Masood Textile Mills Limited

2016
Annual Report

CONTENTS

COMPANY INFORMATION

CHAIRMAN	:	MR. NASEER AHMAD SHAH
CHIEF EXECUTIVE OFFICER	:	MR. SHAHID NAZIR AHMAD
DIRECTORS	:	MR. MATLOOB HUSSAIN
	:	MR. FAZAL AHMAD
	:	MR. SHIBIN YANG (Nominee-Shanghai Challenge Textile Co. Ltd)
	:	MISS CHEN YAN (Nominee-Shanghai Challenge Textile Co. Ltd)
	:	MR. SHOAIB AHMAD KHAN (Nominee-NIT)
COMPANY SECRETARY	:	MIAN ABDUL BARI
CHIEF FINANCIAL OFFICER	:	MR. MUHAMMAD SHAHID NAVEED
AUDIT COMMITTEE	:	MR. FAZAL AHMAD (Chairman)
	:	MR. SHAHID NAZIR AHMAD
	:	MR. MATLOOB HUSSAIN
HR & REMUNERATION COMMITTEE	:	MR. MATLOOB HUSSAIN (Chairman)
	:	MR. NASEER AHMAD SHAH
	:	MR. FAZAL AHMAD
AUDITORS	:	M/S. RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
SHARE REGISTRAR	:	ORIENT SOFTWARE & MANAGEMENT SERVICES (PVT) LIMITED 35-Z, AMEER PLAZA, OPP: MUJAHID HOSPITAL, COMMERCIAL CENTRE, MADINA TOWN, FAISALABAD. PHONE: 041-8711930-8715759 FAX: 041-8711930
REGISTERED OFFICE	:	UNIVERSAL HOUSE, 17/1, NEW CIVIL LINES, BILAL ROAD, FAISALABAD. PHONE: 041-2600176-276 FAX: 041-2600976
MILLS	:	32-K.M., SHEIKHUPURA ROAD, FAISALABAD.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of the members, holding Ordinary Shares of Masood Textile Mills Limited, will be held at its Registered Office, Universal House, 17/1, New Civil Lines, Bilal Road, Faisalabad on Monday, 31st October, 2016 at 11:00 A.M. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 31st October, 2015.
2. To receive and adopt the Audited Accounts of the Company for the financial year ended 30th June, 2016.
3. To approve the payment of cash dividend @44.00% (Rupees 4.40 per ordinary share), as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the financial year ending 30th June, 2017. M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for their re-appointment.
5. To consider any other business that may be placed before the meeting with the permission of the chair.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 07 October, 2016

(COMPANY SECRETARY)

NOTES:

1. Share Transfer Books for Ordinary Shares of the Company will remain closed from 29th October to 05th November, 2016 (both days inclusive) for the determination of entitlement of cash dividend on Ordinary Shares. Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 28th October, 2016 will be treated in time.
2. Share Transfer Books for Preference Shares of the Company will remain closed from 29th October to 05th November, 2016 (both days inclusive) for determining the entitlement of Preferred Dividend calculated at average six months KIBOR+200 bps p.a. (Rs.0.88 per share). Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 28th October, 2016 will be treated in time.
3. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and Power of Attorney or other authority under which it is signed or notarially certified copy of the Power of Attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of Proxy applicable for meeting is attached herewith. However, Preference Shareholders are not entitled to attend the meeting, since Preference Shares carry no voting rights.

4. Share holders whose shares are deposited with Central Depository System (CDS) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of the meeting.

5. Share holders are requested to notify any change in their addresses immediately. The share holders claiming exemption from Zakat are required to file their Declaration with our Share Registrar. Moreover, the share holders who have not yet submitted their Computerized National Identity Cards to the Company are requested once again to send them at their earliest. Otherwise, their Dividend Warrants will be withheld in compliance to the instructions of Securities & Exchange Commission of Pakistan.

6. Pursuant to Finance Act, 2016, the Company is liable to withhold Income Tax @ 12.5% from the Filers and 20% from the Non-Filers under the provisions of Section 150 of the Income Tax Ordinance, 2001. Kindly ensure your status from Active Tax Payer's list, available at FBR website, before disbursement of Divident by the Company. Individuals without CNIC(s) will be treated Non-Filers, since their status can not be verified from FBR. Also please note that under the directions of SECP, the shareholders may excercise their option to direct the Compnay to deliver their Dividend Warrants to their Banker for credit into their respective account.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Company are pleased to present 32nd annual report of the Company, comprising of the audited financial statements for the year ended June 30, 2016 along with Auditors' Report thereon and other required information prescribed under the Code of Corporate Governance and Companies Ordinance, 1984.

During the financial year ended June 30, 2016, your company earned a gross profit of Rs. 3.212 billion on sales of Rs. 23.183 billion compared to gross profit of Rs. 3.714 billion on sales of Rs. 26.703 billion for the previous financial year 2014-15. The Company recorded a net profit of Rs. 729.218 million (Earning per share: Rs. 11.64 per share), compared to net profit of Rs. 754.113 million (Earning per share: Rs. 11.88 per share) in the previous financial year. Due to the continuing slide in the overall sales, both in value and quantity terms in Textile Sector, your company's sales decreased by 13.18% as compared to previous financial period. Despite this decrease in sales, the Company has successfully maintained its profitability in term of monetary value and was able to improve net margin in term of percentage to sales by effective cost management, better capacity utilization and improvements in the overall operating performance of the Company. The comparative financial results of the Company are reproduced hereunder:

	2016	2015
	(RUPEES IN THOUSAND)	
SALES	23,183,485	26,702,735
COST OF SALES	(19,971,238)	(22,988,317)
GROSS PROFIT	3,212,247	3,714,418
DISTRIBUTION COST	(1,396,012)	(1,472,973)
ADMINISTRATIVE EXPENSES	(472,516)	(477,492)
OTHER EXPENSES	(48,644)	(54,498)
OTHER INCOME	341,212	325,588
FINANCE COST	(718,568)	(1,002,893)
PROFIT BEFORE TAXATION	917,719	1,032,150
TAXATION	(188,501)	(278,037)
PROFIT AFTER TAXATION	729,218	754,113
EARNINGS PER SHARE - BASIC (RUPEES)	11.64	11.88
- DILUTED (RUPEES)	11.14	11.34

The overall economic situation of Pakistan is under severe pressure like energy crisis, continued economic volatility and rising cost of doing business over the last several years has not only stalled fresh investment in the textile industry but also hampered the export growth, turnover and market un-competitiveness. The textile sector is expected to remain under pressure due to subdued demand in both local and international markets as well as reduced prices of products in both local and international markets.

The textile industry is awaiting the announcement of a revival package from the Government to reduce the cost of doing business and restore export competitiveness and to uphold the dwindling textile exports. Further, the Government is likely to announce a rebate of six percent in the shape of Drawback of Local Taxes and Levy (DLTL), Long-Term Financing (LTF) facility on the import of machinery for five export-oriented sectors and sales tax refund of packing material for zero-rated sectors. The Government should implement a comprehensive strategy to counter the issue in order to accelerate the industrial pace and also to save livelihood of millions of workers. However reduction of mark-up rate by State Bank of Pakistan, zero rating of sales tax and improved energy supply conditions due to decline in oil prices will give some relief in the coming year.

The management is hopeful that above remedial actions along with timely release of tax refunds, expected revival package and proposed measures for balancing modernization and replacement (BMR) will help to reduce cost of doing business. Further it will also help to compete in international markets through new business developments and effective cost management. In view of the above, management is expecting improved financial results in the subsequent period.

The profitability and in comparison with our continuous payout history of the Company, your Directors have recommended 44% cash dividend (Rs. 4.40per share) for the holders of Ordinary Shares for the financial year, under review. Pursuant to recent amendments in withholding provisions, Income tax shall be deducted @ 12.5% from the filers and 20% from Non-filers, under the Income Tax Ordinance, 2001.

In addition to Ordinary Shares, the Company had originally issued 60.000 million Preference Shares of the value of Rupees 600.000 million to the financial institutions to meet its funds requirements. After expiry of their maturity, the process of their redemption continued at the option of the Company. However, during the financial year under review, no redemption or conversion of Preference Shares was sought. Under the agreed terms and conditions, Preferred Dividend of Rupees 0.88 per share has been computed against balance 34,833,334 Preference Shares on the basis of average six months KIBOR+200 bps p.a.

During the financial year under review, a material information was conveyed to Pakistan Stock Exchange on 12th January 2016 as to raise the paid up share capital at their discretion, without issuing right shares and the matter was referred to the shareholders for seeking their consent through holding of extra-ordinary general meeting. Now, the Board of Directors has reconsidered the matter of issuing further capital. They have now decided to withdraw their earlier proposal and will seek some alternate mode of raising funds at some appropriate time in future.

The board is pleased to approve revision in monthly remuneration of whole time working Executive Director/ Chief Executive Officer of the Company from Rs. 400,000 to Rs. 500,000 per month along with other benefits, effective form 1st October 2016.

As per the provisions of Corporate Governance-2012, the Directors are pleased to state that financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity. Proper books of accounts have been maintained. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained. The Directors further state that the system of internal control is sound in design and has been effectively implemented and monitored. There are no significant doubts upon the Company's ability to continue as a going concern.

Six meetings of the Board of Directors were held during the financial year, with the following attendance:

S.No	Name of Directors	No. of Meetings Attended
1.	Mr. Naseer Ahmad Shah	6
2.	Mr. Shahid Nazir Ahmad	5
3.	Mr. Matloob Hussain	6
4.	Mr. Fazal Ahmad	6
5.	Mr. Muhammad Arshad	4
6.	Mr. Shoaib Ahmad Khan (Nominee-NIT)	2
7.	Mr. Shibin Yang (Nominee-Shanghai Challenge Tex.Co.Ltd.)	0
8.	Miss Chen Yan (Nominee-Shanghai Challenge Tex.Co.Ltd.)	1

Likewise, five meetings of the Audit Committee were held during the financial year, with the following attendance:

S.No	Name of Directors	No. of Meetings Attended
1.	Mr. Fazal Ahmad	5
2.	Mr. Shahid Nazir Ahmad	1
3.	Mr. Matloob Hussain	5
4.	Mr. Muhammad Arshad	4

M/s Riaz Ahmed & Company, Chartered Accountants, retire and being eligible, offer themselves for their re-appointment. As advised by the Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the next financial year ending 30th June, 2017.

The Statement of Compliance with the Code of Corporate Governance is enclosed. Annexed to the Directors' Report, we are enclosing our comparative financial data for the last six years. We are also enclosing Form-34 containing the pattern of shareholding along with prescribed additional information, as on 30th June, 2016.

