



Annual Report 2016

MAHMOOD GROUP

Mahmood Textile Mills Ltd.

بسم الله الرحمن الرحيم

Content

Corporate Information

Board of Directors:

Khawaja Muhammad Masood	Chairman
Khawaja Muhammad Iqbal	Chief Executive Officer
Khawaja Muhammad Ilyas	Director
Khawaja Muhammad Younus	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

Shinewing 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 46th Annual General Meeting of the Company will be held on Monday, 31st October, 2016, 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, 2015.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2016 together with Director's and Auditor's Reports thereon.
3. To appoint Auditors for the year **2016-17** and to fix their remuneration. The present Auditors M/s. Shinewing Hameed Chaudhri & Company, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
4. 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: 7th October, 2016.

NOTE:-

i) The Share Transfer Books of the Company will remain closed from 20th October to 31ST October, 2016 (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) 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 Mahmood Textile Mills Limited ("the Company") are pleased to present the Annual Report of the Company for the year ended 30 June 2016 along with the financial statements and auditors 'report thereon.

The reporting year was critical year for the Company and industry as a whole. Spinning business remained depressed mainly on export venue due to external & internal factors. Economic indicators during the last two years have improved but the export trend has reversed compounding the slide of 13% in 2015-16.The decline in export can be partly attributed to the exogenous factor viz "15pc contraction of global market in 2015 and 25pc dip in the global commodity index, The china is the main buyer of Pakistani yarn for this reason major dip in export occurred due to slowdown of Chinese economy."

Internally, there are numerous issues and difficulties which effected adversely on the export of textile products. Exports are facing a threefold policy challenge — policy conflict, policy sustainability / rationality and policy vacuum. Exchange rate parity is basic tool to increase exports of the country. Our competitor's countries have depreciated these currency but Pakistani rupee has appreciated resultantly, Pakistan's share in the global market has eroded whereas regional peers — India and Bangladesh- have achieved double exports.

Cotton is the basic raw material for textile industry but being agricultural country, we have not adopted modern tools and other measures to increase production of cotton to meet our industry requirement. It is needless to mention that pillar of our textile industry is based on availability of good quality cotton in abundance but it is heart burning to state that no concrete efforts and effective policies have been made by the government controlled research departments to increase quality cotton production in the country. The growers have also suffered tremendous losses due to ineffective and non-aligned policies.

Despite of all hardship and challenges to our economy, we are confident that your company management is fully geared to respond to the challenges coming on the way. We stay committed to serving and safeguarding the rights of our stakeholder's.

The company during the year has earned operational profit Rs. 320.245 million as compared to Rs. 50.220 million in the corresponding year. But bottom line has gone to net losses to Rs. (56.158) million due to unrealized losses Rs. (266.195) million on revaluations of shares of stock market rate in current year as compare to gain of Rs. 168.220 million on share revaluation in previous year, moreover in the reporting year share of loss of associates is Rs. (110.208) million as compare to share of profit from associates companies Rs. 154.968 million in last year. Therefore, earning per share in current year is negative by Rs. (3.74) as compared to gain by Rs. 24.89 in previous year.

Revaluation of shares has been calculated on prevailing rates of the Stock Exchange on 30-06-2016, which was on the lower side, whereas it started improving in the month of July 2016 onwards. Thus in the year 2016-17 your Company hope to earn the substantial profit from the investment in the Stock Market. We hope, Insha Allah, loss incurred during the year under report will be set off.

Textile Industry Outlook

Textiles is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-up and garments. This sector contributes nearly one-fourth of industrial value-added, provides employment to about 40% of industrial labour force, and consumes about 40% of banking credit to manufacturing sector and contributes massively to the GDP of the country. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 54% in exports. However, despite being the 4th largest producer and 3rd largest consumer of cotton globally, Pakistan's competitive advantage is not there due to above facts.

Frequently, we hear of the closure of spinning mills all over the country, particularly in Punjab where the textile industry is worst hit by the energy crisis and rising cost of production. Pakistani spinners who had enjoyed unprecedented growth and prosperity over the decades are facing great challenges now. It is vital to keep the cost of production lower and to invest in value added textiles, backed by economically and sound policies of the government in order to meet competition at the international forum.

Resource management

The Company's objectives when managing resources are to safeguard and utilize the Company's assets in the best way in order to provide safer returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The financial parameters are regularly reviewed to comply with prudential regulations and standard financial ratios. Under the prevailing circumstances company performance is satisfactory and possess strong financial stability in respect of Equity and liquidity position.

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, education and sports. During The past 46 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

Mahmood Textile believes in market driven approach and stands committed to invest to satisfy our customer need. Our focused and continuous investment in BMR brining the update technology during the year under review your company Spent Rs. 158.10 million on capital expenditure .The invest portfolio of the company has been realigned as per changing market needs. There is an emphasis on team achievements and pride in individual accomplishment that contribute to our overall success. .

Information Technology

We are committed to the process of upgrading and enhancing our IT infrastructure and moving towards greater process automation. Additionally, we remain focused on working closely with end users in studying their day today activities and finding opportunities to automate and stream line various tasks in this regards, Considerable effort was expended in analyzing business process and reporting gaps in ERP System through a series of discussion with business users.

Dividend Payout

The Company's Philosophy revolves around sharing the success with all stake holders who have entrusted us with their precious capital. In view of adverse condition in the current financial year, Directors of the company have decided to forgo dividend this year, while your company has been paying handsome dividends for the last many years.

Statement of Directors' Responsibility

The Board regularly reviews the Company's Strategic decisions. The Company has been in compliance with the provisions set out by the Securities and Exchange Commission of Pakistan and accordingly amended listing rules of the stock exchange.

The statements on Corporate Governance and Financial Reporting Frame Work are given below:

a) The financial statements 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 shareholding.

h) There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations.

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.

The Corporate Governance Practices

The Board of Directors of Mahmood Textile Mills Limited is committed to the principles of good Corporate Governance. The stakeholders expect that the Company is managed and supervised responsibly and proper internal controls and risk management policy and procedures are in place for efficient and effective operations of the Company, safeguarding of assets, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards.

Pattern of Shareholding

The pattern of shareholding is annexed and details have been submitted according to the requirements of Code of Corporate Governance and Section 236 of the Companies Ordinance 1984.

Statutory Auditors

The present auditors, M/s Shinewing Hameed Chaudhry & 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, 2017.

Future outlook

There are some positive signs for textile industry such as facilitating the exporters through zero rating, unprecedented cuts in exports financing rates, uninterrupted supply of electricity & gas and repeated reduction in electricity prices to assure the stakeholders of full government support. However, the expected cotton crop short fall in 2016-17 season and high priced imported cotton may adversely affect the textile industry to compete in international market.

We are committed to upholding the highest standards of business integrity by instilling a value-driven culture and good governance principles in the Company. We are hopeful for a better future.

Acknowledgement

The Directors wish to express their appreciation to the staff & workers of the Company for their dedication & devotion displayed in the growth of the Company. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders, bankers, various government bodies of the Company while performing their duties during the period and hope that the same spirit will prevail in the future as well.

