholders of the company were unable to elect independent director. However, Management of the Company is fully committed and planning to appoint independent Director in the next Board's election.
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 resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock exchange, has been declared as a defaulter by that Stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30th June, 2015.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate Steps have been taken to disseminate it throughout the Company along with its supporting Policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose 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 the meetings were appropriately recorded and circulated.

9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. There were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30th June, 2015.
11. The director's report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. All directors of the company are exempt from orientation course due to experience of 15 years or more on the board of the listed company and minimum education of 14 years.
16. The board has formed an Audit Committee. It comprises four members, of whom three are non-executive directors including the Chairman of the committee.
17. The meetings of the audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The board has formed an HR and Remuneration Committee. It comprises Five members, of whom two are non-executive directors, one is independent director and the Chairman of the committee is a non executive director.
19. The board has set up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
20. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the international Federation of Accounts (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. 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.
22. The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material/price sensitive information has been disseminated among all market participants at one through stock exchange(s).
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors.

Multan:
Dated: 05 October, 2015

Sd/
Chairman

Pattern of Shareholding

AS AT JUNE 30, 2015

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
20	1	100 Shares	878
61	101	500 Shares	14,404
18	501	1,000 Shares	12,120
24	1,001	5,000 Shares	51,528
3	5,001	10,000 Shares	24,755
3	10,001	15,000 Shares	37,354
1	30,001	35,000 Shares	30,269
1	95,001	100,000 Shares	98,935
4	110,001	115,000 Shares	446,269
1	175,001	180,000 Shares	178,704
1	190,001	195,000 Shares	190,035
4	215,001	220,000 Shares	865,411
1	245,001	250,000 Shares	246,144
3	280,001	285,000 Shares	851,865
1	295,001	300,000 Shares	299,058
2	320,001	325,000 Shares	645,788
1	415,001	420,000 Shares	415,633
2	430,001	435,000 Shares	863,396
1	685,001	690,000 Shares	685,204
1	745,001	750,000 Shares	746,508
1	810,001	815,000 Shares	810,575
1	820,001	825,000 Shares	824,914
1	975,001	980,000 Shares	977,945
1	1,005,001	1,010,000 Shares	1,009,088
1	1,095,001	1,100,000 Shares	1,095,479
1	1,100,001	1,105,000 Shares	1,101,403
1	1,170,001	1,175,000 Shares	1,173,425
1	1,305,001	1,310,000 Shares	1,302,913
163			15,000,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	PERCENTAGE
Directors, Chief Executive Officer & their spouse & minor Children	10	6,363,029	42.44
Associated Companies	2	870,766	5.80
Undertakings & related parties:			
NIT & ICP:	2	30,469	0.20
Banks, Development Financial Institutions, Non-Banking Financial Institutions:	2	10,844	0.08
Joint Stock Companies:	4	136,465	0.90
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	-	-	-
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	143	7,588,427	50.58
b. Foreign:	-	-	-
Others:	-	-	-
	163	15,000,000	100

The above two statements include (110) shareholders Holding 1,173,425 Shares through Central Depository Company of Pakistan Limited (CDC).

Information Required As Per Code of Corporate Governance

As At June 30, 2015

Categories of Share Holders	Number of Share Held	Percentage of Shareholding
SHARE HOLDER'S CATEGORY		
i) Associated Companies, undertaking & related parties (name wise details):		
- Masood Spinning Mills Limited	437,612	
- Roomi Fabrics Limited	433,154	
	870,766	5.80%
ii) Mutual Funds (Name wise details):		
- NIT & ICP	30,469	0.20%
iii) Directors, Chief Executive and their spouse(s) and minor children (name wise details):		
1. Khawaja Muhammad Masood, Director (Chairman)	1,009,088	
2. Khawaja Muhammad Iqbal, Director & Chief Executive	824,914	
3. Mst. Khadija Qureshi (Wife) Director	98,935	
4. Khawaja Muhammad Ilyas, Director	685,204	
Mst. Bilquees Akhtar (Wife)	746,508	
5. Khawaja Muhammad Younus, Director	977,945	
Mst. Robina Younus (Wife)	111,854	
6. Khawaja Muhammad Muzaffar Iqbal	415,633	
7. Khawaja Muhammad Jalaluddin Roomi	1,302,913	
Mst. Humera Jalaluddin (Wife)	190,035	
	6,363,029	42.44%
iv) Banks, Development Financial Institutions, Non-Banking Financial Institutions:		
- National Bank of Pakistan	10,744	
- IDBL	100	
	10,844	0.08%
v) Joint Stock Companies:		
- Stock Master Securities (Pvt) Limited (CDC)	4,922	
- Ismail Abdul Shakoor (Pvt) Limited (CDC)	3,480	
- CDC-Trustee National Investment (Unit) Trust	128,063	
- Crescent Group Service (Pvt) Limited	1,921	
	136,465	0.90%
vi) General Public:		
i) Local:	7,588,427	50.58%
ii) Foreign:	-	
Total:	15,000,000	100%

Directors Attendance At Board Meetings

From July 1st 2014 to June 30, 2015

Sr. No.	Name	Designation	Meeting Held	Meeting Attended
1.	Khawaja Muhammad Masood	Chairman	4	4
2.	Khawaja Muhammad Iqbal	CEO	4	4
3.	Khawaja Muhammad Ilyas	Director	4	4
4.	Khawaja Muhammad Younus	Director	4	4
5.	Jalal-ud-Din Roomi	Director	4	4
6.	Mst. Khadija Qureshi	Director	4	4
7.	Muhammad Muzaffar Iqbal	Director	4	4



Financial Statements

Mahmood Textile Mills Ltd

For the year ended 30 June 2015

Review Report To The Members On Statement Of Compliance With Best Practices Of The Code Of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of MAHMOOD TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No.35 of the Karachi Stock Exchange, where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015. We, however, draw attention towards paragraph 1-1 of the Statement of Compliance whereas the Board was unable to appoint an independent director due to reasons stated therein.

Hameed Chaudhri & Co.,
Chartered Accountants.
Audit Engagement Partner: Nafees ud din

Lahore:
Dated: 05 October, 2015

Auditors' Report To The Members

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

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore:
Dated: 05 October, 2015

Hameed Chaudhri & Co.,
Chartered Accountants.
Audit Engagement Partner: Nafees ud din

Balance Sheet

AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,041,918,779	3,034,662,399
Long term investments	6	1,351,189,011	1,212,505,442
Loan to an executive	7	1,384,092	3,851,500
Long term deposits		8,732,521	8,732,521
		4,403,224,403	4,259,751,862
Current assets			
Stores, spares and loose tools	8	186,838,001	176,239,846
Stock-in-trade	9	3,402,944,706	2,667,620,149
Trade debts	10	1,343,003,773	604,766,242
Loans and advances	11	74,898,764	87,118,897
Other receivables	12	54,139,312	66,265,873
Short term investments	13	1,673,500,693	765,596,206
Tax refunds due from the Government	14	334,619,158	485,938,610
Cash and bank balances	15	15,137,192	8,772,845
		7,085,081,599	4,862,318,668
TOTAL ASSETS		11,488,306,002	9,122,070,530
EQUITY AND LIABILITIES			
Equity			
Authorized share capital			
30,000,000 ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid-up capital	16	150,000,000	150,000,000
Capital reserve		7,120,600	7,120,600
Unappropriated profit		4,512,425,560	4,291,302,955
		4,669,546,160	4,448,423,555
Liabilities			
Non-current liabilities			
Long term financing	17	918,892,118	1,040,264,812
Deferred taxation	18	115,243,874	115,243,874
		1,034,135,992	1,155,508,686
Current liabilities			
Trade and other payables	19	1,013,025,288	527,519,259
Accrued mark-up	20	88,462,778	92,266,478
Short term borrowings	21	4,205,052,598	2,423,900,484
Current maturity of long term financing	17	317,583,186	323,527,068
Taxation	22	160,500,000	150,925,000
		5,784,623,850	3,518,138,289
Total liabilities		6,818,759,842	4,673,646,975
TOTAL EQUITY AND LIABILITIES		11,488,306,002	9,122,070,530
Contingencies and commitments	23		

