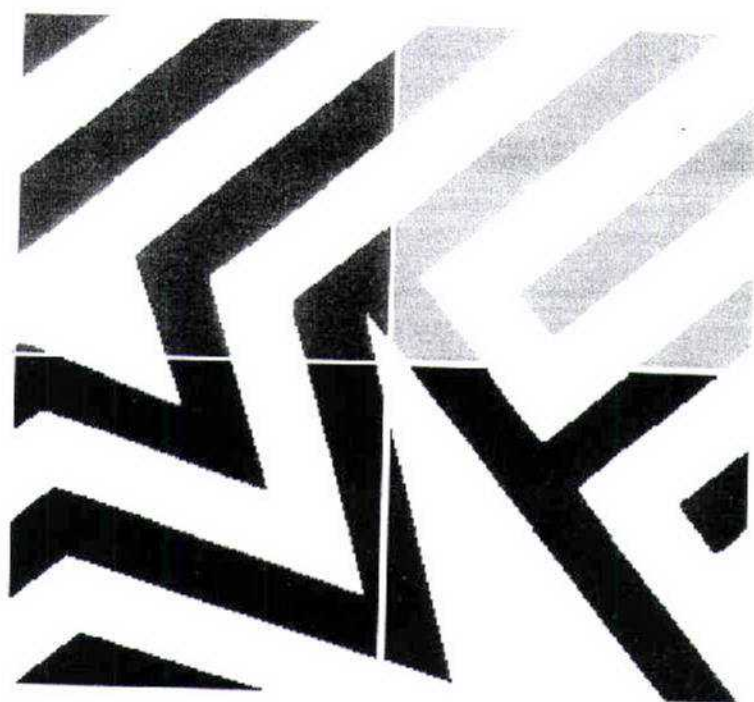


ANNUAL R E P O R T 2015



MOHAMMAD FAROOQ TEXTILE MILLS LTD

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COMPANY'S VISION & MISSION STATEMENT

VISION

To remain a market leader in the home textile industry and emerge as a globally competitive center of value added production and exports.

MISSION

To be dynamic, profitable and growth-oriented Company through market leadership, excellence in quality and service, optimizing value for the shareholders and maximizing exports.

To give attractive returns to business associates and shareholders. Be a responsible employer and to develop and reward employees, according to their ability and performance.

To be good corporate citizen by fulfilling its social responsibilities.

CHAIRMAN	Mr. Mohammad Farooq Sumar	
CHIEF EXECUTIVE	Ms. Sabiha Sumar	
DIRECTORS	Mr. Muhammad Mukhtar Sumar Mrs. Faiza Imran Ahmad Mrs. Neelofer Sumar Mrs. Sadia Arif Mr. Shahbaz Sumar	
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY		
AUDIT COMMITTEE	Ms. Faiza Imran Ahmad Mr. Mohammad Farooq Sumar Mr. Shahbaz Sumar	(Chairman) (Member) (Member)
EXECUTIVE COMMITTEE	Mr. Mohammad Farooq Sumar Ms. Sabiha Sumar Mr. Rasheed Chhapra	(Member) (Member) (Member)
SYSTEM & TECHNOLOGY COMMITTEE	Mr. Rasheed Chhapra Mr. Mohammad Younus	(Member) (Member)
LEGAL ADVISERS	M/s. Ijaz Ahmad & Associates	
AUDITORS	M/s. Moochhala Gangat & Co. Chartered Accountants	
BANKERS	Habib Bank Limited MCB Bank Limited National Bank of Pakistan JS Bank Limited	
REGISTERED OFFICE	Plot No. B – 50 South Circular Avenue Phase II, Defence Housing Authority, Karachi-	
SHARE REGISTRAR OFFICE	M/s. F.D. Registrar Services (SMC-Pvt) Ltd. Office # 1705, 17 th Floor, Saima Trade Tower-A, I.I. Chundrigar Road Karachi-74000	
CABLE	FAROOQTEX	
TELEFAX		
TELEPHONES	92-21-35887840	
E-Mail	mftml@cyber.net.pk	

NOTICE OF THE MEMBERS' FIFTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of Mohammad Farooq Textile Mills Limited will be held at 50-B South Circular Avenue Phase-II, Defence Housing Authority, Karachi on Thursday, October 29, 2015 at 5:30 p.m. to transact the following business.

1. To confirm the minutes of Annual General Meeting held on November 28, 2014.
2. To receive, consider and adopt the Audited Accounts for the year ended 30 June 2015 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2016 and fix their remuneration. The present auditors M/s. Mochhala Gangat & Co., Chartered Accountants, being eligible have offered themselves for re-appointment as auditors of the Company.
4. Any other business with the permission of the chair.

By and on behalf of the Board

Karachi: October 06, 2015

Mohammad Farooq Sumar
Chairman

Notes:

1. The Share Transfer Books of the Company will remain closed from October 22, 2015 to October 29, 2015 (both days inclusive)
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies, in order to be valid, must be deposited at the Registered Office of the company not less than 48 hours before the time of meeting.
3. Shareholders are requested to promptly notify the Company of any change in their addresses to ensure delivery of mail.
4. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Accounts and Participant's ID number, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Fiftieth (50th) Annual Report and Audited Financial Statements for the year ended June 30, 2015.

	Rupees in '000'
Loss before financial expenses and income tax	14,483
Financial Expenses	nil
Loss before taxation	14,483
Provision for taxation	nil
Loss after Taxation	14,483
Accumulated Loss brought forward	(487,941)
Accumulated Loss carry forward	(502,424)
	=====
Loss per share (Rs.)	(0.77)

As you are aware the Company was forced to shut down its production operations from the end of October 2010 and release all its employees due to acute shortage of working capital and mounting losses exacerbated by the failure of concerned banks to implement the financial restructuring agreements reached with them in May 2010. It was not a willful decision of the management who were forced to close down the operations as funds were not available to keep the Mills running.