For and on behalf of the Board

Sd/-

(Khawaja Muhammad Masood)
Chairman

Multan
Dated: 7th October 2016

Financial Summary

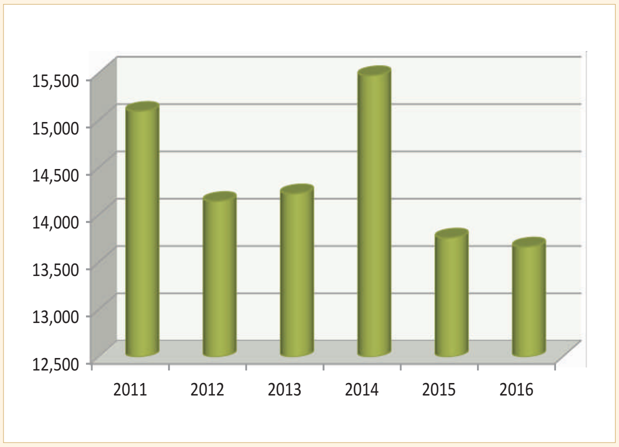
SIX YEARS REVIEW AT A GLANCE

Rupees in Million

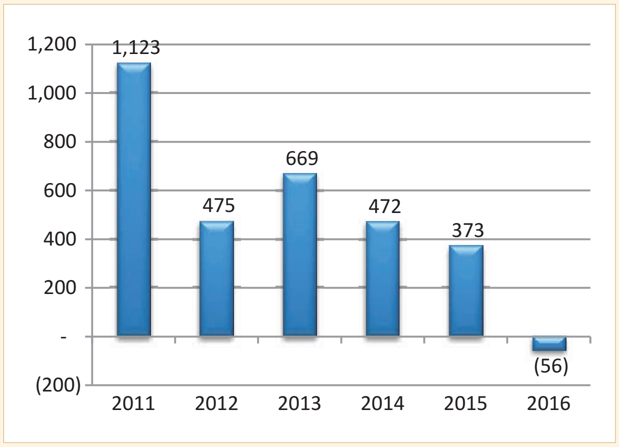
	2016	2015	2014	2013	2012	2011
ASSETS :						
FIXED ASSETS	2,925	3,042	3,035	3,057	2,426	2,298
LONG TERM INVESTMENTS	1,233	1,353	1,212	1,074	921	839
LONG TERM DEPOSITS	9	9	9	8	44	42
CURRENT ASSETS	6,529	7,086	4,866	5,046	3,566	3,560
TOTAL ASSETS	10,696	11,490	9,122	9,185	6,957	6,739
FINANCED BY:						
EQUITY	4,466	4,671	4,449	4,127	3,608	3,283
LONG TERM LIABILITIES	705	919	1,040	1,144	830	987
DEFFERED LIABILITIES	0	115	115	115	115	115
CURRENT LIABILITIES	5,525	5,785	3,518	3,799	2,404	2,354
TOTAL FUNDS INVESTED	10,696	11,490	9,122	9,185	6,957	6,739
PROFIT AND LOSS:						
SALES - NET	13,664	13,759	15,475	14,226	14,146	15,098
OPERATING PROFIT	529	855	888	1,127	1,012	1,604
PROFIT BEFORE TAXATION	3	535	475	818	633	1,275
PROFIT AFTER TAXATION	(56)	373	472	669	475	1,123
CASH DIVIDENDS	0%	100%	100%	100%	100%	100%
PROFIT C/F	4,308	4,515	4,291	3,970	3,451	3,126

Graphical Presentation

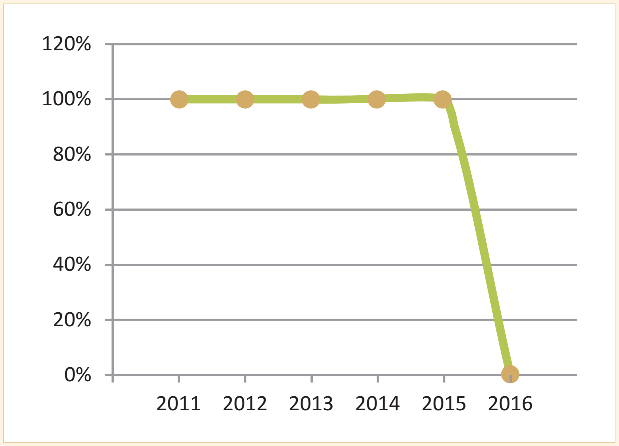
Sales (Rs. in million)



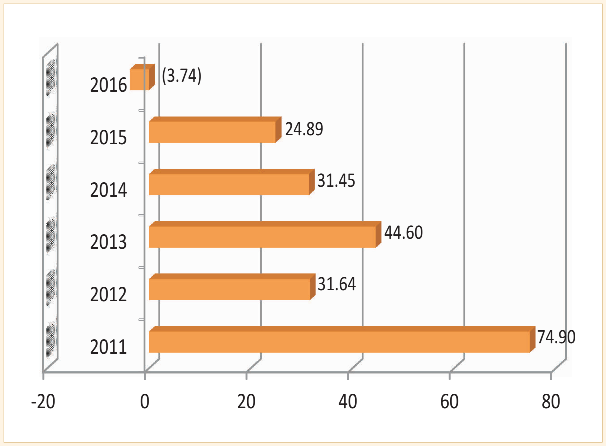
(Loss) / Profit after Taxation (Rs. in million)



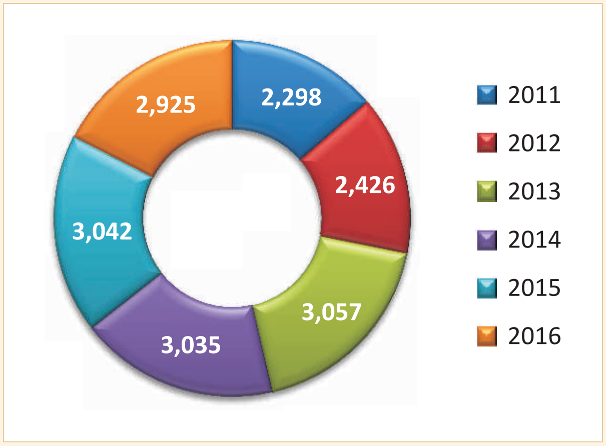
Cash Dividend (Rs. in percentage)



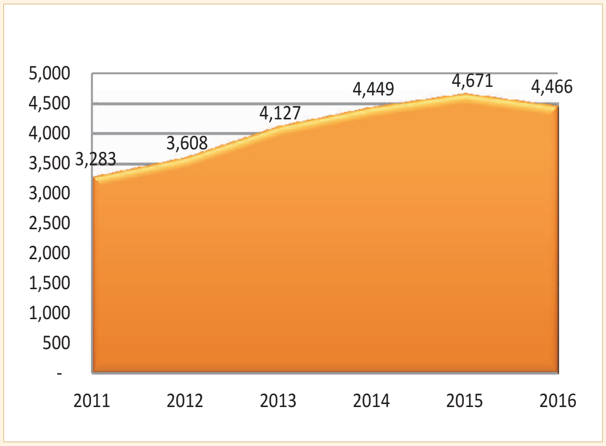
(Loss) / Earning per Share (Rupees)



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 Pakistan Stock Exchange 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 upcoming Board election during the month of Jan-2017, so that due presentation could be made in audit as well as other committees of the Board in order to comply with the requirements of Code of Corporate Governance.

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, 2016.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant polices of the company. A complete record of particulars of significant polices 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, 2016.

11. The director's report for this 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 and the Chairman of the committee is also 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 exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

25. 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: 07 October, 2016

Sd/
Chairman

Pattern of Shareholding

AS AT JUNE 30, 2016

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
25	1	100 Shares	1,242
56	101	500 Shares	13,473
17	501	1,000 Shares	11,402
23	1,001	5,000 Shares	46,670
2	5,001	10,000 Shares	14,922
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	446,408
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	1,189,262
1	1,305,001	1,310,000 Shares	1,302,913
158			15,000,000

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	PERCENTAGE
Directors, Chief Executive Officer & their spouse & minor Children	10	6,363,029	42.43
Associated Companies Undertakings & related parties:	2	878,194	5.85
NIT & ICP:	2	30,469	0.20
Banks, Development Financial Institutions, Non-Banking Financial Institutions:	2	10,844	0.07
Joint Stock Companies:	3	133,464	0.89
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	-	-	-
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	139	7,584,000	50.56
b. Foreign:	-	-	-
Others:	-	-	-
	158	15,000,000	100

The above two statements include (113) shareholders Holding 1,189,262 Shares through Central Depository Company of Pakistan Limited (CDC).