We express our thanks to all the officers and workers for employing their efforts and hard working towards achieving better financial results and attaining high production targets successfully. We appreciate the co-operation of our customers, suppliers, bankers, advisors and shareholders for their continued support. We are also hopeful to continue our journey towards expansion and progress under the guidance and collaboration of our Chinese partners.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 07 October, 2016

(SHAHID NAZIR AHMAD)
Chief Executive Officer

SIX YEARS FINANCIAL RESULTS

(RUPEES IN THOUSAND)

	2016	2015	2014	2013	2012	2011
SALES	23,183,485	26,702,735	24,371,128	22,744,589	19,274,793	18,524,930
COST OF SALES	(19,971,238)	(22,988,317)	(20,435,316)	(18,838,816)	(16,052,482)	(15,552,188)
GROSS PROFIT	3,212,247	3,714,418	3,935,812	3,905,773	3,222,311	2,972,742
DISTRIBUTION COST	(1,396,012)	(1,472,973)	(1,159,311)	(1,270,852)	(910,442)	(828,796)
ADMINISTRATIVE EXPENSES	(472,516)	(477,492)	(443,232)	(385,512)	(310,523)	(283,558)
OTHER EXPENSES	(48,644)	(54,498)	(61,996)	(59,613)	(65,641)	(53,016)
	(1,917,172)	(2,004,963)	(1,664,539)	(1,715,977)	(1,286,606)	(1,165,370)
	1,295,075	1,709,455	2,271,273	2,189,796	1,935,705	1,807,372
OTHER INCOME	341,212	325,588	45,327	45,486	62,863	60,649
	1,636,287	2,035,043	2,316,600	2,235,282	1,998,568	1,868,021
FINANCE COST	(718,568)	(1,002,893)	(1,142,456)	(1,105,926)	(999,338)	(923,074)
SHARE OF LOSS FROM ASSOCIATE	-	-	-	(160)	-	-
PROFIT BEFORE TAXATION	917,719	1,032,150	1,174,144	1,129,196	999,230	944,947

VISION STATEMENT

- A leading producer of textile products by providing the highest quality of products and services to its customers.
- To strive excellence through commitment, integrity, honesty and team work.
- Highly ethical company and be respected corporate citizen to continue playing due role in the social and environmental sectors of the company.
- To develop and extremely motivated and professional trained work force, which would drive growth through innovation and renovation.
- Sustained growth in earning in real terms.

MISSION STATEMENT

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, a secured and friendly environment place of work to its employees and to project Pakistan's image in the international market.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016

This statement is being prescribed to comply with the Code of Corporate Governance contained in Listing Regulations of Pakistan Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	**Names**
Independent Director :	Mr. Shoaib Ahmad Khan
Executive Director :	Mr. Shahid Nazir Ahmad
Non-Executive Directors :	Mr. Naseer Ahmad Shah, Mr. Matloob Hussain
	Mr. Fazal Ahmad, Miss Chen Yan, Mr. Shibin Yang

   The independent Director meets the criteria of independence under clause i(b) of CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as tax payers 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 was occurred on the Board during the financial year under review. However, new elections were held during the year to elect the Board of Seven Directors for the next term of three years.

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

6. The Board has developed a Vision/Mission Statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, were taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written Notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board managed to arrange the prescribed training programme for its Directors. During the financial year, Mr. Matloob Hussain and Fazal Ahmad carried out Orientation Course, from the Institute of Chartered Accountants of Pakistan to acquaint them with the code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company.

10. The Board has approved appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' 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 the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members of whom two members are non-executive Directors including the Chairman of the Committee and one executive Director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company, as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three non- executive directors including the Chairman of the Committee.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company' securities, was determined and intimated to the directors, employees and stock exchanges.

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

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

24. We confirm that all other material principles enshrined in the CCG have been complied with, except those towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For Masood Textile Mills Limited

Faisalabad:
07 October, 2016

(SHAHID NAZIR AHMAD)
Chief Executive Officer

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Director of **MASOOD TEXTILE MILLS LIMITED** ("the Company") for the year ended 30 June 2016 to comply with the code contained in the Regulations of Pakistan Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2016.

As stated in paragraph No.15 of the Statement of Compliance, composition of Audit Committee is not as per the requirements of Rule 5.19.16(a) of the Regulations of Pakistan Stock Exchange Limited as one of the members of the Audit Committee is an executive director and members of Audit Committee do not include an independent director.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner:
Mubashar Mehmood

Date: 07 October, 2016
FAISALABAD

AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner:
Mubashar Mehmood

Date: 07 October, 2016
FAISALABAD

BALANCE SHEET AS

	NOTE	2016	2015
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
125 000 000 (2015 : 125 000 000) ordinary shares of Rupees 10 each		1,250,000	1,250,000
60 000 000 (2015 : 60 000 000) preference shares of Rupees 10 each		600,000	600,000
		1,850,000	1,850,000
Issued, subscribed and paid up share capital	3	948,333	948,333
Reserves	4	5,875,555	5,507,259
Total equity		6,823,888	6,455,592
Surplus on revaluation of freehold land	5	900,234	606,233
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	1,105,335	949,443
Liabilities against assets subject to finance lease	7	52,468	93,849
Deferred liability for gratuity	8	566,816	431,923
		1,724,619	1,475,215
CURRENT LIABILITIES			
Trade and other payables	9	2,156,675	2,205,160
Accrued mark-up	10	91,040	155,647
Short term borrowings	11	10,056,494	11,044,430
Current portion of non-current liabilities	12	788,853	750,675
Provision for taxation		188,501	278,037
		13,281,563	14,433,949
TOTAL LIABILITIES		15,006,182	15,909,164
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		22,730,304	22,970,989

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

CHIEF EXECUTIVE OFFICER

AT 30 JUNE 2016

	NOTE	2016	2015
		(RUPEES IN THOUSAND)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,713,395	6,582,729
Long term advances	15	289	713
Long term security deposits		45,802	50,183
		6,759,486	6,633,625
CURRENT ASSETS			
Stores, spare parts and loose tools	16	956,585	1,010,124
Stock in trade	17	5,277,633	5,275,563
Trade debts	18	6,067,959	6,911,990
Loans and advances	19	303,928	315,190
Short term deposits and prepayments	20	576,012	550,694
Other receivables	21	1,562,048	1,106,224
Cash and bank balances	22	1,226,653	1,167,579
		15,970,818	16,337,364
TOTAL ASSETS		22,730,304	22,970,989

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016	2015
		(RUPEES IN THOUSAND)	
SALES	23	23,183,485	26,702,735
COST OF SALES	24	(19,971,238)	(22,988,317)
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OTHER EXPENSES	27	(48,644)	(54,498)
OTHER INCOME	28	341,212	325,588
FINANCE COST	29	(718,568)	(1,002,893)
PROFIT BEFORE TAXATION		917,719	1,032,150
TAXATION	30	(188,501)	(278,037)
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EARNINGS PER SHARE - BASIC (RUPEES)	31	11.64	11.88
- DILUTED (RUPEES)	31	11.14	11.34

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	(RUPEES IN THOUSAND)	
PROFIT AFTER TAXATION	729,218	754,113
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements arising on defined benefit obligation	(58,426)	19,014
Surplus on revaluation of freehold land (i)	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year	(58,426)	19,014
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	670,792	773,127

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

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016	2015
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	2,679,328	3,160,133
Finance cost paid		(783,175)	(1,071,688)
Income tax paid		(294,468)	(293,218)
Dividend paid to ordinary shareholders		(260,363)	(89,618)
Dividend paid to preference shareholders		(41,496)	(41,320)
Gratuity paid		(94,910)	(158,547)
Net decrease in long term advances		424	3,106
Net decrease in long term security deposits		4,381	524
Net cash from operating activities		1,209,721	1,509,372
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		16,418	40,763
Capital expenditure on property, plant and equipment		(331,818)	(1,247,430)
Net cash used in investing activities		(315,400)	(1,206,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,307,772	132,000
Repayment of long term financing		(1,109,984)	(754,035)
Repayment of preference shares		-	(5,000)
Repayment of liabilities against assets subject to finance lease		(45,099)	(63,904)
Short term borrowings - net		(987,936)	1,110,964
Net cash (used in) / from financing activities		(835,247)	420,025
NET INCREASE IN CASH AND CASH EQUIVALENTS		59,074	722,730
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,167,579	444,849
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 22)		1,226,653	1,167,579

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	SHARE CAPITAL	RESERVES							TOTAL EQUITY
		CAPITAL			REVENUE			TOTAL	
		Share Premium	Redemption Fund	Sub Total	General	Unappropriated Profit	Sub Total		
	(RUPEES IN THOUSAND)								
Balance as at 30 June 2014	953,333	400,000	133,333	533,333	714,500	3,617,619	4,332,119	4,865,452	5,818,785
Preference shares repaid	(5,000)	-	-	-	-	-	-	-	(5,000)
Transferred from capital redemption reserve fund	-	-	(5,000)	(5,000)	-	5,000	5,000	-	-
Transactions with owners:									
Dividend at the rate of Rupees 1.50 per share (Ordinary shares)	-	-	-	-	-	(90,000)	(90,000)	(90,000)	(90,000)
Dividend at the rate of Rupees 1.16 per share (Preference shares)	-	-	-	-	-	(41,320)	(41,320)	(41,320)	(41,320)
Profit for the year	-	-	-	-	-	754,113	754,113	754,113	754,113
Other comprehensive income for the year	-	-	-	-	-	19,014	19,014	19,014	19,014
Total comprehensive income for the year	-	-	-	-	-	773,127	773,127	773,127	773,127
Balance as at 30 June 2015	948,333	400,000	128,333	528,333	714,500	4,264,426	4,978,926	5,507,259	6,455,592
Transactions with owners:									
Dividend at the rate of Rupees 4.35 per share (Ordinary shares)	-	-	-	-	-	(261,000)	(261,000)	(261,000)	(261,000)
Dividend at the rate of Rupees 1.19 per share (Preference shares)	-	-	-	-	-	(41,496)	(41,496)	(41,496)	(41,496)
Profit for the year	-	-	-	-	-	729,218	729,218	729,218	729,218
Other comprehensive loss for the year	-	-	-	-	-	(58,426)	(58,426)	(58,426)	(58,426)
Total comprehensive income for the year	-	-	-	-	-	670,792	670,792	670,792	670,792
Balance as at 30 June 2016	948,333	400,000	128,333	528,333	714,500	4,632,722	5,347,222	5,875,555	6,823,888

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. THE COMPANY AND ITS OPERATIONS

Masood Textile Mills Limited is a public limited company incorporated under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on Pakistan Stock Exchange Limited (PSX). Its registered office is situated at Universal House, P-17/1, New Civil Lines, Bilal Road, Faisalabad. The main objects of the Company are manufacturing and sale of cotton / synthetic fiber yarn, knitted / dyed fabrics and garments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) Statement of Compliance

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

b) Accounting Convention

These financial statements have been prepared under the historical cost convention except for the following:

- Deferred liability for gratuity which is recognized on the basis of actuarial valuation (Note 8).
- Freehold land grouped in operating fixed assets which is carried at revalued amount (Note 14.1).