The financial statements have been prepared on the net realizable basis as the operation has been shut down by force owing to reasons mentioned above. Under the Settlement Agreement signed in April, 2014, the financial institutions have exercised their right under mortgage agreement, to take over plant & machinery and land & building as full and final settlement of all outstanding amounts owed by the company towards the financial institutions and the institutions shall have no further recourse against the company. Company has paid Rs.619.02 million against their outstanding liabilities of Rs.1,151.51 million. The management understands that the value appearing in the financial statement is a fair value on the basis of valuation made of Land in April 2014 & other assets in 2011 and has also been accepted by the banks as the basis of negotiation.

Statement on compliance of the Code of Corporate Governance:

- * The Board is committed to maintaining high standard of good corporate governance and comply with the provisions set out by the Securities and Exchange Commission of Pakistan and accordingly amended listing rules of the Stock Exchanges.
- * There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations except for matters mentioned in the statement of compliance and review report thereon. The Company has made its best endeavour to comply in spite of closure.
- * As the company has closed down the operations due to paucity of funds since October 2010 there are no material transactions in the company, the position of the CFO and Company Secretary are vacant and no human resource committee exists.
- * Due to closure, the company has not carried out orientation course for their directors, as the Director of the company are aware of their duties, powers and responsibilities.
- * The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- * The company has maintained proper books of account in accordance with the corporate requirement.
- * Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.
- * International Accounting Standards, as applicable in Pakistan, have been effectively implemented and monitored.

* Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984.

* The shares of the Company are traded through CDC, which gives them the opportunity of obtaining on line transfers and balance position.

* The pattern of shareholding and key financial ratios are attached.

* Key operating and financial data of last six years, in a summarized form, is annexed.

In response to the observation by the auditors in their reports, the management reply is as under:

Borrowing from Orix Leasing Private Limited of Rupees Eight Million finalized as per letter dated June 2011. However, payment has not been made yet.

The liability of Rs:-0.996 Million is yet to be settled.

Confirmation sent to legal Advisor, which was not received yet, however, status of cases updated.

The Company accounts are prepared on net realizable basis.

* During the year, 04 meetings of the Board of Directors were held, attendance by each Director is as under:

<u>Entitled</u>	<u>Number of meetings attended</u>
Mr. Mohammad Farooq Sumar	--04-- 04
Ms. Sabiha Sumar	--04-- 04
Mr. Muhammad Mukhtar Sumar	--04-- 03
Ms. Faiza Imran Ahmed	--04-- 03
Ms. Sadia Arif	--04-- 02
Mr. Shahbaz Sumar	--04-- 00

- The Directors do not recommend distribution of Dividend in view of non-availability of profit.
- During the year under review no trading in shares of the Company was carried out by the Directors, CEO and their spouses.
- As required by the Code of Corporate Governance, the Audit Committee of the Board has suggested the name of M/s. Moochhala Gangat & Co., Chartered Accountants, who offer themselves for appointment.

Finally, I would like to thank the remaining employees for their dedication.

For and on behalf of
The Board of Directors

Mohammad Farooq Sumar
Chairman

Karachi: October 06, 2015

DIRECTORS REPORT TO THE SHAREHOLDERS

(FIGURES IN THOUSAND)

	June 30 2010	June 30 2011	June 30 2012	June 30 2013	June 30 2014
PROFIT BEFORE FINANCIAL EXPENSES AND TAX	(313,431)	(300,951)	(19,832)	(9,008)	968,344
FINANCIAL EXPENSES	(117,397)	(43,282)	(21,595)	(7,377)	-
PROFIT / LOSS BEFORE TAXATION	(430,828)	(344,233)	(41,427)	(16,385)	968,344
PROVISION FOR TAXATION- CURRENT YEAR DEFERRED	(6,030) 3,706	(23,456)	2,227	-	-
PROFIT / LOSS AFTER TAX	(2,324) (433,152)	(23,456) (367,689)	2,227 (39,200)	- (16,385)	968,344
LOSS BROUGHT FORWARD	(657,287)	(1,083,609)	(1,413,758)	(1,452,958)	(1,469,343)
TRANSFER FROM SURPLUS ON REVALUATION OF FIXED ASSETS	(1,090,439)	(1,451,298)	(1,452,958)	(1,469,343)	(500,999)
ACCUMULATED LOSS CARRIED FORWARD	6,830 (1,083,609)	37,540 (1,413,758)	- (1,452,958)	- (1,469,343)	(500,999)
EARNING PER SHARE	(22.93)	(19.47)	(2.08)	(0.67)	51.26

COST STRUCTURE

(Figures in thousands)

	2010-2011		2011-2012		2012-2013		2013
	Amount	%	Amount	%	Amount	%	Amount
Raw materials	100,091	27.79	25,952	52.21	-	-	-
Raw Cotton & Fiber (Quantity in Kgs.)	-	-	-	-	-	-	-
Other Raw Materials	100,091	27.79	100,091	201.35	-	-	-
Conversion cost	252,474	70.11	23,759	47.79	16,408	100.00	22,699
Salaries & wages	46,414	12.89	-	-	-	-	-
Stores, spares and accessories	10,922	3.03	-	-	-	-	-
Depreciation	73,052	20.28	-	-	-	-	-
Fuel and power	45,247	12.56	-	-	-	-	-
Other manufacturing expenses	10,469	2.91	-	-	-	-	-
Finance Cost	43,282	12.02	12,600	25.35	7,377	44.96	-
Administrative Expenses	23,016	6.39	11,159	22.45	9,031	55.04	22,699.00
Other Charges	72	0.02	-	-	-	-	-
Selling & Distribution Expenses	7,567	2.10	-	-	-	-	-
(a) Freight	480	0.13	-	-	-	-	-
(a) Others	7,087	1.97	-	-	-	-	-
	<u>360,132</u>	<u>100.00</u>	<u>49,711</u>	<u>100.00</u>	<u>16,408</u>	<u>100.00</u>	<u>22,699</u>