Information Required As Per Code of Corporate Governance

As At June 30, 2016

	SHARE HOLDER'S CATEGORY	Number of Share Held	Percentage of Shareholding
i)	**Associated Companies, undertaking & related parties (name wise details):**		
	- Masood Spinning Mills Limited	439,340	
	- Roomi Fabrics Limited	438,854	
		878,194	5.85%
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	42.43%
iv)	**Banks, Development Financial Institutions, Non-BankingFinancial Institutions:**		
	- National Bank of Pakistan	10,744	
	- IDBL	100	
		10,844	0.07%
v)	**Joint Stock Companies:**		
	- Ismail Abdul Shakoor (Pvt) Limited (CDC)	3,480	
	- CDC-Trustee National Investment (Unit) Trust	128,063	
	- Crescent Group Service (Pvt) Limited	1,921	
		133,464	0.89%
vi)	**General Public:**		
	i) Local:	7,584,000	50.56%
	ii) Foreign:	-	
	Total:	15,000,000	100%

Directors Attendance At Board Meetings

From July 1st 2015 to June 30, 2016

Sr. No.	Name	Designation	Meeting Held	Meeting Attended
1.	Khawaja Muhammad Masood	Chairman	4	3
2.	Khawaja Muhammad Iqbal	CEO	4	4
3.	Khawaja Muhammad Ilyas	Director	4	4
4.	Khawaja Muhammad Younus	Director	4	3
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 2016

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

We have reviewed the Statement of Compliance with the best practices 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, 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad Stock Exchanges have merged), 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 of its related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of 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, except for the non-compliances with the requirements of the Code highlighted below, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

- Board of Directors was unable to appoint an independent director due to the reasons stated in paragraph 1-1 of the Statement of Compliance with the Code of Corporate Governance; resultantly, Chairman of the Board Audit Committee is not an independent Director and Human Resource and Remuneration Committee does not include an independent Director; and

- no mechanism has been put in place for an annual evaluation of the performance of Board of Directors.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS.
Audit Engagement Partner: Nafees ud din

Lahore:
Dated: 07 October, 2016

Auditors' Report To The Members

We have audited the annexed balance sheet of MAHMOOD TEXTILE MILLS LIMITED (the Company) as at June 30, 2016 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, 2016 and of the loss, 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.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS.
Audit Engagement Partner: Nafees ud din

Lahore:
Dated: 07 October, 2016

Balance Sheet

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,924,820,599	3,041,918,779
Long term investments	6	1,233,266,298	1,353,474,424
Loan to an executive	7	0	1,384,092
Long term deposits		8,732,521	8,732,521
		4,166,819,418	4,405,509,816
Current assets			
Stores, spares and loose tools	8	173,180,729	186,838,001
Stock-in-trade	9	2,542,956,536	3,402,944,706
Trade debts	10	1,318,915,400	1,343,003,773
Loans and advances	11	632,943,147	74,898,764
Other receivables	12	81,157,583	54,139,312
Short term investments	13	1,515,059,701	1,673,500,693
Tax refunds due from the Government	14	240,078,371	334,619,158
Cash and bank balances	15	24,977,265	15,137,192
		6,529,268,732	7,085,081,599
TOTAL ASSETS		10,696,088,150	11,490,591,415
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 share capital	16	150,000,000	150,000,000
Capital reserve		7,120,600	7,120,600
Unappropriated profit		4,308,552,078	4,514,710,973
		4,465,672,678	4,671,831,573
Liabilities			
Non-current liabilities			
Long term financing	17	705,450,363	918,892,118
Deferred taxation	18	0	115,243,874
		705,450,363	1,034,135,992
Current liabilities			
Trade and other payables	19	895,955,581	1,013,025,288
Accrued mark-up	20	80,738,104	88,462,778
Short term borrowings	21	4,089,627,222	4,205,052,598
Current maturity of long term financing	17	284,644,202	317,583,186
Taxation	22	174,000,000	160,500,000
		5,524,965,109	5,784,623,850
Total liabilities		6,230,415,472	6,818,759,842
TOTAL EQUITY AND LIABILITIES		10,696,088,150	11,490,591,415
Contingencies and commitments	23		

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Profit And Loss Account

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - Net	24	13,663,708,498	13,759,434,489
Cost of Sales	25	(12,566,324,425)	(12,814,320,855)
Gross Profit		1,097,384,073	945,113,634
Distribution Cost	26	(371,686,879)	(423,000,994)
Administrative Expenses	27	(251,464,007)	(263,895,467)
Other Income	28	325,061,526	609,442,986
Other Expenses	29	(270,096,329)	(12,642,593)
Profit from Operations		529,198,384	855,017,566
Finance Cost	30	(416,356,102)	(474,645,399)
		112,842,282	380,372,167
Share of (Loss) / Profit of Associates	6	(110,208,126)	154,968,982
Profit before Taxation		2,634,156	535,341,149
Taxation	22.1	(58,793,051)	(161,933,131)
(Loss) / Profit after Taxation		(56,158,895)	373,408,018
Other Comprehensive Income		0	0
Total Comprehensive Income		(56,158,895)	373,408,018
(Loss) / Earnings per Share	31	(3.74)	24.89

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Cash flows from operating activities		
Profit for the year - before taxation and share of (loss) / profit of Associates	112,842,282	380,372,167
Adjustments for non-cash charges and other items:		
Depreciation	314,672,005	314,983,101
Loss on disposal of operating fixed assets - net	29,226	540,480
Fair value loss on re-measurement of short term investments	266,195,284	(168,220,430)
Gain on sale of short term investments	(76,989,319)	(379,362,031)
Sales tax refunds written-off	0	1,787,999
Dividend on short term investments	(246,432,025)	(61,659,932)
Return on bank deposits	(8,940)	(31,997)
Finance cost	416,356,102	474,645,399
Profit before working capital changes	786,664,615	563,054,756
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	13,657,272	(10,598,155)
Stock-in-trade	859,988,170	(735,324,557)
Trade debts	24,088,373	(738,237,531)
Loans and advances	(558,044,383)	12,220,133
Other receivables	(27,018,271)	12,126,561
Sales Tax refunds	60,646,602	113,492,873
(Decrease)/ increase in trade and other payables	(117,361,504)	485,084,083
	255,956,259	(861,236,593)
Cash generated from / (used in) operations	1,042,620,874	(298,181,837)
Income tax paid	(126,642,740)	(116,319,551)
Loan to an executive - net	1,384,092	2,467,408
Net cash generated from / (used in) operating activities	917,362,226	(412,033,980)
Cash flow from investing activities		
Purchase of property, plant and equipment	(200,973,051)	(337,556,961)
Sale proceeds of operating fixed assets	3,370,000	14,777,000
Short term investments - net	(30,764,973)	(360,322,026)
Dividends received on long and short term investments	256,432,025	75,659,932
Return on bank deposits	8,940	31,997
Net cash generated from / (used in) investing activities	28,072,941	(607,410,058)
Cash flow from financing activities		
Long term financing - net	(246,380,739)	(127,316,576)
Dividend paid	(149,708,203)	(149,578,054)
Short term borrowings - net	(115,425,376)	1,781,152,114
Finance cost paid	(424,080,776)	(478,449,099)
Net cash (used in) / generated from financing activities	(935,595,094)	1,025,808,385
Net increase in cash and cash equivalents	9,840,073	6,364,347
Cash and cash equivalents - at beginning of the year	15,137,192	8,772,845
Cash and cash equivalents - at end of the year	24,977,265	15,137,192

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Statement Of Changes In Equity

FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	Capital reserve	Unappropriated profit	Total
	------------------- Rupees	-------------------		
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	373,408,018	373,408,018
Balance as at June 30, 2015	150,000,000	7,120,600	4,514,710,973	4,671,831,573
Transactions with owners:				
Final cash dividend for the year ended June 30, 2015 @ Rs.10 per share	0	0	(150,000,000)	(150,000,000)
Total comprehensive income for the year ended June 30, 2016	0	0	(56,158,895)	(56,158,895)
Balance as at June 30, 2016	150,000,000	7,120,600	4,308,552,078	4,465,672,678

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

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	**(KH. MUHAMMAD IQBAL)**	**(KH. MUHAMMAD YOUNUS)**	**(MUHAMMAD AMIN PAL)**
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND OPERATIONS

Mahmood Textile Mills Limited (the Company) was incorporated in Pakistan on February 25, 1970 as a Public Company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and its shares are quoted on Pakistan Stock Exchange (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have been merged). 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), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

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 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

(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.