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

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

Profit And Loss Account

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales - Net	24	13,759,434,489	15,475,222,284
Cost of Sales	25	(12,814,320,855)	(14,115,777,722)
Gross Profit		945,113,634	1,359,444,562
Distribution Cost	26	(423,000,994)	(429,637,000)
Administrative Expenses	27	(263,895,467)	(274,865,002)
Other Income	28	609,442,986	318,158,225
Other Expenses	29	(12,642,593)	(84,915,565)
Profit from Operations		855,017,566	888,185,220
Finance Cost	30	(474,645,399)	(562,289,497)
		380,372,167	325,895,723
Share of Profit of Associates	6	152,683,569	148,741,241
Profit before Taxation		533,055,736	474,636,964
Taxation	22	(161,933,131)	(2,937,123)
Profit after Taxation		371,122,605	471,699,841
Other Comprehensive Income		0	0
Total Comprehensive Income		371,122,605	471,699,841
Earnings Per Share - Basic and Diluted	31	24.74	31.45

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

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DIRECTOR

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Cash flows from operating activities		
Profit for the year - before taxation and share of profit of Associates	380,372,167	325,895,723
Adjustments for non-cash charges and other items:		
Depreciation	314,983,101	318,289,621
Loss / (gain) on disposal of operating fixed assets - net	540,480	(3,555,808)
Loss on sale of investments in Dandot Cement Company Ltd.	0	8,799,504
Fair value (gain) / loss on re-measurement of short term investments	(168,220,430)	60,333,827
Gain on sale of short term investments	(379,362,031)	(250,300,907)
Sales tax refunds written-off	1,787,999	0
Dividend on short term investments	(61,659,932)	(64,267,365)
Return on bank deposits	(31,997)	(31,745)
Finance cost	474,645,399	562,289,497
Profit before working capital changes	563,054,756	957,452,347
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(10,598,155)	(18,781,745)
Stock-in-trade	(735,324,557)	978,966,982
Trade debts	(738,237,531)	(65,068,838)
Loans and advances	12,220,133	1,344,145
Other receivables	12,126,561	(4,269,286)
Sales Tax refunds	113,492,873	(125,839,147)
Increase / (decrease) in trade and other payables	485,084,083	(293,027,342)
	(861,236,593)	473,324,769
Cash (used in) / generated from operations	(298,181,837)	1,430,777,116
Income tax paid	(116,319,551)	(124,186,473)
Loan to an executive - net	2,467,408	648,500
Net cash (used in) / generated from operating activities	(412,033,980)	1,307,239,143
Cash flow from investing activities		
Purchase of property, plant and equipment	(337,556,961)	(331,381,315)
Sale proceeds of operating fixed assets	14,777,000	38,617,452
Long term deposits	0	(531,250)
Short term investments - net	(360,322,026)	(300,206,496)
Dividends received on long and short term investments	75,659,932	74,267,365
Return on bank deposits	31,997	31,745
Net cash used in investing activities	(607,410,058)	(519,202,499)
Cash flow from financing activities		
Long term financing - net	(127,316,576)	(83,444,489)
Dividend paid	(149,578,054)	(149,845,042)
Short term borrowings - net	1,781,152,114	14,909,267
Finance cost paid	(478,449,099)	(574,729,482)
Net cash generated from / (used in) financing activities	1,025,808,385	(793,109,746)
Net increase / (decrease) in cash and cash equivalents	6,364,347	(5,073,102)
Cash and cash equivalents - at beginning of the year	8,772,845	13,845,947
Cash and cash equivalents - at end of the year	15,137,192	8,772,845

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

sd/-
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DIRECTOR

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

Statement Of Changes In Equity

FOR THE YEAR ENDED JUNE 30, 2015

	Share capital	Capital reserve	Unappropriated profit	Total
	----- Rupees -----			
Balance as at June 30, 2013	150,000,000	7,120,600	3,969,603,114	4,126,723,714
Transactions with owners:				
Final cash dividend for the year ended June 30, 2013 @ Rs.10 per share	0	0	(150,000,000)	(150,000,000)
Total comprehensive income for the year ended June 30, 2014	0	0	471,699,841	471,699,841
Balance as at June 30, 2014	150,000,000	7,120,600	4,291,302,955	4,448,423,555
Transactions with owners:				
Final cash dividend for the year ended June 30, 2014 @ Rs.10 per share	0	0	(150,000,000)	(150,000,000)
Total comprehensive income for the year ended June 30, 2015	0	0	371,122,605	371,122,605
Balance as at June 30, 2015	150,000,000	7,120,600	4,512,425,560	4,669,546,160

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

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(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

1. LEGAL STATUS AND OPERATIONS

Mahmood Textile Mills Limited (the Company) was incorporated in Pakistan on February 25, 1970 as a Public Company and its shares are quoted on the Karachi Stock Exchange Limited. The Company is principally engaged in manufacture and sale of yarn, grey cloth and generation of electricity. The registered office of the Company is situated at Multan whereas the mills are located at District Muzaffargarh, Dera Ghazi Khan Division, Punjab.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest Rupee unless otherwise stated.

2.4 Accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

(c) Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

(d) Income Taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

2.5 No critical judgment has been used in applying the accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

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

The amendments to following standard have been adopted by the Company for the first time for financial year beginning on July 01, 2014:

- (a) IAS 32 (Amendments) 'Financial instruments: presentation'. These amendments update the application guidance in IAS 32, 'Financial instruments: presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The application of these amendments has no material impact on the Company's financial statements.
- (b) IAS 36 (Amendment) 'Impairment of assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of this amendment has no material impact on the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following are the new standards and amendments to existing approved accounting standards that are effective for the periods beginning January 01, 2015 that may have an impact on the financial statements of the Company:

- (a) IFRS 9 'Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2015. IFRS 9 replaces the parts of IAS 39 'Financial instruments: recognition and measurement', that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The Company does not expect to have a material impact on its financial statements due to application of this standard.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

- (b) IFRS 12 'Disclosure of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.
- (c) IFRS 13 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.
- (d) Annual improvements 2014 applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits' and IAS 34, 'Interim financial reporting'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment and depreciation

These are stated at cost less accumulated depreciation and impairment in value, if any, except freehold and leasehold land and capital work-in-progress, which are stated at cost.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment. If any, is taken to profit and loss account.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

4.2 Long Term investments

(a) Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of investments.

The carrying amount of investments is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit and loss account.

(b) Other investments

Other investments where the Company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available-for-sale. These investments are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which these arise.

(c) Bonus shares are accounted for by increase in number of shares without any change in value.

4.3 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated up to the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.4 Stock-in-trade

Basic of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials:	
- At mills	- At lower of annual average cost of both local and imported stocks and net realisable value.
- In transit	- At cost accumulated up to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.
-	Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.5 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

4.6 Short term investments (at fair value through profit or loss)

Investments at fair value through profit or loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognised at cost, being fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognised in profit and loss account.

4.7 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.

4.8 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.9 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all its eligible employees. Provision is made annually to cover obligation under the scheme. The payable balance of gratuity is paid fully to the employees before the year-end.

4.10 Trade and other payables

Trade and other payables are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.11 Provisions

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

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

4.12 Taxation

(a) Current

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

4.13 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

4.14 Financial instruments

Financial instruments include long term investments, loan to an executive, long term deposits, trade debts, short term investments, loans & advances, other receivables, bank balances, long term financing, trade & other payables, accrued mark-up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.15 Offsetting

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.16 Foreign currency translations

Foreign currency transactions are recorded in Pak Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

4.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Local sales through agents are booked on intimation from agents.
- Direct local sales are accounted for when goods are delivered to customers and invoices raised.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

- Export sales are booked on despatch of goods.
- Dividend income is recognised when the right to receive dividend is established.
- Interest / mark-up is accounted for on accrual basis.