SUMMARIZED FINANCIAL DATA

PROFIT & LOSS FOR THE YEAR/PERIOD ENDED

	June 30 2010	June 30 2011	June 30 2012	June 30 2013	June 30 2014
Turnover	743,279	225,127	37,533	-	-
Gross profit/ (loss)	(190,235)	(224,371)	(13,120)	-	-
Operating profit/(loss)	(328,291)	(254,954)	(24,277)	(9,031)	(22,699)
Profit/(loss) after tax	(433,152)	(367,689)	(39,200)	(16,385)	968,344
BALANCE SHEET AS AT					
Share capital	188,892	188,892	188,892	188,892	188,892
Reserves (including surplus on revaluation)	(42,172)	(502,169)	(525,737)	(544,698)	(445,192)
Property, plant and equipment	1,432,623	1,247,659	1,247,434	1,247,434	42
Intangible assets & long term deposit	5,969	-	-	-	-
Net current assets / liabilities	(416,515)	(313,277)	(339,421)	(355,806)	(266,300)

PROFIT AND LOSS ACCOUNT COMPARISON AS PERCENTAGE OF SALES

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Net sales (Rupees in thousands)	1,101,670	743,279	225,127	37,533	-	-	-
(In terms of percentage)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Sales	117.44	125.59	199.66	134.96	-	-	-
%							
GROSS PROFIT/(LOSS)	(17.44)	(25.59)	(99.66)	(34.96)	100.00	100.00	100.00
%							
Administrative Expenses	6.79	13.43	10.22	29.73	-	-	-
Selling Expenses	5.42	5.14	3.36	-	-	-	-
%							
OPERATING PROFIT/(LOSS)	12.21	18.57	13.56	29.73	-	-	-
%	(29.65)	(44.17)	(113.25)	(64.68)	100.00	100.00	100.00
Other Income	2.21	2.05	6.01	9.02	-	-	-
Other Charges	(0.06)	(0.05)	(0.03)	-	-	-	-
%							
Finance Cost	9.02	15.79	19.23	33.57	-	-	-
%	(27.51)	(42.17)	(107.27)	(55.66)	100.00	100.00	100.00
NET PRE TAX PROFIT/(LOSS)	(36.52)	(57.96)	(126.50)	(89.23)	100.00	100.00	100.00
%	(0.60)	(0.31)	(10.42)	(1.00)	-	-	-
TAXATION							
PROFIT/(LOSS) AFTER TAX	(37.11)	(58.26)	(136.92)	(90.23)	100.00	100.00	100.00
%							

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2015**

<u>of Shareholders</u>	<u>Shareholding</u>			<u>Shares Held</u>
897	1	-	100	24,118
517	101	-	500	151,200
274	501	-	1,000	229,176
459	1,001	-	5,000	1,223,700
137	5,001	-	10,000	1,116,784
38	10,001	-	15,000	499,404
20	15,001	-	20,000	369,000
20	20,001	-	25,000	465,436
8	25,001	-	30,000	230,009
9	30,001	-	35,000	301,500
7	35,001	-	40,000	271,500
3	40,001	-	45,000	131,500
4	45,001	-	50,000	196,000
3	50,001	-	55,000	151,500
4	55,001	-	60,000	229,182
1	60,001	-	65,000	61,589
2	70,001	-	75,000	141,000
1	75,001	-	80,000	75,630
1	80,001	-	85,000	80,029
2	90,001	-	95,000	186,780
1	95,001	-	100,000	100,000
1	100,001	-	105,000	102,500
1	110,001	-	115,000	112,894
1	120,001	-	125,000	123,000
2	125,001	-	130,000	253,695
1	130,001	-	135,000	135,000
1	135,001	-	140,000	135,500
2	145,001	-	150,000	293,940
1	160,001	-	165,000	164,000
1	170,001	-	175,000	170,074
2	195,001	-	200,000	400,000
1	235,001	-	240,000	240,000
1	375,001	-	380,000	375,452
1	645,001	-	650,000	649,777
1	815,001	-	820,000	819,105
1	990,001	-	995,000	994,947
1	920,001	-	925,000	921,376
1	#####	-	6,765,000	6,762,948
2426				18,889,245

<u>Categories of Shareh</u>	<u>Numbers</u>	<u>Shares Held</u>	<u>Percentage</u>
Individuals	2396	10,014,324	53.02
Joint Stock Companies	15	6,837,867	36.20
Bank & Financial Instit	3	2,112	0.01
Modarabas Companies	2	245	0.00
Investments Companies	3	653,589	3.46
Insurance Companies	3	999,147	5.29
Others	4	381,961	2.02
	2426	18,889,245	100.00

Pattern of Shareholding as at June 30, 2015
As Per Requirement of Code of Corporate Governance

Category No	Category of Shareholders	Share Held	Category wise No. of Sharehold	Categorywise Shares Held	Percentage %
1	Associated Companies, Undertakings and		1	6,762,948	35.80
	M/s. Textile Managements (Pvt.) Ltd.	6,762,948			
2	NIT and ICP		2	653,489	3.46
	National Bank of Pakistan, Trustee Deptt. Investment Corporation of Pakistan	649,777 3,712			
3	Directors, CEO & their spouse and minor		8	2,050,032	10.85
	Mr. Mohammad Farooq Sumar, Chairman	819,105			
	Ms. Sabiha Sumar, Chief Executive	112,894			
	Mr. Mohammad Mukhtar Sumar, Director	921,376			
	Mrs. Naheed Mukhtar Sumar, Director	28,738			
	Mrs. Faiza Imran, Director	5,129			
	Mr. Shahbaz Sumar	104,483			
	Mrs. Sophia Sumar w/o Mr. Farooq Sumar	57,682			
	Miss. Saiyeda D/o Mr. Mukhtar Sumar	625			
5	Joint Stock Companies		15	74,949	0.40
6	Insurance Companies		3	999,147	5.29
7	Banks, Development Financial Institutions.		3	2,212	0.01
8	Others		6	382,176	2.02
9	Individuals				
			2,388	7,964,292	42.16
			2,426	18,889,245	100.00