(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

Following amendment to existing standards has been published and is mandatory for accounting periods beginning on July 01, 2015 and is considered to be relevant to the Company's operations:

IFRS 12 'Disclosures of interests in other entities'. The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company's accounting policy is in line with the requirements of this standard.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2015 and have not been early adopted by the Company:

(a) IFRS 9 'Financial instruments - classification and measurement' is applicable on accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, which replaces the guidance in IAS 39. The final version includes the requirements on classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan. The Company has yet to assess the impact of these changes on its financial statements.

(b) IFRS 15, 'Revenue from contracts with customers' is applicable on accounting periods beginning on or after January 01, 2017. This is a converged standard from the IASB and Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue. The Company shall apply this standard from July 01, 2017 and does not expect to have a material impact on its financial statements.

(c) IAS 27 'Separate financial statements' is applicable on accounting periods beginning on or after January 01, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

(d) IAS 34 'Interim financial reporting' is applicable on accounting periods beginning on or after July 01, 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the amendment will have any significant impact on the Company's interim financial information.

(e) 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.

(f) Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Company shall apply these amendments from July 01, 2016 and does not expect to have a material impact on its financial statements.

(g) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable on annual periods beginning on or after January 01, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The Company has yet to assess the impact of these amendments on its financial statements

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's financial reporting and operations 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.

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:

Particulars	Mode of valuation
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.
- 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.

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.
- 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	2016 Rupees	2015 Rupees
Operating fixed assets	5.1	2,891,986,823	3,017,002,255
Capital work-in-progress		32,833,776	24,916,524
		2,924,820,599	3,041,918,779

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, 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
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
Additions during the year	0	0	4,994,557	0	116,964,327	41,139,825	105,000	15,517,789	0	4,208,465	7,185,772	0	2,011,112	928,952	0	193,055,799
Disposals during the year	0	0	0	0	(2,111,085)	0	0	(6,662,127)	0	0	0	0	0	0	0	(8,773,212)
Balance as at June 30, 2016	20,755,743	14,487,499	591,667,692	24,714,302	4,367,662,412	655,616,303	11,930,756	156,481,250	3,401,248	10,715,778	256,436,438	4,322,517	10,128,107	31,045,214	5,444,129	6,164,809,388
DEPRECIATION																
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	314,983,101
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
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
Charge for the year	0	0	24,997,501	928,482	228,423,045	25,549,044	540,615	16,283,403	62,171	278,729	14,834,857	259,292	264,555	2,004,158	246,153	314,672,005
Charge on disposals	0	0	0	0	(1,906,320)	0	0	(3,467,666)	0	0	0	0	0	0	0	(5,373,986)
Balance as at June 30, 2016	0	0	363,483,330	16,357,965	2,244,309,961	395,398,013	7,021,473	83,898,501	2,841,707	3,315,703	118,965,134	1,988,885	6,234,185	25,778,954	3,228,754	3,272,822,565
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
BOOK VALUE AS AT JUNE 30, 2016	20,755,743	14,487,499	228,184,362	8,356,337	2,123,352,451	260,218,290	4,909,283	72,582,749	559,541	7,400,075	137,471,304	2,333,632	3,893,922	5,266,260	2,215,375	2,891,986,823
Annual depreciation rate (%)	0	0	10	10	10	10	10	20	10	5	10	10	10	30	10	

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						
Toyota Comber	2,111,085	1,906,320	204,765	170,000	(34,765)	Malik Hafeez, Dar-ul-Ehsan Town, Road, Faisalabad
Vehicles						
Hilux Viggo	3,699,787	1,303,149	2,396,638	2,600,000	203,362	Mr. Rehan, Lahore.
Toyota Corolla	1,214,780	1,161,517	53,263	200,000	146,737	Mr. Muhammad Ashraf Ex-Employee
Toyota Corolla	1,747,560	1,003,000	744,560	400,000	(344,560)	Mr. Shafiq Pawar Shahkot, Ex-Employee
	6,662,127	3,467,666	3,194,461	3,200,000	5,539	
	8,773,212	5,373,986	3,399,226	3,370,000	(29,226)	
2015	**32,728,297**	**17,410,817**	**15,317,480**	**14,777,000**	**(540,480)**	

	Note	2016 Rupees	2015 Rupees
5.4 Depreciation for the year has been apportioned as under:			
Cost of sales	25	295,781,659	296,166,619
Administrative expenses	27	18,890,346	18,816,482
		314,672,005	314,983,101

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

6. LONG TERM INVESTMENTS	Note	2016 Rupees	2015 Rupees
6.1 Associated Companies - Un-quoted			
(a) **Masood Spinning Mills Limited (MSML)**			
4,000,000 (2015: 4,000,000) ordinary shares of Rs.10 each - **cost**		40,000,000	40,000,000
Equity held: **13.33%** (2015: 13.33%)			
Post acquisition profit brought forward		285,819,777	267,768,883
		325,819,777	307,768,883
Share of (loss) / profits for the year		(65,144,357)	28,025,293
Merger adjustments		0	377,330
Adjustment for last year profits based on audited financial statements		0	(351,729)
Dividend received		(10,000,000)	(10,000,000)
	6.1	250,675,420	325,819,777
Roomi Fabrics Limited (RFL)			
4,000,000 (2015:4,000,000) ordinary shares of Rs.10 each - **cost**		40,000,000	40,000,000
Equity held: 18.18% (2015: 18.18%)			
Post acquisition profit brought forward		552,729,647	429,811,559
		592,729,647	469,811,559
Share of (loss) / profits for the year		(26,864,290)	114,768,574
Adjustment for last year profits based on audited financial statements		(18,199,479)	12,149,514
Dividend received		0	(4,000,000)
	6.2	547,665,878	592,729,647
Others - Un-quoted			
Orient Power Company (Pvt.) Limited (OPCL)			
39,842,500 (2015: 39,842,500) ordinary shares of Rs. 10 each - **cost**			
Equity held: 9.56% (2015: 9.56%)	6.3	434,925,000	434,925,000
		1,233,266,298	1,353,474,424

6.1 MSML was incorporated in Pakistan on July 20, 2000 as a Public limited Company . It is principally engaged in manufacture and sale of cotton yarn.

The summary of financial information of MSML based on its un-audited financial statements for the year ended June 30, 2016 is as follows:

	Note	2016 Rupees	2015 Rupees
Summarised Balance Sheet			
Non-current assets		2,828,271,849	2,479,629,102
Current assets		5,972,339,753	5,805,499,231
		8,800,611,602	8,285,128,333
Non-current liabilities		941,625,735	1,032,702,991
Deferred taxation		10,638,558	10,638,558
Current liabilities		5,967,479,895	4,797,509,270
		6,919,744,188	5,840,850,819
Net assets		1,880,867,414	2,444,277,514
Reconciliation to carrying amount			
Opening net assets		2,444,277,514	2,306,205,208
(Loss) / profit for the year		(488,704,850)	210,242,257
Dividend paid during the year		(75,000,000)	(75,000,000)
Merger adjustments		0	2,830,049
Shared issued		294,750	0
Closing net assets		1,880,867,414	2,444,277,514
Company's share percentage **13.33%** (2015: 13.33%)			
Company's share		250,719,626	325,822,193
Miscellaneous adjustments		(44,206)	(2,416)
Carrying amount of investment		250,675,420	325,819,777
Summarised Profit and Loss Account			
Sales		8,220,024,711	8,236,057,020
(Loss) / profit before taxation		(410,703,718)	249,967,904
(Loss) / profit after taxation		(488,704,850)	210,242,257