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Deferred liability for gratuity

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

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

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

Provision for doubtful debts / receivables

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Standards that is effective in current year and is relevant to the Company

Following standard is mandatory for the Company's accounting periods beginning on or after 01 July 2015:

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

e) Standards and amendments to published standards that are effective in current year but not relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2016 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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

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

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

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

g) Standard and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant to the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefit

The company operates an unfunded gratuity scheme for its permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annualy on the basis of acturial recommendation to cover the period of service completed by the employees using Projected Unit Credit Acturial Cost Method. Last acturial valuation has been made carried on 30 June 2016.

2.3 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or at the contracted rates, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

2.4 Taxation

Current

The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.5 Property, plant, equipment and depreciation

a) Owned

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except freehold land which is stated at cost / appreciated value less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss. Cost of property, plant and equipment signifies historical cost, appreciated value, borrowing cost pertaining to erection / construction period as referred in Note 2.7 and directly attributable cost of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account as and when incurred.

b) Leased – Finance Lease

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in profit and loss account. Assets so acquired are depreciated over their expected useful life.

c) Leased – Operating lease

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account over the lease term.

d) Depreciation

Depreciation on property, plant and equipment is charged to income on reducing balance method at the rates given in Note 14.1 to write off the cost over their expected useful life. The Company charges depreciation on additions from the date when the asset is available for use and on deletions up to the date when asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

e) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.6 Inventories

Inventories, except for stock in transit and waste stock / rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores and spare parts are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw materials, work-in-process and finished goods is determined as follows:

i) For raw materials	-	Annual average basis.
ii) For work-in-process and finished goods	-	Average manufacturing cost including a portion of production over heads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon, waste stock / rags are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.7 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized upto the date of commissioning of respective fixed assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are charged to profit and loss account.

2.8 Provisions

Provisions are recognized 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 reporting date and adjusted to reflect current best estimate.

2.9 Impairment

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

2.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on delivery of goods to customers.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.11 Share capital

Ordinary and preference shares are classified as equity.

2.12 Financial instruments

Financial instruments carried on the balance sheet include deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, liabilities against assets subject to finance lease, short term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are measured initially at fair value.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.13 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when indentified.

2.14 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.16 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.18 Dividend and transfer of reserves

Dividend and transfers among reserves are treated as post balance sheet non-adjusting events. Hence, do not qualify for provision in the financial statements in accordance with the requirements of IAS 10 'Events after the reporting period'. These transfers are, therefore, recorded in the next year's financial statements.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its segments separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable operating segments: i) Spinning (Producing different qualities of yarn), ii) Knitting (Producing knitted fabric from yarn), iii) Processing and Garments (Processing of greige fabric for production of dyed and white fabric and manufacturing of variety of garments from processed fabric).

Transactions among the operating segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2016	2015		2016	2015
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
60 000 000	60 000 000	Ordinary shares of Rupees 10 each fully paid in cash	600,000	600,000
34 833 334	34 833 334	Cumulative preference shares (non-voting) of Rupees 10 each fully paid in cash (Note 3.1 & 3.2)	348,333	348,333
94 833 334	94 833 334		948,333	948,333

3.1 Movement during the year

34 833 334	35 333 334	As at 01 July	348,333	353,333
-	500 000	Cumulative preference shares (non-voting) of Rupees 10 each repaid during the year	-	5,000
34 833 334	34 833 334		348,333	348,333

3.2 The Company issued cumulative preference shares as at 30 June 2005, which are listed on Pakistan Stock Exchange Limited, to finance the working capital requirements and fixed capital expenditure.

Terms of redemption

a) Conversion option

Preference shareholders have the option to serve a notice to the Company to convert one third of the preference shares along with accumulated dividend into ordinary shares of the Company after the expiry of four years from the date of issuance in any conversion year at a discount of 15 percent to immediately preceding 30 calendar days' average market value. Upon receiving the conversion notice, the Company will have the option to repay the preference shares along with the accumulated dividend for which conversion notice has been issued within one month of receiving thereof or issue ordinary shares to preference shareholders.

b) Call option

The Company has the option to redeem the preference shares after four years of the issuance in part in multiples of 10 percent upto 100 percent from the preference shareholders. The call price would be Rupees 10 per share plus the entire accumulated preference share dividend, if any.

c) Rate of dividend

The preference dividend is payable at the average rate of six months KIBOR plus 2 percent per annum on cumulative basis. According to the terms of issuance, dividend to ordinary shareholders could only be paid after the payment of preference dividend to preference shareholders.

d) Sinking fund reserve

The Company has created a sinking fund reserve (capital redemption reserve fund) from the profits of the Company to make payments against any call option. The Company has built-up this sinking fund reserve to ensure that at the end of the fourth year from the issuance date, the reserve is equal to one third of the total amount of preference shares. This reserve account will subsequently be replenished to ensure that one third of the outstanding preference shares amount is available in the reserve account.

3.3 14 621 274 ordinary shares (2015: 14 621 274) of the Company are held by Shanghai Challenge Textile Company Limited - associated company.

	2016	2015
	(RUPEES IN THOUSAND)	
4. RESERVES		
Composition of reserves is as follows:		
Capital		
Share premium (Note 4.1)	400,000	400,000
Capital redemption reserve fund (Note 4.2)	128,333	128,333
	528,333	528,333
Revenue		
General	714,500	714,500
Unappropriated profit	4,632,722	4,264,426
	5,347,222	4,978,926
	5,875,555	5,507,259

4.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

4.2 The Company has created this reserve from its profits to make payments against any call option of preference shares.

	2016	2015
5. SURPLUS ON REVALUATION OF FREEHOLD LAND		
Opening balance	606,233	606,233
Add : Surplus on revaluation on freehold land	294,001	-
	900,234	606,233
6. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 6.1)	1,853,485	1,655,697
Less: Current portion shown under current liabilities (Note 12)	748,150	706,254
	1,105,335	949,443

6.1 Long term loans

LENDER	2016	2015	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST PAYABLE	SECURITY
	(RUPEES IN THOUSAND)					
6.1.1 Medium Term Loan / Demand Finances / Long Term Finances for Export Oriented Projects:						
NIB Bank Limited	465,674	-	3 Months KIBOR+1.50%	Twenty quarterly installments starting from 31 March 2016 and ending on 01 January 2021	Quarterly	First charge on specific machinery
United Bank Limited	-	9,000	3 Months KIBOR+2.00%	This facility was completely repaid on 23 November 2015	Quarterly	First charge on specific machinery
United Bank Limited	-	80,000	3 Months KIBOR+2.00%	This facility was completely repaid on 23 November 2015	Quarterly	First charge on specific machinery
United Bank Limited	-	43,000	3 Months KIBOR+2.00%	This facility was completely repaid on 23 November 2015	Quarterly	First charge on specific machinery
United Bank Limited	-	2,815	10.00%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	3,319	10.00%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	982	10.25%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	680	10.25%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	693	10.50%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	5,959	10.50%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	19,864	12.60%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	12,993	12.60%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	11,473	12.60%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	24,694	11.10%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	-	19,298	10.90%	This facility was completely repaid on 26 January 2016	Quarterly	First charge on specific machinery
United Bank Limited	132,605	-	5.00%	Sixteen quarterly installments starting from 22 February 2017 and ending on 22 November 2020	Quarterly	First charge on specific machinery
Habib Bank Limited	-	2,394	10.00%	This facility was completely repaid on 09 October 2015	Quarterly	First charge on specific machinery
Habib Bank Limited	-	9,697	10.00%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Bank Limited	-	5,049	10.00%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Bank Limited	-	6,523	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Bank Limited	-	23,397	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Bank Limited	-	12,480	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Bank Limited	-	17,193	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Bank Limited	-	1,370	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Bank Limited	-	2,348	11.20%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Standard Chartered Bank (Pakistan) Ltd.	-	5,496	10.40%	This facility was completely repaid on 30 July 2015	Quarterly	First charge on specific machinery
Standard Chartered Bank (Pakistan) Ltd.	-	7,349	11.10%	This facility was completely repaid on 09 September 2015	Quarterly	First charge on specific machinery
Pak Oman Investment Company Ltd.	-	5,602	11.20%	This facility was completely repaid on 21 January 2016	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Co.(Pvt) Ltd.	-	12,964	10.00%	This facility was completely repaid on 27 January 2016	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Co.(Pvt) Ltd.	-	8,779	10.25%	This facility was completely repaid on 27 January 2016	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Co.(Pvt) Ltd.	-	20,766	10.25%	This facility was completely repaid on 27 January 2016	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Co.(Pvt) Ltd.	-	3,650	12.60%	This facility was completely repaid on 27 January 2016	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Co.(Pvt) Ltd.	-	27,732	12.60%	This facility was completely repaid on 27 January 2016	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Co.(Pvt) Ltd.	-	19,839	12.60%	This facility was completely repaid on 27 January 2016	Quarterly	First charge on specific machinery
NIB Bank Limited	-	165,182	10.90%	This facility was completely repaid on 22 January 2016	Quarterly	First charge on specific machinery
NIB Bank Limited	-	13,805	10.90%	This facility was completely repaid on 22 January 2016	Quarterly	First charge on specific machinery
NIB Bank Limited	10,131	-	5.00%	Twenty quarterly installments starting from 12 July 2016 and ending on 12 April 2021	Quarterly	First charge on specific machinery
NIB Bank Limited	4,065	-	5.00%	Twenty quarterly installments starting from 04 August 2016 and ending on 04 May 2021	Quarterly	First charge on specific machinery
NIB Bank Limited	1,446	-	5.00%	Twenty quarterly installments starting from 22 August 2016 and ending on 22 May 2021	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	-	2,387	10.25%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	-	2,439	10.25%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	-	2,317	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	-	11,231	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	-	41,797	10.50%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
The Bank of Punjab	-	2,909	10.40%	This facility was completely repaid on 31 July 2015	Quarterly	First charge on specific machinery
The Bank of Punjab	-	6,611	11.10%	This facility was completely repaid on 15 October 2015	Quarterly	First charge on specific machinery
The Bank of Punjab	-	52,954	10.90%	This facility was completely repaid on 25 January 2016	Quarterly	First charge on specific machinery
The Bank of Punjab	4,150	-	5.00 %	Twenty quarterly installments starting from 12 July 2017 and ending on 12 April 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	4,311	-	5.00 %	Twenty quarterly installments starting from 05 August 2017 and ending on 05 May 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	4,778	-	5.00 %	Twenty quarterly installments starting from 11 August 2017 and ending on 11 May 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	9,847	-	5.00 %	Twenty quarterly installments starting from 11 August 2017 and ending on 11 May 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	3,145	-	5.00 %	Twenty quarterly installments starting from 08 September 2017 and ending on 08 June 2022	Quarterly	First charge on specific machinery
Samba Bank Limited	750,000	-	6 Months KIBOR+1.50%	Sixteen quarterly instalments starting from 30 September 2016 and ending on 30 June 2020	Quarterly	Pari Passu charge on fixed assets
	1,390,152	729,030				
6.1.2 Syndicate Term Finance - II:						
Allied Bank Limited	51,358	102,716	3 Months KIBOR+1.50%	Sixteen, quarterly unequal instalments starting from 04 September 2013 ending on 04 June 2017	Quarterly	Acquired by the Company against permanent working capital requirements and is secured by way of first pari passu charge over all present and future moveable fixed assets of the Company and mortgage over immovable fixed assets of the Company and personal guarantee of the Chief Executive Officer.
Bank Alfalah Limited	38,518	77,037				
The Bank of Punjab	44,938	89,877				
* Dubai Islamic Bank Pakistan Limited	51,852	103,704				
Habib Bank Limited	25,679	51,358				
National Bank of Pakistan	64,198	128,395				
Pakistan Kuwait Investment Co.(Pvt) Ltd.	32,099	64,198				
* Standard Chartered Modaraba	18,148	36,296				
* Standard Chartered Bank (Pakistan) Ltd.	46,667	93,333				
Summit Bank Limited	25,679	51,358				
United Bank Limited	64,197	128,395				
	463,333	926,667				
	1,853,485	1,655,697				