Shareholders holding 5 % voting interest (other than

	Holding	%
M/s. Textile Managements (Pvt.) Ltd.	6,762,948	35.80
State Life Insurance Corp. of Pakistan	994,947	5.27

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in respective regulations of the listing regulations of Karachi Stock Exchange and Lahore Stock Exchange respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Executive Directors	Mr. Farooq Sumar, Ms. Sabiha Sumar
Non-Executive Directors	Mr. Mohammad Mukhtar Sumar, Mrs. Faiza Imran Ahmed, Mrs. Sadia Arif, Mrs. Neelofer Sumar, Mr. Shahbaz Sumar

There are no independent Directors who meet the criteria of independence under Clause i(b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the Directors of the Company are the member of stock exchange.
4. A casual vacancy has arisen in the Board of Directors during last year, a new Director appoint during the year to fill the vacancy.
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 and other executive directors have been taken by the Board.
8. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
9. The meetings of the Board were presided over by the Chairman 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.
10. The Directors have given declaration that they are aware of their duties, powers and responsibilities.
11. The company does not carry out orientation course for their directors to acquaint them with this code, applicable loss, their duties and responsibilities.

12. Positions of CFO and Company Secretary are vacant and the Board is striving for their appointment.
13. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by CEO. CFO has not signed the financial statements for the reason mentioned in para 12 above.
15. 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.
16. The Company has complied with all the corporate and financial reporting requirements of the Code, except as disclosed in the relevant paragraph.
17. The Board has formed an audit committee. It comprises of three members where the chairman of committee is the chairman of board of directors and who is executive director. However, subsequent the Chairman has become a non executive member.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The company has not formed the human resource committee.
20. The Company had an in-house internal audit department which was effective up to October 2010.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all his partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan. The meetings of the Board were presided over by the Chairman 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.
22. 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.
23. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
24. We confirm that all other material principles contained in the Code have been complied with.

Dated 6th October 2015
Karachi

For and on behalf of
Board of Directors

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **MOHAMMAD FAROOQ TEXTILE MILLS LIMITED** (the Company) to comply with the Listing Regulations of Karachi and Lahore stock exchanges.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (x) of Listing Regulation No. 35 notified by Karachi and Lahore stock exchanges requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the matters highlighted in paragraph 1, 11, 12, 14, 17, 19 and 20 of the Statement of Compliance, nothing has come to our attention except above matters which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2015.

Moochhala Gangat & Co.

Chartered Accountants

Engagement Partner: Najeeb Moochhala

Karachi

Dated: October 06, 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MOHAMMAD FAROOQ TEXTILE MILLS LIMITED** 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 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) Company has borrowings from ORIX Investment Bank and Faysal Bank of Rs. 8 million and 0.996 million respectively. We were unable to obtain sufficient appropriate audit evidence of such borrowings as at June 30, 2015 because we have not received confirmations from such institutions. Furthermore, we were unable to perform alternate audit procedure. Consequently we were unable to determine whether any adjustments to these amount were necessary.
- (b) We were unable to obtain confirmations from legal advisor against various litigations and consequently, were not able to verify the current status.
- (c) Except for the effect on the financial statements of the matter referred in paragraph (a) and (b) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (d) in our opinion:
 - (i) Except for the effect on the financial statements of the matter referred in paragraph (a) and (b) above, 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 and the expenditure incurred during the year were in accordance with the objects of the Company;
- (e) in our opinion and to the best of our information and according to the explanations given to us, except for the effect on the financial statements of the matter referred in paragraph (a) and (b) above, the balance sheet, profit and loss account, cash flow statement and the statement of changes in equity together with the notes forming part thereof confirm 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 affair as at June 30, 2015 and of its profit, its cash flows and changes in equity for the year then ended; and
- (f) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to Note 1.2, 2 and 3 to the financial statements whereby during the year the Company has entered into a compromise agreement with financial institution to repay its outstanding liabilities and also provided the reason for not considering the Company a going concern and also disclosed the basis of preparation based on which the annexed financial statements have been prepared.

Our opinion is not qualified in respect of this matter.

Moochhala Gangat & Co.
Chartered Accountants

Engagement Partner: Najeeb Moochhala

Karachi
Date: October 06, 2015

**MOHAMMAD FAROOQ
BALANCE SHEET AS**

		2015	2014
		(Realisable)	
	Note	(Rupees in '000)	
SHARE CAPITAL AND RESERVES			
Authorised			
25,000,000 Ordinary shares of Rs. 10 each		250,000	250,000
Issued, subscribed and paid up capital	5	188,892	188,892
Capital reserve - share premium		42,749	42,749
Accumulated loss		(502,424)	(487,941)
		(270,783)	(256,300)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	6	-	-
CURRENT LIABILITIES			
Borrowings from financial institutions	7	8,996	8,996
Loans from related parties	8	29,020	29,020
Staff retirement benefits	9	408	5,731
Trade and other payables	10	271,342	317,933
Tax payable	11	20,790	20,790
		330,555	382,469
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		59,772	126,169

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

TEXTILE MILLS LIMITED
AT JUNE 30, 2015

CURRENT ASSETS

	2015 (Realisable) (Rupees in '000)	2014
Note		
Property, plant and equipment	13 42	42
Stores, spares and loose tools	14 -	-
Short-term deposits and prepayments	15 1,139	1,174
Tax refundable	16 -	7,382
Cash and bank balances	17 58,591	117,571
	59,772	126,169