6.2 RFL was incorporated in Pakistan on May 20, 2002 as a Public Company limited by shares. It is principally engaged in manufacture and sale of yarn and grey cloth.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

The summary of financial information of RFL based on its un-audited (2015: audited) financial statements for the year ended June 30, 2016 is as follows:

Summarised Balance Sheet	Note	2016 Rupees	2015 Rupees
Non-current assets		3,018,831,366	3,201,849,882
Current assets		6,213,160,699	5,996,606,725
		9,231,992,065	9,198,456,607
Non-current liabilities		935,777,089	1,177,774,002
Current liabilities		5,283,751,402	4,860,450,658
		6,219,528,491	6,038,224,660
Net assets		3,012,463,574	3,160,231,947
Reconciliation to carrying amount			
Opening net assets		3,160,231,947	2,651,051,008
(Loss) / profit for the year		(147,768,373)	531,180,939
Dividend paid during the year		0	(22,000,000)
Closing net assets		3,012,463,574	3,160,231,947
Company's share percentage 18.18% (2015: 18.18%)			
Company's share		547,665,878	574,530,168
Adjustment for last year profit based on audited financial statements		0	18,199,479
Carrying amount of investment		547,665,878	592,729,647
Summarised Profit and Loss Account			
Sales		6,924,790,596	7,080,969,214
(Loss) / profit before taxation		(18,521,750)	556,792,939
(Loss) / profit after taxation		(147,768,373)	531,180,939

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

	Note	2016	2015
Opening Balance		3,227,972	5,825,735
Add: mark-up accrued during the year		186,122	397,880
		3,414,094	6,223,615
Less: deductions made during the year		2,435,263	2,995,643
Closing Balance		978,831	3,227,972
Less: recoverable within one year			
- principal		792,709	1,446,000
- mark-up		186,122	397,880
	11	978,831	1,843,880
		0	1,384,092

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

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 seven equal monthly instalments ending January, 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.3.107 million (2015: Rs.5.177 million).

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

8. STORES, SPARES AND LOOSE TOOLS	Note	2016 Rupees	2015 Rupees
Stores including in-transit inventory valuing Rs. Nil (2015: Rs. 2,823,133)		165,346,037	174,038,067
Spares		7,509,478	12,503,144
Loose tools		325,214	296,790
		173,180,729	186,838,001

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

9. STOCK-IN-TRADE	Note	2016 Rupees	2015 Rupees
Raw materials including in-transit inventory valuing Rs.458,335,030 (2015: Rs.310,678,511)	9.1	1,894,666,795	2,559,388,729
Work-in-process		82,575,952	98,012,966
Finished goods	9.2	565,713,789	745,543,011
		2,542,956,536	3,402,944,706

9.1 No raw materials inventory as at June 30, 2016 was stated at net realisable value (2015: raw materials inventory valuing Rs.2,536.670 million was 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 approximately).

9.2 Finished goods inventory as at June 30, 2016 includes inventory costing Rs.14.590 million (2015: Rs.331.179 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.7.781 million (2015: Rs.34.034 million) approximately.

10. TRADE DEBTS	Note	2016 Rupees	2015 Rupees
Unsecured - considered good			
- local		370,285,685	197,506,994
Secured			
- local		42,572,588	16,149,255
- export		906,057,127	1,129,347,524
		948,629,715	1,145,496,779
		1,318,915,400	1,343,003,773

11. LOANS AND ADVANCES	Note	2016 Rupees	2015 Rupees
Advances to:			
- executives		1,009,857	4,450,659
- employees		13,149,586	9,050,591
- suppliers and contractors		101,105,489	42,968,449
Advance for purchase of shares	11.1	490,000,000	0
Current portion of loan to an executive	7	978,831	1,843,880
Deposit with Sui Northern Gas Pipelines Ltd.	23.2	16,508,070	16,508,070
Letters of credit		10,191,314	77,115
		632,943,147	74,898,764

11.1 The Company, during the year, has entered into an agreement with PNO Waste Management (Pvt.) Ltd., Karachi and Al-Arz (Pvt.) Ltd. (a wholly owned subsidiary of PNO). Al-Arz has entered into the real estate documents with Siemens (Pakistan) Engineering Co. Ltd. and in this regard require finances for the purpose of acquiring the real estate from Siemens. The Company has made available the investment amounts for the said purpose, which are convertible into equity of Al-Arz at the option of the Company.

12. OTHER RECEIVABLES			
Cotton claims receivable		829,151	1,453,968
Receivable against sale of shares	12.1	38,398,889	38,398,889
Insurance claims receivable		40,867,491	13,725,118
Containers' deposits		0	505,047
Others		1,062,052	56,290
		81,157,583	54,139,312

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 enchased 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.69.776 million (2015: Rs.63.047 million) approximately has not been accrued in these financial statements as the ultimate outcome of the matter depends upon judgment of the 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 preceding 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 was reduced with Rs.13.221 million. Further, the Company during September, 2014 had received an amount of Rs. 601,111 from TSHM.

	Note	2016 Rupees	2015 Rupees
13. SHORT TERM INVESTMENTS - Quoted (at fair value through profit or loss)			
Dawood Hercules Corporation Limited Nil shares (2015: 4,502,489) shares of Rs. 10 each		0	469,270,267
IGI Investment Bank Limited 6,631,000 (2015: 5,592,000) shares of Rs. 10 each		10,204,495	8,501,324
Soneri Bank Limited 25,584,000 (2015: 10,414,000) shares of Rs. 10 each		341,601,421	136,502,604
Faysal Bank Limited **(SBL)** 12,615,650 (2015: 15,463,650) shares of Rs. 10 each		175,234,373	244,412,487
Lalpir Power Limited **(LPL)** 21,649,500(2015: 5,208,000) shares of Rs.10 each		568,344,708	182,510,722
Dandot Cement Company Limited 731,500 (2015: 931,500) shares of Rs.10 each		8,521,975	16,426,032
Arif Habib Corporation Limited **(AHC)** 12,709,500 (2015: 11,200,000) shares of Rs.10 each		677,348,013	447,656,827
		1,781,254,985	1,505,280,263
Adjustment on re-measurement to fair value	29	(266,195,284)	168,220,430
		1,515,059,701	1,673,500,693

13.1 20 million shares of SBL, 17.500 million shares of LPL and 12.700 million shares of AHC are pledged with a commercial bank as security of short term finance facility utilised.

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

14. TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2016 Rupees	2015 Rupees
Income tax refundable, advance tax and tax deducted at source		153,762,385	187,656,570
Sales tax refundable		86,315,986	146,962,588
		240,078,371	334,619,158

15. CASH AND BANK BALANCES	Note	2016 Rupees	2015 Rupees
Cash-in-hand		8,032,706	2,022,940
Cash-in-transit		7,540,378	3,227,935
Cash at banks on:			
- current accounts		9,350,000	9,753,162
- saving accounts	15.1	54,181	133,155
		9,404,181	9,886,317
		24,977,265	15,137,192

15.1 These carry profit at the rates ranging from 3% to 4% (2015: 6% to 7%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2016 (No. of shares)	2015		2016 Rupees	2015 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:	2016 -- Number of shares --	2015
Masood Spinning Mills Limted	439,340	433,154
Roomi Fabrics Limited	438,854	437,612
	878,194	870,766

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.