* This syndicate term finance is a musharika agreement between the bank / modaraba and the Company.

		2016	2015
		(RUPEES IN THOUSAND)	
7.	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**		
	Future rentals and year during which they fall due are as under:		
	2016	-	54,384
	2017	45,432	46,909
	2018	32,009	32,785
	2019	16,226	16,553
	2020	7,461	7,569
		101,128	158,200
	Less: Financial charges	7,957	19,930
	Present value of minimum lease rental payments	93,171	138,270
	Less: Current portion shown under current liabilities (Note 12)	40,703	44,421
		52,468	93,849

7.1 The value of minimum lease payments has been discounted using implicit interest rate of 7.85% to 13.93% per annum (2015: 8.52 percent to 13.93 percent per annum). Balance rentals are payable in monthly / quarterly & semi-annual installments. In case of default in any payment, an additional charge at the rate of 0.1 percent per day shall be paid. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of the lessor on such terms as may be agreed upon. Liabilities are secured against deposits of Rupees 13.267 million (2015: Rupees 16.082 million) included in long term security deposits and Rupees 2.672 million (2015: Rupees 2.352 million) included in short term deposits and prepayments.

7.2 Minimum lease payments and their present values are regrouped as under:

	2016		2015	
	Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five
	----------(RUPEES IN THOUSAND)----------			
Future minimum lease payments	45,432	55,696	54,384	103,816
Less: Unamortized finance charge	4,729	3,228	9,963	9,967
Present value of future minimum lease payments	40,703	52,468	44,421	93,849

		2016	2015
		(RUPEES IN THOUSAND)	
8.	**DEFERRED LIABILITY FOR GRATUITY**		
	Opening balance	431,923	426,889
	Add: Provision for the year (Note 8.1)	164,606	186,655
	Re-measurement recognized in other comprehensive income	58,426	(19,014)
	Decrease in current liability - net	6,771	-
	Closing Balance	661,726	594,530
	Less:		
	Payments made during the year	(94,910)	(158,547)
	Increase in current liability - net	-	(4,060)
		(94,910)	(162,607)
		566,816	431,923
8.1	**Provision for the year:**		
	Current service cost	123,882	139,321
	Interest cost	40,724	47,334
		164,606	186,655

8.2 Reconciliation of present value of defined benefit obligations as at 30 June is given below:

	2016	2015
	(RUPEES IN THOUSAND)	
Present value of defined benefit obligations as at 01 July	431,923	426,889
Current service cost	123,882	139,321
Interest cost	40,724	47,334
Benefits paid during the year	(94,910)	(158,547)
Decrease / (Increase) in current liability - net	6,771	(4,060)
Re-measuremenrts		
Actuarial loss from changes in demographics assumptions	23,415	-
Actuarial loss from changes in financial assumptions	4,186	-
Experience adjustment	30,825	(19,014)
	58,426	(19,014)
Present value of defined benefit obligations as at 30 June	566,816	431,923

8.3 Principal actuarial assumptions used:

	2016	2015
Discount rate for interest cost in profit and loss charge (per annum)	10.50%	13.50%
Discount rate for year end obligation (per annum)	7.25%	10.50%
Expected rate of increase in salary (per annum)	6.25%	9.50%
Average duration of the benefit (years)	8	12
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rate	Age based	Age based
Retirement assumption	Age 60	Age 60

8.4 Sensitivity analysis for actuarial assumptions:

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

	2016	2015
Discount rate	1.00%	1.00%
Increase in assumption (Rupees in thousand)	(41,178)	(47,402)
Decrease in assumption (Rupees in thousand)	48,072	57,410
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees in thousand)	46,276	56,449
Decrease in assumption (Rupees in thousand)	(40,231)	(47,338)

8.5 Amounts for the current and previous four years:

	2016	2015	2014	2013	2012
	(RUPEES IN THOUSAND)				
Present value of defined benefit obligations	566,816	431,923	426,889	344,074	268,127
Re-measurement arising on defined benefit obligation	58,426	(19,014)	(332)	18,659	1,790

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

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

Based on actuary's advice the expected charge to profit and loss account for the year ending on 30 June 2017 amounts to Rs. 175.260 million.

9. TRADE AND OTHER PAYABLES

	2016	2015
Creditors	1,431,699	1,483,271
Advances from customers	43,588	24,349
Accrued liabilities	582,253	601,355
Income tax deducted at source	16,431	17,549
Sales tax deducted at source	24,278	14,993
Workers' profit participation fund (Note 9.1)	48,644	54,498
Unclaimed dividend	9,782	9,145
	2,156,675	2,205,160

		2016	2015
		(RUPEES IN THOUSAND)	
9.1	**Workers' Profit Participation Fund**		
	Balance as at 01 July	54,498	61,996
	Add: Provision for the year (Note 27)	48,644	54,498
	Interest for the year (Note 29)	6,511	3,318
		109,653	119,812
	Less: Payments during the year	61,009	65,314
	Balance as at 30 June	48,644	54,498

9.1.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

10. ACCRUED MARK-UP

	2016	2015
Long term financing	19,821	21,276
Liabilities against assets subject to finance lease	643	1,102
Short term borrowings	70,576	133,269
	91,040	155,647

11 SHORT TERM BORROWINGS - SECURED

These represent the finances obtained from banking companies which are secured by way of first, second and third equitable mortgage on fixed assets of the Company, first joint pari pasu charge over current assets of the Company, pledge and personal guarantee of directors. Mark-up is paid at the rate of 3.50% per annum to 10.45% per annum (2015: 3.22% per annum to 12.18% per annum). The sanctioned credit facilities are Rupees 12,885 million (2015: Rupees 12,675 million).

12. CURRENT PORTION OF NON-CURRENT LIABILITIES

	2016	2015
Long term financing (Note 6)	748,150	706,254
Liabilities against assets subject to finance lease (Note 7)	40,703	44,421
	788,853	750,675

13. CONTINGENCIES AND COMMITMENTS

a) Contingencies

Guarantees of Rupees 75.021 million (2015: Rupees 74.521 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Collector of Customs, Lahore for import licence fee.

b) Commitments

i) Contracts for capital expenditure are amounting to Rupees 231.548 million (2015: Rupees 13.600 million) and other than capital expenditure are Rupees 124.025 million (2015: Rupees 166.434 million).

ii) Ijarah (operating lease) commitments - Company as lessee

The Company obtained vehicles under ijarah (operating lease) agreement. The lease terms are three to five years. The Company has given undertaking to purchase the leased vehicles on agreed purchase price at maturity.

The future aggregate minimum lease payments under ijarah (operating lease) are as follows:

	2016	2015
Not later than one year	26,345	38,232
Later than one year and not later than five years	51,750	79,445
	78,095	117,677

14. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
Operating fixed assets		
-Owned (Note 14.1)	6,450,508	6,242,057
-Leased (Note 14.1)	137,474	170,034
Capital work-in-progress (Note 14.2)	125,413	170,638
	6,713,395	6,582,729