4.18 Impairment of non financial assets

Non financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

4.19 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products being produced and sold, the Company has been organised into three operating segments i.e. spinning, weaving and power.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Finance cost, other income and expenses and taxation are managed at the Company level. Unallocated assets mainly include long term investments, long term deposits, tax refunds due from the Government and cash & bank balances.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2015 Rupees	2014 Rupees
Operating fixed assets	5.1	3,017,002,255	3,019,422,708
Capital work-in-progress		24,916,524	15,239,691
		3,041,918,779	3,034,662,399

Notes To The Financial Statements

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5.1 Operating Fixed Assets - tangible

Particulars	Leasehold land	Owned													Total	
		Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Stand-by equipment	Furniture and fittings	Vehicles	Office equipment	Protective dam	Electric installations	Gas installations	Tools and equipment	Computer and accessories		Weighing bridge
Rupees																
COST																
Balance as at June 30, 2013	20,755,743	12,137,499	563,535,394	24,714,302	3,826,912,554	598,784,635	10,339,201	104,165,084	3,401,248	6,507,313	218,946,448	2,720,023	7,836,995	25,715,326	5,366,129	5,431,837,894
Additions during the year	0	0	13,530,617	0	252,882,615	10,026,413	1,047,926	33,871,745	0	0	8,617,991	0	280,000	2,233,981	78,000	322,569,288
Disposals during the year	0	0	0	0	(62,069,060)	0	0	(6,963,152)	0	0	0	0	0	0	0	(69,032,212)
Balance as at June 30, 2014	20,755,743	12,137,499	577,066,011	24,714,302	4,017,726,109	608,811,048	11,387,127	131,073,677	3,401,248	6,507,313	227,564,439	2,720,023	8,116,995	27,949,307	5,444,129	5,685,374,970
Balance as at June 30, 2014	20,755,743	12,137,499	577,066,011	24,714,302	4,017,726,109	608,811,048	11,387,127	131,073,677	3,401,248	6,507,313	227,564,439	2,720,023	8,116,995	27,949,307	5,444,129	5,685,374,970
Additions during the year	0	2,350,000	9,607,124	0	262,897,373	5,665,430	438,629	21,465,896	0	0	21,686,227	1,602,494	0	2,166,955	0	327,880,128
Disposals during the year	0	0	0	0	(27,814,312)	0	0	(4,913,985)	0	0	0	0	0	0	0	(32,728,297)
Balance as at June 30, 2015	20,755,743	14,487,499	586,673,135	24,714,302	4,252,809,170	614,476,478	11,825,756	147,625,588	3,401,248	6,507,313	249,250,666	4,322,517	8,116,995	30,116,262	5,444,129	5,980,526,801
DEPRECIATION																
Balance as at June 30, 2013	0	0	282,863,835	13,251,562	1,607,344,178	314,474,293	5,369,816	49,214,365	2,633,702	2,662,062	75,117,932	1,480,782	5,476,298	19,336,289	2,408,095	2,381,633,209
Charge for the year	0	0	28,929,751	1,146,274	226,650,650	28,580,964	557,779	14,604,435	76,755	192,263	14,611,017	123,924	254,737	2,260,069	301,003	318,289,621
Charge on disposals	0	0	0	0	(29,014,989)	0	0	(4,955,579)	0	0	0	0	0	0	0	(33,970,588)
Balance as at June 30, 2014	0	0	311,793,586	14,397,836	1,804,979,839	343,055,257	5,927,595	58,863,221	2,710,457	2,854,325	89,728,949	1,604,706	5,731,035	21,596,358	2,709,098	2,665,952,262
Balance as at June 30, 2014	0	0	311,793,586	14,397,836	1,804,979,839	343,055,257	5,927,595	58,863,221	2,710,457	2,854,325	89,728,949	1,604,706	5,731,035	21,596,358	2,709,098	2,665,952,262
Charge for the year	0	0	26,692,243	1,031,647	226,428,055	26,793,712	553,263	16,015,702	69,079	182,649	14,401,328	124,887	238,595	2,178,438	273,503	314,963,101
Charge on disposals	0	0	0	0	(13,614,658)	0	0	(3,796,159)	0	0	0	0	0	0	0	(17,410,817)
Balance as at June 30, 2015	0	0	338,485,829	15,429,483	2,017,793,236	369,848,969	6,480,858	71,082,764	2,779,536	3,036,974	104,130,277	1,729,593	5,969,630	23,774,796	2,982,601	2,963,524,546
BOOK VALUE AS AT JUNE 30, 2014	20,755,743	12,137,499	265,272,425	10,316,466	2,212,746,270	265,755,791	5,459,532	72,210,456	690,791	3,652,988	137,835,490	1,115,317	2,385,960	6,352,949	2,735,031	3,019,422,708
BOOK VALUE AS AT JUNE 30, 2015	20,755,743	14,487,499	248,187,306	9,284,819	2,235,015,934	244,627,509	5,344,898	76,542,824	621,712	3,470,339	145,120,389	2,592,924	2,147,365	6,341,466	2,461,528	3,017,002,255
Annual depreciation rate (%)	0	0	10	10	10	10	10	10	20	10	5	10	10	10	30	10

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

5.2 Leasehold land and buildings on leasehold land represent the leased assets allotted by the Board of Management, Industrial Estate, Multan for a period of 99 years.

5.3 Disposal of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Book Value	Sale proceeds	Gain / (loss)	Sold through negotiation to:
----- Rupees -----						
Plant and machinery						
Drawing frames RSBD 35C	5,916,905	3,538,823	2,378,082	2,600,000	221,918	Saima Industries (Pvt) Ltd., Lahore
Drawing frames RSBD 35C	2,958,452	1,789,565	1,168,887	1,442,000	273,113	Sanyo, Office No. 508, Al-Hafeez Shopping Mall, Gulberg - Lahore.
Autocone machine, Murata	17,000,000	6,682,828	10,317,172	8,500,000	(1,817,172)	Lucky Cotton Mills (Pvt) Ltd., Karachi.
Scutcher, China	1,938,955	1,603,442	335,513	435,000	99,487	Malik Hafeez, Dar-ul-Ehsan Road, Faisalabad.
	27,814,312	13,614,658	14,199,654	12,977,000	(1,222,654)	
Vehicles						
Mitsubishi Lancer	1,188,830	952,280	236,550	650,000	413,450	Control Union Pakistan (Pvt) Ltd., Cotton Exchange Building, Karachi.
Honda Civic	1,328,200	1,043,854	284,346	500,000	215,654	Syed Tahzeeb-ul-Hassan - Employee.
Toyota Mark ARE-011	2,396,955	1,800,025	596,930	650,000	53,070	Muhammad Shahid Riaz, Karachi.
	4,913,985	3,796,159	1,117,826	1,800,000	682,174	
	32,728,297	17,410,817	15,317,480	14,777,000	(540,480)	
2014	69,032,212	33,970,568	35,061,644	38,617,452	3,555,808	

	Note	2015 Rupees	2014 Rupees
5.4 Depreciation for the year has been apportioned as under:			
Cost of sales	25	296,166,619	300,790,584
Administrative expenses	27	18,816,482	17,499,037
		314,983,101	318,289,621

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
6. LONG TERM INVESTMENTS			
Associated Companies - Un-quoted			
Masood Spinning Mills Limited (MSML)			
4,000,000 fully paid ordinary shares of Rs.10 each - cost		40,000,000	40,000,000
Equity held: 13.33%			
Post acquisition profit brought forward		267,768,883	210,818,540
		307,768,883	250,818,540
Share of profits			
- current year		26,117,210	69,901,800
- adjustment for last year profits based on audited financial statements		(351,729)	(2,951,457)
		25,765,481	66,950,343
Dividend received		(10,000,000)	(10,000,000)
		323,534,364	307,768,883
Roomi Fabrics Limited (RFL)			
4,000,000 fully paid ordinary shares of Rs.10 each - cost		40,000,000	40,000,000
Equity held: 18.18%			
Post acquisition profit brought forward		429,811,559	348,020,661
		469,811,559	388,020,661
Share of profits			
- current year		114,768,574	99,071,582
- adjustment for last year profits based on audited financial statements - net	6.1	12,149,514	(17,280,684)
		126,918,088	81,790,898
Dividend received		(4,000,000)	-
		592,729,647	469,811,559
Others - Un-quoted			
Orient Power Company (Pvt.) Limited (OPCL)			
39,842,500 fully paid ordinary shares of Rs. 10 each - cost	6.3	434,925,000	434,925,000
		1,351,189,011	1,212,505,442
6.1	These adjustments represent the Company's share of the following, which were either not or excess recognised in the draft financial statements of RFL:		
- fair value gain on remeasurement of available-for-sale investments		(5,810,702)	5,810,702
- realised loss on sale of available-for-sale investments		0	(18,397,661)
- incorporation / (reversal) of less / (excess) recognition of profit		17,960,216	(4,693,725)
		12,149,514	(17,280,684)

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

- 6.2 Summarised financial information of MSML and RFL, based on the un-audited financial statements for the year ended June 30, 2015, is as follows:

	Note	2015 Rupees	2014 Rupees
MSML			
Total assets		8,299,171,800	4,644,482,259
Total liabilities		5,863,865,547	2,335,638,426
Revenue for the year		8,554,581,985	6,863,919,294
Profit after tax for the year		195,928,057	524,394,601
RFL			
Total assets		8,879,154,267	7,332,526,169
Total liabilities		5,618,812,973	4,748,304,171
Revenue for the year		7,342,274,826	5,897,627,932
Profit after tax for the year		631,290,286	544,948,196

- 6.3 (a) The Company, on June 22, 2010, had entered into a shares subscription agreement with OPCL, which is engaged in generation of 225 MW electric power. The project is located near Balloki, District Kasur, Punjab. As per the agreement terms, the Company had agreed to purchase 27,500,000 shares of OPCL at a price of Rs.11 per share.
- (b) The Company, during the financial year ended June 30, 2011, had acquired 36,500,000 shares at a price of Rs.11 per share as per the shares subscription agreement entered into with OPCL and 3,342,500 right shares at a price of Rs.10 per share.