17. LONG TERM FINANCING - Secured	Note	2016 Rupees	2015 Rupees
From banking companies			
Habib Bank Limited (HBL)	17.1	173,413,469	221,684,918
MCB Bank Limited (MCB)	17.2	262,500,000	337,500,000
Meezan Bank Limited (MBL)	17.3	368,265,304	391,594,406
United Bank Limited (UBL)	17.4	185,915,792	285,695,980
Balance as at June 30,		990,094,565	1,236,475,304
Less: current portion grouped under current liabilities:			
- HBL		61,087,245	107,449,902
- MCB		75,000,000	75,000,000
- MBL		69,056,852	35,353,102
- UBL		79,500,105	99,780,182
		284,644,202	317,583,186
		705,450,363	918,892,118

	No. of instalments and repayment commencement date	Rate of mark-up per annum	2016 Rupees	2015 Rupees
17.1 HBL				
Demand Finance - II	24 quarterly April, 2012	2% over 3 months KIBOR	2,578,086	4,051,278
Demand Finance - III	24 quarterly April, 2012	-do-	5,143,121	8,082,048
Demand Finance - IV	24 quarterly May, 2012	-do-	25,315,675	39,781,775
Demand Finance - V	24 quarterly June, 2012	-do-	17,412,150	27,361,950
Demand Finance - VI	24 quarterly October, 2012	-do-	17,629,120	25,464,288
Demand Finance - VII	24 quarterly May, 2013	1.75% over 3 months KIBOR	4,748,832	6,475,680
Demand Finance - VIII	24 quarterly August, 2014	1% over 3 months KIBOR	11,835,800	14,794,750
Demand Finance - IX	24 equal quarterly February, 2017	1% over 3 months KIBOR	10,025,900	0
Term Loan-I	12 half-yearly May, 2011	1% to 2% over 6 months KIBOR	7,295,566	21,886,700
Term Loan-II	10 half-yearly November, 2011	1% to 1.75% over 3 months KIBOR	0	40,000,000

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

		No. of instalments and repayment commencement date	Rate of mark-up per annum	2016 Rupees	2015 Rupees
	Finance Against Fixed Assets - I	12 half-yearly February, 2011	2% over 6 months KIBOR	535,311	1,605,933
	Export Oriented Projects - Finance No. 1	12 half-yearly February, 2011	10.25% flat	535,311	1,605,933
	- Finance No. 4	24 equal quarterly April, 2012	11.20% flat	2,578,086	4,051,278
	- Finance No. 5	24 equal quarterly October, 2012	12.70% flat	13,879,125	20,047,625
	- Finance No. 6	24 equal quarterly May, 2013	12.70% flat	4,748,832	6,475,680
	- Finance No. 7	24 equal quarterly March, 2017	5% flat	9,237,854	0
	- Finance No. 8	24 equal quarterly April, 2017	5% flat	9,557,100	0
	- Finance No. 9	24 equal quarterly September, 2017	3% flat	30,357,600	0
				173,413,469	221,684,918
17.2	MCB				
	Demand Finance - I	12 half-yearly April, 2014	1.25% over 6 months KIBOR	262,500,000	337,500,000
17.3	MBL				
	Diminishing Musharakah - I	10 half-yearly May, 2015	1% over 6 months KIBOR	33,981,944	43,691,071
	Diminishing Musharakah - II	12 half-yearly June, 2015	-do-	19,539,089	23,881,109
	Diminishing Musharakah - III	12 half-yearly July, 2015	-do-	34,329,534	41,195,440
	Diminishing Musharakah - IV	12 half-yearly August, 2015	-do-	18,273,452	21,928,142
	Diminishing Musharakah - V	12 half-yearly August, 2015	-do-	4,596,700	5,516,040
	Diminishing Musharakah - VI	12 half-yearly September, 2015	-do-	23,187,822	27,825,386
	Diminishing Musharakah - VII	12 half-yearly October, 2015	-do-	26,122,268	31,346,722
	Diminishing Musharakah - VIII	12 half-yearly July, 2016	-do-	14,533,920	14,533,920

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

		No. of instalments and repayment commencement date	Rate of mark-up per annum	2016 Rupees	2015 Rupees
	Diminishing Musharakah - IX	12 half-yearly July, 2016	-do-	71,502,600	71,502,600
	Diminishing Musharakah - X	12 half-yearly August, 2016	-do-	46,838,400	46,838,400
	Diminishing Musharakah - XI	12 half-yearly October, 2016	-do-	18,983,290	18,983,290
	Diminishing Musharakah - XII	12 half-yearly November, 2016	-do-	34,314,346	34,314,347
	Diminishing Musharakah - XIII	12 half-yearly December, 2016	-do-	10,037,939	10,037,939
	Diminishing Musharakah - XIV	12 half-yearly December, 2017	-do-	12,024,000	0
				368,265,304	391,594,406
17.4	UBL				
	Demand Finance-NIDF-VI	10 Half-yearly November, 2012	1.75% over 6 months KIBOR	13,417,669	26,835,333
	Demand Finance-NIDF-VIII	10 half-yearly July, 2013	-do-	19,506,766	29,260,152
	Demand Finance-NIDF-X	10 Half-yearly August, 2012	2% over 6 months KIBOR	19,902,112	29,853,169
	Demand Finance-NIDF-XI	10 Half-yearly April, 2014	-do-	80,115,620	112,161,868
	State Bank of Pakistan - Export Oriented Projects				
	- Finance No. 9	12 Half-yearly January, 2010	2% p.a. over the rate of refinance as worked-out by SBP	0	604,000
	- Finance No. 10	12 Half-yearly April, 2010	-do-	0	3,320,413
	- Finance No. 11	12 Half-yearly March, 2010	-do-	0	363,663
	- Finance No. 12	12 Half-yearly June, 2010	-do-	0	3,658,667
	- Finance No. 13	12 Half-yearly September, 2010	-do-	0	5,666,670
	- Finance No. 14	12 Half-yearly September, 2010	-do-	0	6,666,670
	- Finance No. 15	16 Half-yearly May, 2012	As stipulated by SBP	30,473,625	39,180,375
	- Finance No. 16	16 Half-yearly July, 2012	-do-	22,500,000	28,125,000
				185,916,792	285,695,980

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 5% to 11.36% (2015: 7% to 12.70%) per annum.

18. DEFERRED TAXATION

Opening deferred tax balance relates to prior years when the Company was taxed under normal tax regime. The Company, effective from the financial year ended June 30, 2012, is continuously being taxed under presumptive tax regime (PTR). The management anticipates that income of the foreseeable future will also be taxed under PTR; therefore, deferred tax liability existing in the books of account has been reversed as at June 30, 2016 (note 22.1).

19. TRADE AND OTHER PAYABLES

	Note	2016 Rupees	2015 Rupees
Creditors		89,108,694	104,986,517
Bills payable - secured	19.1	192,804,289	194,161,884
Due to an associated undertaking	19.2	121,640,646	178,972,466
Accrued expenses		419,015,643	466,268,423
Advances from customers		21,408,589	14,822,991
Tax deducted at source		3,613,679	1,839,918
Workers' welfare fund		39,155,252	39,155,252
Unclaimed dividends		1,784,639	1,492,842
Others		7,424,150	11,324,995
		895,955,581	1,013,025,288

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.

20. ACCRUED MARK-UP

	2016	2015
Mark-up accrued on:		
- long term financing	20,009,507	33,234,115
- short term borrowings	60,728,597	55,228,663
	80,738,104	88,462,778

21. SHORT TERM BORROWINGS - Secured	Note	2016 Rupees	2015 Rupees
- Short term borrowings	21.1	1,278,311,058	1,308,797,223
- Short term running finances	21.1	2,811,316,164	2,896,255,375
		4,089,627,222	4,205,052,598

21.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.15,088 million (2015: Rs.13,450 million) including facilities aggregating Rs.1,838 million (2015: Rs.1,000 million) available on Group basis. These finance facilities, during the year, carried mark-up at the rates ranging from 6.65% to 8.01% (2015: 7.53% to 11.43%) per annum. The aggregate finance facilities are secured against charge over the Company's current assets, pledge of quoted shares, lien over export bills and banks' lien over letters of credit. These facilities are expiring on various dates by June 30, 2017.

21.2 Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.4,050 million (2015: Rs.3,035 million) including facilities aggregating Rs.475 million (2015: Rs.400 million) available on Group basis. Out of the available facilities, facilities aggregating Rs.2,041 million (2015: Rs.1,068 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 June 30, 2017.