14.1 OPERATING FIXED ASSETS

	OWNED											LEASED		
	Freehold land	Buildings on freehold land	Plant and machinery	Electric and gas installations	Factory equipment	Telephone installations	Furniture and fixtures	Office equipment	Computer equipment	Vehicles	Total	Plant and machinery	Vehicles	Total
	(RUPEES IN THOUSAND)													
At 30 June 2014														
Cost / revalued amount	1,020,778	989,507	5,181,326	406,403	80,720	19,671	172,162	4,355	221,569	159,940	8,256,431	181,683	172,862	354,545
Accumulated depreciation	-	(284,646)	(1,974,608)	(157,813)	(47,240)	(13,828)	(97,831)	(2,831)	(144,611)	(96,663)	(2,820,071)	(52,618)	(87,549)	(140,167)
Net book value	1,020,778	704,861	3,206,718	248,590	33,480	5,843	74,331	1,524	76,958	63,277	5,436,360	129,065	85,313	214,378
Year ended 30 June 2015														
Opening net book value	1,020,778	704,861	3,206,718	248,590	33,480	5,843	74,331	1,524	76,958	63,277	5,436,360	129,065	85,313	214,378
Additions	142,237	688,924	278,623	31,967	2,861	914	8,262	69	14,048	31,047	1,198,952	35,808	22,052	57,860
Transfer:														
Cost	-	-	90,031	-	-	-	-	-	-	95,223	185,254	(90,031)	(95,223)	(185,254)
Accumulated depreciation	-	-	(48,416)	-	-	-	-	-	-	(59,324)	(107,740)	48,416	59,324	107,740
	-	-	41,615	-	-	-	-	-	-	35,899	77,514	(41,615)	(35,899)	(77,514)
Disposal:														
Cost	-	-	(3,500)	-	-	-	(105)	(102)	-	(38,297)	(42,004)	-	-	-
Accumulated depreciation	-	-	2,489	-	-	-	53	63	-	8,089	10,694	-	-	-
	-	-	(1,011)	-	-	-	(52)	(39)	-	(30,208)	(31,310)	-	-	-
Depreciation charge	-	(37,654)	(328,032)	(26,617)	(3,487)	(950)	(11,759)	(231)	(16,631)	(14,098)	(439,459)	(9,761)	(14,929)	(24,690)
Closing net book value	1,163,015	1,356,131	3,197,913	253,940	32,854	5,807	70,782	1,323	74,375	85,917	6,242,057	113,497	56,537	170,034
At 30 June 2015														
Cost / revalued amount	1,163,015	1,678,431	5,498,064	438,370	83,581	20,585	180,319	4,322	235,617	188,589	9,490,893	127,460	99,691	227,151
Accumulated depreciation	-	(322,300)	(2,300,151)	(184,430)	(50,727)	(14,778)	(109,537)	(2,999)	(161,242)	(102,672)	(3,248,836)	(13,963)	(43,154)	(57,117)
Net book value	1,163,015	1,356,131	3,197,913	253,940	32,854	5,807	70,782	1,323	74,375	85,917	6,242,057	113,497	56,537	170,034
Year ended 30 June 2015														
Opening net book value	1,163,015	1,356,131	3,197,913	253,940	32,854	5,807	70,782	1,323	74,375	85,917	6,242,057	113,497	56,537	170,034
Effect of surplus on revaluation	294,001	-	-	-	-	-	-	-	-	-	294,001	-	-	-
Additions	5,217	57,281	230,457	19,868	10,101	835	15,875	6,066	23,552	7,791	377,043	-	-	-
Transfer:														
Cost	-	-	-	-	-	-	-	-	-	31,952	31,952	-	(31,952)	(31,952)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(19,977)	(19,977)	-	19,977	19,977
	-	-	-	-	-	-	-	-	-	11,975	11,975	-	(11,975)	(11,975)
Disposal:														
Cost	-	-	-	-	-	-	-	-	-	(11,451)	(11,451)	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	4,567	4,567	-	-	-
	-	-	-	-	-	-	-	-	-	(6,884)	(6,884)	-	-	-
Depreciation charge	-	(68,755)	(322,191)	(26,622)	(3,699)	(937)	(11,992)	(407)	(17,392)	(15,689)	(467,684)	(11,222)	(9,363)	(20,585)
Closing net book value	1,462,233	1,344,657	3,106,179	247,186	39,256	5,705	74,665	6,982	80,535	83,110	6,450,508	102,275	35,199	137,474
At 30 June 2016														
Cost / revalued amount	1,462,233	1,735,712	5,728,521	458,238	93,682	21,420	196,194	10,388	259,169	216,881	10,182,438	127,460	67,739	195,199
Accumulated depreciation	-	(391,055)	(2,622,342)	(211,052)	(54,426)	(15,715)	(121,529)	(3,406)	(178,634)	(133,771)	(3,731,930)	(25,185)	(32,540)	(57,725)
Net book value	1,462,233	1,344,657	3,106,179	247,186	39,256	5,705	74,665	6,982	80,535	83,110	6,450,508	102,275	35,199	137,474
Annual rate of depreciation (%)	-	5	10	10	10	15	15	15	20	20		10	20	

14.1.1 Freehold land of the Company was revalued as at 30 June 2016 by an independent valuer using market value method and stated in Note 14.1 at appreciated value. Previously, it was revalued by an independent valuer as at 28 june 2013,30 June 2007 and 30 September 1995. Had there been no revaluation on that date, the value of freehold land would have been lower by Rupees 900.234 million (2015: Rupees 606.233 million). The book value of freehold land on cost basis is Rupees 561.999 million (2015: Rupees 556.782 million).

14.1.2 Depreciation charge for the year has been allocated as follows:

	2016	2015
	(RUPEES IN THOUSAND)	
Owned:		
Cost of sales (Note 24)	421,267	395,790
Distribution cost (Note 25)	608	590
Administrative expenses (Note 26)	45,809	43,079
	467,684	439,459
Leased:		
Cost of sales (Note 24)	11,222	9,761
Distribution cost (Note 25)	3,506	4,204
Administrative expenses (Note 26)	5,857	10,725
	20,585	24,690
	488,269	464,149

14.1.3 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	-----------(RUPEES IN THOUSAND)-----------					
Vehicles						
Toyota Corolla, FD-11-501	634	60	574	1,070	Company Policy	Mr. Atif Anwar (Company's employee)
Suzuki Cultus, FSJ-3676	707	595	112	494	Company Policy	Mr. Rafiq Ahmad (Company's employee)
Toyota Corolla, FDZ-9955	511	442	69	640	Negotiation	Mr.Sajjad Ahmad, Lahore Cant
Daihatsu Cuore, FDA-10-1682	286	39	247	427	Company Policy	Mr.Amir Shahzad (Company's employee)
Toyota Corolla, FDA-10-1461	616	123	493	1,024	Company Policy	Mr. Muhammad Asif (Company's employee)
Toyota Corolla, FD-12-676	257	50	207	975	Negotiation	Beacon Impex (Pvt) Limited, Faisalabad
Honda City,FDA-10-1270	525	90	435	927	Company Policy	Mr, Naeem ul Haq (Company's employee)
Suzuki Cultus, FD-11-605	422	43	379	720	Company Policy	Mrs.Shagufta Shaheen (Company's employee)
Daihatsu Cuore, FDA-10-1463	272	67	205	497	Company Policy	Mr.Zahoor Ahmad (Company's employee)
Daihatsu Cuore, FDA-10-1467	277	70	207	512	Negotiation	Mr.Zafar Nadeem, Alfiaz Colony Faisalabad
Toyota Corolla ,FD-10-327	629	160	469	1,487	Negotiation	Mr Shahbaz Raza EMECHS, Multan Road, Lahore
Toyota Corolla,FDA-10-1618	704	160	544	658	Company Policy	Mr. Shahzad Nadeem (Company's employee)
Suzuki Cultus,FDA-10-1626	345	92	253	593	Negotiation	Mr. Muhammad Ajmal, Alipur
Toyota Corolla,FSJ-248	666	465	201	630	Negotiation	Mr. Hadayat Ullah, Nawan Kali, Quetta
Daihatsu Cuore, FDA-10-1465	271	66	205	497	Negotiation	Mr. Muhammad Javed Iqbal, Madina Town, Faisalabad
Honda City, FD-11-329	560	76	484	1,088	Negotiation	Mr. Muhammad Shakeel Akhtar, Shadman Town, Faisalabad
Daihatsu Cuore, FDA-10-1621	290	76	214	496	Negotiation	Mr. Muhammad Naeem, Baghban Pura, Faisalabad
Suzuki Bolan, FDB-10-328	241	28	213	445	Negotiation	Mr. Irfan Hameed,West Block, Scheme N0.2 Sahiwal
Toyota Corolla, FD-11-745	985	321	664	683	Company Policy	Mr. Fazal Elahi (Company's employee)

The book value of other assets disposed of during the year was less than Rupees 50,000.

	2016	2015
	(RUPEES IN THOUSAND)	
14.2 CAPITAL WORK-IN-PROGRESS		
Buildings on freehold land	2,108	12,089
Plant and machinery	31,585	76,165
Advances against purchase of land	35,688	25,688
Advances against purchase of machinery	56,032	56,696
	125,413	170,638

14.3 Borrowing cost of Rupees 0.258 million (2015 : Rupees 0.675 million) was capitalized during the year using the capitalization rate of 5.00% per annum (2015 : 8.80% per annum).

15. LONG TERM ADVANCES

	2016	2015
Considered good - secured		
Advances to employees		
Executives (Note 15.1)	720	1,280
Other employees	141	185
	861	1,465
Less : Current portion shown under current assets (Note 19)	572	752
	289	713

15.1 Reconciliation of advances given to executives is given below:

	2016	2015
Balance as at 01 July	1,280	4,339
Add: Disbursements	-	1,240
	1,280	5,579
Less: Recovered during the year	560	4,299
Balance as at 30 June	720	1,280

15.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 1.280 million (2015: Rupees 4.770 million).

15.2 These include the interest free advances to company's employees recoverable in equal monthly installments and secured against the gratuity payable of these employees.

15.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of advances to employees is not considered material and hence not recognized.

16. STORES, SPARE PARTS AND LOOSE TOOLS

	2016	2015
Stores (Note 16.1)	673,521	744,737
Spare parts	281,883	264,015
Loose tools	1,181	1,372
	956,585	1,010,124

16.1 These include stores in transit of Rupees 42.061 million (2015: Rupees 61.109 million).

17. STOCK IN TRADE

	2016	2015
Raw materials (Note 17.1)	1,715,467	1,649,836
Work-in-process (Note 17.2)	1,408,214	1,489,086
Finished goods	2,153,952	2,136,641
	5,277,633	5,275,563

17.1 These includes stock of Rupees 157.114 million (2015: Rupees 69.610 million) sent to third parties for conversion.

17.2 These include stock of Rupees 31.055 million (2015: Rupees 46.246 million) sent to third parties for processing.

17.3 Stock in trade includes stocks amounting to Rupees 75.604 million (2015: Rupees 118.878 million) valued at net realizable value.

		2016	2015
		(RUPEES IN THOUSAND)	
18.	**TRADE DEBTS**		
	Considered good:		
	Secured (against letters of credit)	1,106,958	950,085
	Unsecured (Note 18.1)	4,961,001	5,961,905
		6,067,959	6,911,990
	Considered doubtful:		
	Others - unsecured	24,832	24,832
	Less: Provision for doubtful debts	24,832	24,832
		-	-

18.1 This included an amount of Rupees 217.913 million due from a related party, Challenge Apparels Limited as at 30 June 2015. However it is no more a related party as at 30 June, 2016.