7. LOAN TO AN EXECUTIVE - Considered good

Opening Balance		5,825,735	5,895,000
Add:			
- loan advanced during the year		-	1,000,000
- mark-up accrued during the year		397,880	528,235
		397,880	1,528,235
		6,223,615	7,423,235
Less: deductions made during the year		2,995,643	1,597,500
Closing Balance		3,227,972	5,825,735
Less: recoverable within one year			
- principal		1,446,000	1,446,000
- mark-up		397,880	528,235
	11	1,843,880	1,974,235
		1,384,092	3,851,500

- 7.1 This loan carries mark-up at the rate of 10% per annum and is advanced for personal use in accordance with the terms of employment. The year-end principal balance of loan is recoverable in twenty three equal monthly instalments ending May, 2017.
- 7.2 This loan has been carried at cost as the effect of carrying this balance at amortised cost is not material in the overall context of these financial statements.
- 7.3 The maximum aggregate amount of loan to an executive at any month-end during the year was Rs.5.177 million (2014: Rs.5.780 million).

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

7.4 The loan is secured against pledge of personal property of the executive with the Company.

	Note	2015 Rupees	2014 Rupees
8. STORES, SPARES AND LOOSE TOOLS			
Stores including in-transit inventory valuing Rs. 2,823,133 (2014: Rs. 1,693,030)		174,038,067	111,103,838
Spares		12,503,144	64,821,945
Loose tools		296,790	314,063
		186,838,001	176,239,846

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

9. STOCK-IN-TRADE

Raw materials including in-transit inventory valuing Rs. 310,678,511 (2014: Rs. 86,995,633)	9.1	2,559,388,729	1,727,297,808
Work-in-process		98,012,966	108,940,362
Finished goods			
- own manufactured	9.2	739,603,885	829,719,104
- trading		5,939,126	1,662,875
		745,543,011	831,381,979
		3,402,944,706	2,667,620,149

9.1 Raw materials inventory as at June 30, 2015 includes inventory costing Rs.2,536.670 million (2014: Rs.1,676.250 million), which has been stated at net realisable value; the amount charged to profit and loss account in respect of inventory write down to net realisable value worked-out to Rs.304.868 million (2014: Rs.103.158 million) approximately.

9.2 Finished goods inventory as at June 30, 2015 includes inventory costing Rs.331.179 million (2014: Rs.Nil), which has been stated at net realisable value; the amount charged to profit and loss account in respect of inventory write down to net realisable value worked-out to Rs.34.034 million approximately.

10. TRADE DEBTS

Unsecured - considered good

- local	197,506,994	204,559,607
- export	0	5,294,689
	197,506,994	209,854,296
Secured		
- local	16,149,255	1,043,928
- export	1,129,347,524	393,868,018
	1,145,496,779	394,911,946
	1,343,003,773	604,766,242

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
11. LOANS AND ADVANCES			
Advances to:			
- executives		4,450,659	3,250,344
- employees		9,050,591	7,335,945
- suppliers and contractors		42,968,449	35,731,472
Current portion of loan to an executive	7	1,843,880	1,974,235
Deposit with Sui Northern Gas Pipelines Ltd.	23.2	16,508,070	16,508,070
Letters of credit		77,115	22,318,831
		74,898,764	87,118,897
12. OTHER RECEIVABLES			
Cotton claims receivable		1,453,968	3,227,289
Receivable against sale of shares	12.1	38,398,889	52,221,000
Insurance claims receivable		13,725,118	10,179,474
Containers' deposits		505,047	-
Others		56,290	638,110
		54,139,312	66,265,873

- 12.1 (a)** This represents amount receivable from Three Star Hosiery Mills (Pvt.) Limited [TSHM] against sale of 4,284,457 shares of Dandot Cement Company Limited (DCCL) sold at the rate of Rs.19.50 per share vide agreement dated September 11, 2008. These shares were sold against post dated cheques of Rs.83.546 million, which could not be encashed on their due dates.
- (b)** Initially, the Company had transferred one million shares to a director of TSHM on May 29, 2008 whereas another transfer of one million shares to the same director of TSHM was made on June 02, 2008. Against both the transfers, the Company had received two post dated cheques, which were due on August 18, 2008 and September 16, 2008 respectively. Later on, at the request of TSHM, the Company had entered into an agreement for sale of all the shares of DCCL including the balance left with it and its Associated Companies. The Company had handed-over to TSHM CDC transfer orders and against them TSHM issued post dated cheques; the aforementioned two cheques were also included in that agreement with new payment dates.
- (c)** TSHM had also failed to make payment of mark-up on delayed payments as per terms of the agreement i.e. TSHM was liable to pay mark-up at the rate of 3-months KIBOR plus 2% per annum for the delayed period.
- (d)** The Company, through its legal counsel, had issued legal notices to TSHM for recovery of outstanding amounts and mark-up thereon on March 31, 2009 and May 20, 2009; TSHM failed to make payments even in response to the legal notices issued by the Company. Consequently, the Company had filed a suit in the Court of District Judge, Multan for recovery of the outstanding amounts along with mark-up at the rate of 3-months KIBOR + 2% per annum to be calculated on daily product basis from date of the cheques till the final realisation of the amount due. Mark-up on the balance receivable from TSHM amounting Rs.63.047 million (2014: Rs.55.516 million) approximately has not been accrued in these financial statements as the ultimate outcome of the matter depends upon judgment of the

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

Court. The suit has been decreed along with costs vide order dated May 02, 2015 by the Additional District Judge, Multan.

- (e) The management, during the current year, has transferred the remaining 678,000 shares having carrying value of Rs.13.221 million to short term investments as it has no intention to sell these shares to TSHM. These shares were part of the total holding of 4,284,457 shares sold to TSHM; however, TSHM had not accepted ownership of these shares and these shares were in the CDC account of the Company. Receivable from TSHM has been reduced with Rs.13.221 million. Further, the Company during September, 2014 has received an amount of Rs. 601,111 from TSHM.

	Note	2015 Rupees	2014 Rupees
13. SHORT TERM INVESTMENTS - Quoted (at fair value through profit or loss)			
Dawood Hercules Corporation Limited 4,502,489 (2014: 4,200,000) shares of Rs. 10 each		469,270,267	304,008,653
IGI Investment Bank Limited 5,592,000 (2014: 4,405,000) shares of Rs. 10 each		8,501,324	8,293,533
Premier Insurance Limited Nil shares (2014: 5,896,865) shares of Rs. 5 each		0	73,017,149
Soneri Bank Limited 10,414,000 (2014: 5,896,865) shares of Rs. 10 each		136,502,604	440,610,698
Faysal Bank Limited 15,463,650 shares of Rs. 10 each)		244,412,487	0
Lalpir Power Limited 5,208,000 shares of Rs.10 each		182,510,722	0
Dandot Cement Company Limited 931,500 shares of Rs.10 each	13.1	16,426,032	0
Arif Habib Corporation Limited 11,200,000 shares of Rs.10 each		447,656,827	0
		1,505,280,263	825,930,033
Adjustment on re-measurement to fair value	28	168,220,430	(60,333,827)
		1,673,500,693	765,596,206

13.1 Year-end shares include 678,000 shares transferred from long term investments [note 12.1(e)].

14. TAX REFUNDS DUE FROM THE GOVERNMENT

Income tax refundable, advance tax and tax deducted at source	187,656,570	223,695,150
Sales tax refundable	146,962,588	262,243,460
	334,619,158	485,938,610

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

15. CASH AND BANK BALANCES	Note	2015 Rupees	2014 Rupees
Cash-in-hand		2,022,940	2,415,797
Cash-in-transit		3,227,935	0
Cash at banks on:			
- current accounts		9,753,162	5,853,623
- saving accounts	15.1	133,155	503,425
		9,886,317	6,357,048
		15,137,192	8,772,845

15.1 These carry profit at the rates ranging from 6% to 7% (2014: 6% to 7%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2015 (No. of shares)	2014		2015 Rupees	2014 Rupees
6,288,800	6,288,800	Ordinary shares of Rs. 10 each fully paid in cash	62,888,000	62,888,000
11,000	11,000	Ordinary shares of Rs. 10 each issued as fully paid against shares of Mahmood Power Generation Ltd. upon merger	110,000	110,000
8,700,200	8,700,200	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	87,002,000	87,002,000
15,000,000	15,000,000		150,000,000	150,000,000

16.1 Ordinary shares held by the related parties at the reporting date are as follows:	2015 -- Number of shares --	2014
Masood Spinning Mills Limited	433,154	378,574
Roomi Fabrics Limited	437,612	389,954
	870,766	768,528

16.2 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All the shares rank equally with regard to the Company's residual assets.