<u>59,772</u>	<u>126,171</u>
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SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
Sales		-	-
Cost of goods sold		-	-
Gross (Loss)		-	-
Other operating income	18	5,176	991,043
		5,176	991,043
Administrative expenses	19	(19,651)	(22,699)
Finance cost	20	(8)	-
		(19,659)	(22,699)
(Loss) before taxation		(14,483)	968,344
Taxation	21	-	-
(Loss) after taxation		(14,483)	968,344
Other comprehensive income		-	-
Total profit / (loss) after other comprehensive income		(14,483)	968,344
Earning / (loss) per share	22	(0.77)	51.26

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

SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees '000	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(14,483)	968,344
Adjustments for :		
Gain on settlement of property, plant and equipment	-	(445,228)
Written off tax refund	7,382	-
Reversal of liability	(5,000)	-
Written off stores, spares and loose tools	2,382	6,397
	<u>(12,101)</u>	<u>(438,831)</u>
Operating cash out flows before movements in working capital	(12,101)	529,513
Decrease in short term deposits and prepayments	35	-
(Decrease) in staff retirement benefits	-	(64,117)
(Decrease) in trade and other payables	(46,591)	(21,162)
	<u>(46,556)</u>	<u>(85,279)</u>
Cash flows generated from operations	(58,657)	444,234
Gratuity paid	(323)	-
Net cash flows (used in)/generated from operating activities	<u>(58,980)</u>	<u>444,234</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Settlement of property, plant and equipment	-	823,780
Net cash flows generated from investing activities	<u>-</u>	<u>823,780</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Long term and short term finances - net	-	(1,151,512)
Loan from directors and associates	-	-
Net cash flows /(used in) financing activities	<u>-</u>	<u>(1,151,512)</u>
Net increase in cash and cash equivalents (A+B+C)	(58,980)	116,503
Cash and cash equivalents at the start of the year	117,571	1,070
Cash and cash equivalents at the end of the year	<u>58,591</u>	<u>117,571</u>

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

SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
STATEMENT OF CHANGES OF EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

Issued, subscribed and paid-up capital	Reserves		Total
	Capital	Revenue	
	Share premium	Accumulated losses	

.....(Rupees in '000).....

Balance at July 01, 2013	188,892	42,749	(1,456,285)	(1,224,644)
Total comprehensive Income for the year ended June 30, 2014	-	-	968,344	968,344
Balance at June 30, 2013	188,892	42,749	(487,941)	(256,300)
Balance at July 01, 2014	188,892	42,749	(487,941)	(256,300)
Changes in equity for the year ended June 30, 2014				
Total comprehensive (Loss) for the year ended June 30, 2014	-	-	(14,483)	(14,483)
Profit for the year	-	-	-	-
Balance at June 30, 2014	188,892	42,749	(502,424)	(270,783)

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

SABIHA SUMAR
Chief Executive

MOHAMMAD FAROOQ SUMAI
Director

MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. GENERAL INFORMATION

- 1.1 Mohammad Farooq Textile Mills Limited (the Company) was incorporated in Pakistan in 1966, as a public Company limited by shares, under the Companies Act, 1913 (Now the Companies Ordinance 1984). Its shares are listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 50-B, South Circular Avenue, Defence Housing Authority, Phase-2, Karachi in the Province of Sindh. The principal activity of the Company is manufacturing, processing and sales of textile products.
- 1.2 The Company had obtained various finance facilities from the financial institutions in previous years which Company could not repay on relevant maturity dates. Financial institutions filed recovery suits against the Company for recovery of outstanding balance before the Honorable Sind High court. In April 08, 2014 Company entered into a compromise agreement under which the financial institutions have agreed to accept plant & machinery and land & building as full and final settlement of all outstanding amounts owed by the Company towards the financial institutions and the institutions shall have no further recourse against the Company. Company has paid Rs. 619.02 million against their outstanding liability of Rs. 1,151.51 million. Moreover the Company has paid all outstanding balance of Provident fund in June 30, 2014 and has decided to pay the outstanding balance of trade creditors, accrued liabilities and government dues to the extent possible from the remaining available balance of the fund. Due to aforementioned reasons, the Company is not considered a going concern.

2. Statement of Compliance

The Company is not a going concern, therefore, International Financial Reporting Standards (IFRSs) have not been applied in preparation of these financial statements in accordance with the paragraph 25 of IAS 1, "Presentation of Financial Statements".

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan.

3. BASIS OF PRESENTATION

As stated in note 1.2, the Company is not considered a going concern, therefore, these financial statements have been prepared on a basis other than going concern, which is as follows:

- All assets are stated at their realisable value; and
- All liabilities are stated at amounts payable

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Borrowings from financial institutions

These are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

4.2 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering unionized employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income statement by using "Projected Unit Credit" method. The most recent valuation was carried out as at June 30, 2011 and the results thereon have been disclosed in note 9. No provision for gratuity charge during the year as employees services were terminated.

Defined contribution plan

The Company also operates defined contribution plan (i.e. recognized provident fund scheme) for those employees who are not covered by the gratuity scheme. Equal monthly contributions at the rate of 8.33% of the basic salary were made to the fund both by the Company and employees till October 2010 which date the employees services were terminated. The assets of the fund are held separately under the control of trustees.

4.3 Trade and other payables

Liabilities for trade and other amounts payables are carried at fair value of the consideration to be paid in future for goods and services.

4.4 Property, Plant and equipment

Owned

Property, plant and equipment including leasehold land are stated at forced sale value, so no depreciation is charge during the year.

As property, plant and equipments are stated under forced sale value, so no depreciation is charged during the year.