		2016	2015
19.	**LOANS AND ADVANCES**		
	Considered good:		
	Employees - Interest free:		
	Against expenses	22,689	12,443
	Against salary	38,472	30,042
		61,161	42,485
	Current portion of long term advances (Note 15)	572	752
	Advances to suppliers	242,195	271,953
		303,928	315,190
20.	**SHORT TERM DEPOSITS AND PREPAYMENTS**		
	Letters of credit	1,282	552
	Prepayments	23,009	19,164
	Margin against letters of credit / guarantees	4,832	4,832
	Security deposits including current portion	20,119	15,807
	Income tax	526,770	510,339
		576,012	550,694
21.	**OTHER RECEIVABLES**		
	Considered good:		
	Sales tax	1,198,312	663,868
	Export rebates	333,880	312,618
	Others	29,856	129,738
		1,562,048	1,106,224
22.	**CASH AND BANK BALANCES**		
	With banks :		
	On current accounts	540,878	462,824
	Term deposit receipt (Note 22.1)	-	40,000
	On saving accounts including US$ 28,424 (2015 : US$ 14,781) (Note 22.2)	684,751	663,107
		1,225,629	1,165,931
	Cash in hand	1,024	1,648
		1,226,653	1,167,579

22.1 This represented term deposit receipt having maturity period of one month and carried profit at the rate of 7.25% per annum.

22.2 Rate of profit on saving accounts ranges from 2.40% to 6.50% (2015 : 4.50% to 9.00%) per annum.

		2016	2015
		(RUPEES IN THOUSAND)	
23.	**SALES**		
	Local	778,527	3,529,658
	Export	21,851,459	22,501,273
	Waste	369,727	394,277
	Knitting / dyeing income	233,344	377,802
		23,233,057	26,803,010
	Less: Sales tax	49,572	100,275
		23,183,485	26,702,735
24.	**COST OF SALES**		
	Raw material consumed	8,616,984	8,918,140
	Salaries, wages and other benefits	3,162,883	3,338,220
	Staff retirement benefits	139,262	159,257
	Fuel and power	1,417,173	1,758,502
	Dyes and chemicals consumed	1,144,430	1,426,016
	Stores, spare parts and loose tools consumed	445,860	426,285
	Packing materials and other charges	2,274,723	2,250,893
	Outside knitting, dyeing and CMT charges	1,008,755	1,111,758
	Repair and maintenance	447,179	489,372
	Insurance	65,486	76,145
	Other factory overheads (Note 24.1)	752,453	769,242
	Depreciation - owned assets (Note 14.1.2)	421,267	395,790
	Depreciation - leased assets (Note 14.1.2)	11,222	9,761
		19,907,677	21,129,381
	Work-in-process:		
	Opening stock	1,489,086	2,312,186
	Closing stock	(1,408,214)	(1,489,086)
		80,872	823,100
	Cost of goods manufactured	19,988,549	21,952,481
	Finished goods:		
	Opening stock	2,136,641	3,172,477
	Closing stock	(2,153,952)	(2,136,641)
		(17,311)	1,035,836
		19,971,238	22,988,317

24.1 This includes Ijarah (operating lease) rentals amounting to Rupees 30.457 million (2015: Rupees 34.198 million) of vehicles.

		2016	2015
25.	**DISTRIBUTION COST**		
	Salaries and other benefits	80,001	82,441
	Staff retirement benefits	5,960	6,106
	Commission to selling agents	664,882	699,503
	Insurance	5,409	4,298
	Traveling and conveyance	39,385	35,484
	Vehicles' running	6,902	5,006
	Printing and stationery	495	1,087
	Communication	13,302	15,090
	Outward freight and distribution	575,562	619,164
	Depreciation - owned assets (Note 14.1.2)	608	590
	Depreciation - leased assets (Note 14.1.2)	3,506	4,204
		1,396,012	1,472,973

		2016	2015
		(RUPEES IN THOUSAND)	
26.	**ADMINISTRATIVE EXPENSES**		
	Salaries and other benefits	284,025	288,649
	Staff retirement benefits	19,384	21,292
	Rent, rates and taxes (Note 26.1)	18,102	16,829
	Traveling and conveyance	15,026	14,143
	Entertainment	9,193	10,575
	Repair and maintenance	3,615	4,104
	Vehicles' running	15,988	15,791
	Printing and stationery	4,820	6,142
	Communication	18,957	17,862
	Legal and professional	1,790	1,926
	Newspapers and periodicals	61	85
	Electricity and Sui gas	9,769	9,100
	Auditors' remuneration (Note 26.2)	2,010	1,818
	Subscription and fee	5,915	5,854
	Advertisement	1,866	834
	Insurance	9,316	6,954
	Miscellaneous	1,012	1,730
	Depreciation - owned assets (Note 14.1.2)	45,809	43,079
	Depreciation - leased assets (Note 14.1.2)	5,857	10,725
		472,516	477,492

26.1 This includes Ijarah (operating lease) rentals amounting to Rupees 6.469 million (2015: Rupees 4.085 million) of vehicles.

		2016	2015
26.2	**Auditors' remuneration**		
	Annual audit fee	1,400	1,350
	Half yearly review fee	350	325
	Other certifications	175	50
	Reimbursable expenses	85	93
		2,010	1,818
27.	**OTHER EXPENSES**		
	Workers' profit participation fund (Note 9.1)	48,644	54,498
28.	**OTHER INCOME**		
	Income from financial assets		
	Profit on deposits with banks	55,046	31,166
	Exchange gain	254,066	265,164
		309,112	296,330
	Income from non-financial assets		
	Sale of stores and scrap	10,070	19,805
	Gain on sale of property, plant and equipment	9,534	9,453
	Others	12,496	-
		32,100	29,258
		341,212	325,588
29.	**FINANCE COST**		
	Mark-up on:		
	Long term financing	145,464	209,503
	Short term borrowings	422,017	667,073
	Liabilities against assets subject to finance lease	8,592	6,406
	Interest on workers' profit participation fund (Note 9.1)	6,511	3,318
	Bank charges and commission	135,984	116,593
		718,568	1,002,893

	2016	2015
	(RUPEES IN THOUSAND)	
30. TAXATION		
Current (Note 30.1)	261,644	277,943
Prior year adjustment	(73,143)	94
	188,501	278,037

30.1 The Company falls in the ambit of final tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. However, provision for tax on other income is made at current tax rates after considering the rebates and tax credits, if any, and accumulated tax losses. This amount includes super tax of Rupees 24.402 million (2015: Rupees 24.824 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001. No provision for deferred taxation is required due to final tax on exports. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of final tax on export.

30.2 Under Section 5A of the Income Tax Ordinance, 2001, the Company is required to pay tax at the rate of 10% of so much of its undistributed profits as exceed 100% of its paid up capital unless it distributes profits equal to 40% of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of tax year 2016. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on 07 October 2016 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

31. EARNINGS PER SHARE

		2016	2015
Basic earnings per share			
Profit after taxation	**(Rupees in thousand)**	729,218	754,113
Dividend on preference shares	**(Rupees in thousand)**	(30,655)	(41,496)
		698,563	712,617
Weighted average number of ordinary shares	**(Numbers)**	60 000 000	60 000 000
Earnings per share - Basic	**(Rupees)**	11.64	11.88
Diluted earnings per share			
Profit after taxation	**(Rupees in thousand)**	729,218	754,113
Dividend on preference shares	**(Rupees in thousand)**	(30,655)	(41,496)
		698,563	712,617
Weighted average number of shares	**(Numbers)**	62 679 683	62 851 888
Earnings per share - Diluted	**(Rupees)**	11.14	11.34

	2016	2015
	(RUPEES IN THOUSAND)	
32. CASH GENERATED FROM OPERATIONS		
Profit before taxation	917,719	1,032,150
Adjustments for non-cash charges and other items:		
Depreciation	488,269	464,149
Provision for gratuity	164,606	186,655
Gain on sale of property, plant and equipment	(9,534)	(9,453)
Finance cost	718,568	1,002,893
Working capital changes (Note 32.1)	399,700	483,739
	2,679,328	3,160,133

	2016	2015
	(RUPEES IN THOUSAND)	
32.1 Working capital changes		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	53,539	126,906
Stock in trade	(2,070)	1,940,400
Trade debts	844,031	(1,496,382)
Loan and advances	11,262	259,369
Short term deposits and prepayments	(8,887)	3,921
Other receivables	(455,824)	(105,362)
	442,051	728,852
Decrease in trade and other payables	(42,351)	(245,113)
	399,700	483,739

33. EVENTS AFTER THE REPORTING PERIOD

Board of Directors of the Company has proposed a cash dividend for the ordinary shareholders of the Company for the year ended 30 June 2016 amounting to Rupees 4.40 (2015: Rupees 4.35) per share and preference dividend for the preference shareholders of the Company amounting to Rupees 0.88 (2015: Rupees 1.19) per share at their meeting held on 07 October,2016. However, these events have been considered as non-adjusting events under IAS-10 and have not been recognized in these financial statements.

34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in these financial statements for remuneration including all benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

DESCRIPTION	2016			2015		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	RUPEES IN THOUSAND					
Managerial remuneration	3,200	2,013	126,486	3,200	2,283	110,046
House rent	1,280	805	50,595	1,280	914	44,018
Other allowances	320	201	12,649	320	228	11,005
	4,800	3,019	189,730	4,800	3,425	165,069
Number of persons	1	3	137	1	4	125

34.1 The chief executive officer, some of the Directors and some of the Executives are provided free use of Company maintained vehicles.

34.2 Meeting fee amounting to Rupees 0.200 million (2015: Rupees 0.115 million) has been paid to four directors (2015: four directors)

35. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated company, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2016	2015
	(RUPEES IN THOUSAND)	
Associated company		
Purchase of goods and services	32,571	81,837
Sale of operating fixed assets	-	5,450
Sale of goods and services	164,379	258,753
Dividend paid	63,603	-
Other related parties		
Dividend paid	6,488	2,282

	2016	2015
	(Number of Persons)	
36. NUMBER OF EMPLOYEES		
Number of Employees as on 30 June	12 359	12 094
Average number of employees during the year	12 221	16 415

		2016	2015
		(FIGURES IN THOUSAND)	
37. PLANT CAPACITY AND ACTUAL PRODUCTION			
SPINNING			
Production at normal capacity converted to 20s count based on three shifts per day.	(Kgs.)	4 762	4 762
Actual production converted to 20s count based on three shifts per day.	(Kgs.)	4 395	4 392
KNITTING			
Production at normal capacity based on three shifts per day.	(Kgs.)	41 216	41 216
Actual production based on three shifts per day.	(Kgs.)	18 639	19 398
DYEING / FINISHING			
Production at normal capacity on reactive dyeing basis at three shifts per day.	(Kgs.)	34 080	34 080
Actual production converted on reactive dyeing basis at three shifts per day.	(Kgs.)	17 593	19 144
GARMENTS			
Production at normal capacity of normal / average garments capacity based on single shift per day.	(Dzn.)	5 926	5 903
Actual production of normal / average garments capacity basis on single shift per day.	(Dzn.)	3 778	4 016

37.1 REASONS FOR LOW PRODUCTION

Under utilization of available capacity is due to normal maintenance and gas / electric supply shutdown.Knitting machines are available for different types of fabric for which orders are based on seasonal basis resulting under utilization of actual knitting capacity.