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

16.4 The Company has no reserved shares for issuance under options and sale contracts.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
17. LONG TERM FINANCING - Secured			
From banking companies			
Habib Bank Limited (HBL)	17.1	221,684,918	334,201,218
MCB Bank Limited (MCB)	17.2	337,500,000	412,500,000
Meezan Bank Limited (MBL)	17.3	391,594,406	202,409,485
United Bank Limited (UBL)	17.4	285,695,980	414,681,177
Balance as at June 30,		1,236,45,304	1,363,791,880
Less: current portion grouped under current liabilities:			
- HBL		107,449,902	112,516,302
- MCB		75,000,000	75,000,000
- MBL		35,353,102	7,025,574
- UBL		99,780,182	128,985,192
		317,583,186	323,527,068
		918,892,118	1,040,264,812

	No. of instalments and repayment commencement date	Rate of mark-up per annum	2015 Rupees	2014 Rupees
17.1 HBL				
Demand Finance - II	24 quarterly April, 2012	2% over 3 months KIBOR	4,051,278	5,524,470
Demand Finance - III	24 quarterly April, 2012	-do-	8,082,048	11,020,973
Demand Finance - IV	24 quarterly May, 2012	-do-	39,781,775	54,247,875
Demand Finance - V	24 quarterly June, 2012	-do-	27,361,950	37,311,750
Demand Finance - VI	24 quarterly October, 2012	-do-	25,464,288	33,299,456
Demand Finance - VII	24 quarterly May, 2013	1.75% over 3 months KIBOR	6,475,680	8,202,528
Demand Finance - VIII	24 quarterly August, 2014	1% over 3 months KIBOR	14,794,750	17,753,700
Term Loan-I	12 half-yearly May, 2011	2% over 6 months KIBOR	21,886,700	36,477,833
Term Loan-II	10 half-yearly November, 2011	1.75% over 3 months KIBOR	40,000,000	80,000,000
Finance Against Fixed Assets - I	12 half-yearly February, 2011	2% over 6 months KIBOR	1,605,933	2,676,555
Finance Against Fixed Assets - II	10 half-yearly December, 2010	-do-	0	2,533,200

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	No. of instalments and repayment commencement date	Rate of mark-up per annum	2015 Rupees	2014 Rupees
Export Oriented Project				
- Finance No. 1	12 half-yearly February, 2011	10.25% flat	1,605,933	2,676,555
- Finance No. 2	10 half-yearly December, 2010	10.40% flat	0	2,093,600
- Finance No. 3	10 half-yearly December, 2010	11.10% flat	0	439,600
- Finance No. 4	24 equal quarterly April, 2012	11.20% flat	4,051,278	5,524,470
- Finance No. 5	24 equal quarterly October, 2012	12.70% flat	20,047,625	26,216,125
- Finance No. 6	24 equal quarterly May, 2013	12.70% flat	6,475,680	8,202,528
			221,684,918	334,201,218
17.2 MCB				
Demand Finance - I	12 half-yearly April, 2014	1.25% over 6 months KIBOR	337,500,000	412,500,000
17.3 MBL				
Diminishing Musharakah - I	10 half-yearly May, 2015	1% over 6 months KIBOR	43,691,071	48,545,636
Diminishing Musharakah - II	12 half-yearly June, 2015	-do-	23,881,109	26,052,119
Diminishing Musharakah - III	12 half-yearly July, 2015	-do-	41,195,440	41,195,440
Diminishing Musharakah - IV	12 half-yearly August, 2015	-do-	21,928,142	21,928,142
Diminishing Musharakah - V	12 half-yearly August, 2015	-do-	5,516,040	5,516,040
Diminishing Musharakah - VI	12 half-yearly September, 2015	-do-	27,825,386	27,825,386
Diminishing Musharakah - VII	12 half-yearly October, 2015	-do-	31,346,722	31,346,722
Diminishing Musharakah - VIII	12 half-yearly July, 2016	-do-	14,533,920	0
Diminishing Musharakah - IX	12 half-yearly July, 2016	-do-	71,502,600	0
Diminishing Musharakah - X	12 half-yearly August, 2016	-do-	46,838,400	0

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	No. of instalments and repayment commencement date	Rate of mark-up per annum	2015 Rupees	2014 Rupees
Diminishing Musharakah - XI	12 half-yearly October, 2016	-do-	18,983,290	0
Diminishing Musharakah - XII	12 half-yearly November, 2016	-do-	34,314,347	0
Diminishing Musharakah - XIII	12 half-yearly December, 2016	-do-	10,037,939	0
			391,594,406	202,409,485
17.4 UBL				
Demand Finance-NIDF-V	12 Half-yearly June, 2009	1.5% over 6 months KIBOR	0	1,061,320
Demand Finance-NIDF-VI	10 Half-yearly November, 2012	1.75% over 6 months KIBOR	26,835,333	40,252,997
Demand Finance-NIDF-VIII	10 half-yearly July, 2013	-do-	29,260,152	39,013,538
Demand Finance-NIDF-X	10 Half-yearly August, 2012	2% over 6 months KIBOR	29,853,169	39,804,224
Demand Finance-NIDF-XI	10 Half-yearly April, 2014	-do-	112,161,868	144,208,116
State Bank of Pakistan - Export Oriented Projects				
- Finance No. 5	11 Half-yearly May, 2010	2% p.a. over the rate of refinance as worked-out by SBP	0	9,386,800
- Finance No. 6	11 Half-yearly May, 2010	-do-	0	3,834,170
- Finance No. 7	11 Half-yearly June, 2010	-do-	0	5,339,300
- Finance No. 8	11 Half-yearly June, 2010	-do-	0	1,636,670
- Finance No. 9	12 Half-yearly January, 2010	-do-	604,000	1,812,000
- Finance No. 10	12 Half-yearly April, 2010	-do-	3,320,413	9,961,247
- Finance No. 11	12 Half-yearly March, 2010	-do-	363,663	1,090,997
- Finance No. 12	12 Half-yearly June, 2010	-do-	3,658,667	10,976,001
- Finance No. 13	12 Half-yearly September, 2010	-do-	5,666,670	11,333,336

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FOR THE YEAR ENDED JUNE 30, 2015

	No. of instalments and repayment commencement date	Rate of mark-up per annum	2015 Rupees	2014 Rupees
- Finance No. 14	12 Half-yearly September, 2010	-do-	6,666,670	13,333,336
- Finance No. 15	16 Half-yearly May, 2012	As stipulated by SBP	39,180,375	47,887,125
- Finance No. 16	16 Half-yearly July, 2012	-do-	28,125,000	33,750,000
			285,695,980	414,681,177

17.5 The finance facilities, except for demand finance VIII, available from HBL are secured against first pari passu charge on entire fixed assets on land consisting total area of 219 kanals and 6 marlas situated at District. Muzaffargarh and exclusive charge on plant and machinery imported through HBL.

Demand finance VIII is secured against first pari passu charge of Rs. 560 million on fixed assets of Unit located at Multan Road, Muzaffargarh.

17.6 The demand finance facility available from MCB is secured against first exclusive charge of Rs.450 million over specific plant and machinery imported through MCB.

17.7 Musharakah finance facilities available from MBL are secured against exclusive registered charge over underlying plant & machinery and ranking charge over fixed assets of the Company

17.8 The finance facilities available from UBL are secured against first charge over all present and future fixed assets including land and buildings of Units 4 and 5 of the Company to the tune of Rs.1,155 million.

17.9 The effective mark-up rates that prevailed during the year on these finance facilities ranged from 7% to 12.70% (2014: 7% to 12.70%) per annum.

18. DEFERRED TAXATION

The Company's income for the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001; however, deferred taxation has been recognised as the management is not certain whether income for the subsequent years will be chargeable to tax under presumptive tax regime or normal tax regime.

19. TRADE AND OTHER PAYABLES	Note	2015 Rupees	2014 Rupees
Creditors		104,986,517	118,661,831
Bills payable - secured	19.1	194,161,884	35,443,299
Due to an associated undertaking	19.2	178,972,466	18,604,658
Accrued expenses		466,268,423	282,882,002
Advances from customers		14,822,991	12,740,832
Tax deducted at source		1,839,918	1,719,745
Workers' (profit) participation fund	19.3	0	7,772,743
Workers' welfare fund		39,155,252	39,155,252
Unclaimed dividends		1,492,842	1,070,896
Others		11,324,995	9,468,001
		1,013,025,288	527,519,259

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

19.1 These are secured against the securities as detailed in note 21.2.

19.2 This represents amounts payable to M/s Khawaja Muzaffar Mahmood Muhammad Masood on account of normal trading transactions.