22. TAXATION - Net	Note	2016	2015
Opening balance		160,500,000	150,925,000
Add: provision made during the year:			
- current [net of tax credit under section 65B of the Ordinance amounting Rs.15.810 million (2015: Rs. 26.856 million)]	22.3	174,000,000	160,500,000
- prior years - net		36,925	1,433,131
		174,036,925	161,933,131
		334,536,925	312,858,131
Less: payments / adjustments made during the year against completed assessments		160,536,925	152,358,131
Closing balance		174,000,000	160,500,000

22.1 Tax expense for the year - net	Note	2016	2015
current - provision made		174,036,925	161,933,131
deferred - reversal made	18	(115,243,874)	0
		58,793,051	161,933,131

22.2 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, 2015 (tax year 2015).

22.3 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 gain on disposal of securities), 113 (minimum tax on the income of certain persons) and 154 (tax on export proceeds) of the Ordinance.

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.377.820 million as at June 30, 2016 (2015: Rs.337.183 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 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 had 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, 2016 aggregated Rs.612.069 million (2015: Rs.1,396.983 million).

23.6 Local bills discounted outstanding as at June 30, 2016 aggregated Rs.103.758 million (2015: Rs.nil).

	2016	2015
23.7 Commitments for irrevocable letters of credit:	(Rupees in million)	
- capital expenditure	374.082	29.558
- others	348.317	8.559
	722.399	38.117

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

24. SALES - Net	Note	2016 Rupees	2015 Rupees
LOCAL			
- yarn		1,749,519,644	1,498,639,445
- cloth		56,383,275	110,807,835
- waste		308,518,968	253,734,429
- doubling / sizing income		28,969,770	21,921,976
- cotton		139,286,621	178,532,334
	24.1	2,282,678,278	2,063,636,019
EXPORT			
- yarn		8,873,907,513	9,375,937,982
- cloth		2,456,176,014	2,215,089,622
- waste		50,946,693	104,770,866
	24.2	11,381,030,220	11,695,798,470
		13,663,708,498	13,759,434,489

24.1 Local sales have been shown after deduction of sales tax aggregating Rs.155.956 million (2015: Rs.97.875 million).

24.2 Loss aggregating Rs. 3.387 million - net (2015: Rs.16.641 million) arisen upon realisation of foreign currency export debtors has been grouped under export sales.

25. COST OF SALES	Note	2016 Rupees	2015 Rupees
Raw materials consumed	25.1	9,642,554,087	9,623,438,576
Stores and spares		254,760,805	236,403,059
Packing materials consumed		188,159,235	209,829,419
Salaries, wages and benefits	25.3	813,753,850	782,186,912
Power and fuel		1,080,837,794	1,427,512,548
Repair and maintenance		20,704,631	24,314,163
Depreciation	5.4	295,781,659	296,166,619
Insurance		68,821,883	99,901,756
Doubling charges		5,684,245	17,801,439
		12,371,058,189	12,717,554,491
Adjustment of work-in-process			
Opening		98,012,966	108,940,362
Closing	9	(82,575,952)	(98,012,966)
		15,437,014	10,927,396
Cost of goods manufactured		12,386,495,203	12,728,481,887
Adjustment of finished goods			
Opening stock		745,543,011	831,381,979
Closing stock	9	(565,713,789)	(745,543,011)
		179,829,222	85,838,968
		12,566,324,425	12,814,320,855

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

25.1 Raw materials consumed	Note	2016 Rupees	2015 Rupees
Opening stock		2,559,388,729	1,727,297,808
Purchases and purchase expenses		6,909,266,968	8,338,488,137
Transfer from Ginning Section - net	25.4	2,053,690,671	2,105,527,688
		8,962,957,639	10,444,015,825
		11,522,346,368	12,171,313,633
Less: closing stock	9	(1,894,666,795)	(2,559,388,729)
		9,627,679,573	9,611,924,904
Cotton cess		14,874,514	11,513,672
		9,642,554,087	9,623,438,576

25.2 Insurance claims aggregating Rs.30.200 million (2015: Rs.1.555 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.

25.3 Expense for the year includes staff retirement benefits - gratuity amounting Rs.40.593 million (2015: Rs.36.764 million).

25.4 Production Cost of Ginning Section - Net

	2016	2015
Raw materials consumed including local taxes aggregating Rs. 4,399,187 (2015: Rs.4,627,249)	2,556,176,860	2,675,954,867
Lease charges	1,800,000	1,800,000
Salaries, wages and benefits	50,855,074	41,658,572
Travelling and conveyance	909,892	642,021
Repair and maintenance	10,724,076	9,654,890
Stores consumption	9,121,796	11,542,592
Utilities	32,542,507	42,290,437
Entertainment	1,277,842	988,557
Stationery	243,367	186,810
Communication	225,557	366,706
Insurance	4,299,351	4,796,226
Bank charges	6,346,558	13,023,663
Others	1,972,461	2,118,572
	2,676,495,341	2,805,023,913
Less: adjustment of cotton seed	622,804,670	699,496,225
Transferred to Spinning Section	2,053,690,671	2,105,527,688

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

26. DISTRIBUTION COST

	2016	2015
Advertisement	222,870	249,450
Export expenses	131,578,889	164,653,759
Commission	164,836,076	168,829,388
Export development surcharge	18,187,293	18,069,588
Freight and other expenses	56,861,751	71,198,809
	371,686,879	423,000,994

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

27. ADMINISTRATIVE EXPENSES	Note	2016 Rupees	2015 Rupees
Salaries and benefits	27.1	69,001,671	85,076,263
Travelling and conveyance	27.2	59,855,373	57,771,308
Rent, rates and taxes		1,536,083	1,509,286
Entertainment		12,724,967	11,912,593
Utilities		4,592,696	6,103,455
Communication		17,512,906	16,440,952
Printing and stationery		5,075,210	9,649,153
Insurance		2,657,124	4,648,641
Repair and maintenance		20,811,758	15,989,349
Vehicles' running and maintenance		14,859,637	20,128,744
Subscription and licencing fees		12,638,125	9,738,566
Auditors' remuneration:			
- statutory audit		1,000,000	1,000,000
- half yearly review		110,000	100,000
- certification charges		11,500	11,500
		1,121,500	1,111,500
Legal and professional charges (other than Auditors)		1,773,301	1,362,140
Depreciation	5.4	18,890,346	18,816,482
General		8,413,310	3,637,035
		251,464,007	263,895,467

27.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs.5.354 million (2015: Rs.7.356 million).

27.2 These include directors' travelling expenses aggregating Rs.46.253 million (2015: Rs.44.883 million).

28. OTHER INCOME	2016 Rupees	2015 Rupees
Income from financial assets		
Return on bank deposits	8,940	31,997
Dividends	246,432,025	61,659,932
Fair value gain on re-measurement of short term investments	0	168,220,430
Realised gain on sale of short term investments at fair value through profit or loss -net	76,989,319	379,362,031
Income from non-financial assets		
Rent	1,501,342	77,100
Others	129,900	91,496
	325,061,526	609,442,986

29. OTHER EXPENSES	Note	2016 Rupees	2015 Rupees
Donations (without directors' interest)		3,868,678	10,311,013
Loss on disposal of operating fixed assets - net	5.3	29,226	540,480
Unrealised loss on re-measurement of short term investments at fair value through profit or loss	13	266,195,284	0
Sales tax refunds written-off		0	1,787,999
Others		3,141	3,101
		270,096,329	12,642,593

30. FINANCE COST - Net	2016 Rupees	2015 Rupees
Mark-up on:		
- long term financing (2015: net of mark-up subsidy amounting Rs. 778,027)	91,241,329	141,454,378
- short term borrowings - net of mark-up accrued on loan advanced to an executive amounting Rs.186,122 (2015: Rs.397,880)	270,300,812	270,894,219
Interest on workers' (profit) participation fund	0	1,916,567
Bank charges and commission	54,813,961	60,380,235
	416,356,102	474,645,399

31. (LOSS) EARNINGS PER SHARE

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

	2016	2015
(Loss) / Profit after taxation attributable to ordinary shareholders	(56,158,895)	373,408,018