Maintenance and normal repairs are charged to income as and when incurred.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of property, plant and equipment, at forced sale value is adjusted against the balance in the above mentioned surplus account as allowed under the provision of the Companies Ordinance 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged of the related assets, is transferred directly to unappropriated profit (net of deferred tax).

Gains and losses on disposal of property, plant and equipment, if any, are included income currently.

4.5 Taxation

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

As these financial statements have been prepared on net realizable value, so no deferred tax has been provided.

4.6 Stores, spares and loose tools

Stores, spares and loose tools have been written down to their net realizable value at balance sheet date.

4.7 Provision

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 can be made of the amount of obligation. However, all provisions have been reversed during the current year and the corresponding assets are written down to their net realizable value.

4.8 Trade debts and other receivables

Trade debts and other receivable have been written down to their fair value at balance sheet date.

4.9 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

4.10 Offsetting of financial assets and financial liabilities

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

4.11 Foreign currencies transactions

Transactions in foreign currencies are initially recorded at the exchange rate ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into rupees at the exchange rates prevailing on the balance sheet date. Exchange differences on foreign currency transactions are included in profit and loss account.

4.12 Revenue recognition

Sales of goods are recognized when the goods are delivered and title has passed, i.e., when the significant risks and rewards of ownership have been transferred to the customer.

Cloth processing charges are recognized when the related services have been rendered.

4.13 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are declared and approved.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current and, savings accounts.

4.15 Functional currency

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

			2015	2014
	Note	(Realisable)		
		(Rupee in '000)		
5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL				
			2015	2014
			No. of Shares	
		Ordinary shares of Rs. 10 each fully paid		
		- in cash	11,222,685	11,222,685
		- as bonus shares	7,666,560	7,666,560
			<u>18,889,245</u>	<u>18,889,245</u>
5.1	M/s. Textile Management (Private) Limited, an associate company holds 6,762,948 (2014: 6,762,948) ordinary shares of Rs. 10 each at the balance sheet date.			
6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT				
	Surplus on revaluation of property, plant and equipment at July 01,	-		868,840
	Reversal of revaluation surplus Lease Hold Land	-		(602,719)
	Reversal of revaluation surplus Building	-		(168,853)
	Reversal of revaluation surplus Plant and Machinery	-		(97,268)
	Surplus on revaluation of property, plant and equipment at June 30,	-		-
6.1	Last revaluation of land and building to forced sale value was carried out on June 30, 2011 by M/s Iqbal Nanjee (Private) Limited. However last revaluation of plant and machinery to forced sale value was carried out in year 2010 by M/s Akbari & Javed Associates, management decided to further reduce the value of plant and machinery by 20% in year 2011 to reflect the fair value. There is no impact of deferred tax as these Financial Statements are prepared under net realizable value.			
7 BORROWING FROM FINANCIAL INSTITUTIONS				
	Orix Investment Bank	7.1	8,000	8,000
	Faysal Bank	7.2	996	996
	Total borrowings		<u>8,996</u>	<u>8,996</u>

7.1 This represents working capital finance obtained from Orix Investment Bank which is secured against hypothecation (second charge) over plant and machinery.

	Note	2015 (Realisable) (Rupees in '000)	2014
8 LOANS FROM RELATED PARTIES			
Unsecured			
- Directors	8.1	29,020	29,020
8.1 This represents unsecured interest free loans obtained from directors and the repayment term not defined.			
9 STAFF RETIREMENT BENEFITS			
Staff gratuity		408	5,731
9.1 Reconciliation			
Payable to out going members		5,731	5,731
Reversal of liability		(5,000)	
Payment to out going members		(323)	-
		408	5,731
10 TRADE AND OTHER PAYABLES			
Creditors		229,497	229,497
Accrued liabilities		36,015	82,606
Advance from customers		2,927	2,927
Workers' profit participation fund		184	184
Workers' welfare fund		2,244	2,244
Unclaimed dividend		475	475
		271,342	317,933
11 TAX PAYABLE			
This represents various tax liabilities pertaining to tax years 2008, 2009 and 2010			
12 CONTINGENCIES AND COMMITMENTS			
12.1 An ex-employee of the Company has filed a suit in the High Court of Sindh, against the Company for the recovery of outstanding salary amounting to Rs. 2.38 million and damages to the sum of Rs. 5 million plus interest at the rate of KIBOR plus 3%. The matter is pending for recording of plaintiff's evidence. Management feels that no unfavorable outcome is expected and accordingly no provision for the above mentioned amount or any other liability that may arise has been made in these financial statements.			
12.2 A suit for recovery of outstanding rent amounting to Rs. 10.32 million along with markup at the rate of 15% has been filed by the owners against the Company for the property rented at Finlay House, Karachi. The matter is pending for settlement of issues. Management is confident that the aforesaid suit will be decided in favour of Company.			
12.3 A suit filed by the Company for declaration and permanent injunction against the Controller of billings, KESC & others before the Honourable High Court of Sindh against the demand raised by KESC for payment of alleged outstanding amount of Rs. 3.153 million and notice for withdrawal of permission of generating set on this basis. The matter is pending for recording of evidence of the parties. The Company has a good arguable case on merits and there is no likelihood of unfavourable outcome or any potential loss on account of the said litigation.			
12.4 Four number of ex-employees or the legal heirs of the deceased employees claiming their dues have filed cases against the Company before the Commissioner Payment of Wages Act. The said liability has already been accounted for.			
12.5 A creditor of the Company M/s Kashif Enterprises has filed a suit for recovery of Rs. 2.93 million along with damages of Rs 5 million. A liability of Rs 2.78 million has already been accounted for and for remaining amount and damages management is confident that suit will be decided in favour of the company, thus no provision has been made for these amounts.			
12.6 There is a winding up petition filed by certain creditors against the Company before various appropriate Courts for recovery of their dues. The said liabilities of the creditors have already been accounted for.			