	Note	2015 Rupees	2014 Rupees
19.3 Workers' (profit) participation fund (the Fund)			
Opening balance		7,772,743	35,287,000
Add:			
- allocation for the year	29	0	7,772,743
- interest on funds utilised in the Company's business	30	1,916,567	8,338,366
		1,916,567	16,111,109
		9,689,310	51,398,109
Less:			
- payments made during the year		9,686,100	43,621,200
- amount deposited in the Government Treasury		3,210	4,166
		9,689,310	43,625,366
Closing balance		0	7,772,743

- Interest on funds utilised by the Company has been paid at the rate prescribed under the Companies Profit (Workers' Participation) Act, 1968.
- The Fund's audit for the period from July 01, 2014 to January 14, 2015 was carried-out by M/s Ashiq Aamer Sattar & Co., Chartered Accountants, L.M.Q Road, Multan.

20. ACCRUED MARK-UP

Mark-up accrued on:

- long term financing	33,234,115	36,735,471
- short term borrowings	55,228,663	55,531,007
	88,462,778	92,266,478

21. SHORT TERM BORROWINGS

Secured

- Short term borrowings	21.1	1,308,797,223	844,991,374
- Short term running finances	21.1	2,896,255,375	1,578,834,110
		4,205,052,598	2,423,825,484
Un-secured			
- Temporary bank overdrafts		0	75,000
		4,205,052,598	2,423,900,484

21.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.13,450 million (2014: Rs.12,420 million) including facilities aggregating Rs.1,000 million (2014: Rs.3,300 million) available on Group basis. These finance facilities, during the year, carried mark-up at the rates ranging from 7.53% to 11.43% (2014: 9.62% to 11.44%) per annum. The aggregate finance facilities are secured against charge over

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

the Company's current assets, lien over export bills and banks' lien over letters of credit. These facilities are expiring on various dates by June 30, 2016.

- 21.2** Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.3,035 million (2014: Rs.3,530 million) including facilities aggregating Rs.400 million (2014: Rs.650 million) available on Group basis. Out of the available facilities, facilities aggregating Rs.2,466 million (2014: Rs.2,919 million) remained unutilised at the year-end. These facilities are secured against lien over import documents and charge over current assets of the Company. These facilities are expiring on various dates by April 30, 2016.

	Note	2015 Rupees	2014 Rupees
22. TAXATION - Net			
Opening balance		150,925,000	164,330,260
Add: provision / (reversal) made during the year:			
- current [net of tax credit under section 65B of the Ordinance amounting Rs.26.856 million (2014: Rs. 26.291 million)]	22.2	160,500,000	150,925,000
- prior years - net	22.3	1,433,131	(147,987,877)
		161,933,131	2,937,123
		312,858,131	167,267,383
Less: payments / adjustments made during the year against completed assessments		152,358,131	16,342,383
Closing balance		160,500,000	150,925,000

- 22.1** Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto the financial year ended June 30, 2014 (tax year 2014).
- 22.2** No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under sections 5 (tax on dividends), 37 A (tax on capital gains on sale of securities), 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance.
- 22.3** 2014 reversal represented recognition of tax credits available under section 65B of the Ordinance for the tax years 2011, 2012 and 2013 amounting Rs.43.380 million, Rs.24.936 million and Rs.79.672 million respectively. The Company, during the preceding year, had filed revised returns for the aforementioned tax years to claim these credits.

23. CONTINGENCIES AND COMMITMENTS

- 23.1** Guarantees given by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregated Rs.337.183 million as at June 30, 2015 (2014: Rs.321.428 million).
- 23.2** Sui Northern Gas Pipelines Limited (SNGPL) had raised arrears demand aggregating Rs.39.462 million from the Company against the charge that sui gas meter of the Company was not working properly. The Company challenged the said demand by filing a petition before the General

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

Manager SNGPL, Lahore (the GM). The Company, as per direction of the GM, deposited Rs.16.508 million representing 42% of the demand under protest and grouped it under loans and advances (note 11). The GM formed a Committee to probe into the matter. If the case is decided in the Company's favour, the Company will receive back 42% of the demand paid under protest; otherwise the Company will have to deposit the remaining demand of Rs.22.954 million.

23.3 The Company has filed a petition before the Civil Court, Multan against SNGPL, which has alleged that the Company's gas meter was not functioning properly during the period from May, 2012 to September, 2013. SNGPL has raised demand amounting Rs.1.101 million. The Company's petition is pending adjudication.

23.4 The Company had challenged the imposition of infrastructure cess by the Directorate of Excise & Taxation, Karachi (the Directorate) at the rate of 0.85% of the value of imported goods by filing a suit before the High Court of Sindh at Karachi (the Court). The Court had directed the Company to furnish a bank guarantee covering the disputed amount of cess. The Company, during the period from December 28, 2006 to May 30, 2011, had utilised bank guarantees to the tune of Rs.32.489 million. The Directorate, vide its letter dated July 13, 2011, had requested the Company to furnish a bank guarantee of 50% of the aforementioned amount along with a demand draft for the balance 50% of the aforementioned amount in order to return of the previous bank guarantees.

The Company has submitted a bank draft amounting Rs.16.245 million to the Directorate during September, 2011, which was grouped under loans and advances. Habib Bank Limited, on behalf of the Company in consideration of allowing the release of consignments imported from time to time for the purpose of carriage of goods by road within the province of Sindh, has undertaken and guaranteed to pay an amount of Rs.16.245 million to the Directorate in case if the Court decides that the cess imposed under the Sindh Finance Act, 1994 is lawful and validly imposed. The bank guarantee is valid upto August 15, 2016. The management, during year ended June 30, 2013, had expensed the advance of Rs.16.245 million.

23.5 Foreign bills discounted outstanding as at June 30, 2015 aggregated Rs.1,396.983 million (2014: Rs.622.420 million).

23.6 No local discounted bills were outstanding as at June 30, 2015; (local bills discounted outstanding as at June 30, 2014 aggregated Rs.55.002 million).

	2015	2014
	(Rupees in million)	
23.7 Commitments for irrevocable letters of credit:		
- capital expenditure	29.558	0.000
- others	8.559	24.392
	38.117	24.392

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
24. SALES - Net			
LOCAL			
Own produced:			
- yarn		1,429,742,302	1,545,135,994
- cloth		109,298,551	121,724,820
- waste		253,734,429	270,056,569
- doubling / sizing income		21,921,976	24,104,708
		1,814,697,258	1,961,022,091
Purchased products:			
- cotton		178,532,334	359,827,120
- yarn		68,897,143	89,158,600
- cloth		1,509,284	3,012,660
		248,938,761	451,998,380
	24.1	2,063,636,019	2,413,020,471
EXPORT			
Own produced:			
- yarn		8,452,551,808	9,569,710,616
- cloth		2,184,337,309	2,440,312,296
- waste		104,770,866	112,617,176
		10,741,659,983	12,122,640,088
Purchased products:			
- yarn		923,386,174	939,561,725
- cloth		30,752,313	0
		954,138,487	939,561,725
	24.2	11,695,798,470	13,062,201,813
		13,759,434,489	15,475,222,284

24.1 Local sales have been shown after deduction of sales tax aggregating Rs.97.875 million (2014: Rs.97.623 million).

24.2 Loss aggregating Rs.16.641 million - net (2014: Rs.5.231 million) arisen upon realisation of foreign currency export debtors has been grouped under export sales.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
25. COST OF SALES			
Raw materials consumed	25.1	8,499,455,798	9,840,997,427
Stores and spares		236,403,059	309,656,287
Packing materials consumed		209,829,419	199,588,517
Salaries, wages and benefits	25.3	782,186,912	703,072,501
Power and fuel		1,427,512,548	1,362,069,201
Repair and maintenance		24,314,163	26,085,126
Depreciation	5.4	296,166,619	300,790,584
Insurance		99,901,756	97,535,719
Doubling charges		17,801,439	34,976,640
		11,593,571,713	12,874,772,002
Adjustment of work-in-process			
Opening		108,940,362	103,560,454
Closing		(98,012,966)	(108,940,362)
		10,927,396	(5,379,908)
Cost of goods manufactured		11,604,499,109	12,869,392,094
Adjustment of finished goods			
Opening stock		829,719,104	808,313,121
Closing stock		(739,603,885)	(829,719,104)
		90,115,219	(21,405,983)
Cost of goods sold - own manufactured		11,694,614,328	12,847,986,111
Cost of goods sold - purchased products			
Opening stock		1,662,875	9,543,490
Purchases		1,123,982,778	1,259,910,996
Closing stock		(5,939,126)	(1,662,875)
		1,119,706,527	1,267,791,611
		12,814,320,855	14,115,777,722
25.1 Raw materials consumed			
Opening stock		1,727,297,808	2,725,170,066
Purchases and purchase expenses		7,214,505,359	6,280,855,902
Transfer from Ginning Section - net	25.4	2,105,527,688	2,551,873,313
		9,320,033,047	8,832,729,215
		11,047,330,855	11,557,899,281
Less: closing stock		(2,559,388,729)	(1,727,297,808)
		8,487,942,126	9,830,601,473
Cotton cess		11,513,672	10,395,954
		8,499,455,798	9,840,997,427