38. SEGMENT INFORMATION

	Spinning		Knitting		Processing & Garments		Elimination of Inter-segment transactions		Total-Company	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(RUPEES IN THOUSAND)									
Sales										
External	1,243,140	752,046	56,241	45,102	21,884,104	25,905,587	-	-	23,183,485	26,702,735
Intersegment	1,515,497	1,973,849	7,850,344	8,507,052	43,836	37,519	(9,409,677)	(10,518,420)	-	-
	2,758,637	2,725,895	7,906,585	8,552,154	21,927,940	25,943,106	(9,409,677)	(10,518,420)	23,183,485	26,702,735
Cost of sales	(2,690,752)	(2,586,682)	(7,650,304)	(8,284,306)	(19,039,858)	(22,635,749)	9,409,677	10,518,420	(19,971,238)	(22,988,317)
Gross Profit	67,885	139,213	256,281	267,848	2,888,082	3,307,357	-	-	3,212,247	3,714,418
Distribution cost	(40,022)	(31,352)	(104,213)	(109,137)	(1,251,777)	(1,332,484)	-	-	(1,396,012)	(1,472,973)
Administrative expenses	(26,479)	(27,323)	(68,957)	(65,449)	(377,080)	(384,720)	-	-	(472,516)	(477,492)
	(66,501)	(58,675)	(173,170)	(174,586)	(1,628,857)	(1,717,204)	-	-	(1,868,528)	(1,950,465)
Profit before taxation and unallocated income and expenses	1,384	80,538	83,111	93,262	1,259,225	1,590,153	-	-	1,343,719	1,763,953
Unallocated income and expenses:										
Other expenses									(48,644)	(54,498)
Other income									341,212	325,588
Finance cost									(718,568)	(1,002,893)
Taxation									(188,501)	(278,037)
Profit after taxation									729,218	754,113

38.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Knitting		Processing & Garments		Total- Company	
	2016	2015	2016	2015	2016	2015	2016	2015
	(RUPEES IN THOUSAND)							
Segment Assets	1,147,517	1,066,007	1,930,380	1,934,398	9,869,716	9,868,011	12,947,613	12,868,416
Unallocated assets							9,782,691	10,102,573
							22,730,304	22,970,989
Segment Liabilities	162,316	124,558	641,231	451,798	2,010,983	2,216,374	2,814,530	2,792,730
Unallocated Liabilities							12,191,652	13,116,434
							15,006,182	15,909,164

38.2 Geographical information

38.2.1 The company's revenue from external customers by geographical location is detailed below:

	2016	2015
	(RUPEES IN THOUSAND)	
America and Canada	14,203,803	17,370,758
Europe	6,049,388	4,183,448
Asia, Africa, and Australia	1,598,268	947,067
Pakistan	1,332,026	4,201,462
	23,183,485	26,702,735

38.2.2 All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

38.3 Revenue from major customers

Revenue from major customers of the Company's Garments segment represent Rupees 12,337 million (2015 : Rupees 14,851 million). Revenue from other segments of the Company does not include any major customer.

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2016	2015
Cash at banks - USD	28,424	14,781
Trade debts - USD	50,960,434	59,397,008
Trade debts - Euro	1,476,176	-
Trade and other payable - USD	(1,609,204)	(1,181,798)
Trade and other payable - Euro	(1,286)	-
Net exposure - USD	49,379,654	58,229,991
Net exposure - Euro	1,474,890	-

Following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	103.93	101.00
Reporting date rate	104.50	101.50
Rupees per Euro		
Average rate	115.40	-
Reporting date rate	116.08	-

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 245.108 million (2015: Rupees 280.741 million) and Rupees 8.132 million (2015: Rupees Nil) higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, term deposit receipt and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2016	2015
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial liabilities		
Long term financing	174,478	597,030
Floating rate instruments		
Financial assets		
Term depost receipt	-	40,000
Bank balances - saving accounts	684,751	663,107
Financial liabilities		
Long term financing	1,679,007	1,058,667
Liabilities against assets subject to finance lease	93,171	138,270
Short term borrowings	10,056,494	11,044,430

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 105.867 million (2015: Rupees 109.613 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming that amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Trade debts	6,067,959	6,911,990
Loans and advances	39,333	31,507
Deposits	47,585	41,749
Other receivables	29,856	129,738
Bank balances	1,225,629	1,165,931
	7,410,362	8,280,915

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The external credit rating of Company's bankers is given below:

	Rating			2016	2015
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	120,012	15,939
Allied Bank Limited	A1+	AA+	PACRA	5,305	2,614
Askari Bank Limited	A-1+	AA	JCR-VIS	52,907	10,295
Bank Alfalah Limited	A1+	AA	PACRA	26,636	20,913
First Women Bank Limited	A2	A-	PACRA	21,240	122
Habib Bank Limited	A-1+	AAA	JCR-VIS	74,219	61,442
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	210,859	326,892
Bank Al-Habib Limited	A1+	AA+	PACRA	2,450	2,492
MCB Bank Limited	A1+	AAA	PACRA	23,059	35,507
NIB Bank Limited	A1+	AA-	PACRA	468	22,136
The Bank of Punjab	A1+	AA-	PACRA	98,290	108,604
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS	15,478	10,144
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	6,535	42,858
United Bank Limited	A-1+	AAA	JCR-VIS	145,128	78,199
Burj Bank Limited	A-2	BBB+	JCR-VIS	24,883	40,010
Summit Bank Limited	A-1	A-	JCR-VIS	204,527	273,551
Soneri Bank Limited	A1+	AA-	PACRA	71,692	15,504
Samba Bank Limited	A-1	AA	JCR-VIS	68,605	25,233
Industrial and Commercial Bank of China Limited	P-1	A1	Moody's	20,036	96
Meezan Bank Limited	A-1+	AA	JCR-VIS	33,300	73,380
				1,225,629	1,165,931

As at 30 June 2016, trade debts of Rupees 1,002.049 million (2015: Rupees 987.520 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2016	2015
	(RUPEES IN THOUSAND)	
Due from related party		
Upto 1 month	-	114,803
1 to 6 months	-	7,539
	-	122,342
Others		
Upto 1 month	408,454	234,105
1 to 6 months	162,071	563,657
More than 6 months	431,524	67,416
	1,002,049	865,178
	1,002,049	987,520

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2016, the Company had Rupees 2,828.506 million (2015: Rupees 1,630.570 million) available borrowing limits from financial institutions and Rupees 1,226.653 million (2015: Rupees 1,167.579 million) cash and bank balances. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Following are the contractual maturities of financial liabilities as at 30 June 2016:

	Carrying Amount	Contractual Cash flows	6 months or less	6-12 months	1-2 Years	More than 2 years
	(RUPEES IN THOUSAND)					
Non-derivative financial liabilies:						
Long term financing	1,853,485	2,135,375	426,760	453,341	787,516	467,758
Liabilities against assets subject to finance lease	93,171	101,128	23,829	21,603	32,009	23,687
Short term borrowings	10,056,494	10,127,070	8,047,070	2,080,000	-	-
Trade and other payables	2,023,734	2,023,734	1,921,866	101,868	-	-
Accrued mark-up	91,040	91,040	91,040	-	-	-
	14,117,924	14,478,347	10,510,565	2,656,812	819,525	491,445

Following are the contractual maturities of financial liabilities as at 30 June 2015:

	Carrying Amount	Contractual Cash flows	6 months or less	6-12 months	1-2 Years	More than 2 years
	(RUPEES IN THOUSAND)					
Non-derivative financial liabilities:						
Long term financing	1,655,697	1,879,153	440,357	395,149	758,965	284,682
Liabilities against assets subject to finance lease	138,270	158,200	29,687	24,697	46,909	56,907
Short term borrowings	11,044,430	11,177,700	6,468,999	4,708,701	-	-
Trade and other payables	2,093,771	2,093,771	1,997,120	96,551	-	-
Accrued mark-up	155,647	155,647	155,647	-	-	-
	15,087,815	15,464,471	9,091,810	5,225,098	805,874	341,589

Short term borrowings and trade and other payables are financial liabilities of revolving nature which will get renewed as part of working capital management. The rates of interest/mark-up have been disclosed in Note 6, Note 7 and Note 11 of these financial statements.

(d) Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and 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 the shareholders or issue new shares.

39.2 Financial instruments by categories

	Loans and receivables	
	2016	2015
	(RUPEES IN THOUSAND)	
As at 30 June		
Financial assets as per balance sheet		
Trade debts	6,067,959	6,911,990
Loans and advances	39,333	31,507
Deposits	47,585	41,749
Other receivables	29,856	129,738
Cash and bank balances	1,226,653	1,167,579
	7,411,386	8,282,563

	At amortized cost	
	2016	2015
	(RUPEES IN THOUSAND)	
Financial liabilities as per balance sheet		
Long term financing	1,853,485	1,655,697
Liabilities against assets subject to finance lease	93,171	138,270
Short term borrowings	10,056,494	11,044,430
Trade and other payables	2,023,734	2,093,771
Accrued mark-up	91,040	155,647
	14,117,924	15,087,815

39.3 Offsetting financial assets and financial liabilities

As on balance sheet date, recognized financial instruments are not subject to offsetting as there are no enforeceable master netting arangements and similar agreements.

40. RECOGNIZED FAIR VALUE MEASUREMENTS

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. Due to the short-term nature, carrying amounts of most of the financial assets and financial liabilities are considered to be the same as their fair value.

41. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

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

At 30 June 2016	Level 1	Level 2	Level 3	Total
	---------------RUPEES IN THOUSAND-------------			
Freehold land	-	1,462,333	-	1,462,333
Total non financial assets	-	1,462,333	-	1,462,333

At 30 June 2015	Level 1	Level 2	Level 3	Total
	---------------RUPEES IN THOUSAND-------------			
Freehold land	-	1,163,015	-	1,163,015
Total non financial assets	-	1,163,015	-	1,163,015

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

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

(ii) **Valuation techniques used to determine level 2 fair values**

The company obtaines independent valuation for its freehold land. At the end of reporting period, the management updates the assessment of the fair value of each property, taking into account the most recent independent valuation. The management determines the value of these assets within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar Lands.

The level 2 fair value of land has been derived using the market value approach. The key inputs under this approach are the market price per kanal determined by using independent market inquires and comparing prices of similar land in the area (location and size).

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land. As at 30 June 2016, the fair value of freehold land has been determined by an independent valuer.