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2015

Particulars	Carrying value at July 01, 2014	Additions/ (Deletions)	Adjustments	Remeasurement to forced sale value	Depreciation charge for the year	Carrying value at June 30, 2015	Rate of Depreciation %
Rupees in '000							
Owned assets							
Lease hold land	-	-	-	-	-	-	
Building on leasehold land	-	-	-	-	-	-	5 & 10
Plant and machinery	-	-	-	-	-	-	10
Power and installations	-	-	-	-	-	-	10
Furniture and fixtures	-	-	-	-	-	-	10
Tools and equipment	-	-	-	-	-	-	10
Computer equipment	-	-	-	-	-	-	30
Vehicles	42	-	-	-	-	42	20
	42	-	-	-	-	42	

As stated in note 1.2 the property, plant & equipment owned by the Company have been valued on the basis of forced sales value based on the valuation reports.

For the year ended June 30, 2014

13. PROPERTY, PLANT AND EQUIPMENT

Particulars	Carrying value at July 01, 2013	Additions/ (Deletions)	Adjustments	Remeasurement to forced sale value	Depreciation charge for the year	Carrying value at June 30, 2014	Rate of Depreciation %
Rupees in '000							
Owned assets							
Lease hold land	604,444	(604,444)	-	-	-	-	
Building on leasehold land	184,384	(184,384)	-	-	-	-	5 & 10
Plant and machinery	448,565	(448,565)	-	-	-	-	10
Power and installations	2,433	(2,433)	-	-	-	-	10
Furniture and fixtures	1,283	(1,283)	-	-	-	-	10
Tools and equipment	5,964	(5,964)	-	-	-	-	10
Computer equipment	319	(319)	-	-	-	-	30
Vehicles	42	-	-	-	-	42	20
	1,247,434	(1,247,392)	-	-	-	42	

As stated in note 1.2 the property, plant & equipment owned by the Company have been valued on the basis of forced sales value based on the valuation reports.

	Note	2015 (Realisable) (Rupees in '000)	2014 (Realisable)
14 STORES, SPARES AND LOOSE TOOLS			
Stores		-	-
Spares and loose tools		-	6,397
Written off during the year		-	6,397
		-	6,397
15 SHORT-TERM DEPOSITS AND PREPAYMENTS			
Other deposits	15.1	1,139	1,174
		1,139	1,174
15.1 OTHER DEPOSITS			
Opening balance		1,174	1,174
Written off during the year		(35)	-
Closing balance		1,139	1,174

16	TAX REFUNDABLE		
	Tax refund due from government		
	Sales tax	7,382	7,382
	Written off during the year	(7,382)	-
	Closing balance	-	7,382
17	CASH AND BANK BALANCES		
	Cash in hand	4,975	24
	Cash at banks - in current accounts	8,509	14,522
	Cash at bank - in Escrow accounts	45,107	103,024
		58,591	117,571
18	OTHER OPERATING INCOME		
	Income from financial assets		
	Exchange gain	4	17
	Income from non financial assets		
	Gain on settlement of property, plant and equipment	-	445,228
	Reversal of liability	-	545,798
	Miscellaneous Income	5,000	-
		172	-
		5,172	991,026
		5,172	991,043
19	ADMINISTRATIVE EXPENSES		
	Salaries and benefits	-	-
	Communication and stationery	2,390	1,260
	Legal and professional	90	161
	Conveyance and entertainment	9,275	13,805
	Repairs and maintenance	-	10
	Rent, rates and taxes	-	109
	Auditors' remuneration	-	461
	Advertisement	330	330
	Fee and subscription	26	63
	Write off	-	89
	Others	7,382	6,397
		156	14
		19,651	22,699
19.1	Auditor's remuneration		
	Audit fee	230	230
	Half yearly review	75	75
	Out of pocket expense	25	25
		330	330
20	FINANCE COST		
	Bank charges	-	-
21	TAXATION	8	-

- 21.1 There is no current tax expense as the Company has incurred gross loss before setting off depreciation and other inadmissibles, hence no minimum tax is payable.
- 21.2 Return for the tax years upto Tax year 2014 have been filed and deemed to be assessed under Section 120(1) of Income Tax Ordinance, 2001.
- 21.3 In respect of monitoring proceeding for tax year 2010 the Commissioner (Appeals) vide his order dated 16th January, 2012 had decided in favour of the Company. However the Department has filed an appeal before the Honourable Appellate Tribunal against the said order. A liability of 18.242 million has already been accounted for in previous year.
- 21.4 Monitoring proceedings for tax years 2009, 2008 and 2007 are underway and various demands u/s 161 and u/s 205 net off reliefs amounting to Rs. 1.677 million has been created which has been provided in the accounts.
- 21.5 In respect of tax year 2009 Workers' Welfare Fund was levied at Rs.0. 705 million which is contested before the Honorable Appellate Tribunal Inland Revenue on the ground that since the Company has declared loss in the financial statements as well as in the tax returns u/s 114 of the Ordinance for local sales hence WWF is not applicable under section 2(1)(f) of the Workers' Welfare Fund Ordinance 1971. However full provision has been made in the accounts.

	2015	2014
	(Rupees in '000)	
22 LOSS PER SHARE		
- Basic & diluted		
There is no dilutive effect on the basic earnings per share of the company which is based on:		
Loss after taxation	(14,483)	968,344
Weighted average number of ordinary shares outstanding during the year (,000)	18,889	18,889
Loss per share - in rupees	Rs. (0.77)	51.26

23 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including benefits, to the Chief Executive Officer, full time working Directors and Executives of the Company were as follows:

	Chief Executive Officer		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Managerial remuneration including fee	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-
House rent and utilities	-	-	-	-	-	-
Number of persons	1	1	5	5	-	-

Directors include two non-executive directors (2014: two non-executive directors) who do not receive any remuneration and other benefits. Directors and chief executive have waived their remuneration from November 2010.