25.2 Insurance claims aggregating Rs.1.555 million (2014: Rs.5.694 million), against loss of raw materials due to fire and quality claims lodged with suppliers, have been adjusted against raw materials consumption for the year.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

- 25.3** Expense for the year includes staff retirement benefits - gratuity amounting Rs.36.764 million (2014: Rs.29.766 million).

	2015 Rupees	2014 Rupees
25.4 Production Cost of Ginning Section - Net		
Raw materials consumed including local taxes aggregating Rs. 4,627,249 (2014: Rs. 4,233,122)	2,675,954,867	3,014,094,344
Lease charges	1,800,000	1,800,000
Salaries, wages and benefits	41,658,572	46,111,102
Travelling and conveyance	642,021	699,933
Repair and maintenance	9,654,890	13,642,290
Stores consumption	11,542,592	11,175,362
Utilities	42,290,437	53,469,018
Entertainment	988,557	900,756
Stationery	186,810	172,140
Communication	366,706	248,199
Insurance	4,796,226	4,896,007
Bank charges	13,023,663	6,074,845
Others	2,118,572	1,399,734
	2,805,023,913	3,154,683,730
Less: sale of cotton seed	699,496,225	602,810,417
Transferred to Spinning Section	2,105,527,688	2,551,873,313

The Company has acquired three Cotton Ginning Factories on operating lease; their total cost of production, after adjustment of sale of cotton seed has been transferred to Spinning Section as raw materials cost.

26. DISTRIBUTION COST

Advertisement	249,450	274,880
Export expenses	164,653,759	153,400,199
Commission	168,829,388	190,417,832
Export development surcharge	18,069,588	22,078,386
Freight and other expenses	71,198,809	63,465,703
	423,000,994	429,637,000

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
27. ADMINISTRATIVE EXPENSES			
Salaries and benefits	27.1	85,076,263	76,941,936
Travelling and conveyance	27.2	57,771,308	64,242,519
Rent, rates and taxes		1,509,286	1,666,297
Entertainment		11,912,593	11,081,221
Utilities		6,103,455	7,689,861
Communication		16,440,952	16,242,127
Printing and stationery		9,649,153	9,366,386
Insurance		4,648,641	3,550,126
Repair and maintenance		15,989,349	10,770,564
Vehicles' running and maintenance		20,128,744	21,432,708
Subscription		9,738,566	8,305,543
Auditors' remuneration:			
- statutory audit		1,000,000	1,000,000
- half yearly review		100,000	100,000
- certification charges		11,500	11,500
		1,111,500	1,111,500
Legal and professional charges (other than Auditors)		1,362,140	960,358
Depreciation	5.4	18,816,482	17,499,037
General		3,637,035	24,004,819
		263,895,467	274,865,002

27.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs.7.356 million (2014: Rs.6.200 million).

27.2 These include directors' travelling expenses aggregating Rs.44.883 million (2014: Rs.52.518 million).

28. OTHER INCOME

Income from financial assets			
Return on bank deposits		31,997	31,745
Dividends		61,659,932	64,267,365
Fair value gain on re-measurement of short term investments	13	168,220,430	0
Realised gain on sale of short term investments at fair value through profit or loss -net		379,362,031	250,300,907
Income from non-financial assets			
Rent		77,100	2,400
Gain on disposal of operating fixed assets - net		0	3,555,808
Others		91,496	0
		609,442,986	318,158,225

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
29. OTHER EXPENSES			
Donations (without directors' interest)		10,311,013	5,044,150
Loss on disposal of operating fixed assets - net	5.3	540,480	0
Workers' (profit) participation fund	19.3	0	7,772,743
Workers' welfare fund		0	2,953,642
Loss on sale of investments in Dandot Cement Company Limited		0	8,799,504
Unrealised loss on re-measurement of short term investments at fair value through profit or loss	13	0	60,333,827
Sales tax refunds written-off		1,787,999	0
Others		3,101	11,699
		12,642,593	84,915,565
30. FINANCE COST - Net			
Mark-up on:			
- long term financing - net of mark-up subsidy amounting Rs. 778,027 (2014: Rs.1,881,519)		141,454,378	151,146,478
- short term borrowings - net of mark-up accrued on loan advanced to an executive amounting Rs.397,880 (2014: Rs. 528,235)		270,894,219	348,311,801
Interest on workers' (profit) participation fund	19.3	1,916,567	8,338,366
Bank charges and commission		60,380,235	54,492,852
		474,645,399	562,289,497
31. EARNINGS PER SHARE			
31.1 Basic			
Basic earnings per share has been computed by dividing the net profit for the year after taxation by the weighted average number of ordinary shares outstanding during the year.			
Profit after taxation attributable to ordinary shareholders		371,122,605	471,699,841
		2015 No. of shares	2014 No. of shares
Weighted average number of ordinary shares outstanding during the year		15,000,000	15,000,000
		2015 Rupees	2014 Rupees
Earnings per share		24.74	31.45

31.2 Diluted

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

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

32. SEGMENT INFORMATION

Segment analysis

	Spinning	Weaving	Total
	Rupees		
Year ended June 30, 2015			
Revenue	11,609,082,423	2,150,352,066	13,759,434,489
Segment results	62,582,218	195,634,955	258,217,173

Year ended June 30, 2014			
Revenue	12,894,599,120	2,580,623,164	15,475,222,284
Segment results	464,910,601	190,031,959	654,942,560

The Company, during the current and preceding years, has self consumed all the electricity generated and no sales were made to MEPCO.

Reconciliation of segment results with profit from operations:

	2015	2014
	Rupees	Rupees
Total results for reportable segments	258,217,173	654,942,560
Other Income	609,442,986	318,158,225
Other expenses	(12,642,593)	(84,915,565)
Finance cost	(474,645,399)	(562,289,497)
Profit from Associates	152,683,569	148,741,241
Profit before taxation	533,055,736	474,636,964

Information on assets and liabilities by segment is as follows:

	Spinning	Weaving	Power	Total
	Rupees			
As at June 30, 2015				
Segment assets	6,758,259,098	1,133,282,047	214,726,778	8,106,267,923
Segment liabilities	4,780,676,237	362,563,779	75,978,368	5,219,218,384

As at June 30, 2014				
Segment assets	5,240,178,884	1,175,999,509	209,106,821	6,625,285,214
Segment liabilities	2,495,127,353	427,794,431	320,781	2,923,242,565

Reconciliation of segments assets and liabilities with totals in the balance sheet is as follows:

	As at June 30, 2015		As at June 30, 2014	
	Assets	Liabilities	Assets	Liabilities
	Rupees			
Total for reportable segments	8,106,267,923	5,219,218,384	6,625,285,214	2,923,242,565
Unallocated assets / liabilities	3,382,038,079	1,599,541,458	2,496,785,316	1,750,404,410
Total as per balance sheet	11,488,306,002	6,818,759,842	9,122,070,530	4,673,646,975

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

Sales to domestic customers in Pakistan are 15.00% (2014: 15.59%) and to customers outside Pakistan are 85.00% (2014: 84.41%) of the revenues during the year.

The Company's customer base is diverse with no single customer accounting for more than 10% of net revenues.