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

42. INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

42.1

Description	Note	2016		2015	
		Carried under		Carried under	
		Non-Shariah arrangements	Shariah arrangements	Non-Shariah arrangements	Shariah arrangements
		---------------RUPEES IN THOUSAND-------------			
Assets					
Loans and advances					
Loans to employees	15 and 19	-	62,022	-	43,950
Advances to suppliers	19	-	242,195	-	271,953
Deposits					
Deposits		-	65,921	-	65,990
Bank balances	22	684,751	540,878	703,107	462,824
Liabilities					
Loan and advances					
Long term financing	6	1,736,818	116,667	1,422,364	233,333
Liabilities against assets subject to finance lease	7	93,171	-	138,270	-
Short term borrowings	11	9,427,730	628,764	10,407,140	637,290
Income					
Profit on deposits with banks	28	55,046	-	31,166	-

42.2

	2016	2015
	(RUPEES IN THOUSAND)	
Sources of other income		
Profit on deposits with banks	55,046	31,166
Exchange gain	254,066	265,164
Sale of stores and scrap	10,070	19,805
Gain on sale of property, plant and equipment	9,534	9,453
Others	12,496	-
	341,212	325,588

		Note	2016	2015
			(RUPEES IN THOUSAND)	
42.3	**Exchange gain**	28		
	Earned from actual currency		254,066	265,164
42.4	**External revenue from different business segments**	38		
	Spinning		1,243,140	752,046
	Knitting		56,241	45,102
	Processing and Garments		21,884,104	25,905,587
			23,183,485	26,702,735

42.5 Relationship with banks

Name	Relationship	
	Non Islamic window operations	With Islamic window operations
National Bank of Pakistan	✔	
Allied Bank Limited	✔	
Askari Bank Limited	✔	
Bank Alfalah Limited	✔	
First Women Bank Limited	✔	
Habib Bank Limited	✔	
Habib Metropolitan Bank Limited	✔	
Bank Al-Habib Limited	✔	
MCB Bank Limited	✔	
NIB Bank Limited	✔	
The Bank of Punjab	✔	
Dubai Islamic Bank Pakistan Limited		✔
Standard Chartered Bank (Pakistan) Limited	✔	
United Bank Limited	✔	
Burj Bank Limited		✔
Summit Bank Limited	✔	
Soneri Bank Limited	✔	
Samba Bank Limited	✔	
Industrial and Commercial Bank of China Limited	✔	
Meezan Bank Limited		✔

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 07 October, 2016 by the Board of Directors of the Company.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made, except for the exchange gain amounting to Rupees 265.164 million reclassified from export sales to other income.

45. GENERAL

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

FORM 34

PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2016

1. Incorporation Number **0012223**
2. Name of the Company **MASOOD TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at 30.06.2016

4. No. of shareholders	Shareholdings	Total shares held
ORDINARY SHARES:		
659	Shareholding from 1 to 100 Shares	**47,527**
484	Shareholding from 101 to 500 Shares	**108,703**
74	Shareholding from 501 to 1000 Shares	**59,272**
85	Shareholding from 1001 to 5000 Shares	**223,445**
10	Shareholding from 5001 to 10000 Shares	**70,904**
2	Shareholding from 10001 to 15000 Shares	**29,100**
1	Shareholding from 15001 to 20000 Shares	**17,000**
2	Shareholding from 20001 to 25000 Shares	**42,800**
4	Shareholding from 25001 to 30000 Shares	**116,302**
2	Shareholding from 35001 to 40000 Shares	**77,500**
2	Shareholding from 40001 to 45000 Shares	**82,900**
1	Shareholding from 75001 to 80000 Shares	**77,000**
1	Shareholding from 90001 to 95000 Shares	**92,605**
2	Shareholding from 390001 to 395000 Shares	**784,500**
1	Shareholding from 655001 to 660000 Shares	**659,600**
1	Shareholding from 775001 to 780000 Shares	**779,600**
1	Shareholding from 1380001 to 1385000 Shares	**1,383,750**
1	Shareholding from 1530001 to 1535000 Shares	**1,534,578**
1	Shareholding from 2010001 to 2015000 Shares	**2,012,328**
1	Shareholding from 2995001 to 3000000 Shares	**2,999,100**
1	Shareholding from 3895001 to 3900000 Shares	**3,900,000**
1	Shareholding from 4540001 to 4545000 Shares	**4,543,662**
1	Shareholding from 7635001 to 7640000 Shares	**7,636,550**
1	Shareholding from 14620001 to 14625000 Shares	**14,621,274**
1	Shareholding from 18095001 to 18100000 Shares	**18,100,000**
1340	**Total**	**60,000,000**

PREFERENCE SHARES:

1	Shareholding from 2495001 to 2500000 Shares	2,500,000
3	Shareholding from 4995001 to 5000000 Shares	15,000,000
1	Shareholding from 7330001 to 7335000 Shares	7,333,334
1	Shareholding from 9995001 to 10000000 Shares	10,000,000
6	Total	34,833,334

5. Categories of shareholders	Shares held	Percentage
ORDINARY SHARES:		
5.1 Directors, Chief Executive Officer, etc.	1,472,750	2.45
5.2 Associated Companies, undertakings and related parties.	14,621,274	24.37
5.3 NIT and ICP	2,013,178	3.36
5.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.	4,568,781	7.61
5.5 Insurance Companies	400,444	0.67
5.6 Modarabas and Mutual Funds	5,100	0.01
5.7 Share holders holding 10%	25,736,550	42.89
5.8 General Public		
a. Local	1,785,475	2.98
b. Foreign	-	-
5.9. Others - Joint Stock Companies/Co-operative Societies.	9,396,448	15.66
Total Ordinary Shares	60,000,000	100.00
PREFERENCE SHARES:		
5.3 Banks, Development Financial Institutions, Non Banking Financial Institutions.	34,833,334	100.00

6. Signature of Chief Executive/ Secretary

7. Name of Signatory: **MIAN ABDUL BARI**

8. Designation: **COMPANY SECRETARY**

9. CNIC Number: 3 3 1 0 0 - 7 8 9 1 4 1 5 - 3

10. Date: Day 0 7 Month 1 0 Year 2 0 1 6

NAMEWISE CATEGORIES OF SHAREHOLDERS AS ON 30-06-2016

Name		Shares Held	Total Shares	Percentage
ORDINARY SHARES				
Directors:				
MR. SHAHID NAZIR AHMAD	Chief Executive Officer	1,383,750		
MR. NASEER AHMAD SHAH	Chairman	37,500		
MR. FAZAL AHMAD	Director	30,000		
MR. MATLOOB HUSSAIN	Director	21,500		
MR. SHOAIB AHMAD KHAN (NIT-Nominee)	Director	-		
MR. SHIBIN YANG (Shanghai Challenge - Nominee)	Director	-		
MISS CHEN YAN (Shanghai Challenge - Nominee)	Director	-	1,472,750	2.45
Shareholders Holding 10% or More:				
MRS. NAZIA NAZIR		18,100,000		
ZHEJIANG XINAO INDUSTRY COMPANY LIMITED		7,636,550	25,736,550	42.89
Associated Undertakings:				
SHANGHAI CHALLENGE TEXTILE CO., LTD.		14,621,274	14,621,274	24.37
Investment Companies:				
INVESTMENT CORPORARION OF PAKISTAN		850	850	0.00
Financial Institutions:				
Banks:				
HABIB METROPOLITAN BANK LIMITED		21,300		
IDBP (ICP UNIT)		3,250		
NATIONAL BANK OF PAKISTAN		4,544,231	4,568,781	7.61
Insurance Companies:				
AGRO GENERAL INSURANCE COMPANY LIMITED		7,594		
DELTA INSURANCE COMPANY LIMITED		100		
STATE LIFE INSURANCE CORPORATION OF PAKISTAN		392,750	400,444	0.67
Modarabas:				
THIRD PRUDENTIAL MODARABA		4,900		
UNICAP MODARABA		200	5,100	0.01
Mutual Fund:				
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST		2,012,328	2,012,328	3.36

Name	Shares Held	Total Shares	Percentage
Joint Stock Companies And Others			
BEACON IMPEX (PRIVATE) LIMITED	2,999,100		
FORTRESS TEXTILES (PRIVATE) LIMITED	2,314,178		
H M INVESTMENTS (PVT) LIMITED	4,900		
ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	50		
KOHISTAN CORPORATION (PVT) LIMITED	3,900,000		
MAPLE LEAF CAPITAL LIMITED	1		
NH SECURITIES (PVT) LIMITED	5		
PASHA SECURITIES (PVT) LIMITED	100		
PRUDENTIAL CAPITAL MANAGEMENT LIMITED	1,600		
PAKISTAN KUWAIT INVSTMENT (PVT) LIMITED	2,600		
SAVARI (PVT) LIMITED	900		
TRUSTEE NBP EMP BENEVOLENT FUND TRUST	3,249		
TRUSTEE NBP EMPLOYEES PENSION FUND	92,605		
Y.S. SECURITIES & SERVICES (PVT) LIMITED	160		
ZAFAR SECURITIES (PVT) LIMITED	77,000	**9,396,448**	**15.66**
General Public:		**1,785,475**	**2.98**
TOTAL ORIDINANRY SHARES		**60,000,000**	**100.00**
PREFERENCE SHARES			
Banks:			
ASKARI BANK LIMITED	-	2,500,000	
HABIB BANK LIMITED	-	10,000,000	
MCB BANK LIMITED	-	5,000,000	
NATIONAL BANK OF PAKISTAN	-	5,000,000	
UNITED BANK LIMITED	-	7,333,334	
		29,833,334	**85.65**
Investment Companies:			
PAKISTAN KUWAIT INVESTMENT COMPANY (PVT) LIMITED	-	5,000,000	**14.35**
TOTAL PREFERENCE SHARES		**34,833,334**	**100.00**

MASOOD TEXTILE MILLS LIMITED

FORM OF PROXY

No. of Ordinary Shares Held.______________ Folio No. _____________CDC A/c No.______________

I/We, ____

of ____

being a member of MASOOD TEXTILE MILLS LIMITED hereby appoint ___________________

____

(NAME)

of ____

____

(being a member of the Company) as my/our proxy to vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held at its Registered Office at Universal House, 17/1, New Civil Lines, Bilal Road, Faisalabad on Monday, the 31st day of October, 2016 at 11.00 A.M. or any adjournment thereof.

As witnessed my hands this______________________ day of ___________________ 2016

Signed by me in the presence of witness: ____

____

(Signature of witness)

CNIC.______________

(Member's Signature)

CNIC.______________

Five Rupees
Revenue
Stamp

Note: Proxies, in order to be effective, must be received at the Company's Registered Office not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.