		2015	2014
		(Rupees in '000)	
24 Related party	Nature of transaction		
Provident fund	Paid / adjustment	-	54,116
Loan from director	Loan from director	29,019	29,019

25 PRODUCTION CAPACITY

Plant rated capacity of Grey fabric (Sq Mts)
Actual production of Grey fabric (Sq Mts)

26 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

26.1 Financial Instruments by Category

Financial assets

Loans and receivables

Other deposits

Cash and bank balances

1,139	1,174
59,591	117,571
59,730	118,745

Financial liabilities

At amortised cost

Loans from related parties

Trade and other payables

Borrowings from financial institutions

Staff retirement benefits

29,019	29,019
268,415	315,006
8,996	8,996
408	5,731
306,838	358,752

26.1.1 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

Add: Non Financial Assets

Property, plant and equipment

Stores, spares and loose tools

Tax refundable

59,730	118,745
42	42
-	7,382
42	7,424
59,772	126,169

Total Assets

Add: Non Financial Liabilities

Advance from customers

tax payable

Total Liabilities

306,838	358,752
2,927	2,927
20,790	20,790
23,717	23,717

27 FINANCIAL RISK MANAGEMENT

The Company's activities exposed it to a variety of financial risks; credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk). The Company's overall risk management program focuses on minimising potential adverse effects on the Company's financial performance. The overall risk management of the Company is carried out by the Company's senior management team under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risk of the Company.

The maximum exposures to credit risk at the reporting date is as follows:

short-term deposits and
prepayments
Cash and bank balances

	2015	2014
	(Rupees in '000)	
	1,139	1,174
	58,591	117,571
	59,730	118,745

27.2 LIQUIDITY RISK

The Company manages liquidity risk by following internal guidelines of the management such as monitoring maturities of financial assets and financial liabilities. The maturity analysis of the financial liabilities showing the remaining contractual maturities at the balance sheet date is presented below:

	2015	Within 1 year	1 - 5 years	More than 5 years	Total
		Rupees in "000"			
Borrowings from financial institutions		8,996	-	-	8,996
Loans from related parties		29,019	-	-	29,019
Trade and other payables		271,342	-	-	271,342
Staff retirement benefits		408	-	-	408
Tax payable		20,790	-	-	20,790
		330,555	-	-	330,555
	2014	Within 1 year	1 - 5 years	More than 5 years	Total
		Rupees in "000"			
Borrowings from financial institutions		8,996	-	-	8,996
Loans from related parties		29,019	-	-	29,019
Trade and other payables		317,933	-	-	317,933
Staff retirement benefits		5,731	-	-	5,731
Tax payable		20,790	-	-	20,790
		382,469	-	-	382,469

27.3 MARKET RISK MANAGEMENT

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

27.4 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on trade receivables. The total foreign currency risk exposure at the balance sheet is presented below:

Currency

In foreign currency	(Rupees in '000)	
	2015	2014
Dollar	1,543	1,543
	158	154

Foreign Currency Sensitivity Analysis

The following table details the sensitivity to a 10% increase or decrease in the exchange rates of relevant foreign currencies, with all other variables held constant, of the Company's loss before tax and the Company's equity.

Currency

	2015
Change in rate	Effect on loss before tax
Increased / decreased	
%	(Rupees in '000)
10%	158

27.5 OTHER PRICE RISK

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

28 SEGMENT REPORTING

The Company considers itself as a single operating segment Company and the Company's performance is evaluated on an overall basis therefore, no segment is reported.

29 NUMBER OF EMPLOYEES

Number of employees at June 30

Average Number of employees during the year

	2015	2014
	2	3
	2	7

30 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 06, 2015 by the Board of Directors of the Company.

31 GENERAL

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

SABIHA SUMAR
Director

MOHAMMAD FAROOQ SUMAR
Director

MOHAMMAD FAROOQ TEXTILE MILLS LTD

PROXY FORM

The Company Secretary,
Mohammad Farooq Textile Mills Limited
Plot Nos 6 & 7, Sector 21
Korangi Industrial Area
Karachi

I / We _____

Of _____

Member(s) Of MOHAMMAD FAROOQ TEXTILE MILLS LTD, and holding _____

Ordinary Shares As per Registered Folio No. _____

do hereby appoint _____ of _____ Folio No. _____

(or Failing him) _____ of _____ Folio No. _____

(who are also members of the Company) as a proxy to attend and vote on my / our behalf at the 50th Annual General Meeting of the Company to be held on Thursday, October 29, 2015 at 5:30 p.m. and any adjournment thereof.

Signed this _____ day of _____ 2015

Affix
Five Rupees
Revenue
Stamp

1. WITNESS _____

ADDRESS _____

NIC NO. _____

2. WITNESS _____

ADDRESS _____

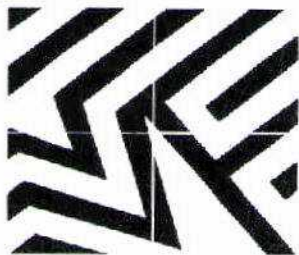
NIC NO. _____

(Signature should agree with the specimen signature registered with the Company)

Important:

1. Instruments of Proxy will not be considered as valid unless they are deposited or received at the Company's Registered Office at least 48 hours before the time of holding the Meeting.
2. No person shall act as proxy unless he / she is a member of the Company.
3. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
4. The proxy holder shall produce his / her original CNIC or original passport at the time of Meeting.
5. In case of corporate entity, the Board of Director resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

BOOK POST
PRINTED MATTER
UNDER POSTAL CERTIFICATE



If undelivered Please return to
MOHAMMAD FAROOQ TEXTILE MILLS LIMITED
50 – B, SOUTH CIRCULAR AVENUE PHASE II
DEFENCE HOUSING AUTHORITY,
KARACHI.