Geographical Segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sale offices in Pakistan.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

33.1 Financial Risk Factors

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

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

33.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

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, plant & machinery, stores & spares and export of goods mainly denominated in U.S. \$, Euro, Japanese Yen (JPY) and Swiss Franc (CHF). The Company's exposure to foreign currency risk for U.S. \$, Euro, JPY and CHF is as follows:

	2015				
	Rupees	U.S.\$	Euro	JPY	CHF
Trade debts	(1,129,347,524)	(11,091,717)	0	0	0
Bills payable	194,161,884	1,762,248	13,500	16,302,000	0
Gross balance sheet exposure	(935,185,640)	(9,329,469)	13,500	16,302,000	0
Outstanding letters of credit	38,117,349	49,540	31,039	3,000,000	247,500
Net exposure	(897,068,291)	(9,279,929)	44,539	19,302,000	247,500

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	2014			
	Rupees	U.S.\$	Euro	JPY
Trade debts	(399,162,707)	(4,057,532)	0	0
Bills payable	35,443,299	204,702	0	15,700,000
Gross balance sheet exposure	(363,719,408)	(3,852,830)	0	15,700,000
Outstanding letters of credit	24,391,692	63,660	134,890	2,836,334
Net exposure	(339,327,716)	(3,789,170)	134,890	18,536,334

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2015	2014	2015	2014
U.S. \$ to Rupee	101.65	98.75	101.85 / 101.65	98.75 / 98.55
EURO to Rupee	123.94	131.63	113.75	134.13
Yen to Rupee	0.9008	0.9844	0.8316	0.9700

Sensitivity analysis

At June 30, 2015, if Rupee had strengthened by 10% against U.S.\$ with all other variables held constant, profit after taxation for the year would have been lower by the amount shown below mainly as a result of net foreign exchange losses on translation of foreign currency financial assets and liabilities.

Effect on profit for the year:	2015	2014
	Rupees	Rupees
U.S. \$ to Rupee	93,518,564	36,371,941

The weakening of Rupee against U.S. \$ would have had an equal but opposite impact on profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2015	2014	2015	2014
	Effective mark-up rate %	Effective mark-up rate %	Carrying amount ----- (Rupees) -----	Carrying amount ----- (Rupees) -----
Fixed rate instruments				
Financial assets				
Bank balances at saving accounts	6% to 7%	6% to 7%	133,155	503,425
Variable rate instruments				
Financial liabilities				
Long term financing	7% to 12.70%	7% to 12.70%	1,236,475,304	1,363,791,880
Short term borrowings	7.53% to 11.43%	9.62% to 11.44%	4,205,052,598	2,423,825,484

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2015, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.54.415 million (2014: Rs.37.876 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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 instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any price risk.

33.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in 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. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts, investments, other receivables and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's 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 60 to 90 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2015 along with comparative is tabulated below:

	2015 Rupees	2014 Rupees
Long term investments	434,925,000	434,925,000
Loan to an executive	3,227,972	5,825,735
Long term deposits	8,732,521	8,732,521
Trade debts	1,343,003,773	604,766,242
Loans and advances	13,501,250	10,586,289
Other receivables	54,139,312	66,265,873
Short term investments	1,673,500,693	765,596,206
Bank balances	9,886,317	6,357,048
	3,540,916,838	1,903,054,914

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Trade debts exposure by geographic region is as follows:		
Domestic	213,656,249	205,603,535
Export	1,129,347,524	399,162,707
	1,343,003,773	604,766,242

The majority of export debts of the Company are situated in Asia and Europe.

The aging of trade debts at the year-end was as follows:

Not past due	1,294,386,800	592,092,751
Past due Less than 3 months	48,543,829	0
Past due from 3 to 6 months	0	7,038,612
Past due more than 6 months	73,144	5,634,879
	1,343,003,773	604,766,242

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.1,163.833 million (2014: Rs.567.026 million) have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, export debts are secured through letters of credit.

Credit rating

Short term credit ratings of investments in Faysal Bank Ltd. and Soneri Bank Ltd. have been assigned A1+ by PACRA.

33.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	2015				
	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	1,236,475,304	1,526,358,439	439,106,642	994,093,296	93,158,501
Short term borrowings	4,205,052,598	4,317,043,981	4,317,043,981	0	0
Trade and other payables	957,207,127	957,207,127	957,207,127	0	0
Accrued mark-up	88,462,778	88,462,778	88,462,778	0	0
	6,487,197,807	6,889,072,325	5,801,820,528	994,093,296	93,158,501

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	2014				
	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
	----- Rupees -----				
Long term financing	1,363,791,880	1,758,531,783	467,732,190	1,178,405,633	112,393,960
Short term borrowings	2,423,825,484	2,512,988,729	2,512,988,729	0	0
Trade and other payables	466,130,687	466,130,687	466,130,687	0	0
Accrued mark-up	92,266,478	92,266,478	92,266,478	0	0
	4,346,014,529	4,829,917,677	3,539,118,084	1,178,405,633	112,393,960

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

33.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At June 30, 2015, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loan to an executive and advances to employees, which are valued at their original costs less repayments.

34. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure 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 and / or 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 the maintenance of debt to equity and current ratios under the financing agreements.

35. REMUNERATION OF DIRECTOR AND EXECUTIVES

	Director		Executives	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Managerial remuneration	3,600,000	3,600,000	23,118,256	22,951,604
Bonus	0	0	2,897,284	2,868,953
Retirement benefits - gratuity	0	0	1,931,521	1,912,634
Other perquisites and benefits	0	0	1,836,432	1,943,608
	3,600,000	3,600,000	29,783,493	29,676,799
Number of persons	1	1	22	22

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

- 35.1** The chief executive, all directors and some of the executives are provided with Company's maintained cars, residential and cell phones.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of associated companies and an undertaking, its directors and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties and remuneration of key management personnel are disclosed in the relevant notes. There were no transactions with key management personnel other than under the terms of employment. The transactions with related parties are made at normal market prices.

Material transactions with associated companies and an undertaking during the year were as follows:

		2015 Rupees	2014 Rupees
- sale of goods		1,681,219,738	2,918,933,669
- purchase of goods		1,52,607,709	584,226,415
- doubling charges		709,929	1,107,806
- doubling revenue		16,733,026	18,269,202
- dividend received		14,000,000	10,000,000
		2015	2014
37. CAPACITY AND PRODUCTION			
Yarn			
Number of spindles installed		107,760	107,760
Number of spindles-shift worked		109,598,857	112,312,162
Production capacity at 20's count			
1,093 shifts (2014: 1,093 shifts)	Kgs.	37,284,948	38,208,000
Actual production converted into 20's count	Kgs.	36,882,663	35,875,401
Cloth			
Number of looms installed		100	100
Number of looms-shifts worked		109,500	109,500
Installed capacity at 60 picks			
1,093 shifts (2014: 1,093 shifts)	Sq. mtrs.	22,717,499	22,198,545
Actual production converted into 60 picks	Sq. mtrs.	19,857,366	19,974,251
Power House			
Number of generators installed		9	9
Number of shifts worked		1,093	1,093
Generation capacity in Mega Watts		19	19
Actual generation in Mega Watts		16	16

It is difficult to describe precisely the production capacity in spinning / weaving mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist, the width and construction of fabric woven, etc. It also varies according to the pattern of production adopted in a particular year.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	--- Numbers ---	
38. NUMBER OF EMPLOYEES		
Number of persons employed as at June 30,		
- permanent	2,049	2,032
- contractual	289	286
Average number of employees during the year		
- permanent	2,016	2,010
- contractual	282	276

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 05, 2015 by the board of directors of the Company.

40. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on October 05, 2015 has proposed a final cash dividend of Rs.10 per share (2014: Rs.10 per share) for the year ended June 30, 2015. The financial statements for the year ended June 30, 2015 do not include the effect of proposed dividend amounting Rs.150 million (2014: Rs.150 million), which will be accounted for in the financial statements for the year ending June 30, 2016 after approval by the members in the annual general meeting to be held on October 31, 2015. The proposed dividend duly meets the minimum threshold prescribed by section 5A of the Income Tax Ordinance, 2001 as inserted through the Finance Act, 2015.

41. FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, except for the following, no material re-arrangements and re-classifications have been made in these financial statements:

- for better presentation, unrealised loss on remeasurement of short term investments aggregating Rs. 16.420 million, which was grouped under other expenses in the financial statements for the year ended June 30, 2014 has been adjusted against realised gain on short term investments grouped under other income (note 28); and
- temporary bank overdraft amounting Rs. 19.426 million has been grouped under short term running finances (note 21).

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

Form Of Proxy

I, _____
of _____
being a member of Mahmood Textile Mills Ltd., hereby appoint _____
_____ of _____
as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or/
and extraordinary as the case may be) General Meeting of the Company to be held on the _____
and at any adjournment thereof _____
Day of _____ 2015.

Signed by the siad

Affix
Revenue Stamp

IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Registered Office at Mehr Manzil, Lohari Gate, Multan not less than 48 hours before the time for holding the meeting.



Mahmood Textile Mills Ltd.

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