	2016	2015
	No. of shares	
Weighted average number of ordinary shares in issue during the year	15,000,000	15,000,000

	2016 Rupees	2015 Rupees
(Loss) / earnings per share - basic	(3.74)	24.89

32. SEGMENT INFORMATION

Segment analysis

	Spinning	Weaving	Total
	----------	Rupees	----------
Year ended June 30, 2016			
Revenue	11,214,609,703	2,449,098,795	13,663,708,498
Segment results	260,637,757	213,595,430	474,233,187
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

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

	2016 Rupees	2015 Rupees
Reconciliation of segment results with profit from operations:		
Total results for reportable segments	474,233,187	258,217,173
Other Income	325,061,526	609,442,986
Other expenses	(270,096,329)	(12,642,593)
Finance cost	(416,356,102)	(474,645,399)
(Loss) / profit from Associates	(110,208,126)	154,968,982
Profit before taxation	2,634,156	535,341,149

Information on assets and liabilities by segment is as follows:

	Spinning	Weaving	Power	Total
	----------	---------- Rupees	----------	----------
As at June 30, 2016				
Segment assets	6,534,257,835	898,697,103	241,019,056	7,673,973,994
Segment liabilities	2,958,555,335	2,009,194,170	17,833,298	4,985,582,803
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

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

	As at June 30, 2016		As at June 30, 2015	
	Assets	Liabilities	Assets	Liabilities
	----------	---------- Rupees	----------	----------
Total for reportable segments	7,673,973,994	4,985,582,803	8,106,267,923	5,219,218,384
Unallocated assets / liabilities	3,022,114,156	1,244,832,669	3,384,323,492	1,599,541,458
Total as per balance sheet	10,696,088,150	6,230,415,472	11,490,591,415	6,818,759,842

Sales to domestic customers in Pakistan are 16.71% (2015: 15.00%) and to customers outside Pakistan are 83.29% (2015: 85.00%) 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:

2016	Rupees	U.S.$	Euro	JPY	CHF
Trade debts	(906,057,127)	(8,670,312)	0	0	0
Bills payable	192,804,289	1,841,577	0	0	0
Gross balance sheet exposure	(713,252,838)	(6,828,735)	0	0	0
Outstanding letters of credit	722,399,317	4,230,370	2,183,592	3,137,377	208,800
Net exposure	9,146,479	(2,598,365)	2,183,592	3,137,377	208,800

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

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2016	2015	2016	2015
U.S. $ to Rupee	103.28	101.65	104.7 / 104.5	101.85 / 101.65
EURO to Rupee	115.03	123.94	116.31	113.75
Yen to Rupee	0.9251	0.9008	1.0186	0.8316

Sensitivity analysis

At June 30, 2016, 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.

	2016	2015
Effect on profit for the year:	Rupees	Rupees
U.S. $ to Rupee	71,325,284	93,518,564

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

The sensitivity analysis prepared is not necessarily indicative of the effects on before tax 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:

	2016	2015	2016	2015
	Effective mark-up rate		Carrying amount	
	%	%	-------- (Rupees) --------	
Fixed rate instruments				
Financial assets				
Bank balances at saving accounts	3% to 4%	6% to 7%	54,181	133,155
Variable rate instruments				
Financial liabilities				
Long term financing	5% to 11.36%	7% to 12.70%	990,094,565	1,236,475,304
Short term borrowings	6.65% to 8.01%	7.53% to 11.43%	4,089,627,222	4,205,052,598

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, 2016, 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 50.797 million (2015: Rs.54.415 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, 2016 along with comparative is tabulated below:

	2016 Rupees	2015 Rupees
Long term investments	434,925,000	434,925,000
Loan to an executive	978,831	3,227,972
Long term deposits	8,732,521	8,732,521
Trade debts	1,318,915,400	1,343,003,773
Loans and advances	14,159,443	13,501,250
Other receivables	81,157,583	54,139,312
Short term investments	1,515,059,701	1,673,500,693
Bank balances	9,404,181	9,886,317
	3,383,332,660	3,540,916,838

	2016 Rupees	2015 Rupees
Trade debts exposure by geographic region is as follows:		
Domestic	412,858,273	213,656,249
Export	906,057,127	1,129,347,524
	1,318,915,400	1,343,003,773

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

	2016 Rupees	2015 Rupees
The aging of trade debts at the year-end was as follows:		
Not past due	1,248,426,879	1,294,386,800
Past due Less than 3 months	70,014,445	48,543,829
Past due more than 6 months	474,076	73,144
	1,318,915,400	1,343,003,773

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.812.690 million (2015: Rs.1,163.833 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:

	Carrying amount	Contractual cash flows	Less than 1 Year	Between 1 to 5 years	5 years and above
2016	Rupees				
Long term financing	990,094,565	1,039,689,540	328,084,077	710,701,374	904,089
Short term borrowings	4,089,627,222	4,243,202,468	4,243,202,468	0	0
Trade and other payables	831,778,061	831,778,061	831,778,061	0	0
Accrued mark-up	80,738,104	80,738,104	80,738,104	0	0
	5,992,237,952	6,195,408,173	5,483,802,710	710,701,374	904,089
2015					
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

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, 2016, 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	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Managerial remuneration	3,600,000	3,600,000	23,750,272	23,118,256
Bonus	0	0	1,961,689	2,897,284
Retirement benefits - gratuity	0	0	1,979,189	1,931,521
Other perquisites and benefits	0	0	1,769,744	1,836,432
	3,600,000	3,600,000	29,460,894	29,783,493
Number of persons	1	1	22	22

35.1 The chief executive, all directors and some of the executives are provided with the 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:

	2016 Rupees	2015 Rupees
- sale of goods	1,451,261,595	1,681,219,738
- purchase of goods	746,298,707	1,52,607,709
- doubling charges	767,397	709,929
- doubling revenue	28,847,767	16,733,026
- dividend received	10,000,000	14,000,000

37. CAPACITY AND PRODUCTION

		2016	2015
Yarn			
Number of spindles installed		107,760	107,760
Number of spindles-shift worked		113,749,959	109,598,857
Production capacity at 20's count			
1,096 shifts (2015: 1,093 shifts)	Kgs.	41,418,134	37,284,948
Actual production converted into 20's count	Kgs.	37,990,392	36,882,663
Cloth			
Number of looms installed		100	100
Number of looms-shifts worked		109,800	109,500
Installed capacity at 60 picks			
1,096 shifts (2015: 1,093 shifts)	mtrs.	23,340,798	22,717,499
Actual production converted into 60 picks	mtrs.	21,591,110	19,857,366
Power House			
Number of generators installed		9	9
Number of shifts worked		1,096	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.

38. NUMBER OF EMPLOYEES

	2016	2015
	--- Numbers ---	
Number of persons employed as at June 30,		
- permanent	2,042	2,049
- contractual	284	289
Average number of employees during the year		
- permanent	2,005	2,016
- contractual	272	282

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 05, 2016 by the board of directors of the Company.

40. 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:

(a) local sales aggregating Rs.248.939 million and export sales aggregating Rs.954.138 million, which were categorised under local and export sales of purchased products in the financial statements for the year ended June 30, 2015, have been reclassified and grouped in respective line items of local and export sales in the current year's financial statements (note 24);

(b) amounts aggregating Rs.1,119.707 million, which were presented as separate line item under cost of goods sold-purchased products in the financial statements for the year ended June 30, 2015, have been reclassified and grouped in cost of sales in the current year's financial statements (note 25); and

(c) stocks aggregating Rs.5.939 million, which were presented as separate line item under finished goods stocks in the financial statements for the year ended June 30, 2015, have been reclassified and grouped in finished goods stocks in the current year's financial statements (note 9).

The aforementioned re-classifications and re-arrangements have been made for better presentation.

sd/-	sd/-	sd/-	sd/-
(KH. MUHAMMAD MASOOD)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD YOUNUS)	(MUHAMMAD AMIN PAL)
CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	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__________________________ 2016.

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 GROUP

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Printed by: BAHAR ✆ 061 451 34 34